

Result Update

Q3 FY26

Escorts Kubota Limited

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Research

Escorts Kubota Limited



BP WEALTH

Automobile | Q3FY26 Result Update

12th February 2026

Sustained tractor momentum drives growth; operating strength underpin earnings trajectory

The company reported a strong Q3FY26 performance, with standalone revenue from continuing operations at Rs. 3,261 crores, up 11.1% YoY / 17.4% QoQ, ahead of street estimates of Rs. 2,935 crores. Growth was driven by robust tractor volumes, with total tractor sales rising 13.5% YoY to 36,955 units, supported by strong domestic industry momentum on the back of GST rationalization, favorable reservoir levels, improved farm economics and state-level subsidy support. Export volumes were particularly strong, up ~63% YoY, aided by higher dispatches to the Kubota global network. Gross profit came in at Rs. 945 crores, up 19.4% YoY, with gross margin expanding 201 bps YoY to 29.0%, largely supported by softer material costs and operating leverage in the Agri Machinery segment. Sequentially, gross margin moderated by 174 bps due to product mix and cost movements. EBITDA stood at Rs. 439 crores, delivering a sharp 30.9% YoY and 20.8% QoQ growth, materially ahead of estimates, while EBITDA margin improved 203 bps YoY to 13.5%, reflecting easing commodity costs, better cost control and improved absorption. Reported net profit stood at Rs. 362 crores, up 12.1% YoY and 12.8% QoQ, marginally ahead of estimates, despite a one-time impact of approximately Rs. 52 crores relating to the new labor code. PAT margin remained broadly stable YoY at 11.1%.

Valuation and Outlook

The company delivered a strong quarter marked by healthy volume-led growth and meaningful margin expansion, with revenue momentum translating into record operating performance. Tractor demand remained robust, supported by favorable farm economics, GST-led affordability, and strong export traction through the Kubota network, while operating leverage and softer material costs drove a sharp improvement in EBITDA margins. Construction equipment continued to face year-on-year pressure due to a high base and delayed infrastructure mobilization, but sequential recovery trends indicate early signs of stabilization. Beyond the headline numbers, the commentary suggests improving export visibility, a gradual strengthening of the Kubota brand portfolio through localization and a measured approach to capacity expansion aligned with demand. Looking ahead, near-term momentum in tractors is likely to sustain given healthy reservoir levels and positive rural indicators, although growth may normalize in FY27 due to a higher base and potential moderation in subsidy impact. Commodity pressures bear watching, but disciplined cost management and operating leverage should provide support. Overall, the company appears well positioned to benefit from cyclical strength in agri-machinery while building structural levers in exports and portfolio enhancement to drive medium-term earnings resilience.

Key Highlights

Particulars (Rs. Cr.)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	3,261	2,935	11.1%	2,777	17.4%
Gross profit	945	791	19.4%	853	10.8%
Gross margin (%)	29.0%	26.9%	201 bps	30.7%	-174 bps
EBITDA	439	335	30.9%	363	20.8%
OPM (%)	13.5%	11.4%	203 bps	13.1%	37 bps
Reported PAT	362	323	12.1%	321	12.8%
PAT Margin (%)	11.1%	11.0%	10 bps	11.6%	-45 bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	3,642
BSE code	500495
NSE Symbol	ESCORTS
Bloomberg	ESCORTS IN
Reuters	ESCO.BO

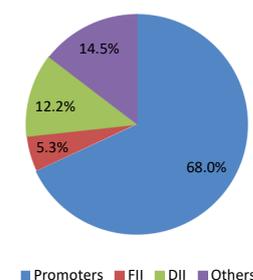
Key Data

Nifty	25,807
52 Week H/L (Rs.)	4,180/2,776
O/s Shares (Cr)	11.2
Market Cap (Rs. Cr)	40,790
Face Value (Rs.)	10

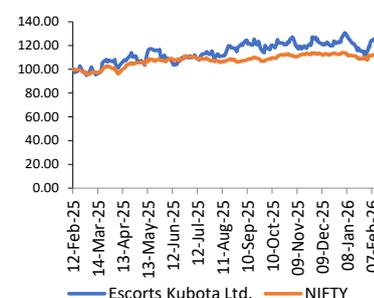
Average Volume

3 months	112,281
6 months	155,369
1 year	157,847

Share Holding Pattern (%)



Relative Price Chart



Research Analyst

Sagar Shetty

Sagar.shetty@bpwealth.com
022-61596158

Key Concall Highlights

Demand & Volume Trend

In Q3FY26, the tractor industry grew ~23% YoY, supported by GST rationalization, healthy reservoir levels, improved MSPs and state subsidies; management expects strong momentum to continue into Q4FY26 and Q1FY27.

