BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 2,731 | ⩔ 29%

ESCORTS KUBOTA | Automobiles | 05 November 2025

Healthy show, though medium-term woes to stay; retain SELL

- **Q2 tractor volumes grew by a healthy 23%/11% YoY/QoQ, with domestic volumes recovery. However, regional imbalance keeps realisations soft**
- **Raw material cost stays muted and only respite to guard margins, gross margins up ~40 bps, EBITDA margins gain 280 bps ~13% YoY**
- **Maintain FY26e/FY27e/FY28e EBITDA/EPS as H1 show remains healthy. Retain 20x P/E multiple, revise TP to Rs 2,731 (Rs 2,670). Maintain SELL**

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Regional presence implies industry beat growth a challenge: ESCORTS reported robust revenue growth of ~23%/12% YoY/QoQ to Rs 27.9bn. This was driven by tractor volumes, up ~30%/11% YoY/QoQ in line with the industry, led by domestic volumes up ~31% YoY resulting in market share gain of 20bps YoY to 11.8%. Net realisations fell ~6% on festive season discounts but were stable QoQ.

Agri machinery leads, CE lags despite mini excavator gains: Agri machinery (AM) segment up 29% YoY, driven by healthy tractor volumes and export growth of 26% (52% via Kubota global network). AM EBIT margin jumped to 12.8% from 9.1% YoY, driven by operating leverage and easing commodity prices. Construction Equipment (CE) revenue declined 11% YoY, while EBIT margin contracted sharply to 3.8% from 9.3% YoY, as production was lower due to extended monsoon and demand softness. However, mini excavator gained share by 151bps to 18.5%.

Margin expansion driven by scale: Raw material cost (inventory adjusted) rose by 22%/12% YoY/QoQ to ~Rs 19bn (largely stable at 69.3 as % of sales vs 69.6% YoY). EBITDA margin jumped sharply to 12.9% vs 10.1% YoY/ flat QoQ as operating leverage and softer commodity prices aid. ESCORTS is working towards localisation to mitigate the impact of Kubota merger. ESCORTS indicated margin guidance at ~12.5%.

Low double-digit growth expected: Management expects industry growth at low double digit, driven by strong reservoir levels, higher MSPs and pre-buying ahead of regulatory changes. Export growth is targeted at 25-30% for FY26.

Maintain SELL: Intense competition and unfavourable regional mix keep tractor realisation under pressure YoY, further added by festive discounts. ESCORTS has also faced challenges selling Kubota tractors due to engine manufacturing woes. We, however, maintain our EBITDA/EPS for FY26E/FY27E/FY28E mindful of healthy 1HFY26. The new capacity benefits are away till FY28 and beyond that will aide export visibility. We maintain SELL with new TP of Rs 2,731 (Rs 2,670). Our target P/E stays at 20x – a marginal premium to the stock's LT mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ESCORTS IN/Rs 3,822
Market cap	US$ 5.7bn
Free float	63%
3M ADV	US$ 7.9mn
52wk high/low	Rs 4,180/Rs 2,776
Promoter/FPI/DII	37%/22%/8%

