



Escorts Limited

RESEARCH REPORT AS ON 10-06-2022

CMP : 1,506.00 INR

52 Week Range : ₹ 1,128.00 - 1,934.00

Market Cap : ₹ 20,809.7 Cr

PEE AAR SECURITIES LTD.

BY: HIMANSHI KHOSLA
(FUNDAMENTAL RESEARCH ANALYST)

WE ARE NOW



Escorts Kubota Limited

Escorts gets approvals to change its name to Escorts Kubota

The name change comes in the wake of Japan's Kubota Corporation increasing its stake in Escorts to 44.8 per cent by subscribing to new equity shares and through an open offer to the public shareholders of Escorts.

Kubota has also become a joint promoter of the company along with existing promoters, the Nanda family, whose shareholding in the company remains unchanged.

Nikhil Nanda continues to be the Chairman and Managing Director (CMD) of the company.

"Our partnership with Kubota in Escorts Kubota Ltd has been welcomed by all our stakeholders and investors. Consequently, the process was completed smoothly. We are now well poised at a very interesting time in global history to contribute at much higher levels to India and the world's quest for **food security, sustainable agriculture and smart agriculture**," Nanda stated.

Kubota President and Representative Director Yuichi Kitao noted: "We are very pleased to partner with Escorts Kubota Ltd. at a time when we can combine our strengths to provide advanced farm mechanisation solutions to address global food security & enhanced farm productivity needs".

In December last year, shareholders of Escorts Ltd. had approved preferential allotment of nearly 94 crore shares to Kubota, as part of a deal, allowing it to become a joint promoter in Escorts.

Tremendous Export Potential with India Operations to Act as Global Hub

We believe that this deal would be a major transformational deal in terms of tremendous export potential for merged entity and road to make India as global hub of manufacturing as well as R&D center for global giant like Kubota. There is huge synergy creation for India tractor business, strong export potential, unfolding manufacturing and components for Kubota's global procurement as well as the localization for Kubota tractors in India would expand margins going ahead.

This deal would be a huge value creation for investors as it provides global platform to company for its Farm equipment as well as construction equipment business. Moreover, Farm equipment business enjoys healthy double-digit margin, healthy returns, lower competitive intensity (market shares broadly stable over the years for most players), decent pricing discipline and lower capex requirement generating healthy cashflow.

INTRODUCTION

Escorts Limited is an Indian multinational conglomerate that operates in the sectors of agricultural machinery, construction machinery, material handling, and railway equipment. Its headquarters are located in Faridabad, Haryana. The company was launched in 1944 and has marketing operations in more than 60 countries. Escorts is India's fourth largest tractor maker (11.3% FY21 market share). It is among the frontrunners in India's tractor manufacturing industry with a wide portfolio ranging 12 HP to 120 HP.

Businesses

AGRI MACHINERY

CONSTRUCTION EQUIPMENT

RAILWAY EQUIPMENT DIVISION



COMPANY HISTORY

From a small agency house in 1944 to one of the largest engineering conglomerates in India

The Nanda family has been associated with Escorts since its founding in 1944 by Nikhil Nanda's grandfather Har Prasad Nanda. Visionaries Mr. Yudi Nanda & Mr. HP Nanda launch Escorts (Agri Machinery Ltd.)

1947 - After partition the Registered office of the Company was shifted from Lahore to New Delhi. The name of the Company was changed from Escorts (Agents) Pvt. Ltd., to Escorts Ltd. upon its conversion into a public company.

1959 - The Company was Incorporated on 21st December, at Lahore. The Company manufactures motor cycles, tractors, automotive parts, railway shock absorbers, agricultural implements, X-rays equipment, heating elements, etc.

The tractor manufacturing division was started in 1960 in partnership with Ursus, with the first Escort tractors produced in 1965.

1966 : Pioneers manufacturing of automotive shock absorbers in India

In 1969, a partnership with Ford was set up to produce licensed Ford tractors for India. Enters into a joint venture with global giant Ford Motor Company for producing Ford tractors, Establishes Training and Development Centre at Bangalore. Ford became New Holland, which is currently part of CNH Global, which in turn is owned by the Fiat Group. Their partnership ended in 1996.

1971: Starts producing construction equipment and introduces the concept of Pick n Carry cranes

1974 : Crosses the national boundary and starts exporting tractors for the first time

1991 : Shares listed at NSE & BSE

2010 : Becomes the first Indian company to indigenously design Backhoe Loaders

2011: Farmtrac , Launches India's first inverter tractor FT45

2012: Develops most fuel efficient tractors Powertrac 425. Indigenously develops Bogie Mounted Brake Systems for Indian Railways

2013 : Launches Ferrari tractors – the world's best in specialty tractors – in collaboration with the Italian tractor brand

2015 : Enters into Joint Venture with Amul Group for manufacturing of speciality tractors, Steeltrac

Partners with Cognizant Technology Solutions to digitally transform businesses and deliver superior customer experience

Over the course of the company's history, Escorts has collaborated with Ford, Yamaha, JCB, Tadano and finally Kubota.

