

Research Report

Escorts Kubota Ltd



FARMTRAC



RI SOLUTION



RAILWAY
EQUIPMENT

Prepared by
Ashima Jain

About

Escorts Ltd. is one of India's leading engineering conglomerates engaged in the manufacturing of Agri-machinery, Construction & Material Handling Equipment and Railway Equipment.

Products

The Co. is engaged in the manufacturing of agricultural tractors, engines for agricultural tractors, construction, earthmoving and material handling equipment, round and flat tubes, heating elements, double-acting hydraulic shock absorbers for railways coaches, centre buffer couplers, automobile shock absorbers, telescopic front fork & Mcpherson struts, brake block, internal combustion engines and all types of brake used by railways.

Manufacturing Facilities

Agri Machinery: The Co. has a total of 5 plants. Three plants are located in Faridabad, Haryana with a total installed capacity of 1,20,000 units. The Co. also has 1 plant located in Poland with an annual production capacity of 2,500 units. The Co. also has a JV in India as Escorts Kubota India with an annual installed capacity of 50,000 tractors.

Synopsis of Financials

- Sales has increased due to increase in sale of domestic and exports.
- Moreover, sale of services, export incentives and scrap sales has also increased.
- Also profit from scrap sales has grown.
- Majorly Profit of the company is grown from sales of their product in exports.

Source: Company Annual Report

Stock data (as on 8th April 2024)

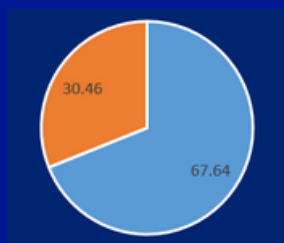
Nifty Price	: 22,666.30
52 week High (in Rs.)	: 3440
52 week Low (in Rs.)	: 1854
Market Cap. (in Crore)	: 33941Cr.
NSE Code	: ESCORTS

Stock data (2020-2024)



-NIFTY50
- ESCORTS

Shareholding Pattern (Dec 2023)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	March 2023	March 2022	March 2021
Sales	7,014	7,283	8,429
Sales Growth %	20.73%	3.82%	15.74%
Operating Profit	1,126	966	770
OPM %	16%	13%	9%
Profit before tax	1,155	993	835
YOY Growth	7%	7%	-
EPS in Rs	64.63	55.82	48.26

Synopsis Quater Results

Con-Call Q3FY24: Key Highlights

Financial Performance:

- Operating revenue up 2.5% year-on-year to ₹ 2,320.4 Crores
- EBITDA up 64.3% year-on-year to ₹ 312.7 Crores
- Net profit PAT up by 48.8% year-on-year to ₹ 277.3 Crores
- Best ever nine months financial performance

Business Segments:

- Tractor volume down 7.2% year-on-year to 25,999 units
- Highest ever quarterly construction equipment volume at 1,800 units, up 48.9% year-on-year
- Railway equipment revenue down 17.8% year-on-year to ₹ 205 Crores
- Construction equipment business revenue up 49.3% year-on-year to ₹ 457.2 Crores

Margins:

- Agri machinery business EBIT margin increased by 550 basis points to 13.8%
- Construction equipment division EBIT margin improved by 607 basis points to 8.3%

Market Outlook:

- Expect FY2024 Indian domestic tractor industry to degrow at around 6 to 7%
- Expect 6 to 8% CAGR in the long term for industry growth
- Positive outlook for the agriculture and infrastructure sectors

Strategic Initiatives:

- Plans to introduce new products and expand product line in the future
- Setting up a captive finance company to supplement core business
- Focus on expanding network in western and southern markets
- Plan to launch finance company within next fiscal

Other Highlights:

- Export volume declined by 25.7% to 1,371 tractors
- Order book for railway division stands at more than 900 Crores plus
- Replacement cycle for tractors varies between 5 to 7 years on average
- No saturation expected in the near future
- No specific government support needed for growth

Quarterly Results

Particular	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec2023
Sales	2,032	1,891	2,291	2,214	2,355	2,059	2,342
Expenses	1,836	1,746	2,106	1,981	2,024	1,807	2,027
Operating Profit	196	145	185	233	331	252	314
OPM %	10%	8%	8%	11%	14%	12%	13%
Other Income	36	25	92	86	99	95	109
Interest	3	3	3	4	3	3	3
Depreciation	37	37	38	38	40	41	42
Profit before tax	192	130	236	278	386	303	379
Tax %	27%	24%	23%	22%	25%	26%	25%
Net Profit	141	99	181	216	290	223	284