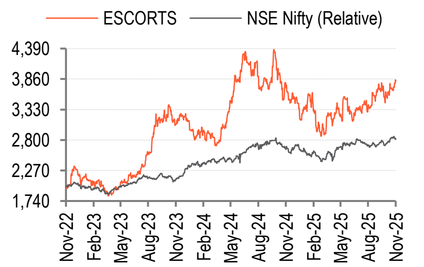
Source: NSE | Price as of 4 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,02,439	1,14,140	1,31,812
EBITDA (Rs mn)	11,653	13,450	16,205
Adj. net profit (Rs mn)	11,268	12,127	14,281
Adj. EPS (Rs)	100.7	108.4	127.6
Consensus EPS (Rs)	100.7	129.0	127.0
Adj. ROAE (%)	10.9	10.4	11.0
Adj. P/E (x)	38.0	35.3	29.9
EV/EBITDA (x)	44.5	38.9	32.9
Adj. EPS growth (%)	6.1	7.6	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q2FY26	Q1FY26	Our view
Domestic volumes	Domestic tractor volumes surged 30.5% YoY to ~32k units from ~25k units, in line with industry growth of 30.7%. Total tractor volumes up 30.3% YoY to ~34k units from ~26k units. Market share gained 20 bps to 11.8% at Q2FY26-end. Growth was driven by new product launches (Promax, Kubota MU), customer initiatives, and strong rural demand (adequate reservoirs, GST reduction, MSP hikes). Management expects low double-digit industry growth for FY26.	Domestic tractor volumes declined by 1.9% YoY, underperforming industry growth of 8.7%. Total tractor volumes (domestic + exports) grew 0.7% YoY. North/Central regions grew 0.5% YoY, while South/East/West surged 19.3%, impacting EKL's MS due to weaker presence in high-growth regions. Management expects FY26 industry growth at mid-to-high single digits. New launches (Promax, Kubota MU series 41–50hp, Powertrac Wetland series by Q3FY26) aim to boost South/East presence.	ESCORTS continues to face challenges as in a bid to gain market share loses realisations maintaining discounts add woes on account of unfavourable mix. 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 volumes rose 26.2% YoY to ~1.5k units from ~1.2k units, outperforming industry growth of 4.4%. Exports to Kubota Global Network were stable at ~52% of total exports. Europe remains dominant; Mexico, Africa, Southeast Asia gaining traction. FY26 export target: 25–30% growth target maintained, aiming for 15% of revenue by FY27–30.	Export volumes surged 80.3% YoY, driven by a low base and strong Kubota network demand (~52% of exports). Europe remains the primary market, with Mexico and other markets (Africa, Southeast Asia) contributing. FY26 export growth is targeted at 25–30%, aiming for 15% of total revenue by FY27–30. Component exports are ~Rs 1.5bn in last year, targeting ~Rs 2.5bn for FY26.	Formal amalgamation with Kubota will give ESCORTS a better foothold in export markets. However, its full impact will take another 4-6 quarters as indicated by the management.
Margins	EBITDA margin expanded to 13.1%, up 280 bps YoY from 10.3%, consolidated margin was up by 279bps to 12.9%. EBIT margin for Agri Machinery at 12.8%, up 368 bps YoY from 9.1%. Expansion driven by easing material costs, operating leverage, and cost control. CE segment EBIT margin was down to 3.8% vs 9.3% on account of lower production and extended monsoon.	EBITDA margin improved to 12.9%, up 16 bps YoY, driven by soft commodity prices and operational efficiencies. However, rising metal prices may pressurise margins. Management guides FY26 margins at 12–12.5%, with Kubota import costs and localisation delays (engine localisation 2–3 years away) as headwinds.	Margins driven by softening raw material cost keeping the expenses curve in check. However, as the company engines are not allowed on Kubota platform, import costs will continue to pinch margins till the localisation is complete. Hiving off the RE business to continue impacting the show.
Other segments	CE: Volumes down 17.8% YoY to ~1.1k units from ~1.4k units, underperforming industry decline of ~4% (crane segment down 13%). Mini Excavator gained traction by 151 bps to 18.5%. RED: Fully divested in Q1FY26; no further income.	CE volumes fell 23.7% YoY, underperforming industry's 14.2% decline. Revenue dropped 20.8% YoY to Rs 3bn from Rs 3.8bn. EBIT margin weakened to 5.8% from 10.3% YoY on old emission norm inventory clearance and BS-5 transition costs. New Hydra 12 crane launched. Government's FY26 capex likely to drive the H2FY26 demand. Railway Equipment Division (RED): Divested to Sona BLW, with PAT of ~Rs 10bn crore recorded as discontinued operations income.	Performance of segments other than tractors will improve. CE segment performance is likely to improve given the government's thrust on infrastructure. In crane and mini escalator market, the company is No. 2 player. However, backhoe loaders and compactors are a challenge due to growing export markets dominated by MNC companies and not a strong play for ESCORTS. However, hiving off the Railway Equipment business at below-par valuations will have an impact in the short term.

