Result Update

Q1 FY26

Escorts Kubota Ltd.

Institutional Research

Escorts Kubota Ltd.

BP WEALTH

Farm Equipments | Q1FY26 Result Update 06th August 2025

Demand softness dents sales; One offs drive profitability

Escorts Kubota Limited (EKL) reported a muted topline performance in Q1FY26, with revenue declining 2.9% YoY to Rs. 25,001 million, falling short of street estimates of Rs. 26,048 million. The decline was largely driven by tepid volume performance in the domestic market and underperformance relative to the industry. Despite softness in the topline, a healthy uptick in profitability was observed. Gross profit rose 2.6% YoY to Rs. 7,719 million, with gross margin (GM) expanded 166 bps YoY to 30.9% (up 24 bps QoQ). The improvement in GM was on account of lower COGS, aided by inventory stocking. EBITDA stood at Rs. 3,214 million, up 2.0% YoY and 11.8% QoQ, marginally below estimates of Rs. 3,260 million, while Operating Margin (OPM) improved to 12.9%, expanding 61 bps YoY and 110 bps QoQ - reflecting healthy operating leverage in the Agriculture Machinery segment and lower other expenses. Reported PAT surged 39.8% YoY to Rs. 3,695 million, significantly beating estimates of Rs. 2,852 million. The jump was driven by a modest uptick in other income and a significant contribution from an exceptional item of Rs. 760 million, arising from a land sale. Excluding this, PAT remained in line with estimates. The one-time impact of profit from discontinued operations of Rs. 10,280 million is excluded, which pertains to the slump sale of its RED business. On the volume front, Tractor sales stood at 30,581 units, showing a modest annual growth of 0.7% and a strong sequential rebound of 14.8%, aided by improved rural demand and seasonal trends. Construction Equipment volumes came in at 1,055 units, witnessing a sharp decline of 23.7% YoY and 38.6% QoQ, reflecting subdued demand in the segment.

Valuation and Outlook

The company delivered a mixed performance in Q1FY26, with the topline coming in below expectations due to tepid domestic volumes and underperformance relative to the industry. However, the quarter was marked by a resilient operating performance, with gross and EBITDA margins expanding on the back of favourable raw material costs and better cost control, particularly in the Agriculture Machinery segment. The sharp jump in PAT was aided by exceptional gains, though core profitability remained broadly in line with expectations. While Q1 saw muted revenue performance, we believe Escorts Kubota is well-placed for a gradual recovery in H2FY26, supported by a strong pipeline of new launches across brands (Promaxx, MU Series, Wetland). These are expected to aid market share gains, particularly in under-penetrated southern and eastern markets. Export momentum remains healthy, with management targeting 25–30% YoY growth in FY26 and a medium-term contribution of 15% to total revenue, aided by rising integration with Kubota's global network. The Construction Equipment segment is expected to rebound post-monsoon as emission-related transition impacts subside and government-led infrastructure activity picks up. While input costs are firming up, with the impact likely to be felt from Q2 onwards, and the drag from the unfavourable regional mix expected to persist in the near term, management has retained its EBITDA margin guidance of 12–12.5% for FY26, supported by new product launches, cost discipline, and operating leverage. Overall, EKL remains well-positioned, with improving fundamentals and medium-term levers for profitable growth in place.

Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	25,001	25,737	-2.9%	24,449	2.3%
Gross profit	7,719	7,520	2.6%	7,490	3.1%
Gross margin (%)	30.9%	29.2%	166 bps	30.6%	24 bps
EBITDA	3,214	3,151	2.0%	2,875	11.8%
OPM (%)	12.9%	12.2%	61 bps	11.8%	110 bps
Adj. PAT	3,695	2,644	39.8%	2,716	36.0%
PAT Margin	14.8%	10.3%	451 bps	11.1%	367 bps

Source: Company, BP Equities Research

Sector Outlook Neutral

Stock

CMP (Rs.)	3,369
BSE code	500495
NSE Symbol	ESCORTS
Bloomberg	ESCORTS IN
Reuters	ESCO.BO

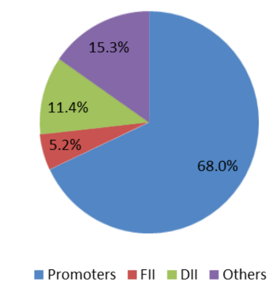
Key Data

Nifty	24,574
52 Week H/L (Rs,)	4,420/2,776
O/s Shares (Mn)	112
Market Cap (Rs. bn)	377
Face Value (Rs.)	10

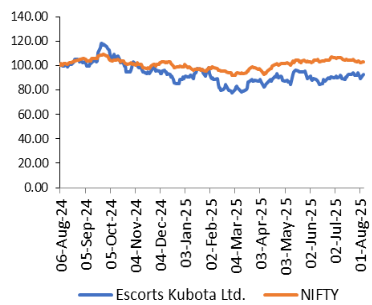
Average Volume

3 months	171,630
6 months	167,190
1 year	208,450

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Demand & Volume Trends

Domestic tractor market underperformed industry (Escorts flat YoY vs. industry +9.2%) due to weaker presence in high-growth South/East regions.