BOARD OF DIRECTORS



Nikhil Nanda

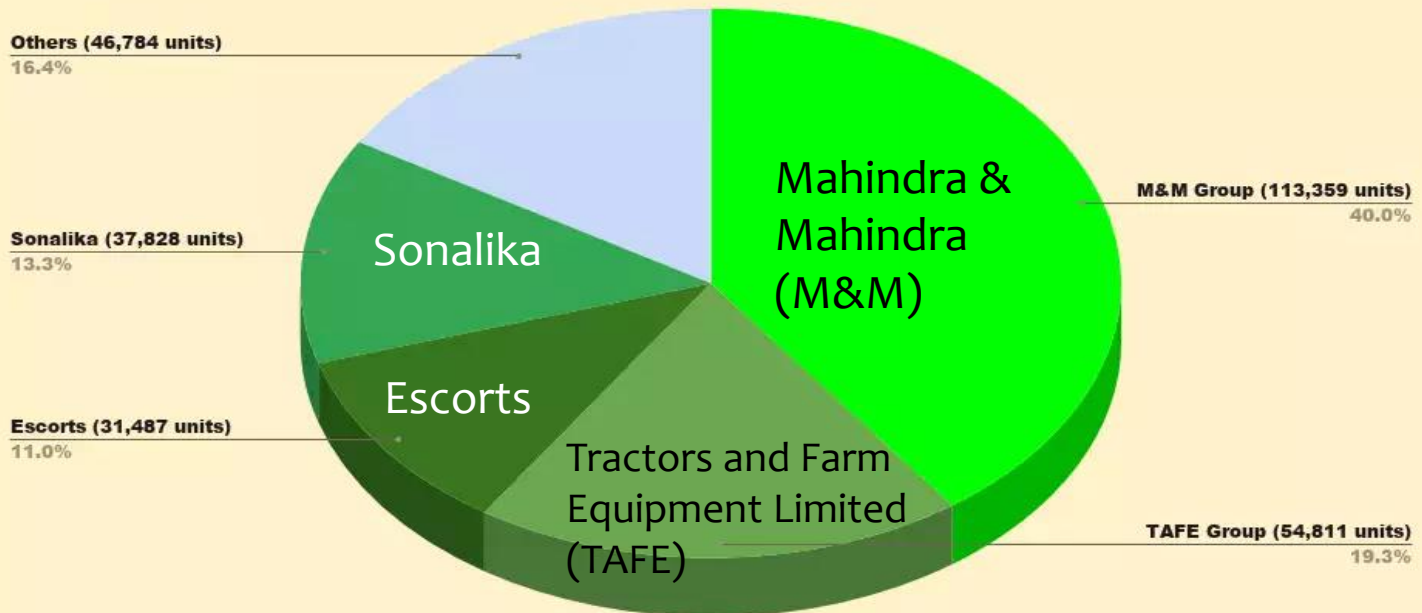
Chairman and Managing Director

Nikhil Nanda is an Indian businessman. Part of the Nanda family, Kapoor family and Bachchan Family, he is the chairman and managing director of Escorts Limited, an engineering company founded in 1944 by his paternal grandfather, Har Prasad Nanda.

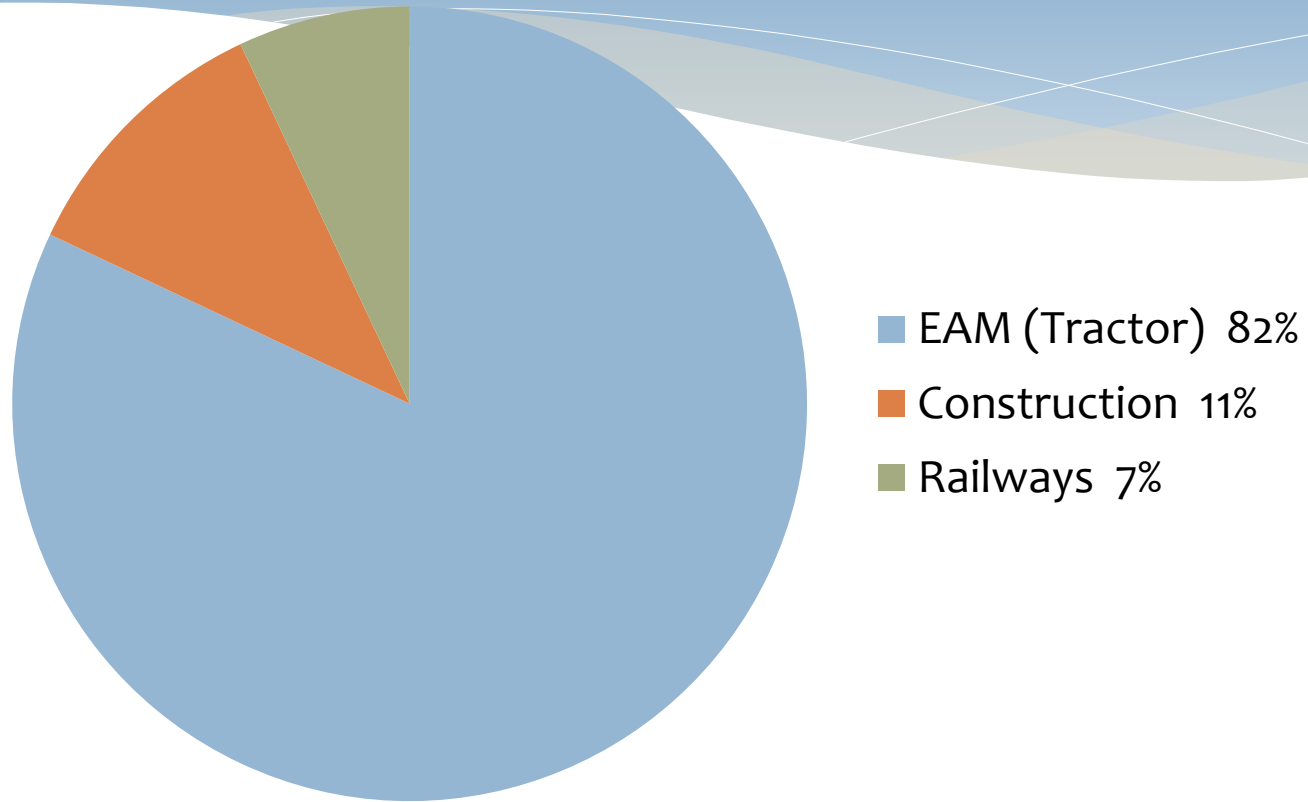
Nanda served as Chief Operating Officer from October 2005, then as Joint Managing Director of Escorts Limited from September 2007 when he became managing director of Escorts Limited in September 2013. He was appointed Chairman on 7 August 2018 after the death of his father.