Parameter	Q2FY26	Q1FY26	Our view
Regulations	The transition from BS IV to BS V is complete with transition leading to price hikes. Normalisation is expected once market absorbs price impact. No further updates on the Trem V norms received.	Tractor Trem V norms (initially April 1, 2026) likely delayed, with a proposal to exempt 25–50hp segment. Clarity is expected by mid-August 2025. CE BS-5 transition completed, with cost hikes impacting demand. Full price recovery expected by September 2025.	ESCORTS has a lower presence in the high-end tractor segment and will see limited pricing impact from new norms.
Capex	FY26 capex guidance: Rs 3.5–4bn of normal capex maintained with proportional amount spent for H1FY26. Greenfield capex will be above the normal capex Rs 4–4.5bn for UP land acquisition. Land acquisition delayed by ~6 months; completion expected in FY26.	FY26 capex planned at Rs 3.5–4bn, with Rs 4–4.5bn for UP greenfield land acquisition, totaling ~Rs 8bn. Land acquisition delayed by ~6 months due to farmer issues; expected completion within FY26. Greenfield plant targeted for FY28–29 production. Tractor capacity utilization at ~60%, CE at ~30%.	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.
Merger	ESCORTS is planning to develop tractors on their platform to be sold under Kubota brand as a strategy to localize production as much as possible.	Kubota merger continues to drag margins by ~2% due to import costs and currency depreciation. Synergies expected in 2–3 years with localization and new product launches (Promax, Kubota MU, Powertrac Wetland). Management targets marginal margin improvement in FY26.	In the medium term, margins are likely to be under pressure. Clarity, particularly about the exports business, is likely to emerge in the next 4-6 quarters, post a complete branding revamp. In India, localisation effort will only be the next trigger for Kubota units.
Other Information	Non-tractor revenue: 17% of Agri Machinery (vs. 18% YoY/QoQ). Treasury income dipped sequentially in Q2FY26 due to mark to market movement in mutual funds. Captive finance (EKFL): Currently present in 4-5 states. Management plans for pan India rollout and breakeven in FY27, and profitability by FY28. Aim is for 25-30% penetration of tractor sales.	Channel inventory maintained at 4–5 weeks. Agri machinery non-tractor revenue (~20%) includes spares (~10%), implements, and engines (low single digits).	Channel inventory is marginally below industry average of ~45-50 days, but discounting structure hits performance. Balance sheet strength is reasonably healthy, though greenfield investments pace is clearly lacking. UP expansion hinges on government clearances.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Consolidated)

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E
Volume	33,877	25,995	30.3	30,581	10.8	33,877
Avg. Realisation per Vehicle	8,24,028	8,76,034	(5.9)	8,17,517	0.8	7,43,941
Net Revenues	27,916	22,773	22.6	25,001	11.7	25,202
Total Income (A)	**27,916**	**22,773**	**22.6**	**25,001**	**11.7**	**25,202**
Operating Expenses						
Raw materials consumed	19,338	15,848	22.0	17,282	11.9	17,543
Employee Expenses	2,076	1,902	9.1	1,881	10.4	1,975
Other Expenses	2,905	2,723	6.7	2,624	10.7	2,755
Total Expenditure (B)	**24,319**	**20,473**	**18.8**	**21,787**	**11.6**	**22,273**
EBITDA (A-B)	**3,597**	**2,299**	**56.4**	**3,214**	**11.9**	**2,930**
Other Income	1,343	1,161	15.6	1,561	(14.0)	1,577
Depreciation	622	611	1.8	596	4.3	611
EBIT	4,318	2,850	51.5	4,179	3.3	3,895
Finance Costs	46	98	(53.4)	40	14.3	65
PBT after excep items	4,273	2,991	42.8	4,899	(12.8)	3,845
Tax expense	1,091	(252)	(532.9)	1,205	(9.4)	846
Reported PAT	**3,181**	**3,243**	**(1.9)**	**3,695**	**(13.9)**	**2,999**
Adjusted PAT	**3,181**	**3,004**	**5.9**	**2,935**	**8.4**	**2,984**
EPS (Rs)	28.4	27.2	4.6	26.2	8.4	26.7
Key Ratios (%)			**(bps)**		**(bps)**	
Gross Margin	30.7	30.4	32	30.9	(15)	30.4
EBITDA Margin	12.9	10.1	279	12.9	3	11.6
EBIT Margin	15.5	12.5	296	16.7	(125)	15.5
PBT Margin	15.3	12.1	322	16.6	(125)	15.2
Tax Rate	25.5	(8.4)	3397	24.6	96	22.0
Adj PAT Margin	11.4	13.2	(179)	11.7	(34)	11.8

