

Escorts Kubota (ESCORTS) - ADD

Company Update

Current Market Price (CMP) Rs.3203	Fair Value Rs.3375
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Rationale:

- Tractor demand has become less dependent on monsoon variability due to structural buffers-irrigation, MSP support, income diversification, non-agri usage & improved financing.
- Recent launches to address product gaps & should drive gradual market share gains.
- The construction equipment segment is expected to recover from CY26E.
- Diversification into spares, engines, & agri-solutions should help broaden the revenue base & reduce cyclicity.
- We expect Escort Kubota's tractor volumes to increase at a CAGR of 8% over FY25-28E.
- Upgrade to ADD (SELL earlier) with a FV of Rs3,375 based on 22x FY28E EPS.

👍 Positives:

- Construction Equipment segment: Bottomed out; early signs of recovery.
- Focus is on diversification beyond tractors into an integrated agri-industrial platform.
- Launched Kubota & Powertrac brand products over the past few months.

👎 Negatives:

- Escorts have lost market share of 200 bps over the past two years.
- The company has lost market share in 30-40 HP segment over the past few years.

(EPS: Earnings Per Share. MSP: Minimum Support Price, CAGR: Compound Annual Growth Rate, HP: Horsepower)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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