Market Share of Tractor companies in India

Companies Market Share in 41HP-50HP Range (Apr-Oct FY21)



FY21 sales mix



Escorts Agri Machinery (EAM)

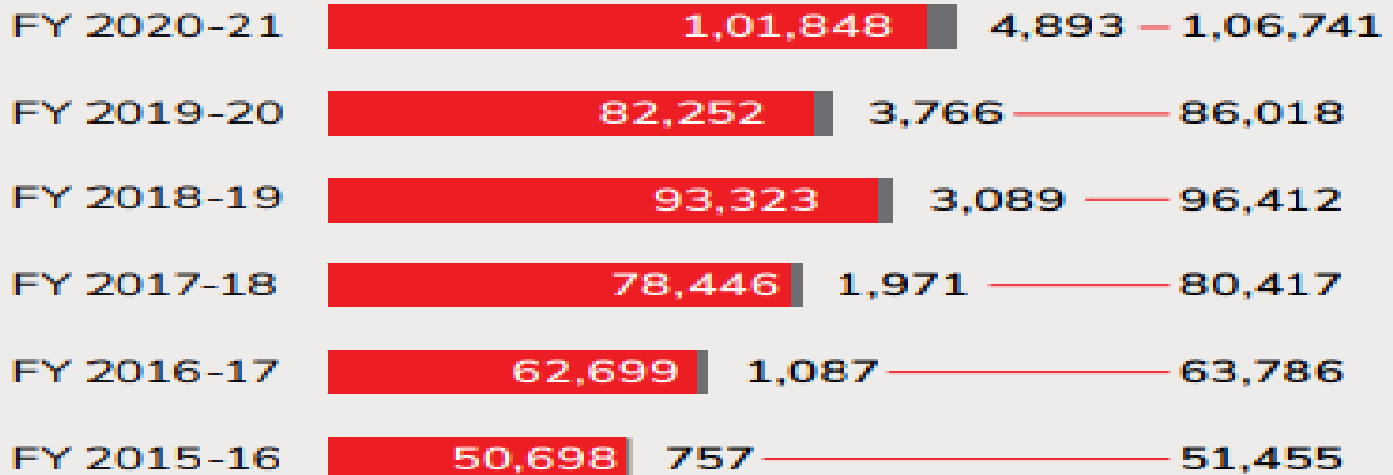
Escorts is the forerunners of the tractor industry in India, having started its journey at the inflection point of the introduction of farm mechanisation in the country. It today offer our more than 1.8 million domestic customers more than 225 options in the 12-75 HP segments under our four marquee brands – Farmtrac, Powertrac, Steeltrac and Digitrac. Over the years, it has added crop solutions, engines, spare parts and lubricants, SHIP (Sprayers, Harvesters, Implements and Planters) and gensets to the portfolio.

With continued efforts around channel expansion, our total dealer count in India is now more than 1,100. We will continue to further expand our dealer network in line with our dual distribution strategy for both our key brands with a primary focus on our target markets.

EAM Volumes

15.7% ↑ 5 year CAGR

24.1% ↑ y-o-y growth



■ Domestic ■ Exports — Total

~1,100+

Total number of
dealers in India



Joint Venture with Kubota

To further augment the technology, global presence, and capacity, escorts tied up with Japan's Kubota through a JV towards the end of 2018 to set up India's most advanced tractor manufacturing facility. This partnership was further strengthened in early 2020 through cross investing in each other's operations.

Kubota will consider developing and manufacturing basic combine harvesters and construction machineries targeting India and other emerging markets. It plans to make India as a global manufacturing hub for material/component procurement as well as a global R&D centre.

With the strong net cash available, the company plans to grow and expands its portfolio to harvesters, combined transplanter, construction equipment and Indian manufacturing space.

Since Kubota is a well established player in the overseas market, the tie-up would help the company to further strengthen its position in markets which require India-like products using Indian expertise, hence the company is quite optimistic on the exports market going forward.



