

SELL

TP: Rs 2,786 | ▼ 17%

ESCORTS KUBOTA

| Automobiles

| 08 May 2026

Healthy Q4 show; medium-term woes continue; retain SELL

- Tractor-led growth, combined with CE recovery, helped ~21% revenue growth in Q4FY26. FY27 tractor industry demand expected to be flattish
- EBITDA margin improved ~106bps YoY, despite the rising commodity and wage inflation. Price hikes of 1.5% taken to mitigate cost inflation
- Revise down FY27E/FY28E EBITDA/EPS to factor cost/growth concerns Retain 20x P/E multiple; revise TP down to Rs 2,786 (Rs 2,828). SELL

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Revenue growth healthy on back of volumes: ESCORTS reported a healthy revenue growth of 21.4% YoY (-9.5% QoQ) to ~Rs29.8bn in Q4FY26, driven primarily by strong tractor volumes growth of ~21% YoY to ~32.3k units amid robust rabi harvest, healthy rural sentiment and favourable farm economics. Domestic tractor volumes grew ~23% YoY vs industry gains of ~35%; while exports remained muted (-1% YoY), indicating that ESCORTS is underperforming the industry growth by a margin, due to limited reach in key South and East India.

Scale benefit offset cost inflation: RM costs rose sharply by ~20.5% YoY amid inflation across steel, tyres, copper and aluminium. However, RM cost to sales improved to 68.9% (vs 69.4% YoY), aided by healthy scale benefits. Gross margin improved to 31.1% (+50bps YoY), though other expenses rose sharply by ~28% YoY. EBITDA grew ~32% YoY to Rs3.8bn with EBITDA margin improving ~106bps YoY to 12.8%. Management expects cost pressure from commodity inflation and wage hikes in Haryana and UP, partially offset by ~1.5% price hikes taken in April.

White spaces addressed; FY27 outlook remains cautious: To address product gaps and improve regional penetration, ESCORTS plans multiple launches over the next 3–4 months across brands, while the Kubota brand is expected to introduce 8–9 new products. ESCORTS expects FY27 tractor industry growth to remain flattish (±2–3%), due to a high base, potential El Nino impact and commodity inflation pressures. However, the company expects to outperform the industry’s growth.

Maintain SELL: Intense competition, unfavourable 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. We revise our EBITDA/EPS for FY27E/FY28E down by 5-6%/2.-3%. The new capacity benefits will flow from FY28 and beyond that will aid export visibility. We introduce FY29 earnings with a 3-year EBITDA/PAT CAGR of 12%/8%. Limited presence key regions like south India and intense competitive pressure will keep ESCORS performance under pressure. Effectively we revise our TP to Rs 2,786 (Rs 2,828). Our target P/E stays at 20x stock’s LT mean. Retain SELL.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ESCORTS IN/Rs 3,346
Market cap	US\$ 4.7bn
Free float	63%
3M ADV	US\$ 4.7mn
52wk high/low	Rs 4,180/Rs 2,710
Promoter/FPI/DII	37%/22%/8%

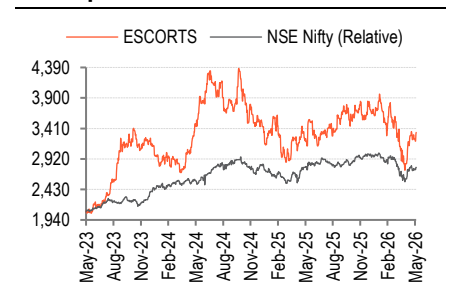
Source: NSE | Price as of 7 May 2026

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	131.8	141.5
Adj. ROAE (%)	10.9	10.4	10.5
Adj. P/E (x)	27.9	27.6	24.6
EV/EBITDA (x)	30.0	28.9	24.1
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	Q4FY26	Q3FY26	Our view
Domestic volumes	<p>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.</p> <p>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.</p>	<p>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 on regional disparity (North/Central underperformed, other regions grew 34%) and limited availability of key models. Market share is stable for Farmtrac brand in core geographies. New launches (Promaxx scaling) and dealer initiatives supporting momentum. Management expects low double-digit industry growth for the full FY26, with the industry reaching 1.15mn units.</p>	<p>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.</p>
Exports	<p>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.</p> <p>Management anticipates that component exports to Kubota’s global operations could reach Rs 5-10bn by FY30.</p>	<p>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 growth in exports to sustain, though growth rates will normalise from the current levels.</p>	<p>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 FY28.</p>
Margins	<p>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.</p>	<p>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) is likely in Q4FY26, though management doesn’t expect it to be significant. No tractor price hikes have been taken yet.</p>	<p>Margins driven by operating leverage and cost controls, and are commendable.</p> <p>However, as the company engines are not allowed on Kubota platform, import costs will continue to pinch margins till the localisation is complete.</p> <p>Commodity cost inflation will likely pinch from Q1 onwards.</p>
Other segments	<p>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 5% respectively. ESCORTS aims to increase CE exports from 5-6% of revenue to 10%.</p>	<p>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%.</p> <p>Launched Kubota U22-6 mini excavator while Hydra 15, BLX 75, Hydra 72 concept were showcased.</p>	<p>Performance of segments other than tractors will improve.</p> <p>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 challenge, due to the growing export markets dominated by MNC companies and not a strong play for ESCORTS.</p>

