

Escorts Kubota Ltd.

HOLD

Sector: Automobiles

17th March 2025

Key Changes	Target ▲	Rating ▲	Earnings ▼	Target	Rs. 3,249		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 2,961
Mid Cap	ESCORTS:IN	74,170	ESCORTS	500495	12 Months	Return	+10%

Data as of: 17-03-2025

Overall tractor volume below expectation.

Escorts Kobota Ltd (EKL) is the third largest agricultural tractor manufacturer in India. It has a strong presence in the north & west markets, with a 11.1% market share.

- We expect the volume growth to improve in Q4 and in FY26 due to rural development and strong agricultural output owing to better reservoir levels. In addition, government's infra project push will support the overall construction equipment sales.
- 9mFY25 standalone revenue grew by 7% YoY due to superior mix and price hike. The tractor segment grew by 9.4%YoY, while Construction equipment grew by 4.3%YoY.
- EBITDA margin contracted by 185bps, owing to weak sales and lower operating leverage. On a 9month basis Adj. PAT grew by 17%YoY.
- We expect mid single digit growth for the domestic tractor segment for the fiscal year. Furthermore, the lacklustre performance of exports is likely to continue in the near term due to adverse geopolitical economic situations.
- Currently, Kubota holds the major stake in the EKL and also enjoys 30% of the global tractor market share. This will enable EKL to expand its geographical footprint into the western market in the long run.

Outlook & Valuation

Given the pick up in rural demand and better crop output, we expect green shoots in tractor sales. In addition, new launches in the construction equipment and tractor to support overall volume growth. We expect the margin to show resilience at the current level due to softening raw material prices and cost control initiatives. However, considering the slow ramp in exports, the partnership gains with Kubota in agribusiness are expected to take longer than initially anticipated due to sluggish international markets. **The near-term pressure in demand has brought some consolidation to the current valuation. Considering the optimistic outlook, we value EKL at 26xFY27E EPS recommend Hold rating at CMP with a revised target price of Rs.3,249**

Quarterly Financials Standalone.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	2,935	2,706	8.5	2,265	29.6	8,001	7,499	6.7
EBITDA	335	324	3.5	233	44.0	938	917	2.2
Margin (%)	11.4	12.0	-54bps	10.3	114bps	11.7	12.2	-52bps
EBIT	274	267	2.5	172	59.5	754	763	-1.2
PBT	380	357	6.4	278	36.8	1,058	1,029	2.8
Rep. PAT	290	270	7.7	303	-4.1	897	766	17.1
Adj PAT	290	270	7.7	303	-4.1	897	766	17.1
EPS (Rs)	25.9	24.1	7.7	27.0	-4.1	80.1	68.4	17.1

Company Data

Market Cap (Rs.cr)	33,127
52 Week High - Low (Rs.)	4,422-2,671
Enterprise Value (Rs.cr)	29,477
Outstanding Shares (cr)	11.2
Free Float (%)	32.0%
Dividend Yield	1.0%
6m average volume (cr)	0.03
Beta	1.1
Face value Rs.	10

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	67.6	68.0	68.0
FII's	6.4	6.3	5.9
MFs/Insti	10.4	10.2	10.2
Public	15.6	15.4	15.9
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-12.4%	-22.9%	8.4%
Absolute Sensex	-8.0%	-10.6%	2.1%
Relative Return*	-4.4%	-12.3%	6.2%

*over or under performance to benchmark index



Standalone (cr)	FY25E	FY26E	FY27E
Sales	10,317	11,405	12,498
Growth (%)	6.0	10.5	9.6
EBITDA	1,228	1,391	1,600
EBITDA Margin (%)	11.9	12.2	12.8
Adj. PAT	1,134	1,185	1,400
Growth (%)	19.6	4.5	18.1
Adj. EPS	101.3	105.8	125.0
Growth (%)	19.6	4.5	18.1
P/E	29.2	28.0	23.7
P/B	3.4	3.0	2.6
EV/EBITDA	27.0	23.8	20.7
ROE (%)	13.5	12.4	12.9
D/E	0.0	0.0	0.0

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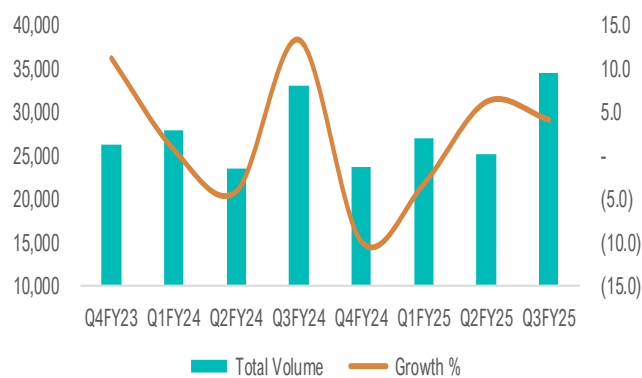
Key Concall Highlights