Manufacturing assets

**3 PLANTS IN
FARIDABAD, HARYANA**

1,20,000
Annual tractors
production capacity

~90%+
capacity utilisation
in FY 2020-21

**1 PLANT IN
POLAND, EUROPE**

2,500
Annual installed
tractor capacity

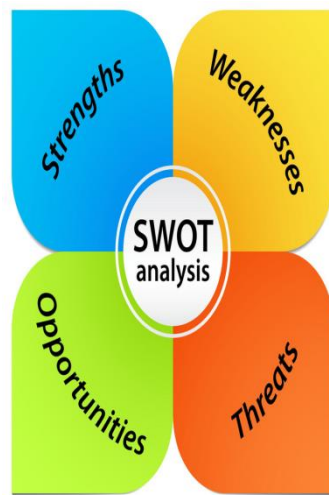
**1 PLANT IN
FARIDABAD, HARYANA***

50,000
Annual installed tractors
capacity in FY2020-21

**1 PLANT
IN RAJKOT, GUJARAT#**

- One of the oldest and prominent players in the segment with a significant market share and brand value
- Capability to increase production with increase in demand
- Well diversified product range catering to a wide range of customer requirements
- Strong product innovation ability, helping in being ahead of the curve in terms of upgrading product technology
- Proactive initiatives to step up the emissions compliance of our products and minimise our carbon footprint, to combat climate change
- Strategic alliance and strengthening of product and distribution network to aid entry in new markets, especially Europe, Africa and South East Asia

- Government focus on increasing farmer income to increase demand
- Increased agriculture production requirement with growth in population will require focus on mechanisation
- Increased farmer education and adaptability to increase demand



- Slower than anticipated sales growth over FY22
- Inability to pass on commodity cost increase
- Sudden supply chain and network distribution disturbances can impact the business negatively
- Early obsolescence, and government policy changes are temporary risks to the business

- Increased competition and product option with multi-national players entering the market, especially as the industry flourishes and may lead to pricing pressure
- The agriculture industry is dependent on multiple environmental factors especially the monsoons in India and can impact demand
- Geopolitical occurrences, industry volatilities and rising fuel prices remain a threat

EAM Performance

In concurrence with the market, it registered a strong performance during the year, registering a 24.1% growth in volumes for FY 2020-21, and highest ever EBIT margins at 18.2% went up by 521 bps as against 13% last year. The record profitability is on back of the acute focus on cost efficiencies, better product mix and higher operating leverage.

Clocking a 29.9% growth, the export segment grew at a faster rate than the industry average in FY 2020-21, driven by new product introduction and penetration in new markets. On the domestic front slight drop in market share, which stood at 11.3% as of March-end 2021 as against 11.6% in the previous year.

EAM Domestic Market Share Performance

						(%)
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
< 30 HP	1.9	2.1	3.5	4.7	6.3	6.7
31-40 HP	12.8	12.6	14.5	16.5	15.2	13.3
41-50 HP	10.9	11.7	10.4	10.8	11.0	11.8
> 50 HP	6.1	6.9	7.9	5.9	6.7	7.1

In terms of segment distribution, escorts saw an uptick in the above-40 HP tractors segment, which accounted for 62% of the domestic sales in FY 2020-21 against 51% in the previous fiscal. This resulted in significant model mix gains and is also reflective of the success of the new products in the higher HP range.

Escorts Construction Equipment (ECE)

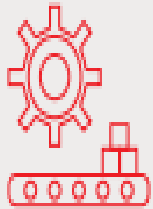


Escorts is one of the leading players of construction equipment, primarily in the material handling, earth moving and road building segments. It provides an exhaustive range of products to its customers and is one of the world's largest manufacturers of pick-and-carry hydraulic mobile cranes.

In the construction equipment segment, demand is expected to increase in healthy double digits in the ongoing financial year on the back of increased government spending on infrastructure projects, especially in rural areas. The industry estimates sales of construction equipment (domestic and exports) to grow 15-20% in fiscal 2023, compared with an 8% fall last fiscal year.

\$1.4

TRILLION
Government investment
in infrastructure by 2025



Manufacturing assets

**1 PLANT IN INDIA FOR
CONSTRUCTION AND MATERIAL
HANDLING EQUIPMENT AT
BALLABHGARH, HARYANA**

10,000
units capacity annually

~35%+
capacity utilisation
in FY 2020-21

**1 PLANT IN INDIA AS
TADANO ESCORTS JV AT
BALLABHGARH, HARYANA**

JV with Tadano

The JV with Tadano provides an opportunity to fill key white spaces in the high margin cranes segment. The portfolio, including rough terrain and truck mounted cranes, in the fast growing 20-80 tonnage category caters to big construction companies servicing oil refineries, metro rail projects, smart city construction, solar power projects and ports, among others.

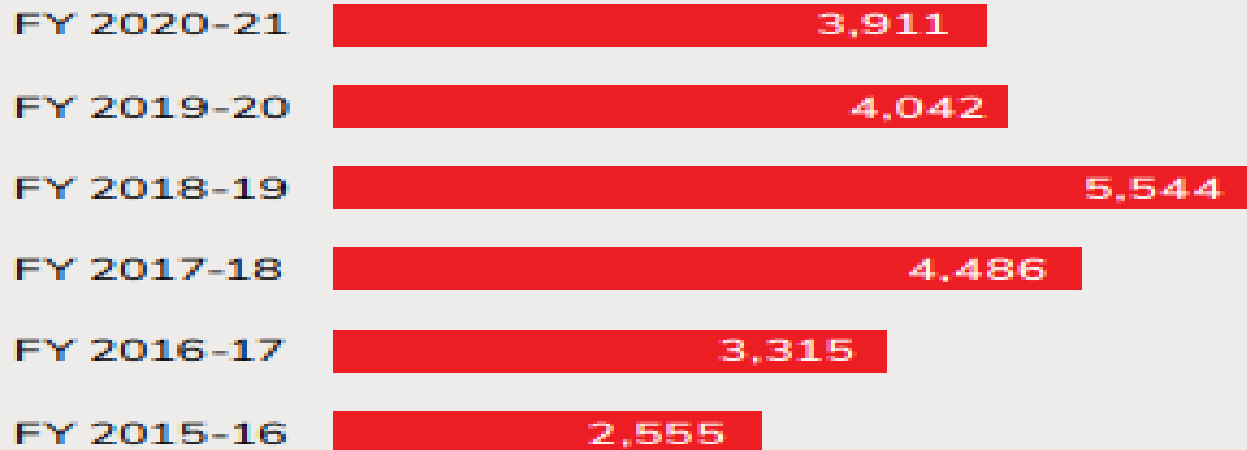
Alliance with Doosan Infracore

The distributorship agreement with Doosan Infracore has enabled it to cater to a much larger proportion of the overall construction equipment industry, with crawler excavators and wheel loaders.

