

**SELL****TP: Rs 2,828 | ▼ 26%****ESCORTS KUBOTA**

Automobiles

| 11 February 2026

**Healthy Q3 show; medium-term woes continue; retain SELL**

- Strong tractor momentum continued with volumes up ~14% YoY, driving Agri Machinery EBIT margin higher to 13.5% (+310 bps YoY)
- Operating leverage and cost control drive gross margin expansion of 200bps YoY to 29%. Cost inflation expected to impact Q4FY26
- Revise up FY26E/FY27E/FY28E EBITDA/EPS to factor 9MFY26 show. Retain 20x P/E multiple, revise TP down to Rs 2,828 (Rs 2,731). SELL

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**Volume growth drives revenue; regional disparity continues to pressure:**

ESCORTS reported healthy revenue growth of ~11%/18% YoY/QoQ to Rs32.8bn, driven primarily by tractor volumes growth of ~14% YoY, supported by strong rabi demand, healthy reservoir levels and higher MSPs. However, realisation remained subdued, with NRPV down ~2% YoY due to competitive intensity; though improving ~8% QoQ on a better mix. Management highlighted that growth continues to be skewed towards South/East markets, where ESC has a relatively lower penetration.

**Agri machinery drives margin expansion, CE stabilises QoQ:** Agri Machinery (AM) segment stayed the key growth driver, revenue grew ~15% with EBIT margin expanding sharply to 13.5% (+310bps/72bps YoY/QoQ), aided by cost control and material cost softening. Construction Equipment (CE) segment lagged, with volumes declining ~14% YoY; though improving sharply QoQ. Segment revenue slowed ~5% YoY, with EBIT margin falling to 6.6% (-440bps YoY), albeit recovering QoQ.

**Softening cost and scale drive margin:** Raw material costs rose ~8% YoY to Rs20.4bn but fell to ~71% of sales (vs 73% YoY), benefiting from the scale and cost control. Gross margin added ~200bps YoY (-170bps QoQ) to ~29%. EBITDA rose ~31%/21% YoY/QoQ to Rs4.3bn, with operating margin improving to 13.3% (+196bps YoY). Management cautioned that commodity inflation (steel, copper, aluminium) is expected in Q4FY26, though no price hike has been taken yet.

**Earnings aided by operating leverage:** Reported PAT grew ~12%/13% YoY/QoQ to Rs3.6bn, impacted by a one-off labour code charge of Rs525mn. However, adjusted PAT, rose a strong ~42%/29% YoY/QoQ.

**Maintain SELL:** Intense competition, unfavourable regional mix, GST rate cuts keep tractor realisation under pressure YoY. ESCORTS has also faced challenges selling Kubota tractors given the engine manufacturing woes. We, revise our EBITDA/EPS for FY26E/FY27E/FY28E upwards. The new capacity benefits will flow from FY28 and beyond that will aide export visibility. We revise our TP to Rs 2,828 (Rs 2,731). Our target P/E stays at 20x – a small premium to the stock's LT mean. Retain SELL.

**Key changes**

	Target	Rating
	▲	◀ ▶

Ticker/Price	ESCORTS IN/Rs 3,824
Market cap	US\$ 5.6bn
Free float	63%
3M ADV	US\$ 4.2mn
52wk high/low	Rs 4,180/Rs 2,776
Promoter/FPI/DII	37%/22%/8%

Source: NSE | Price as of 10 Feb 2026

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,02,439	1,18,797	1,33,727
EBITDA (Rs mn)	11,653	14,370	16,583
Adj. net profit (Rs mn)	11,268	12,826	14,569
Adj. EPS (Rs)	100.7	114.6	130.2
Consensus EPS (Rs)	100.7	126.0	133.0
Adj. ROAE (%)	10.9	11.0	11.1
Adj. P/E (x)	38.0	33.4	29.4
EV/EBITDA (x)	44.5	36.2	31.7
Adj. EPS growth (%)	6.1	13.8	13.6