- The domestic tractor industry recorded a volume of 2.67 lakh units, reflecting a 13.5% YoY increase, while Escorts Kubota's domestic sales reached 31,585 units, marking a 6% YoY growth. Anticipating strong growth of 14% to 15% in Q4 FY25, with a steady growth outlook for FY26, contingent on monsoon conditions
- Introduced the "Promaxx Series" under the Farmtrac brand, focusing on the 30-50 HP segment with advanced technology. Domestic market share remains at 11.8% despite lower channel inventory.
- To fill the existing gap in the product line, Launched Stage 5 emission-compliant products and unveiled the new Hydra Crane and BLX 75 Backhoe Loader. Served industries like backhoe loaders, and mini excavators are up by approximately 14% YoY. Total construction equipment volume stood at 1,989 units, slightly lower than 2,008 units in the previous year.
- In Q3FY25, Railway division revenue declined 2% YoY. On Oct 23, 2024, Escorts agreed to sell its Railway Equipment Division to Sona Comstar for Rs1,600 crore via slump sale.
- The Board approved the sale of over 33,000 square yards of land next to the Railway Equipment Division to Sona Comstar for Rs110 crore. The company plans to relocate the spare parts division before completing the transaction.

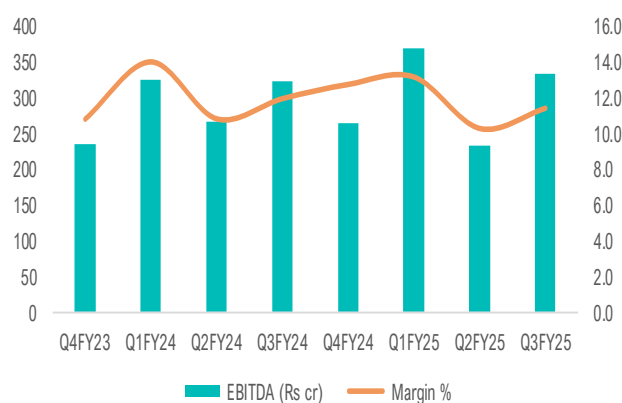
Revenue



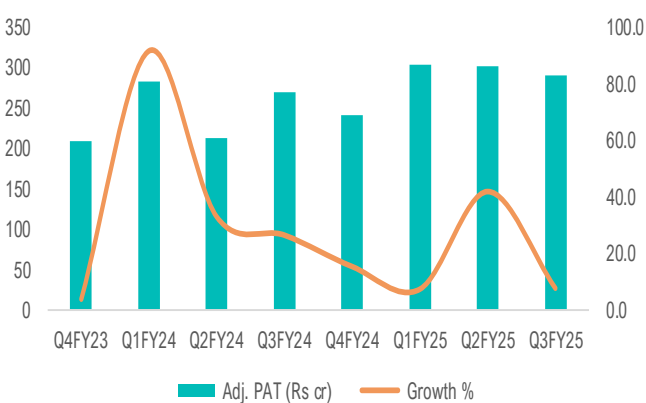
Total Volume



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,569	10,511	10,317	11,405	0.1	8.5
EBITDA	1,311	1,472	1,228	1,391	-0.1	-5.5
Margins (%)	13.7	14.0	11.9	12.2	-180bps	-180bps
Adj. PAT	1,135	1,272	1,134	1,185	0.0	-6.8
EPS	102.3	114.6	101.3	105.8	0.0	-7.7



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	8,345	9,731	10,317	11,405	12,498
% change	17%	17%	6%	11%	10%
EBITDA	780	1,133	1,228	1,391	1,600
% change	-18%	45%	8%	13%	15%
Depreciation	148	224	249	270	282
EBIT	632	909	978	1,121	1,318
Interest	10	39	32	21	15
Other Income	281	392	433	479	562
PBT	622	871	946	1,100	1,303
% change	-21%	57%	9%	14%	18%
Tax	198	314	246	394	465
Tax Rate (%)	25%	25%	18%	25%	25%
Reported PAT	607	948	1,134	1,185	1,400
Adj*	-97.16	0	0	0	0
Adj PAT	704	948	1,134	1,185	1,400
% change	-8%	35%	20%	4%	18%
No. of shares (cr)	11.2	11.2	11.2	11.2	11.2
Adj EPS (Rs.)	62.9	84.6	101.3	105.8	125.0
% change	7%	35%	20%	4%	18%
DPS (Rs.)	1.2	1.2	1.2	1.2	1.2
CEPS (Rs.)	76.1	104.6	123.5	129.9	150.1