ECE Volumes

8.9% ↑ 5 year CAGR

3.2% ↓ y-o-y growth



ECE Performance

The total volumes, including both manufactured and traded products, saw a marginal degrowth of 3%, recording a sales volume of 3,911 machines in FY 2020-21 against 4,042 machines in FY 2019-20. However, it outperformed the market in the second half of the year, with the volumes growing at 41% despite the continued supply chain challenges. Its revenues also saw some pressure due to the ongoing pandemic, standing at ` 776.1 crores as against ` 839.8 crores the previous year. Company was able to maintain EBIT margins overcoming hurdles such as loss of operational leverage and an unfavourable product mix. It saw an increase of dominance low-margin PnC from the Hydra category to 58% as against 47% seen in the previous year.

External Challenges

High-end construction equipment is facing challenges in terms of imports from low-cost manufacturing countries that are expanding their distribution centres and after-sales network in India. Although these multi-national imports have been considered to be a threat, quality consciousness among Indian consumers will curb large-scale imports. The foreign players are expected to drive competition against Indian construction equipment exports in the developed markets also.

Escorts is able to mitigate the threat being well placed in the segments it serve, particularly after the JV with Tadano to manufacture rough terrain and truck cranes.

Three-pronged approach to increase margins:

Quality and
cost excellence

Exhaustive
product range

Digitalisation
and strong
after-sales
customer
support

Railway Equipment Division (RED)

RED Revenue (in ₹ crores)

16.02% ↑ 5 year CAGR **0.4%** ↑ y-o-y growth

FY 2020-21	479.0
FY 2019-20	477.2
FY 2018-19	394.1
FY 2017-18	286.6
FY 2016-17	242.5
FY 2015-16	227.8



BRAKE DISC



AIR SPRING



BRAKE PADS



**Manufacturing
assets**

1 PLANT IN FARIDABAD, HARYANA

ANNUAL CAPACITY OF KEY COMPONENTS

18,000
Air Brake i.e. DV

9,600
Coupler -AARH

~20-70%
capacity utilisation in
FY 2020-21 (across
different component
categories.)

3,600
EP BRAKE

2,160
Coupler -SHAKU

Peer Comparison

Mahindra & Mahindra Ltd.

CMP : 1000

Escorts Ltd.

CMP : 1506

Attribute	Value	Date
PE ratio	25.25	07/06/22
EPS (Rs)	41.24	Mar, 22
Sales (Rs crore)	17,123.98	Mar, 22
Face Value (Rs)	5	
Net profit margin (%)	8.59	Mar, 22
Last bonus	1:1	10/11/17
Last dividend (%)	231	30/05/22
Return on average equity	12.66	Mar, 22

Attribute	Value	Date
PE ratio	27.61	07/06/22
EPS (Rs)	58.03	Mar, 22
Sales (Rs crore)	1,861.44	Mar, 22
Face Value (Rs)	10	
Net profit margin (%)	10.70	Mar, 22
Last bonus	3:5	03/05/87
Last dividend (%)	70	13/05/22
Return on average equity	9.71	Mar, 22

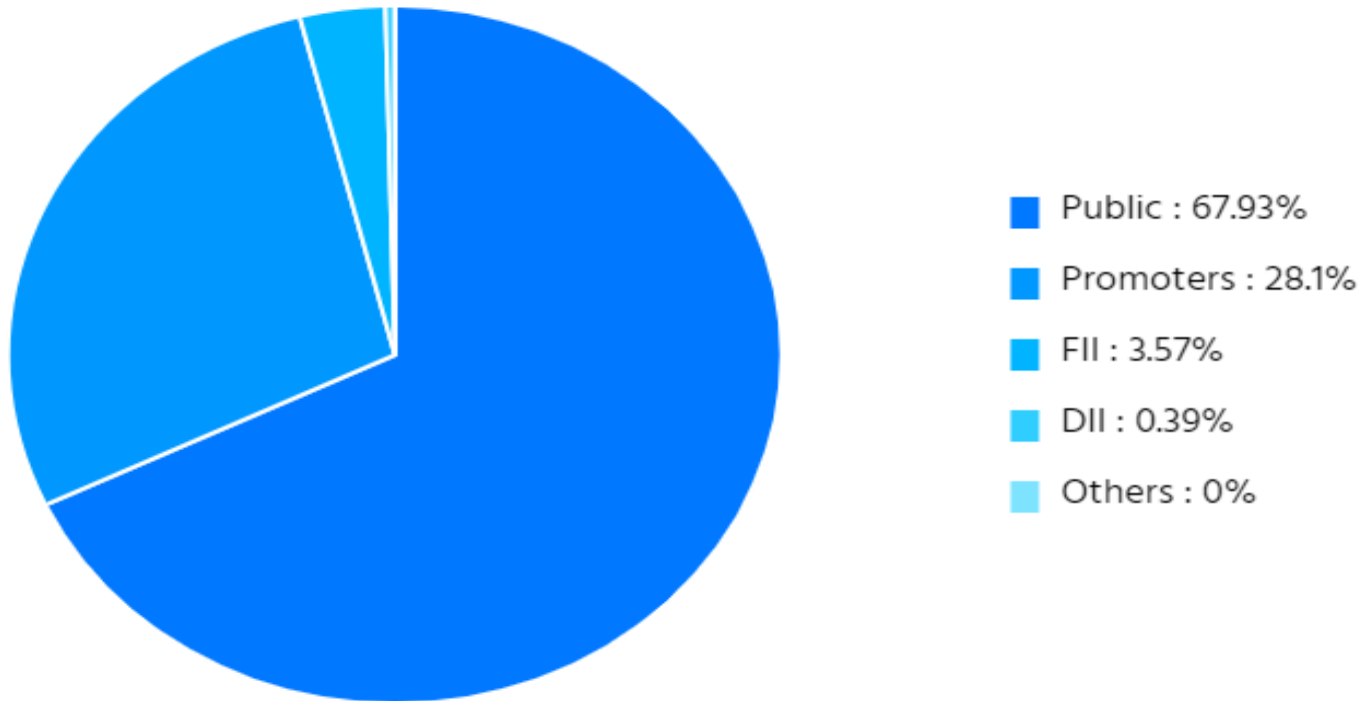
Key Triggers for future price performance

