

Result Update

Q2 FY26

Escorts Kubota Ltd.

Institutional
Research

Escorts Kubota Ltd.



BP WEALTH

Farm Equipments | Q2FY26 Result Update

06th November 2025

Performance largely in line with estimates; Strong agri-momentum keeps performance steady

Escorts Kubota Limited (EKL) reported a decent set of numbers in Q2FY26, with its performance being largely in line with street estimates. The company reported a standalone revenue of Rs. 2,777 crores (up 22.6% YoY / up 11.8% QoQ), beating street estimates by a margin of Rs. 50 crores. The healthy topline growth was primarily driven by the buoyant domestic market on account of the preponement of the festive season, continued government support, a reduction in the GST rate, and favourable agricultural conditions. Gross margin for the quarter stood at Rs. 853 crores (up 23.9% YoY / up 11.2% QoQ), translating to 30.7% as gross margin (up 31 bps YoY / down 17 bps QoQ). The YoY uptick in GM is mainly driven by lower material costs during the quarter; however, sequential pressure was observed, also impacted by inventory destocking. EBITDA for the quarter was reported at Rs. 363 crores (up 56.0% YoY / 11.8% QoQ), with a margin of 13.1% (up 280 bps YoY / flat on a sequential basis). The improvement in its OPM was primarily driven by lower employee cost during the quarter. Reported profit for the quarter was Rs. 321 crores (up 6.1% YoY / down 13.8% QoQ), lagging behind market estimates of Rs. 333 crores. Adjusting for the one-offs in Q1FY26 (from the sale of certain land and buildings) and Q2FY25 (changes in long-term capital gains tax provisions and the effect of brought-forward losses from merged companies), the comparison stands relatively buoyant (up 51.7% YoY / up 4.4% QoQ). On the volume front, tractor sales stood at 33,877 units, highlighting a healthy annual growth of 30.3% and a strong sequential rebound of 10.8%, aided by improved rural demand, higher discount levels and seasonal trends. Construction Equipment volumes came in at 1,146 units, down 17.8% YoY and up 8.6% QoQ, reflecting subdued demand in the segment due to the extended monsoon season and lower than expected mobilization of infrastructure projects on the ground.

Valuation and Outlook

Escorts Kubota Limited (EKL) delivered a steady operational performance in Q2FY26, reaffirming its improving position within the tractor industry. The quarter's growth was well supported by structural tailwinds such as the reduction in GST rates, improving rural liquidity, and favourable agri fundamentals. The management remains confident of sustaining low double-digit industry growth through FY26, driven by strong reservoir levels, higher MSPs, and an expected pickup in rabi sowing. Going ahead, EKL's outlook appears constructive, underpinned by a broad-based recovery in rural sentiment and the continued government focus on rural and agri-infrastructure. The ongoing shift in consumer preference toward higher horsepower tractors (50HP+) augurs well for product mix improvement, with EKL benefiting from recent product introductions under the Farmtrac and Kubota brands and the upcoming Powertrac series in Q4FY26. Export traction is expected to stay strong, supported by Kubota's global network and new market entries in Europe and Mexico. Management continues to guide for 25%+ growth in exports, with medium-term visibility further enhanced by the upcoming greenfield capacity, which is expected to serve as an export hub from FY28 onwards. In contrast, the Construction Equipment (CE) division remains a drag in the near term, with volumes subdued due to prolonged monsoons and slower project mobilization. However, management expects a gradual recovery through H2FY26 as government-led capex accelerates. Margins in the CE segment are anticipated to normalize to high single digits in H2 as production scales up and commodity deflation kicks in. On the margin front, EKL's near-term profitability levers remain intact, supported by favorable material cost trends, better operating leverage in Agri Machinery, and easing employee costs. Capex intensity will remain moderate at Rs. 350–400 crore annually, with additional outlays tied to the greenfield expansion.

