

ESCORTS KUBOTA LTD (CMP: 2901 P. Close: 2951)

Buying Price	Stop-Loss	Target	Time Frame
2901	2700(6.92%)	3300(13.75%)	1.5 - 2 Months

Daily Chart-



ESCORTS LTD is currently exhibiting a constructive bullish setup, with the stock trading near a strong support zone after a phase of consolidation. The price action around ₹2,850–₹2,800 indicates solid buying interest, supported by strong volume activity in this range, suggesting accumulation rather than distribution. The ongoing consolidation appears to be a healthy pause, allowing the stock to absorb supply before a potential upward move. Momentum indicators are stabilizing and showing early signs of strength, indicating improving trend conditions without signs of overextension. The overall technical structure remains positive with upside potential towards ₹3,300 (+13.75%), while the bullish setup will remain intact as long as the stock holds above ₹2,700 on a closing basis (-6.93%).

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Income / Expenditure Statement

(Rs in Millions)

Description	202603	202503	202403	202303	202203
Net Sales	115402.6	102438.8	98035.9	84286.9	72826.5
Total Income	121093.4	107230.6	101968.0	87592.3	74567.6
Total Expenditure	100466.2	90964.5	86741.4	77007.8	62875.5
PBIDT	20627.2	16266.1	15226.6	10584.5	11692.1
PAT	510.0	11240.6	9430.3	6366.5	7356.1
Adj. EPS(Rs)	213.9	113.1	97.4	48.3	55.8

Escorts Kubota reported a mixed 4QFY26 performance, with revenue and operating profitability broadly in line with expectations but reported PAT falling short due to lower-than-anticipated other income. While tractor volumes grew 21% YoY during the quarter and 15% for FY26, the company continued to underperform the domestic tractor industry, which expanded by 23% in FY26, leading to another year of market share erosion. Management attributed this underperformance largely to an unfavorable regional demand mix, as the company's core North and Central markets witnessed relatively slower growth compared to the faster-growing South and West regions. Looking ahead, management expects the domestic tractor industry to remain broadly flat in FY27 due to a high base, lower reservoir levels, potential El Niño risks and affordability pressures arising from elevated commodity prices. While Escorts is launching multiple new products across the Escorts, Powertrac and Kubota brands and strengthening retail financing through its captive finance subsidiary, the pace of market share recovery remains the key factor for earnings re-rating. Additionally, rising raw material and labour costs are likely to constrain margin expansion despite calibrated price hikes and ongoing cost optimization initiatives.

On the positive side, the strategic partnership with Kubota continues to be the key pillar of the investment thesis. The company is leveraging Kubota's global distribution network, product development capabilities and supply chain ecosystem to strengthen its competitive positioning. Export tractor volumes grew 34% YoY in FY26, while management has outlined a target of INRS-10bn of component exports into Kubota's global supply chain by FY30. The ongoing implementation of the Kubota Production System is expected to improve productivity, quality standards, working capital efficiency and return ratios over the medium term. Furthermore, the Construction Equipment business delivered a strong turnaround in 4QFY26, with margins expanding sharply on better operating leverage and cost control. Nevertheless, with a significant portion of the anticipated Kubota-related synergies and export opportunities already reflected in valuations, near-term upside appears dependent on market share stabilization and sustained execution on the export and localization strategy. We estimate FY27 EPS at ~₹124 and believe the stock is likely to trade around ~27x FY27 earnings.

Assets and Liabilities

(Rs in Millions)

Share Capital	1118.8	Net Block	21455.4
Reserve	122577.7	Long term Investments	21688.2
Share Holder's Funds	123728.3	Short term investments	61125.8
Long Term Debt	-	Total Investments	82814.0
Short Term Debt	362.1	Cash and Bank Bal	8393.8
Total Debt	362.1	Net Current Assets	69780.0