- * Detailed working on scaling up the company domestically as well as globally using the technology expertise and distribution reach at Kubota.
- * Once the shareholder agreement becomes effective (after Kubota reaches 16.4% stake), the entire shareholding of existing promoters as well as Kubota will be locked in for next 5 years. This increases investors' confidence on promoters' shareholding and smooth transition of business under new management structure.
- Post dip in tractor sales volume in FY22E on account of high base, we expect tractor sales to grow at a CAGR of ~6.5% over FY22E-24E.
- Construction equipment (CE), railways (RED) growth to be faster amid expected pickup in economic activity and positive outlook for mining, construction, road building and general infra push by government.
- Operating leverage gains to expand EBITDA margins to ~13.7% by FY24E.

Escorts plans capital expenditure of Rs 350-400 crore this financial year

- * Escorts is looking at a capital expenditure of Rs 350-400 crore in the ongoing financial year, enthused by a pick-up in demand due to an increase in economic activity.
- * The farm sector is seeing some positive tailwinds, amid strong crop prices and expectations of normal rains this monsoon season. This is expected to encourage farmers to spend more on purchasing tractors and other farm equipment. At Escorts, tractor sales in the local market in April-May rose by more than a fifth from a year earlier to 15,343 units. Tractor manufacturers expect the demand momentum to continue through this fiscal year. Escorts sees tractors sales gradually improving — despite low crop yields in the Rabi season due to extreme heat conditions — because of better commodity prices and forecast of normal rainfall.

SHAREHOLDING PATTERN



FINANCIALS

Balance Sheet

as at 31 March 2021

(₹ crores)

	Note	As at 31 March 2021	As at 31 March 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3 (i)	1,642.19	1,599.66
Capital work-in-progress	3 (ii)	41.18	104.39
Investment property	4	69.85	22.94
Right-of-use assets	5	42.73	33.24
Intangible assets	6 (i)	28.25	32.17
Intangible assets under development	6 (ii)	23.23	20.07
Financial assets			
Investments	7 (i)	653.39	527.98
Loans	8 (i)	6.30	6.49
Other financial assets	9 (i)	11.49	-
Income tax assets (net)		5.18	16.28
Other non-current assets	11 (i)	84.60	96.04
Total non-current assets		2,608.39	2,459.26
Current assets			
Inventories	12	674.46	822.20
Financial assets			
Investments	7 (ii)	1,651.56	638.28
Trade receivables	13	698.40	756.52
Cash and cash equivalents	14	100.50	164.81
Bank balances other than above	15	1,216.02	153.67
Loans	8 (ii)	10.44	16.81
Other financial assets	9 (ii)	22.36	20.86
Other current assets	11 (ii)	189.40	265.75
Total current assets		4,563.14	2,838.90

EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	17		134.83	122.58
Other equity	18		5,256.76	3,357.50
Total equity			5,391.59	3,480.08
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Borrowings	19 (i)		-	-
Lease liabilities	41		47.62	21.73
Other financial liabilities	20 (i)		23.97	19.96
Provisions	22 (i)		48.95	30.11
Deferred tax liabilities (net)	10 (i)		22.97	30.29
Other non-current liabilities	21 (i)		12.13	11.65
Total non-current liabilities			155.64	113.74
Current liabilities				
Financial liabilities				
Borrowings	19 (ii)		-	6.60
Trade payables	23			
(a) Total outstanding dues of micro enterprises and small enterprises			104.23	80.25
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises			1,082.90	1,183.68
Lease liabilities	41		10.42	5.77
Other financial liabilities	20 (ii)		129.14	123.53
Other current liabilities	21 (ii)		203.96	192.84
Provisions	22 (ii)		100.80	125.59
Current tax liabilities			24.55	-
Total current liabilities			1,656.00	1,718.26
Total equity and liabilities			7,203.23	5,312.08

Statement of Profit and Loss

for the year ended 31 March 2021

(₹ crores)