Parameter	Q4FY26	Q3FY26	Our view
	Agri solutions has grown at 35% CAGR for last 3 years and management expects >20% CAGR for the next 3 years.		
Regulations	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.	CE BS V transition is complete with the price hike being mostly absorbed by the market.	ESCORTS has a presence in the tractor segment that will be impacted by regulations and needs to act prudently.
Capex	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; 1 st phase of the project should be ~Rs20bn.	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.	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	<p>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.</p> <p>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.</p>	<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>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)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Deviation (%)
Volume	32,257	26,633	21.1	36,955	(12.7)	32,257	0.0
Avg. Realisation per Vehicle	9,20,160	9,17,989	0.2	8,87,699	3.7	8,76,602	5.0
Net Revenues	29,682	24,449	21.4	32,805	(9.5)	28,277	5.0
Total Income (A)	29,682	24,449	21.4	32,805	(9.5)	28,277	5.0
Operating Expenses							
Raw materials consumed	20,442	16,959	20.5	23,291	(12.2)	20,222	1.1
Employee Expenses	2,147	2,042	5.2	2,151	(0.2)	2,112	1.7
Other Expenses	3,287	2,573	27.8	3,015	9.0	2,719	20.9
Total Expenditure (B)	25,876	21,574	19.9	28,458	(9.1)	25,053	3.3
EBITDA (A-B)	3,805	2,875	32.3	4,347	(12.5)	3,224	18.1
Other Income	1,217	1,325	(8.2)	1,544	(21.2)	1,190	2.2
Depreciation	691	620	11.4	643	7.4	639	8.1
EBIT	4,331	3,580	21.0	5,248	(17.5)	3,775	14.8
Finance Costs	55	51	7.4	64	(13.2)	45	22.7
PBT after excep items	4,276	3,509	21.8	4,660	(8.2)	3,767	13.5
Tax expense	1,071	793	35.0	1,076	(0.5)	829	29.2
Reported PAT	3,205	2,716	18.0	3,583	(10.5)	2,938	9.1
Adjusted PAT	3,205	2,736	17.2	4,108	(22.0)	2,901	10.5
EPS (Rs)	28.6	24.3	18.0	32.0	(10.5)	26.3	9.1
Key Ratios (%)			(bps)		(bps)		
Gross Margin	31.1	30.6	50	29.0	213	28.5	265
EBITDA Margin	12.8	11.8	106	13.3	(43)	11.4	142
EBIT Margin	14.6	14.6	(5)	16.0	(140)	13.3	124
PBT Margin	14.4	14.4	(3)	15.8	(140)	13.2	122
Tax Rate	25.0	22.6	244	23.1	194	22.0	305
Adj PAT Margin	10.8	11.2	(39)	12.5	(172)	10.3	54

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

Valuation Methodology

Intense competition, unfavourable regional mix, and commodity cost inflation will be the challenges in FY27, apart from a higher base effect. ESCORTS has also faced challenges selling Kubota tractors, given the engine manufacturing woes. We revise our EBITDA/EPS for FY27E/FY28E downwards by 5-6%/2.-3%. The new capacity benefits will flow from FY28 and beyond, which will aid visibility in exports. We introduce FY29 earnings estimates with a 3Y EBITDA/PAT CAGR of 12%/8%.