Construction Equipment volumes declined 24% YoY, impacted by pre-BSV inventory clearance and weak industry demand.

"Looking ahead with timely and wide-spread above normal monsoon rain and improved reservoir level, rural sentiment remain positive and farmer cash flow are strengthening. "

Growth Outlook

Management retained mid-to-high single-digit tractor industry growth guidance for FY26.

Q2FY26 to remain soft due to high base; H2FY26 growth to depend on festive season and regional monsoon spread.

CE segment expected to recover in H2FY26, backed by government infra push and transition to new emission norms getting completed.

Product Strategy & Market Share

"Exports will stabilize around 500-600 tractors per month."

Promaxx series (Farmtrac) already launched in Q1FY26; early signs of market share gain in launched states.

Kubota MU series (42–50 HP) launched; Wetland series under Powertrac to be launched by Q2-end. Full benefits to flow in H2FY26 and FY27.

Targeting market share improvement in South/East regions via product-market fit and dealer expansion in white spaces.

Margins & Cost Commentary

Gross margin improved due to lower COGS; supported by inventory stocking benefit.

Commodity costs expected to rise from Q2FY26 (especially metals), but impact to be limited (~<1%).

FY26 EBITDA margin guidance retained at 12–12.5%, supported by cost control, improved mix, and scale leverage.

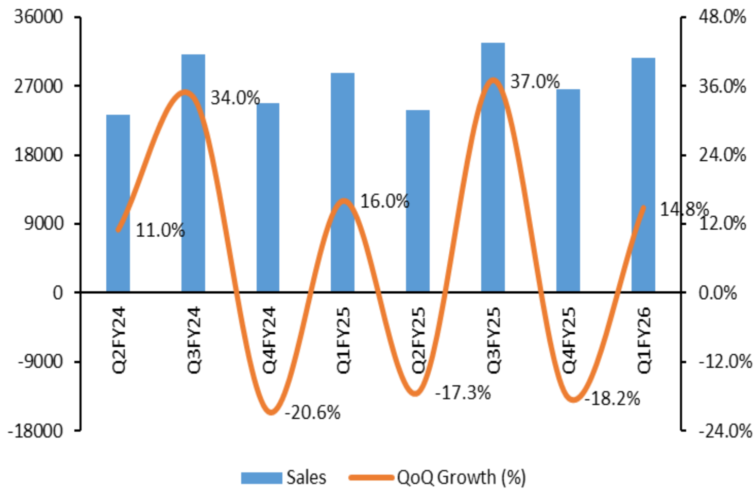
Capex & Expansion Plans

FY26 capex guided at Rs. 350-400 crore, excluding greenfield plant.

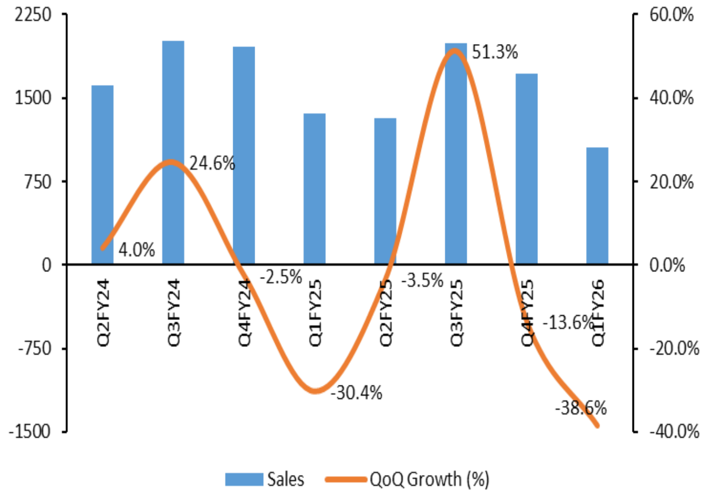
UP greenfield plant delayed due to land acquisition; expected to commence construction in FY27.