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

Valuation Methodology

Intense competition and unfavourable regional mix keep tractor realisation under pressure YoY further added worries by festive discounts. ESCORTS has also faced challenges selling Kubota tractors due to engine manufacturing woes.

Regional imbalance pinches ESCORTS and will likely continue till the new capacity is on stream (till FY28/FY29). Import substitution of Kubota engines due to the policy of not allowing Escorts engines (on Kubota platform) will be a drag. Margin impact will be ~1-2% in the medium term. Further, we believe the hiving-off impact of the remunerative Railway Equipment division will impact FY26/FY27 earnings trajectory.

The full benefit of the Kubota integration on export sales is likely to flow in only after 12-24 months and hinges on capacity expansion. The ongoing capex is likely to be delayed given that the land acquisition is delayed by six months and is yet to be completed; but management is hopeful of new commissioning by FY28/29. Any meaningful reflection on the volume is visible only post the availability of extra capacity.

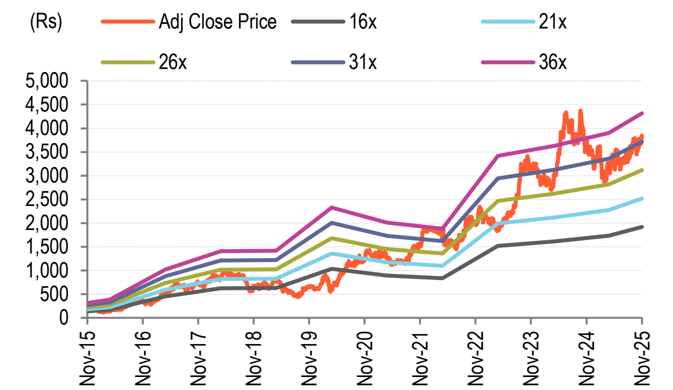
We, however, maintain our EBITDA/EPS for FY26E/FY27E/FY28E mindful of healthy 1HFY26. New capacity benefits are away till FY28 and beyond that, will aid the export visibility. We maintain SELL with new TP of Rs 2,731 (Rs 2,670). Our target P/E stays at 20x – a marginal premium to the stock's LT mean.

Fig 3 – Key assumptions

	FY25	FY26E	FY27E	FY28E
Volumes (nos)	1,12,627	1,22,764	1,33,813	1,45,521
Blended Realisation (Rs)	6,61,029	6,89,123	7,20,133	7,48,939
EBITDA (Rs mn)	11,653	13,450	16,205	18,809
EBITDA margin (%)	13.9	13.5	13.5	13.5
Adj. PAT (Rs mn)	11,268	12,127	14,281	15,612
EPS (Rs)	100.7	108.4	127.6	139.5