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Earnings call highlights**

Parameter	Q3FY26	Q2FY26	Our view
Domestic volumes	Domestic tractor volumes grew 12% YoY to 35,373 units (vs ~32k in Q2). Total tractor volumes up 13.5% YoY to 36,955 units (+9.1% QoQ). Industry grew 23% YoY; ESCORTS highlighted that growth moderated due to regional disparity (North/Central underperformed, other regions grew 34%) and limited availability of key models. Market share stable for Farmtrac brand in core geographies. New launches (Promaxx scaling) and dealer initiatives supporting momentum. Management expects low double-digit industry growth for full FY26 with industry reaching 1.15mn units.	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.	ESCORTS continues to face challenges given the regional disparity. Further, in a bid to gain market share, it 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 sharply to 1.6k units (+63% YoY). Kubota Global Network accounted for ~68% of exports. Europe dominant; Mexico, Africa, Southeast Asia gaining traction. Management expects double-digit export growth to sustain, though growth rates will normalise from the current levels.	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 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.	Full impact of formal amalgamation with Kubota will give ESCORTS a better foothold in export markets. However, management indicated this to be taking another 3-4 quarters.
Margins	Standalone EBITDA margin expanded to 13.5% (+203 bps YoY). Agri machinery EBIT margin improved 310 bps YoY on operating leverage, softer RM and cost control. Commodity inflation (steel, copper, aluminium) likely in Q4FY26, though management doesn't expect it to be significant. No tractor price hikes have been taken yet.	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 comes on easing material costs, operating leverage, and cost control. CE segment EBIT margin was down to 3.8% vs 9.3% given lower production and extended monsoon.	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 to pinch from Q4 onwards.
Other segments	CE volumes at 1.7k units (-13.7% YoY, +49.7% QoQ). Segment revenue at Rs4.9bn (-5% YoY). EBIT margin was at 6.6% (-440 bps YoY, +280 bps QoQ). Degrowth in the segment is moderating sharply (Q1FY26 -23.7%, Q2FY26 -17.8%, Q3FY26 -13.7%). January decline has come down to -3.7%. Launched Kubota U22-6 mini excavator while Hydra 15, BLX 75, Hydra 72 concept were showcased.	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.	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 excavator market, the company is a No. 2 player. However, backhoe loaders and compactors 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	Q3FY26	Q2FY26	Our view
Regulations	CE BS V transition is complete with the price hike being mostly absorbed by the market.	Transition from BS IV to BS V is complete, leading to price hikes. Normalisation is expected once market absorbs the price impact. No further updates on the Trem V norms received.	ESCORTS has a lower presence in the high-end tractor segment and will see limited pricing impact from new norms.
Capex	Board approved land acquisition only for UP greenfield. Total indicative outlay Rs22.7bn; commercial production targeted by FY29-30, subject to demand. Existing facilities can support 10-15% volume expansion.	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.	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	Kubota brand continues to face challenges due to narrow portfolio and imported cost structure. Launch of Indian platform under Kubota brand planned; launches to start over next few quarters. Further with the introduction of new products in July and August there should be improvement in Kubota brand market share from the next couple of quarters.	ESCORTS is planning to develop tractors on their platform to be sold under Kubota brand as a strategy to localise production as much as possible.	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	<p>Non-tractor revenue was at ~21% of Agri Machinery (up from 17% QoQ).</p> <p>New agri-solution launches: KA6/KA8 rice transplanter.</p>	<p>Non-tractor revenue: 17% of Agri Machinery (vs. 18% YoY/QoQ).</p> <p>Treasury income dipped sequentially in Q2FY26 due to mark to market movement in mutual funds.</p> <p>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.</p>	<p>Other revenue streams are steady and provide a healthy buffer to the earnings.</p> <p>Balance sheet strength is reasonably healthy, though greenfield investments pace is clearly lacking. UP expansion hinges on government clearances.</p>

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly performance (Consolidated)**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volume	36,955	32,556	13.5	33,877	9.1	36,955	0.0
Avg. Realisation per Vehicle	8,87,699	9,05,523	(2.0)	8,24,028	7.7	7,91,067	(10.9)
Net Revenues	32,805	29,480	11.3	27,916	17.5	29,234	(10.9)
<b>Total Income (A)</b>	<b>32,805</b>	<b>29,480</b>	<b>11.3</b>	<b>27,916</b>	<b>17.5</b>	<b>29,234</b>	<b>(10.9)</b>
<b>Operating Expenses</b>							
Raw materials consumed	23,291	21,527	8.2	19,338	20.4	20,631	(11.4)
Employee Expenses	2,151	2,032	5.9	2,076	3.6	2,065	(4.0)
Other Expenses	3,015	2,594	16.2	2,905	3.8	3,051	1.2
<b>Total Expenditure (B)</b>	<b>28,458</b>	<b>26,153</b>	<b>8.8</b>	<b>24,319</b>	<b>17.0</b>	<b>25,747</b>	<b>(9.5)</b>
<b>EBITDA (A-B)</b>	<b>4,347</b>	<b>3,327</b>	<b>30.6</b>	<b>3,597</b>	<b>20.9</b>	<b>3,487</b>	<b>(19.8)</b>
Other Income	1,544	1,099	40.5	1,343	15.0	1,190	(22.9)
Depreciation	643	615	4.5	622	3.4	611	(4.9)
EBIT	5,248	3,811	37.7	4,318	21.5	4,066	(22.5)
Finance Costs	64	35	79.7	46	39.5	45	(29.2)
PBT after excep items	4,660	4,098	13.7	4,273	9.1	4,032	(13.5)
Tax expense	1,076	892	20.7	1,091	(1.4)	887	(17.6)
<b>Reported PAT</b>	<b>3,583</b>	<b>3,206</b>	<b>11.8</b>	<b>3,181</b>	<b>12.6</b>	<b>3,145</b>	<b>(12.2)</b>
<b>Adjusted PAT</b>	<b>4,108</b>	<b>2,884</b>	<b>42.5</b>	<b>3,181</b>	<b>29.1</b>	<b>3,134</b>	<b>(23.7)</b>
<b>EPS (Rs)</b>	<b>36.7</b>	<b>25.8</b>	<b>42.5</b>	<b>28.4</b>	<b>29.1</b>	<b>28.0</b>	<b>(23.7)</b>
<b>Key Ratios (%)</b>							
			(bps)			(bps)	
Gross Margin	29.0	27.0	202	30.7	(173)	29.4	43
EBITDA Margin	13.3	11.3	196	12.9	37	11.9	(132)
EBIT Margin	16.0	12.9	307	15.5	53	13.9	(209)
PBT Margin	15.8	12.8	300	15.3	50	13.8	(205)
Tax Rate	23.1	21.8	134	25.5	(244)	22.0	(110)
Adj PAT Margin	12.5	9.8	274	11.4	113	10.7	(180)