Quarterly Snapshot

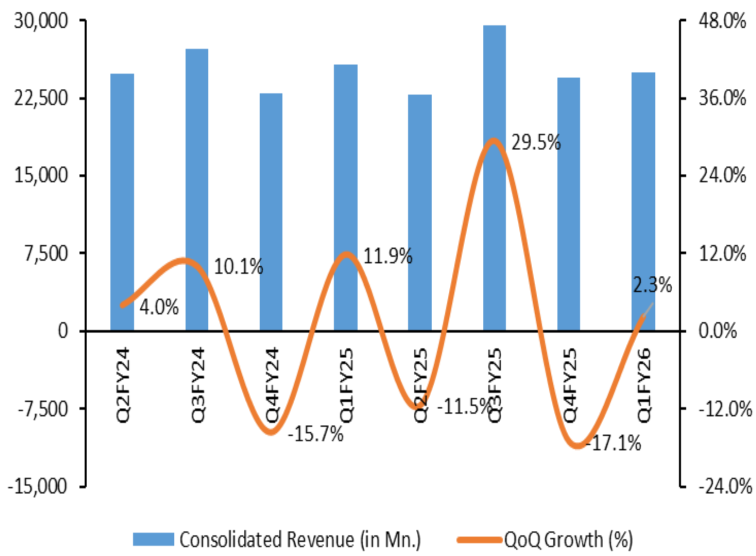
Tractor Volume



Construction Equipment Volume

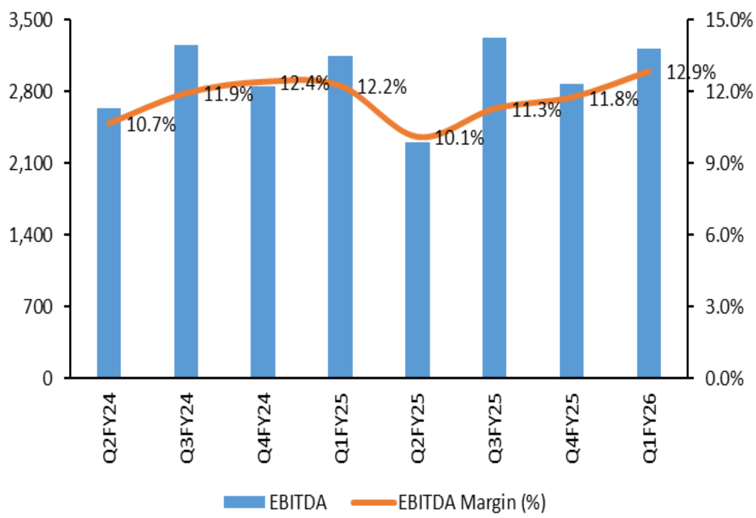


Revenue Trend

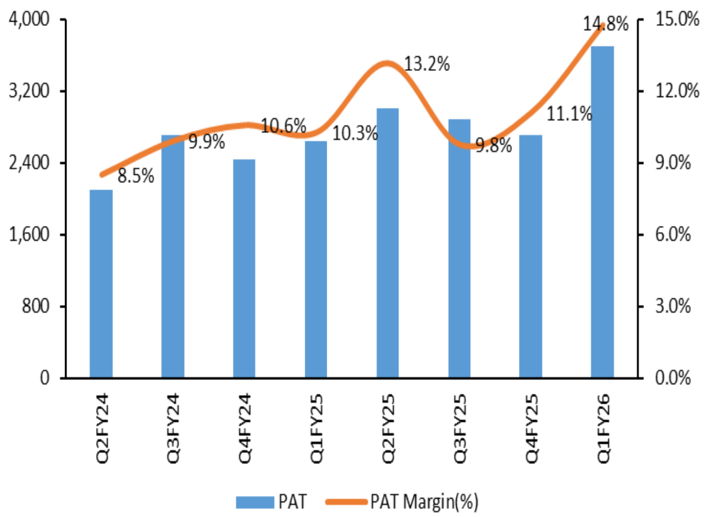


Gross Profit and Gross Margin

EBITDA and EBITDA Margin



PAT and PAT Margin



Source: Company, BP Equities

Key Financials						
YE March (Rs. mn)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	**72,827**	**84,287**	**98,036**	**1,02,439**	**1,09,610**	**1,16,734**
Revenue Growth (Y-o-Y)	*3.8%*	*15.7%*	*16.3%*	*4.5%*	*7.0%*	*6.5%*
EBITDA	**9,954**	**7,775**	**11,309**	**11,653**	**13,482**	**15,292**
EBITDA Growth (Y-o-Y)	*-11.7%*	*-21.9%*	*45.4%*	*3.0%*	*15.7%*	*13.4%*
Net Profit	**7,356**	**6,367**	**9,430**	**11,241**	**13,153**	**15,059**
Net Profit Growth (Y-o-Y)	*-15.6%*	*-13.5%*	*48.1%*	*19.2%*	*17.0%*	*14.5%*
Diluted EPS	**73.7**	**58.8**	**96.6**	**115.0**	**117.4**	**134.5**
Profitability Ratios						
EBIDTA (%)	**13.7%**	**9.2%**	**11.5%**	**11.4%**	**12.3%**	**13.1%**
NPM (%)	10.1%	7.6%	9.6%	11.0%	12.0%	12.9%
ROE (%)	**9.7%**	**7.8%**	**10.0%**	**10.8%**	**11.7%**	**12.3%**
ROCE (%)	10.0%	6.5%	9.2%	8.8%	9.5%	10.1%
Valuation Ratios						
P/E (x)	**45.7x**	**57.3x**	**34.9x**	**29.3x**	**28.7x**	**25.1x**
EV/EBITDA (x)	38.7x	49.8x	33.6x	31.5x	27.5x	24.5x
Market Cap/Sales (x)	5.2x	4.5x	3.8x	3.7x	3.4x	3.2x

Source: Company, BP Equities

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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