Company's tractor volumes in Q3FY26 grew 13.5% YoY, with domestic volumes up 12% and exports up ~63%, aided by higher dispatches to Kubota's global network, with ~68% of exports routed through Kubota channels.

Construction Equipment volumes in Q3FY26 declined 13.7% YoY but improved ~50% QoQ, with management highlighting gradual stabilization and January 2026 exit trends indicating further narrowing of decline.

"Observed shift toward 45-50 HP tractors continued post-GST reduction, as improved farmer liquidity led to premiumization within the portfolio."

Growth Outlook

Management expects the tractor industry to close FY26 at a new peak of ~11.5 lakh units, with strong Q4FY26 and early FY27 visibility; however, commentary remains cautious on FY27 given the high base and monsoon dependency.

The Construction Equipment industry is expected to see improvement in FY27, aided by increased public capex allocation of Rs. 12.2 lakh crore and better infrastructure project mobilization; medium-term industry CAGR guided at 6-7% through FY30.

"Export growth is expected to remain in double digits over the medium term (though not at the current elevated run rate), supported by deeper integration with Kubota's global sourcing strategy."

Margins & Cost Commentary

Agri segment EBIT margin in Q3FY26 expanded to 13.5%, driven by lower material costs, operating leverage, and cost control initiatives.

Commodity tailwinds supported 9MFY26 margins; however, management expects some pressure in Q4FY26 from rising copper and aluminum prices, though tractor margin impact is expected to be limited.

Construction Equipment margins improved sequentially in Q3FY26 but remain below normalized levels due to lower utilization; recovery contingent on demand pickup in FY27.

"No broad-based tractor price hikes have been implemented yet; pricing decisions will depend on commodity trends and industry response."

Capex & Expansion Plans

Board approved land acquisition for the UP greenfield plant in FY26; overall investment remains phased and demand-linked.

Commercial production at the new facility is tentatively targeted for FY30, with flexibility to advance or defer depending on market conditions.

Greenfield expansion is aimed at export ramp-up and Kubota localization, with component exports expected to scale up from FY27 onward.

"Existing facilities can support incremental 10-15% volume growth before significant capex deployment."

Product Strategy & Market Positioning

PROMAXX series continues to witness strong demand in Q3FY26, with order inflows exceeding supply; production ramp-up underway.

Multiple new tractor launches and upgrades planned over the next 6-8 months, with full portfolio impact expected by end-FY27.

Kubota brand strategy is undergoing localization, with Indian platforms expected over the next 12-18 months to improve cost competitiveness and expand addressable market share.

"Non-tractor revenue, comprising engines, agri-solutions, and spares, contributed ~21% of agri segment revenue in Q3FY26, broadly stable YoY."

Railway Business Divestment Completed

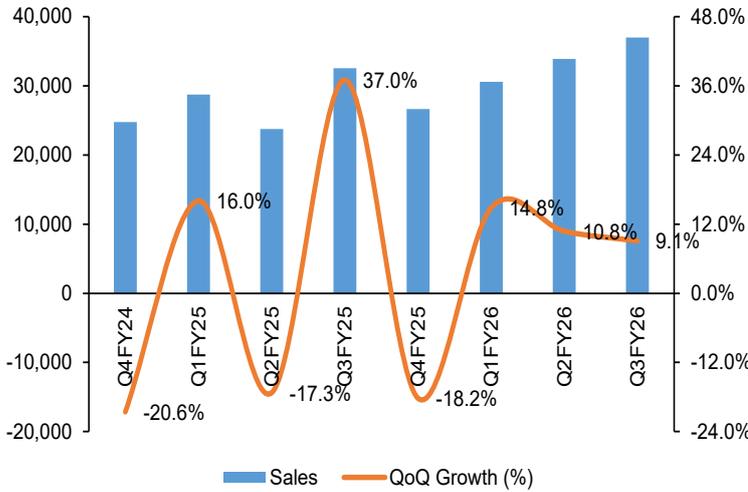
The Railway Equipment Business has been fully transferred during FY26 and is now classified under discontinued operations, streamlining the business focus toward Agri Machinery and Construction Equipment.

