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Brokerages upbeat on Escorts Kubota

Strong outlook sees stock rise 7% on Monday

DEEPAK KORGONKAR
 Mumbai, 21 November

Shares of Escorts Kubota (formerly Escorts) moved up 9 per cent on Monday to a high of ₹2,207 on the NSE, which is more than its previous record high of ₹2,189.75, touched on September 23. The stock ended the day at ₹2,196, an 8 per cent higher over its Friday's close on the National Stock Exchange.

Escorts Kubota has diversified businesses across three different verticals, agri machinery, construction equipment and railway equipment division.

In a recent analysts' meeting, Escorts Kubota's management reiterated its robust medium-term growth prospects.

The FY28 revenue target is at ₹22,700 crore against ₹7,200 crore in FY22, implying a 21 per cent compound annual growth rate (CAGR). It would be driven by amalgamation with Kubota JVs, ramp-up of vehicle/component exports, and growth in domestic businesses.

Profitability remains a key focus area with an FY28 return on equity (RoE) target

MIXED OPINION

Brokerage *	Recommendation	Target price (₹)
Emkay	Buy	2,500
ICICIdirect.com (Retail)	Buy	2,365
Anand Rathi Securities	Buy	2,356
Canara Bank	Hold	2,201
Incred Research Services	Hold	2,039
YES Research	Neutral	1,911
DAM Capital	Neutral	1,900
Motilal Oswal Securities	Neutral	1,875
PhillipCapital	Neutral	1,835
IIFL (Institutional)	Reduce	1,765
Kotak Securities (Inst. Equities)	Sell	1,600
Average target price		2,032

*Filtered on reports dated between Nov 18 and Nov 21

Source: Bloomberg

of over 18 per cent against 12 per cent in FY22, led by better margins and asset turnover.

The management is eyeing ebitda margins of mid-teens. It also plans to increase dividend payout and do buybacks by utilising up to 40 per cent of profits.

Analysts at Emkay Global Financial Services expect Escorts to report robust revenue/FPS CAGR of 23 per cent/21 per cent over FY22-25F. This would be led by tractor sales upcycle and opening of new revenue streams.

"We came away impressed with the cultural shift, which Escort Kubota is seeing, imbibing the best practices at Kubota and leverage oppor-

tunities that it sees to cross-sell across each other's network as well as development of the company as one of the sourcing hubs for Kubota. It also shared a prudent capital allocation strategy wherein majority of cash would be used for growth capex with return of the same to shareholders (dividend plus buyback)," ICICI Securities said in a note.

Escorts Kubota has intensified its focus on comprehensive growth across its business verticals. "While the mid-term growth strategy seems to be in the right direction, we would watch for its effective execution," said Motilal Oswal Financial Services.