Key Highlights

Particulars (Rs. Cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	2,777	2,265	22.6%	2,483	11.8%
Gross profit	853	688	23.9%	767	11.2%
Gross margin (%)	30.7%	30.4%	31 bps	30.9%	-17 bps
EBITDA	363	233	56.0%	325	11.8%
OPM (%)	13.1%	10.3%	280 bps	13.1%	-1 bps
Adj. PAT	321	303	6.1%	373	-13.8%
PAT Margin	11.6%	13.4%	-180 bps	15.0%	-344 bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	3,690
BSE code	500495
NSE Symbol	ESCORTS
Bloomberg	ESCORTS IN
Reuters	ESCO.BO

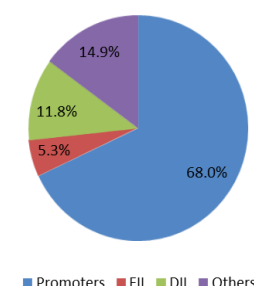
Key Data

Nifty	25,510
52 Week H/L (Rs.)	4,180/2,776
O/s Shares (Cr)	11.2
Market Cap (Rs. Cr)	41,325
Face Value (Rs.)	10

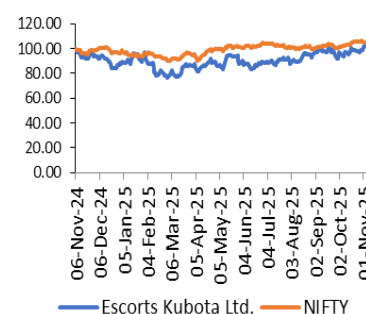
Average Volume

3 months	199,090
6 months	185,970
1 year	185,260

Share Holding Pattern (%)



Relative Price Chart



Research Analyst

Sagar Shetty

Sagar.shetty@bpwealth.com
022-61596158

Key Concall Highlights

Demand & Volume Trends

Tractor volumes grew 30.3% YoY / 10.8% QoQ to 33,877 units, supported by the GST rate cut, early festive demand, and healthy reservoir levels.

Domestic demand remained broad-based, with South and West regions leading growth; North showed recovery post-September.

Shift in preference towards higher HP tractors (45–55 HP) continued post-GST reduction, aiding mix improvement.

Construction Equipment (CE) volumes declined 17.8% YoY but rose 8.6% QoQ, as industry demand was affected by extended monsoon and slow project mobilization.

Growth Outlook

Management expects the tractor industry to post low double-digit growth (revised from earlier mid-single-digit guidance) in FY26, led by healthy rabi prospects, improved MSPs, and favourable farm sentiment.

Export growth guidance retained at 25%+, with strong traction in Europe and new markets such as Mexico; ~52% of exports routed through Kubota's global network.

The CE industry is expected to remain slightly below FY25 levels but recover sequentially in H2FY26 as infrastructure execution accelerates and emission transition stabilizes.

Product Strategy & Market Share

Continued ramp-up of Farmtrac PROMAXX series launched earlier this year, driving share gains in core markets.

New Kubota models launched in August have received a strong initial response; Powertrac series launch now scheduled for early Q4FY26, targeting southern markets.

Domestic tractor market share stood at ~11.3%, up 20 bps QoQ; management is confident of sustaining improvement through dealer expansion and region-specific product introductions.

Non-tractor business (engines, spares, agri-solutions) formed 17% of agri segment revenue; expected to remain stable in near term.

Margins & Cost Commentary

Material cost inflation seen in Q2 which is expected to reverse in Q3; management anticipates deflationary benefit in margins.

CE margin contracted to 3.8% (vs. 9.3% a year earlier) due to lower utilization; guided to recover to high single digits in H2FY26.

Management remains confident of sustaining 12-13% consolidated margin range for FY26 through cost controls and favorable product mix.

Capex & Expansion Plans

FY26 capex guidance maintained at Rs. 350-400 crores, with a similar annual range expected ahead.

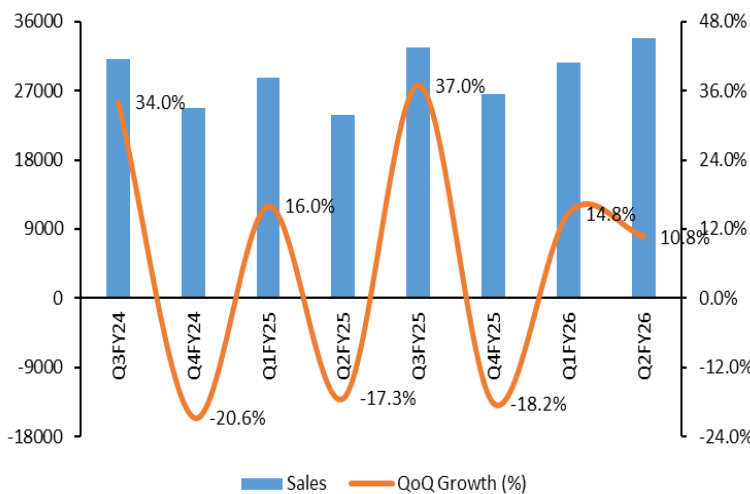
UP greenfield plant - land acquisition largely complete; balance 5-6% pending. Construction expected to commence in FY27, with commissioning by FY28–29.