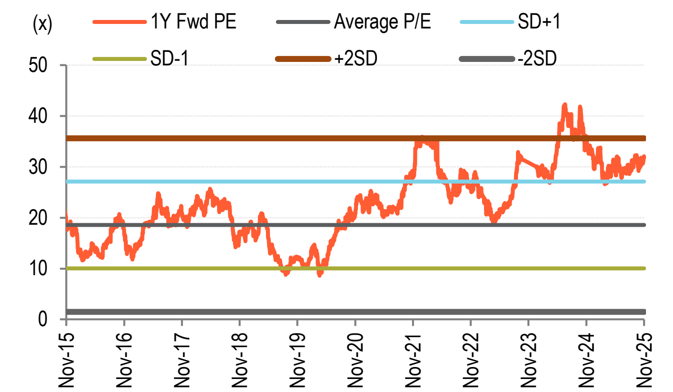
Source: Company, BOBCAPS Research

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 owing to earnings-accretive price hikes
- Quicker easing of commodity prices than anticipated.
- Faster addition of new capacities ahead of schedule or without further delays

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**88,496**	**1,02,439**	**1,14,140**	**1,31,812**	**1,50,816**
EBITDA	11,667	11,653	13,450	16,205	18,809
Depreciation	1,669	2,437	1,923	2,060	2,214
EBIT	13,984	13,830	16,246	19,101	21,008
Net interest inc./(exp.)	(137)	(292)	(290)	(310)	(330)
Other inc./(exp.)	3,986	4,613	4,719	4,957	4,413
Exceptional items	0	(28)	0	0	0
EBT	14,010	13,510	15,956	18,791	20,678
Income taxes	3,519	2,270	3,829	4,510	5,066
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**10,491**	**11,241**	**12,127**	**14,281**	**15,612**
Adjustments	0	28	0	0	0
Adjusted net profit	**10,491**	**11,268**	**12,127**	**14,281**	**15,612**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	12,746	12,794	6,957	7,242	8,344
Other current liabilities	5,409	11,889	21,411	25,483	29,071
Provisions	1,599	2,073	1,934	2,128	2,341
Debt funds	42	23	47	49	52
Other liabilities	0	0	0	0	0
Equity capital	1,105	1,119	1,119	1,119	1,119
Reserves & surplus	90,619	1,02,510	1,15,001	1,28,969	1,44,267
Shareholders' fund	91,724	1,03,629	1,16,120	1,30,088	1,45,386
Total liab. and equities	**1,11,520**	**1,30,408**	**1,46,469**	**1,64,990**	**1,85,194**
Cash and cash eq.	11,790	11,241	20,018	24,269	27,106
Accounts receivables	11,732	13,318	13,603	15,167	17,354
Inventories	12,181	13,990	14,072	15,890	17,767
Other current assets	4,528	14,288	5,479	6,027	6,629
Investments	52,199	56,052	72,229	82,229	92,229
Net fixed assets	18,308	17,972	18,449	18,989	21,989
CWIP	1,163	3,331	3,000	2,800	2,500
Intangible assets	754	754	754	754	754
Deferred tax assets, net	(1,135)	(538)	(1,135)	(1,135)	(1,135)
Other assets	0	0	0	0	0
Total assets	**1,11,520**	**1,30,408**	**1,46,469**	**1,64,990**	**1,85,194**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**10,236**	**2,647**	**21,028**	**11,695**	**13,319**
Capital expenditures	(1,846)	(4,268)	(2,069)	(2,400)	(4,914)
Change in investments	(4,532)	(3,853)	(16,177)	(10,000)	(10,000)