Source: Screener

Key Ratios

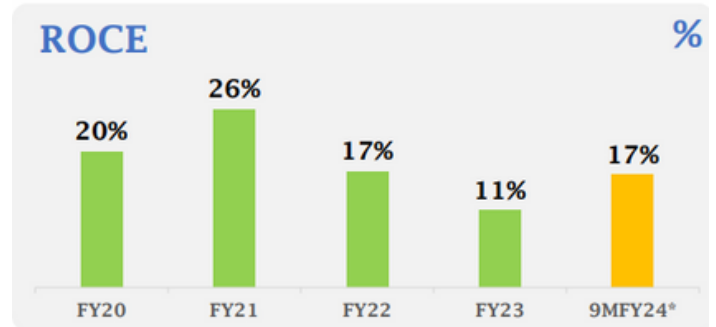
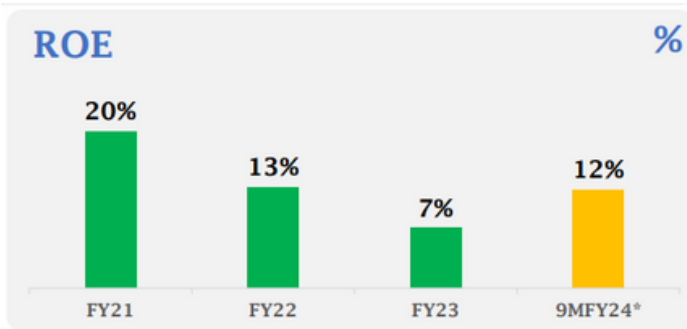
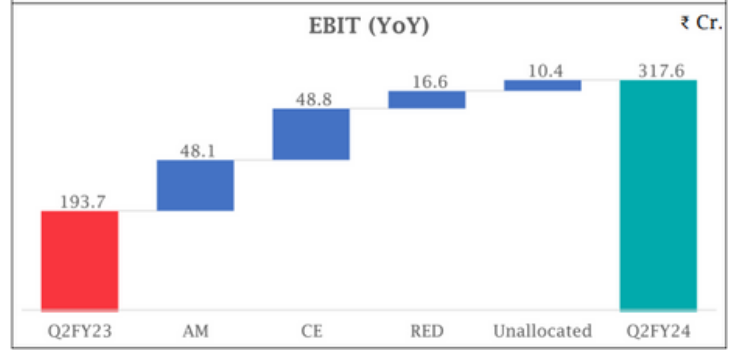
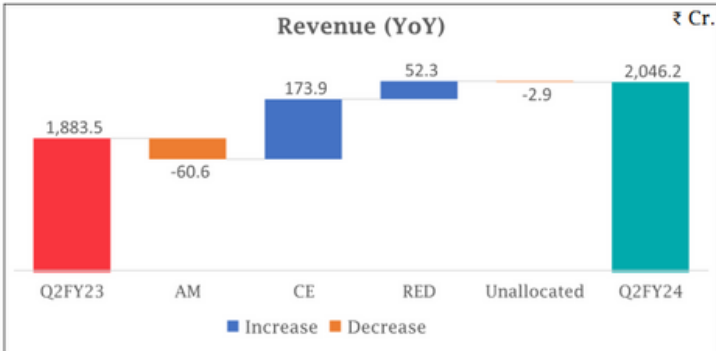
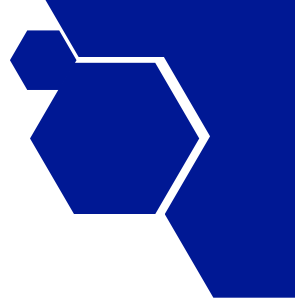
Particulars	Numerator	Denominator	31 March 2023	31 March 2022	% Change
Current Ratio	Current Assets	Current Liabilities	2.85	5.02	(43.32%)
Debt Equity Ratio	Total Debt (including Current maturities of Long Term Borrowings and excluding lease liabilities)	Shareholder's Equity	-	-	-
Debt Service Coverage Ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses + Interest Expense	Debt service = Interest & Lease Payments + Principal Repayments	44.68	42.78	4.45%
Return on Equity ratio	Net Profits after taxes - Preference Dividend	Average Shareholder's Equity	8.07%	11.65%	(30.78%)
Inventory turnover ratio	Cost of goods sold	Average Inventory	5.93	6.36	(6.77%)
Trade receivable turnover ratio	Net credit sales = Gross credit sales - sales	Average Trade Receivable	8.55	10.04	(14.90%)

Source: Annual Report

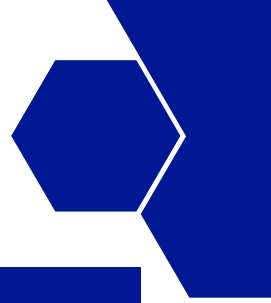
Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Equity Capital	135	132	132
Reserves	4,891	7,468	8,055
Borrowings	61	52	57
Other Liabilities	1,791	1,456	1,841
Total Liabilities	6,878	9,108	10,085
Fixed Assets	1,796	1,841	1,891
CWIP	65	88	114
Investments	1,938	4,836	4,767
Other Assets	3,079	2,343	3,313
Total Assets	6,878	9,108	10,085