	Note	Year ended 31 March 2021	Year ended 31 March 2020
Income			
Revenue from operations	24	6,929.29	5,760.95
Other income	25	154.56	92.25
Total income		7,083.85	5,853.20
Expenses			
Cost of materials consumed	26 (i)	4,026.19	3,450.46
Purchases of stock-in-trade		440.08	370.37
Changes in inventories of finished goods, stock-in -trade and work-in-progress	26 (ii)	127.40	(1.21)
Employee benefits expense	27	534.55	510.32
Finance costs	28	10.98	15.46
Depreciation and amortisation expense	29	115.70	104.55
Other expenses	30	671.84	755.19
Total expenses		5,926.74	5,205.14
Profit before exceptional items and tax		1,157.11	648.06
Exceptional items	31	-	(9.22)
Profit before tax		1,157.11	638.84

Tax expense	10 (ii)		
Current tax		286.90	174.41
Deferred tax charge/(credit)		(3.85)	(21.11)
Total tax expense		283.05	153.30
Profit for the year		874.06	485.54
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in fair values of equity instruments carried at fair value through other comprehensive income		0.36	(0.24)
Re-measurements of defined employee benefit plans		(13.95)	(6.92)
Income tax relating to items that will not be reclassified to profit or loss		3.47	1.46
Total other comprehensive income for the year		(10.12)	(5.70)
Total comprehensive income for the year		863.94	479.84
Earnings per equity share:	32		
Basic (₹)		68.14	40.63
Diluted (₹)		68.05	40.63

Cash Flow Statement

for the year ended 31 March 2021

(₹ crores)

	Year ended 31 March 2021	Year ended 31 March 2020
A Cash flow from operating activities		
Profit before tax	1,157.11	638.84
Adjustments for:		
Depreciation and amortisation expense	115.70	104.55
Provisions written back net of provisions recognised during the year	(48.06)	(28.91)
Finance costs (other than finance and bank charges)	8.15	12.93
Interest income	(77.39)	(42.64)
Gain on disposal of property, plant and equipment (net)	(3.72)	(1.39)
Gain on fair valuation and sale of investments carried at fair value through profit or loss (net)	(57.16)	(36.59)
Share based payment to employees	16.36	3.40
Unrealised foreign exchange (gain)/loss	0.31	(3.07)
Operating profit before working capital changes	1,111.30	647.12
Movement in working capital		
Inventories	147.75	(0.28)
Trade receivables	46.91	170.49
Other financial assets	8.80	(19.06)
Other assets	76.40	32.24
Trade payables	(19.68)	87.21
Other financial liabilities	11.73	7.79
Other liabilities	(8.30)	65.23
Cash generated from operating activities post working capital changes	1,374.91	990.74
Income tax paid (net)	(253.27)	(174.14)
Net cash generated from operating activities (A)	1,121.64	816.60



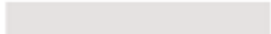

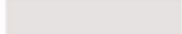

	Year ended 31 March 2021	Year ended 31 March 2020
B Cash flows from investing activities		
Purchase of property, plant and equipment (including capital advances)	(113.60)	(181.71)
Sale of property, plant and equipment	6.62	4.72
Purchase of intangible assets	(9.57)	(12.84)
Purchase of investment property	(11.06)	-
Investment in subsidiaries and joint ventures	(119.77)	(62.70)
Purchase of other non-current investments	(25.80)	-
Purchase of current investment (net)	(941.05)	(210.60)
Bank deposit (having original maturity of more than 3 months)	(1,022.53)	-
Margin/bank deposits	(7.75)	(9.77)
Interest received	45.14	43.13
Net cash used in investing activities (B)	(2,199.37)	(429.77)
C Cash flows from financing activities (refer note 19 (iii))		
Proceeds from shares(including ESOP) issued during the year	1,057.58	-
Repayment of long term borrowings	(0.05)	(7.49)
Repayment of lease liability	(4.91)	(3.04)
Repayment of short term borrowings (net)	(6.26)	(262.97)
Interest paid	(8.19)	(8.67)
Dividend and tax thereon paid	(24.52)	(26.02)
Net cash (used in)/flow from financing activities (C)	1,013.65	(308.19)
Increase/(decrease) in cash and cash equivalents (A+B+C)	(64.08)	78.64
Cash and cash equivalents at the beginning of the year (refer note 14)	164.81	85.80
Exchange difference on translation of foreign currency cash and cash equivalents	(0.23)	0.37
Cash and cash equivalents at the end of the year (refer note 14)	100.50	164.81

KEY RATIOS

REVENUE FROM OPERATIONS (₹ in crores)

20.73% ↑

y-o-y Growth

2020-21		7,014.42
2019-20		5,810.09
2018-19		6,262.02
2017-18		5,080.19
2016-17		4,219.76
2015-16		3,503.90

14.89% ↑

5-year CAGR

EBITDA (₹ in crores)

70.10% ↑

y-o-y Growth

2020-21		1,126.76
2019-20		662.40
2018-19		724.53
2017-18		553.60
2016-17		309.55
2015-16		161.39