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

## Valuation Methodology

We, revise our EBITDA/EPS for FY26E/FY27E/FY28E upwards (PI refer revised estimates table below). The new capacity benefits will flow from FY28 and beyond that will aide export visibility.

Intense competition and unfavourable regional mix keep tractor realisation under pressure YoY further added worries by GST rate cuts and festive discounts in the early part of the quarter. ESCORTS has also faced challenges selling Kubota tractors due to engine manufacturing woes.

Margin impact will be ~1-2% in the medium term, given the regional imbalance that continues to hit ESCORTS and will likely 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 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 the 6-month delay in land acquisition; but management is hopeful of new commissioning by FY28/29. Any meaningful reflection on volumes will be visible only post the availability of extra capacity.

We revise our TP to Rs 2,828 (Rs 2,731). Our target P/E stays at 20x – a marginal premium to the stock's LT mean. Retain SELL.

**Fig 3 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,18,797	1,33,727	1,51,945	1,14,140	1,31,812	1,50,816	4.1	1.5	0.7
EBITDA	14,370	16,583	19,032	13,450	16,205	18,809	6.8	2.3	1.2
Adj PAT	12,826	14,569	15,780	12,127	14,281	15,612	5.8	2.0	1.1
Adj EPS (Rs)	114.6	130.2	141.0	108.4	127.6	139.5	5.8	2.1	1.1

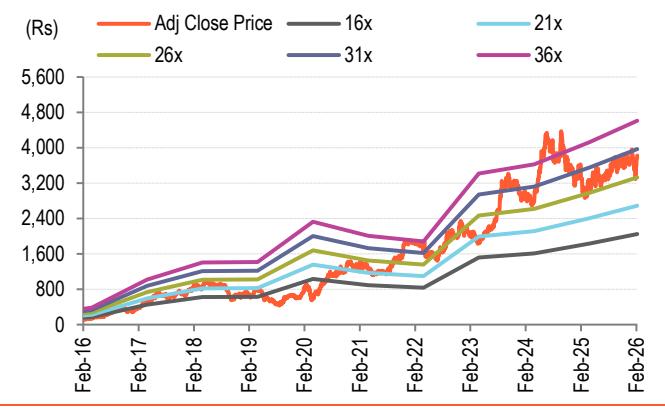
Source: Company, BOBCAPS Research

**Fig 4 – Key assumptions**

	FY25	FY26E	FY27E	FY28E
Volumes (nos)	1,12,627	1,29,522	1,37,293	1,50,336
Blended Realisation (Rs)	6,61,029	6,89,123	7,20,133	7,41,737
EBITDA (Rs mn)	11,653	14,370	16,583	19,032
EBITDA margin (%)	13.9	13.5	13.5	13.5
Adj. PAT (Rs mn)	11,268	12,826	14,569	15,780
EPS (Rs)	100.7	114.6	130.2	141.0