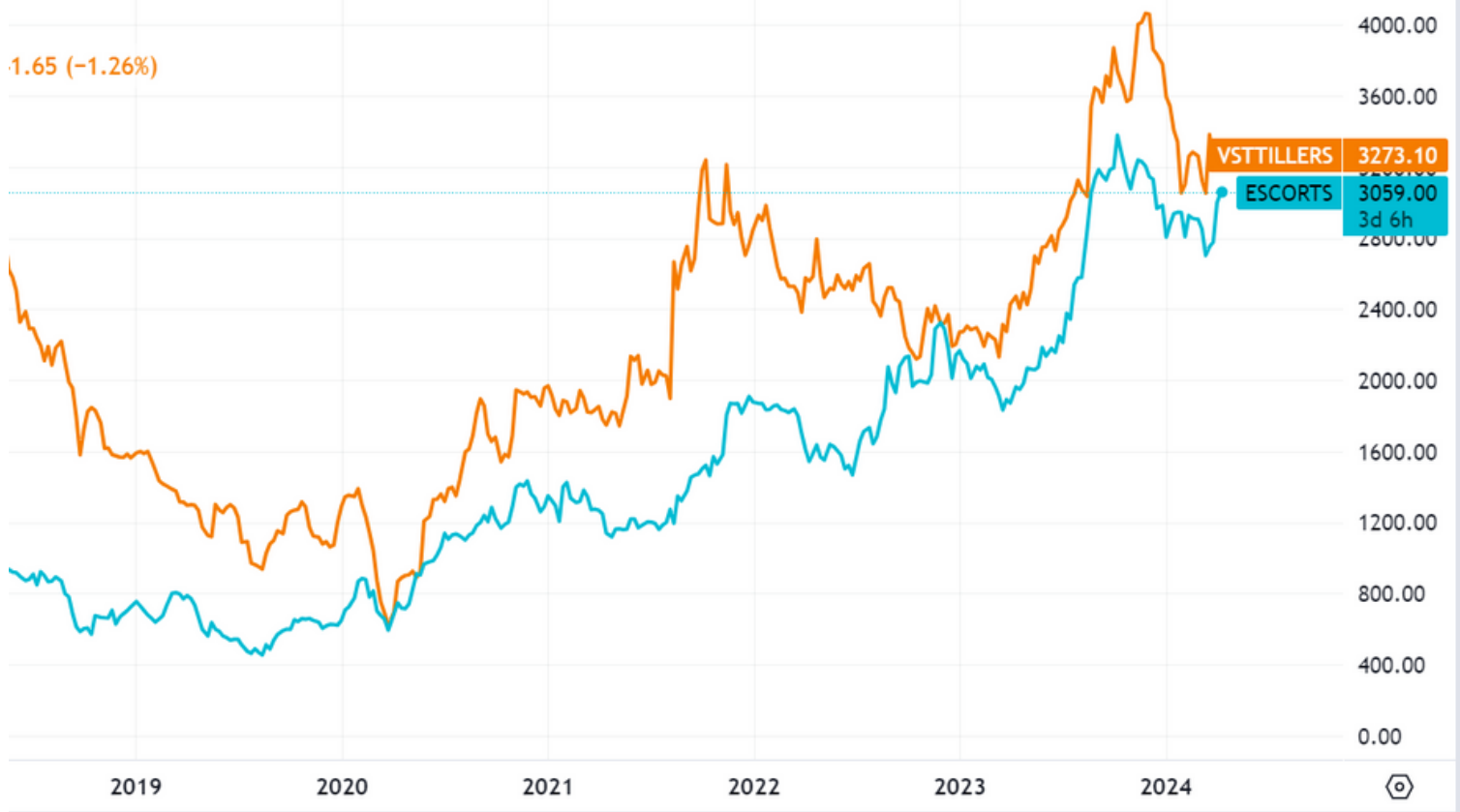
Financial Performance



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Escorts Kubota	3071.60	33.53	33940.66	0.23	284.01	57.08	2341.62	2.19	11.31
VST Till. Tract.	3251.55	22.21	2809.20	0.76	16.95	-12.76	169.96	-20.46	15.89

Source: Screener

Final Outlook

ESCORTS: Buy | LTP: 3058.40

The Company is planning to introduce new products and expand product line in the future, Setting up a captive finance company to supplement core business, Focus on expanding network in western and southern market, Plan to launch finance company within next fiscal year. And results for quarter ended feb 2024 is very good Operating revenue up 2.5% year-on-year to ₹ 2,320.4 Crores, EBITDA up 64.3% year-on-year to ₹ 312.7 Crores, Net profit PAT up by 48.8% year-on-year to ₹ 277.3 Crore, Best ever nine months financial performance. So we can buy or hold the share for now.