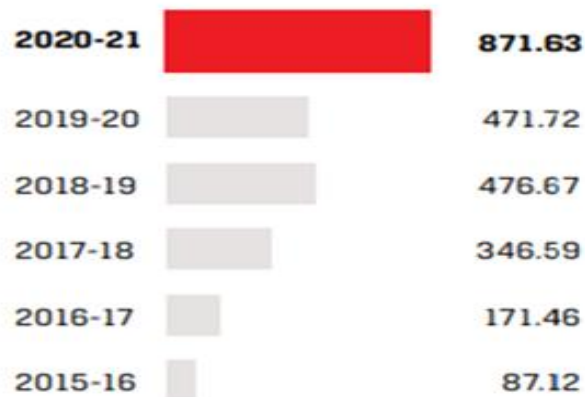
47.50% ↑

5-year CAGR

PROFIT AFTER TAX (₹ in crores)

84.78% ↑

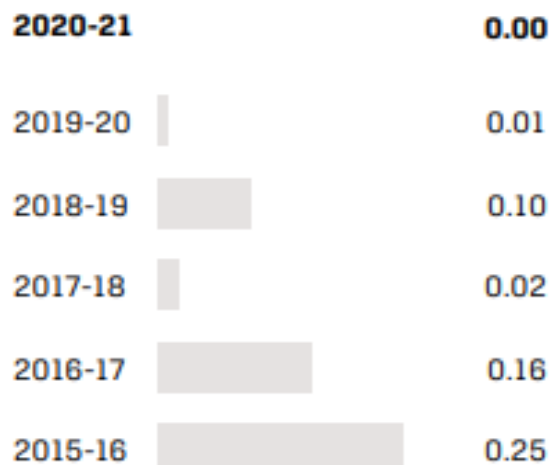
y-o-y Growth



58.50% ↑

5-year CAGR

DEBT-EQUITY RATIO (X)

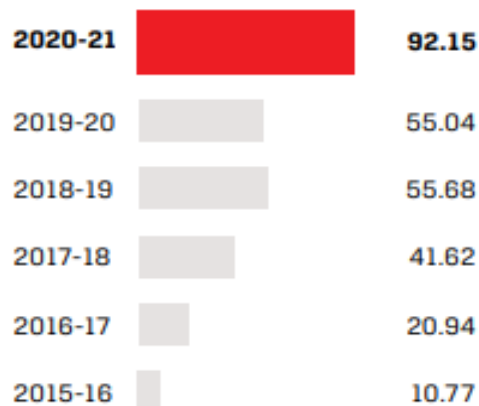


DEBT-FREE

BASIC EARNING PER SHARE (₹)

67.42% ↑

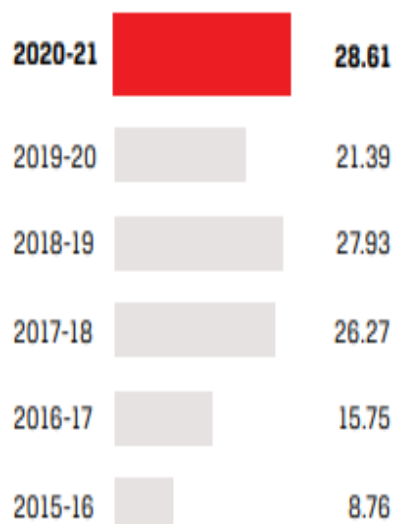
y-o-y Growth



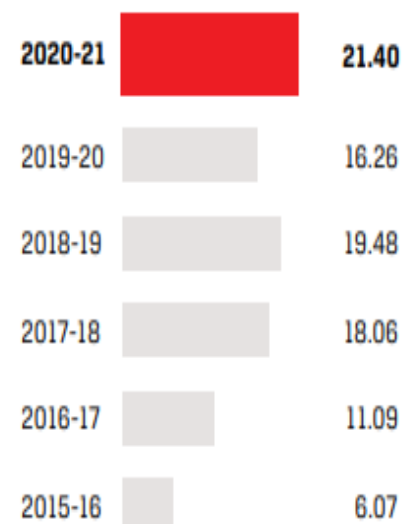
53.62% ↑

5-year CAGR

RETURN ON CAPITAL EMPLOYED (%)



RETURN ON EQUITY (%)



Q3 FY22 Results

The company posted a stable Q3FY22 performance.

- * Total operating income at ₹ 1,957.5 crores down 3% YoY
- * EBITDA margins for the quarter came in at 13.5%, up 88 bps QoQ
- * PAT declined 32.2% YoY to ₹ 194.9 crore (includes loss from associates)

Q4 FY22 Results

Escorts has reported set of Q4FY22 numbers affected by the many challenges across the industry.

- * Net Sales at Rs 1,878.51 crore in March 2022 down 15.71% from Rs. 2,228.75 crore in March 2021.
- * Quarterly Net Profit at Rs. 190.92 crore in March 2022 down 28.07% from Rs. 265.42 crore in March 2021.
- * EBITDA stands at Rs. 302.99 crore in March 2022 down 21.45% from Rs. 385.73 crore in March 2021.

CONCLUSION

Escorts' stock price has grown ~35% CAGR over last five years from ~₹ 390 in February 2017, vastly outperforming Nifty Auto Index.

Escorts has strong competitors with greater share in the market. But the company's strong position in the domestic market and new products make us confident about its business, to contribute at much higher levels to India and the world's quest for food security, sustainable agriculture and smart agriculture. Also, the outlook improves on normal monsoon forecast.

We remain positive on Escorts amid Kubota joining the company as a co-promoter which might bring the advanced technologies. This deal is a game changer for Escorts with huge value creation for investors in terms of synergy as well as providing global platform to Escorts on many fronts to emerge as a global company going forward.

We expect benefits of synergy to start flowing from FY24 and have meaningful impact on company's financials from FY25 onwards.