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 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 in the revised earnings, we revise down our TP to Rs 2,786 (Rs 2,828 earlier). Our target P/E stays at 20x stock's LT mean. Retain SELL.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,29,550	1,52,127	1,73,137	1,33,727	1,51,945		(1.7)	0.9	
EBITDA	15,304	18,403	20,786	16,583	19,032		(5.6)	(2.2)	
Adj PAT	13,567	15,247	17,078	14,569	15,780		(5.0)	(2.3)	
Adj EPS (Rs)	121.3	136.3	152.6	130.2	141.0		(5.0)	(2.3)	

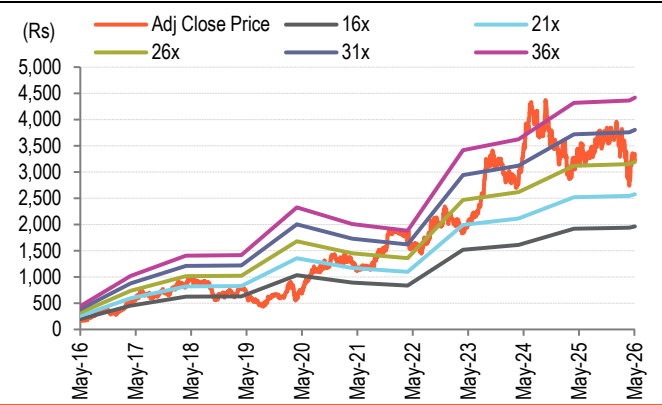
Source: Company, BOBCAPS Research

Fig 4 – 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
EBITDA margin (%)	13.5	13.5	13.5	13.5
Adj. PAT (Rs mn)	13,429	13,567	15,247	17,078
EPS (Rs)	120.0	121.3	136.3	152.6

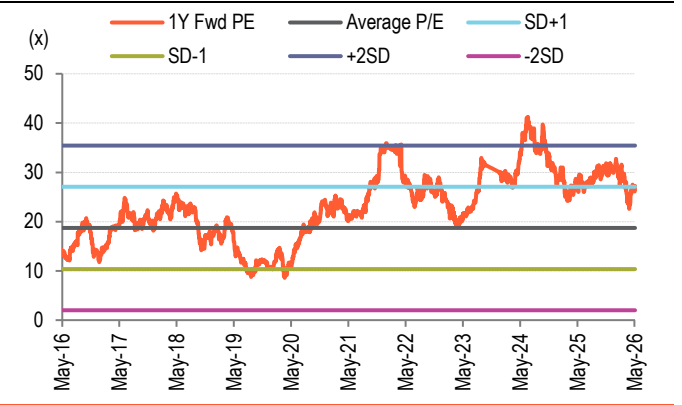
Source: Company, BOBCAPS Research

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-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	4.4	3.9	3.4	2.9	2.6
EV/EBITDA	39.1	30.0	28.9	24.1	21.5
Adjusted P/E	33.2	27.9	27.6	24.6	21.9
P/BV	3.6	3.0	2.9	2.6	2.3

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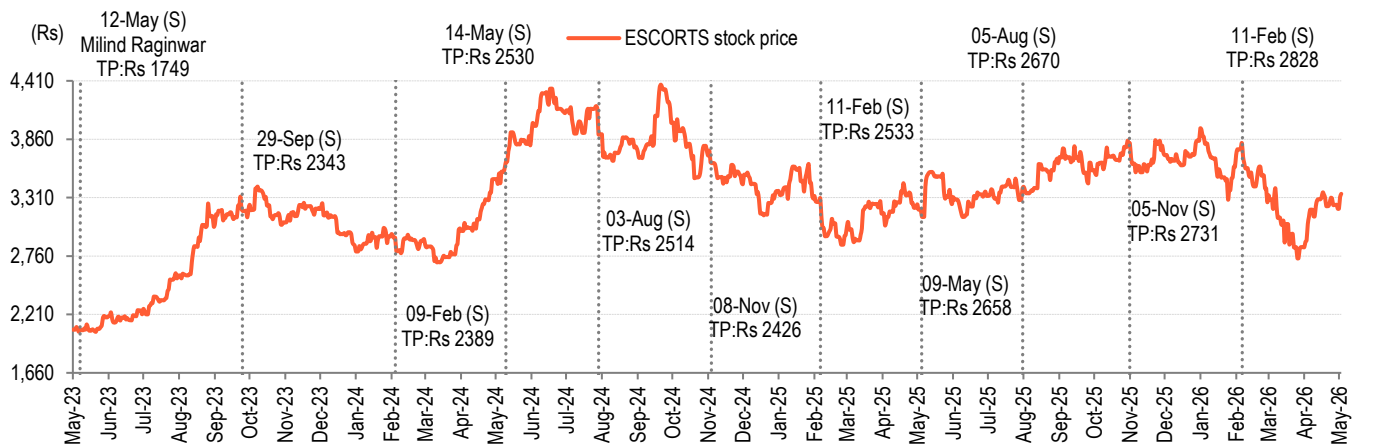
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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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