

Escorts (ESC) - BUY

Result Update

Current Market Price (CMP)

Rs.1119

Target Price

Rs.1700

Our fair value of Rs.1700 offers 51.9 % upside from the current market price.

Rationale:

- Tractor segment operating performance was better than our estimates in Q3FY21.
- We expect the tractor industry to show strong growth over the next two years.
- Good monsoons over the past two years; stable crop prices & higher Rabi crop output.
- ESC expects strong growth in construction equipment segment over next 4-6 quarters.

Q3FY21 Earnings update:

Positives:

- Net revenues increased by 24% yoy to Rs2,017 cr; tractor volumes grew 25.7% yoy.
- Tractor EBIT (Earnings before interest & depreciation) margin was 20.1%, +560 bps yoy.
- Construction segment EBIT margin came in a 7.5% (+270 bps yoy, +580 bps qoq).

Negatives:

- Railway segment EBIT margin came in 12.7% (-570bps yoy, -760 bps qoq).
- Esc lost 24 bps market share yoy in Q3FY21 due to adverse geographical mix.
- Esc expects 200-300 bps commodity headwinds impact on gross margins in Q4FY21.

[Click here](#)

For detailed report dated 2nd Feb 2021. Note: CMP & valuation may differ due to difference in dates.



This is a synopsis of the Research report issued by Kotak Securities Limited. This is not a comprehensive report and before taking any investment decision we request you to refer the detailed report including disclaimers by clicking here: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>