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	935	1,411	1,603	1,828	2,135
Non cash Adjustments	27	53	11	7	8
Changes in W.C	-384	-543	-327	-550	-644
C.F. Operation	597	995	1,313	1,306	1,511
Capital exp.	-375	-375	-375	-375	-375
Change in inv.	-350	-350	-350	-350	-350
Other invest.CF	0	0	0	0	0
C.F – Investment	-725	-725	-725	-725	-725
Issue of equity	-3	0	0	0	0
Issue/repay debt	0	0	0	0	0
Dividends paid	-16	-16	-16	-16	-16
Other finance.CF	-	-	-	-	-
C.F – Finance	-18	-16	-16	-16	-16
Chg. in cash	-147	255	572	565	771
Closing cash	537	792	1,364	1,930	2,701

BALANCE SHEET

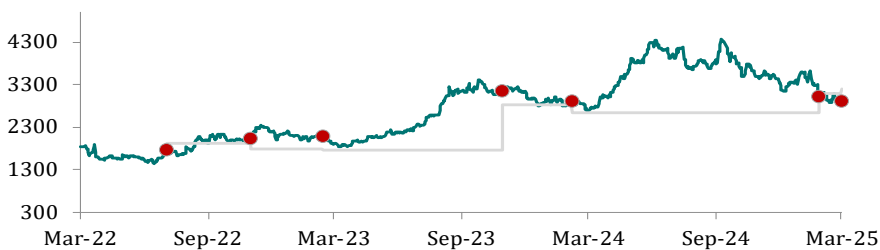
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	537	792	1,364	1,930	2,701
Accounts Receivable	869	1,013	1,074	1,187	1,301
Inventories	898	1,023	1,084	1,195	1,294
Other Cur. Assets	343	400	424	469	514
Investments	4,775	5,410	5,880	6,454	7,028
Gross Fixed Assets	3,684	4,034	4,384	4,734	5,084
Net Fixed Assets	2,064	2,190	2,291	2,371	2,439
CWIP	134	159	184	209	234
Intangible Assets	28.25	28.25	28.25	28.25	28.25
Def. Tax (Net)	-18	-70	-81	-89	-97
Other Assets	18	18	18	18	18
Total Assets	9,648	10,963	12,266	13,772	15,460
Current Liabilities	532	606	642	708	767
Provisions	183	213	226	250	274
Debt Funds	0	0	0	0	0
Other Liabilities	1,995	2,272	2,408	2,655	2,876
Equity Capital	132	132	132	132	132
Reserves & Surplus	6,807	7,739	8,858	10,027	11,411
Shareholder's Fund	6,939	7,871	8,990	10,159	11,543
Total Liabilities	9,648	10,963	12,266	13,772	15,460
BVPS (Rs.)	678	770	879	993	1129

RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	9.4	11.6	11.9	12.2	12.8
EBIT margin (%)	7.6	9.3	9.5	9.8	10.5
Net profit mgn.(%)	8.4	9.7	11.0	10.4	11.2
ROE (%)	10.6	12.8	13.5	12.4	12.9
ROCE (%)	7.8	9.6	10.0	9.3	9.7
W.C & Liquidity					
Receivables (days)	35.3	35.3	36.9	36.2	36.3
Inventory (days)	49.0	50.7	52.5	51.5	51.9
Payables (days)	29.0	30.0	31.1	30.5	30.8
Current ratio (x)	6.1	6.4	7.0	7.4	8.0
Quick ratio (x)	2.6	3.0	3.8	4.4	5.2
Turnover & Leverage					
Gross asset T.O (x)	2.4	2.6	2.5	2.5	2.6
Total asset T.O (x)	0.9	0.9	0.9	0.9	0.9
Int. coverage ratio (x)	61.6	23.5	30.5	52.8	85.9
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	4.6	4.0	3.2	2.9	2.7
EV/EBITDA (x)	49.3	34.0	27.0	23.8	20.7
P/E (x)	47.1	35.0	29.2	28.0	23.7
P/BV (x)	4.4	3.9	3.4	3.0	2.6



Recommendation Summary (Last 3 years)



Dates	Rating	Target
19.Jul.22	Buy	1,918
17.Nov.22	Sell	1,783
01.Mar.23	Sell	1,768
15.Nov.23	Sell	2,830
23.Feb.24	Sell	2,638
17.Mar.25	Hold	3,249

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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