Current capacity utilization: ~80% in tractors and ~35% in CE; sufficient to meet near-term demand.

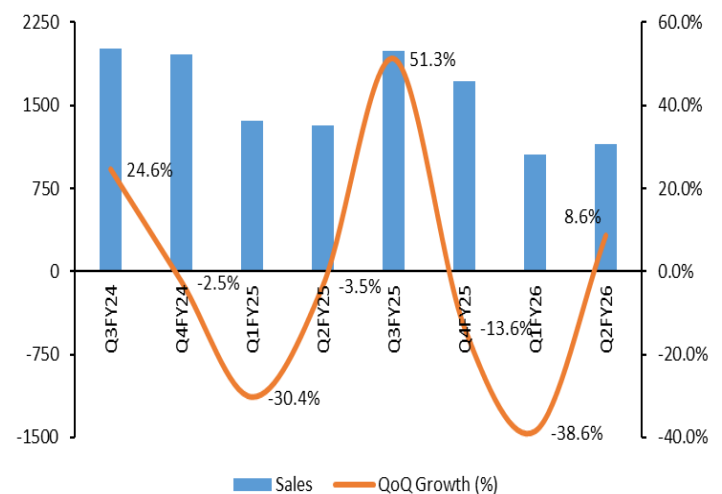
Greenfield unit to focus on exports and new Kubota models, aiming to position India as a global supply hub.