Other investing cash flows	3,986	4,613	4,719	4,957	4,413
Cash flow from investing	**(2,393)**	**(3,508)**	**(13,527)**	**(7,443)**	**(10,502)**
Equities issued/Others	(1,824)	950	674	0	0
Debt raised/repaid	42	(20)	25	2	3
Interest expenses	(137)	(292)	(290)	(310)	(330)
Dividends paid	(763)	(313)	(313)	(313)	(313)
Other financing cash flows	1,637	(597)	597	0	0
Cash flow from financing	**(1,046)**	**(272)**	**692**	**(621)**	**(640)**
Chg in cash & cash eq.	**6,797**	**(1,132)**	**8,193**	**3,631**	**2,177**
Closing cash & cash eq.	**11,790**	**11,241**	**20,018**	**24,269**	**27,106**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	94.9	100.7	108.4	127.6	139.5
Adjusted EPS	94.9	100.7	108.4	127.6	139.5
Dividend per share	6.9	2.8	2.8	2.8	2.8
Book value per share	830.5	926.6	1,038.2	1,163.1	1,299.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.8	5.1	4.6	4.0	3.5
EV/EBITDA	44.3	44.5	38.9	32.9	28.3
Adjusted P/E	40.3	38.0	35.3	29.9	27.4
P/BV	4.6	4.1	3.7	3.3	2.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	83.4	76.0	76.0	75.5
Interest burden (PBT/EBIT)	100.2	97.7	98.2	98.4	98.4
EBIT margin (EBIT/Revenue)	15.8	13.5	14.2	14.5	13.9
Asset turnover (Rev./Avg TA)	102.0	104.8	103.8	107.0	109.5
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	12.1	11.5	11.0	11.6	11.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	5.0	15.8	11.4	15.5	14.4
EBITDA	50.1	(0.1)	15.4	20.5	16.1
Adjusted EPS	81.6	6.1	7.6	17.8	9.3
Profitability & Return ratios (%)					
EBITDA margin	13.2	11.4	11.8	12.3	12.5
EBIT margin	15.8	13.5	14.2	14.5	13.9
Adjusted profit margin	11.9	11.0	10.6	10.8	10.4
Adjusted ROAE	11.4	10.9	10.4	11.0	10.7
ROCE	12.1	11.8	11.2	11.8	11.5
Working capital days (days)					
Receivables	49	45	43	40	39
Inventory	50	47	45	41	41
Payables	78	64	47	29	28
Ratios (x)					
Gross asset turnover	0.4	0.3	0.3	0.3	0.3
Current ratio	2.0	2.0	1.8	1.8	1.7
Net interest coverage ratio	(101.9)	(47.4)	(56.0)	(61.6)	(63.7)
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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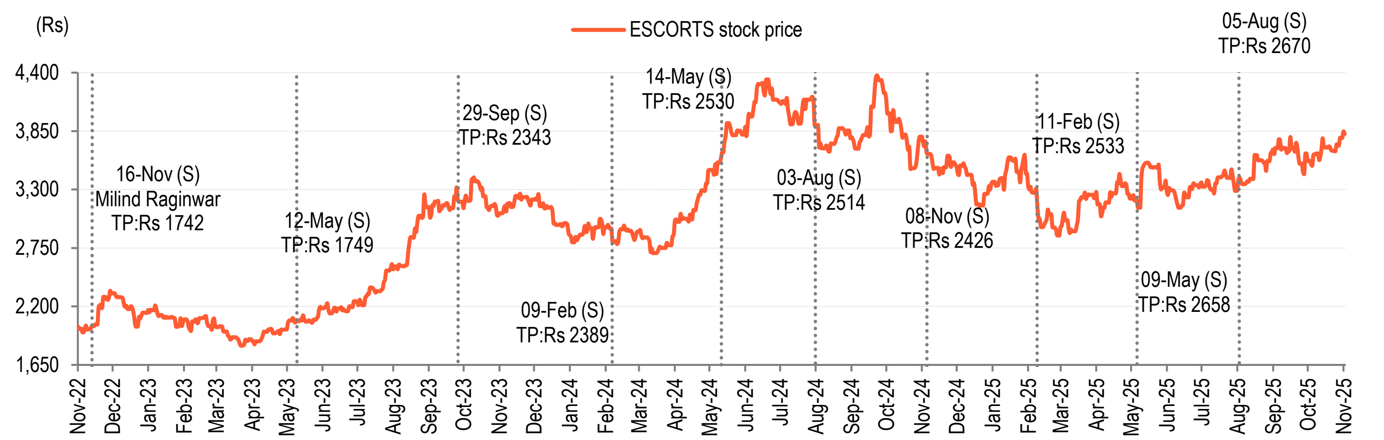
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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)



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