Other Highlights

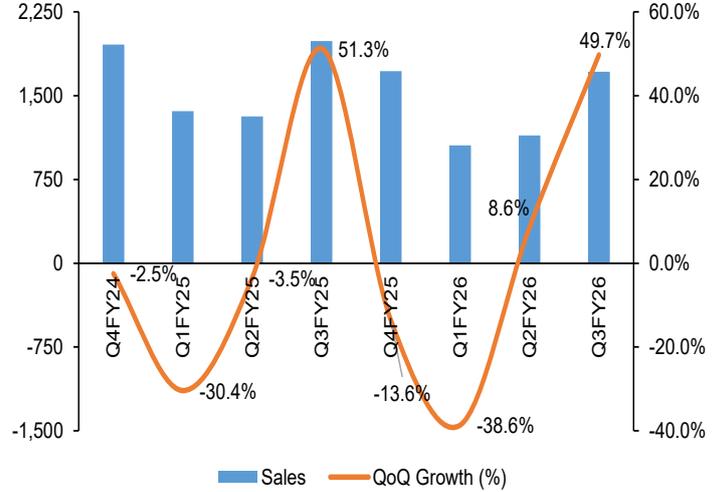
Tractor capacity utilization remains healthy at ~75%, while Construction Equipment utilization is around ~60%, leaving room for incremental growth without immediate capex pressure.

Quarterly Snapshot

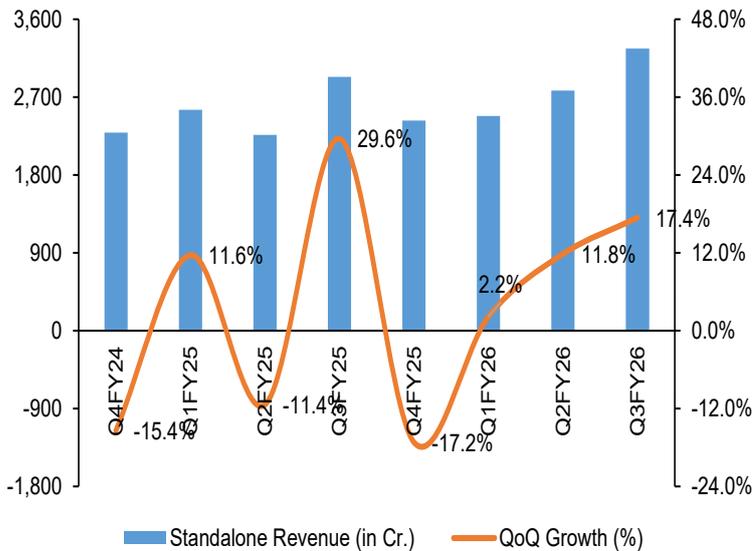
Moderation in premium and export portfolio weighs on volume