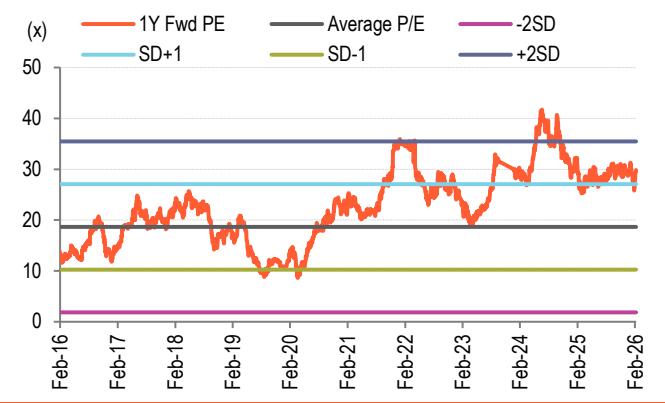
Source: Company, BOBCAPS Research

**Fig 5 – P/E band: We value ESCORTS at 20x FY27E P/E based on core business earnings**



Source: Company, Bloomberg, BOBCAPS Research

**Fig 6 – 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 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
<b>Total revenue</b>	<b>88,496</b>	<b>1,02,439</b>	<b>1,18,797</b>	<b>1,33,727</b>	<b>1,51,945</b>
EBITDA	11,667	11,653	14,370	16,583	19,032
Depreciation	1,669	2,437	1,923	2,060	2,214
EBIT	13,984	13,830	17,166	19,479	21,231
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	16,876	19,169	20,901
Income taxes	3,519	2,270	4,050	4,601	5,121
Extraordinary items	0	0	0	0	0
Min. int./inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>10,491</b>	<b>11,241</b>	<b>12,826</b>	<b>14,569</b>	<b>15,780</b>
Adjustments	0	28	0	0	0
<b>Adjusted net profit</b>	<b>10,491</b>	<b>11,268</b>	<b>12,826</b>	<b>14,569</b>	<b>15,780</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	12,746	12,794	6,957	7,537	8,465
Other current liabilities	5,409	11,889	22,537	25,652	29,223
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	1,15,700	1,29,955	1,45,422
Shareholders' fund	91,724	1,03,629	1,16,819	1,31,074	1,46,541
<b>Total liab. and equities</b>	<b>1,11,520</b>	<b>1,30,408</b>	<b>1,48,295</b>	<b>1,66,439</b>	<b>1,86,621</b>
Cash and cash eq.	11,790	11,241	16,714	19,267	21,271
Accounts receivables	11,732	13,318	14,158	15,388	17,484
Inventories	12,181	13,990	14,646	16,121	17,900
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	7,000	8,800	9,500
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
<b>Total assets</b>	<b>1,11,520</b>	<b>1,30,408</b>	<b>1,48,295</b>	<b>1,66,439</b>	<b>1,86,621</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>10,236</b>	<b>2,647</b>	<b>21,724</b>	<b>11,998</b>	<b>13,485</b>
Capital expenditures	(1,846)	(4,268)	(6,069)	(4,400)	(5,914)
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
<b>Cash flow from investing</b>	<b>(2,393)</b>	<b>(3,508)</b>	<b>(17,527)</b>	<b>(9,443)</b>	<b>(11,502)</b>
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
<b>Cash flow from financing</b>	<b>(1,046)</b>	<b>(272)</b>	<b>692</b>	<b>(621)</b>	<b>(640)</b>
Chg in cash & cash eq.	6,797	(1,132)	4,889	1,933	1,343
<b>Closing cash &amp; cash eq.</b>	<b>11,790</b>	<b>11,241</b>	<b>16,714</b>	<b>19,267</b>	<b>21,271</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	94.9	100.7	114.6	130.2	141.0
Adjusted EPS	94.9	100.7	114.6	130.2	141.0
Dividend per share	6.9	2.8	2.8	2.8	2.8
Book value per share	830.5	926.6	1,044.5	1,171.9	1,310.1

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.8	5.1	4.4	3.9	3.5
EV/EBITDA	44.3	44.5	36.2	31.7	27.7
Adjusted P/E	40.3	38.0	33.4	29.4	27.1
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	98.3	98.4	98.4
EBIT margin (EBIT/Revenue)	15.8	13.5	14.4	14.6	14.0
Asset turnover (Rev./Avg TA)	102.0	104.8	107.7	107.8	109.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	12.1	11.5	11.6	11.8	11.4

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	5.0	15.8	16.0	12.6	13.6
EBITDA	50.1	(0.1)	23.3	15.4	14.8
Adjusted EPS	81.6	6.1	13.8	13.6	8.3
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	13.2	11.4	12.1	12.4	12.5
EBIT margin	15.8	13.5	14.4	14.6	14.0
Adjusted profit margin	11.9	11.0	10.8	10.9	10.4
Adjusted ROAE	11.4	10.9	11.0	11.1	10.8
ROCE	12.1	11.8	11.8	11.9	11.5
<b>Working capital days (days)</b>					
Receivables	49	45	42	40	39
Inventory	50	47	44	42	41
Payables	78	64	45	30	29
<b>Ratios (x)</b>					
Gross asset turnover	0.4	0.3	0.3	0.3	0.3
Current ratio	2.0	2.0	1.6	1.6	1.6
Net interest coverage ratio	(101.9)	(47.4)	(59.2)	(62.8)	(64.3)
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 (ESCAPES IN)



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

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