Quarterly Snapshot

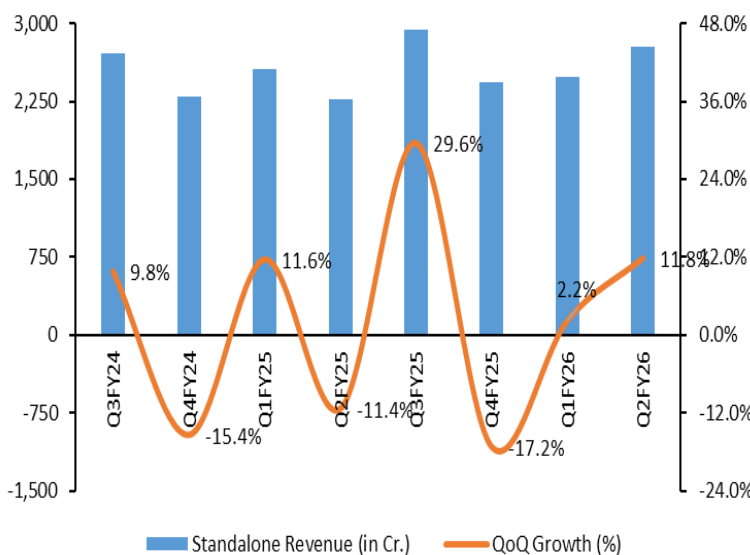
Tractor Volume



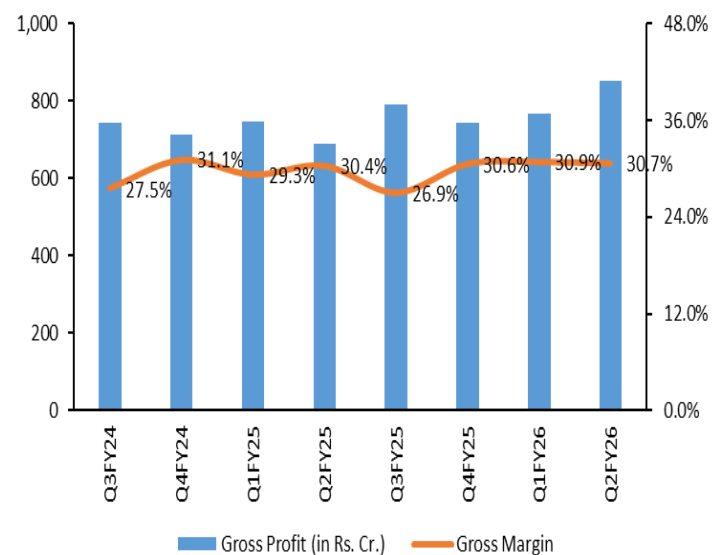
Construction Equipment Volume



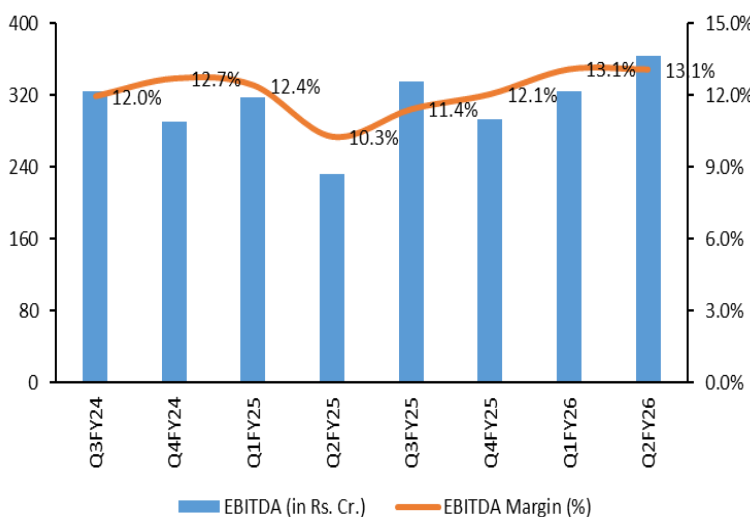
Revenue Trend



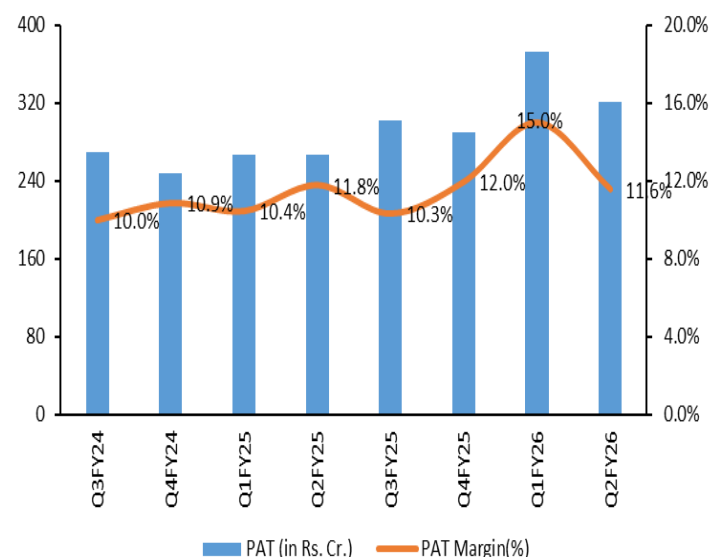
Gross Profit and Gross Margin



EBITDA and EBITDA Margin



PAT and PAT Margin



Source: Company, BP Equities

Key Financials						
YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,197	8,345	9,731	10,187	11,206	12,550
Revenue Growth (Y-o-Y)	3.9%	16.0%	16.6%	4.7%	10.0%	12.0%
EBITDA	996	780	1,133	1,178	1,401	1,644
EBITDA Growth (Y-o-Y)	-11.7%	-21.6%	45.2%	4.0%	18.9%	17.4%
Net Profit	766	607	948	1,110	1,345	1,619
Net Profit Growth (Y-o-Y)	-12.4%	-20.7%	56.2%	17.1%	21.1%	20.4%
Diluted EPS	58.7	46.7	95.4	113.7	120.1	144.6
Profitability Ratios						
EBIDTA (%)	13.8%	9.4%	11.6%	11.6%	12.5%	13.1%
NPM (%)	10.6%	7.3%	9.7%	10.9%	12.0%	12.9%
ROE (%)	9.7%	7.2%	10.1%	10.7%	11.8%	12.9%
ROCE (%)	10.9%	7.4%	9.2%	8.9%	9.9%	10.6%
Valuation Ratios						
P/E (x)	62.8x	79.0x	38.7x	32.5x	30.7x	25.5x
EV/EBITDA (x)	41.5x	52.8x	36.3x	34.9x	29.4x	25.1x
Market Cap/Sales (x)	5.7x	5.0x	4.2x	4.1x	3.7x	3.3x

Source: Company, BP Equities

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6138
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

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