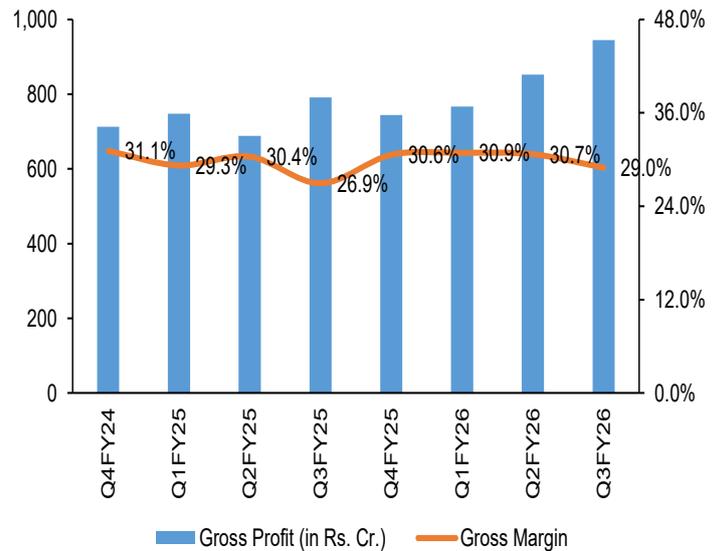
Demand upcycle drives uptick in volumes



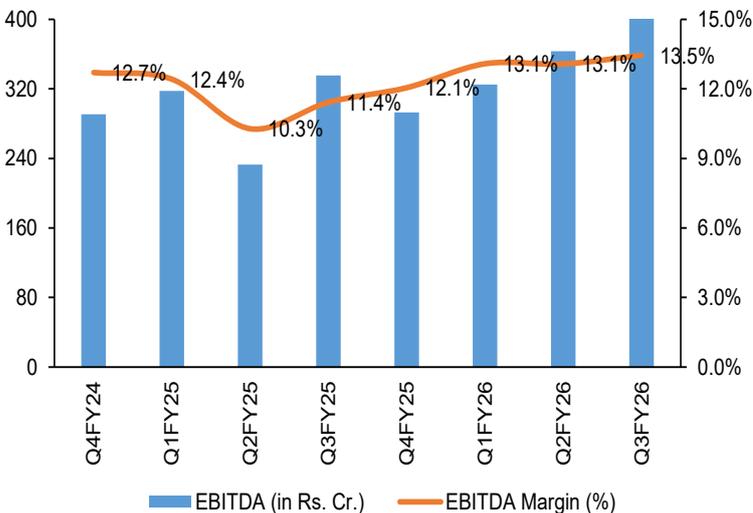
GST-led affordability and festive cheer drive healthy revenue



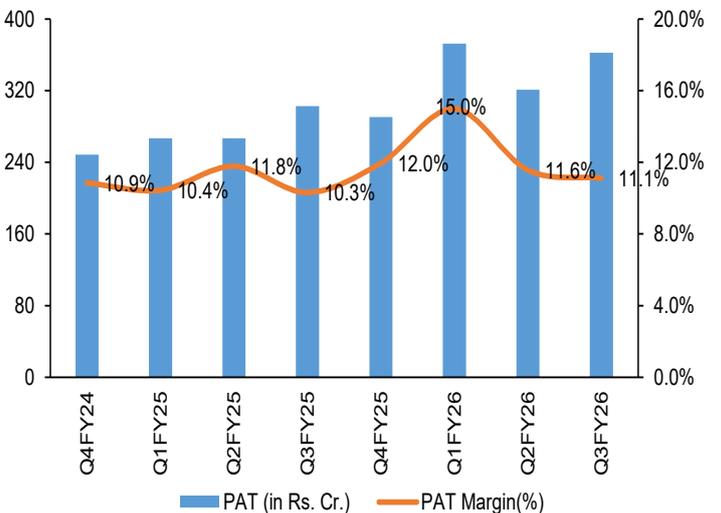
Pricing changes helped offset adverse commodity prices



Margin growth sustained by healthy operational leverage



PAT growth remain steady



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	11,339	12,592
<i>Revenue Growth (Y-o-Y)</i>	3.9%	16.0%	16.6%	4.7%	10.0%	12.0%
EBITDA	996	780	1,133	1,178	1,485	1,695
<i>EBITDA Growth (Y-o-Y)</i>	-11.7%	-21.6%	45.2%	4.0%	26.1%	14.1%
Net Profit	766	607	948	1,110	1,391	1,550
<i>Net Profit Growth (Y-o-Y)</i>	-12.4%	-20.7%	56.2%	17.1%	25.3%	11.4%
Diluted EPS	58.7	46.7	95.4	113.7	124.2	138.4

Profitability Ratios

EBITDA (%)	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%	12.2%	12.5%
ROCE (%)	10.8%	7.3%	9.3%	8.8%	10.7%	10.4%

Valuation Ratios

P/E (x)	62.0x	78.0x	38.2x	32.0x	29.3x	26.3x
EV/EBITDA (x)	41.0x	52.3x	36.0x	34.6x	27.4x	24.1x
Market Cap/Sales (x)	5.7x	4.9x	4.2x	4.0x	3.6x	3.2x

Source: Company, BP Equities, Bloomberg Estimates

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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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