

Heavy Machinery & Vehicles

Escorts Ltd

BUY

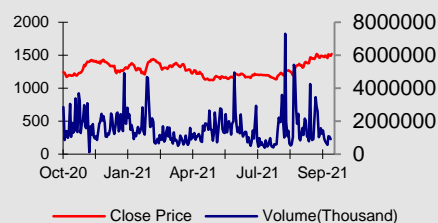
Embarking on new growth trajectory in all “3” business verticals

CMP **Rs 1523**Target Price **Rs 1886**

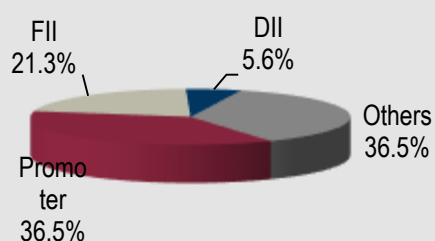
Key Data

Face value	10
Market cap (Rs Cr)	20,521.82
Total O/S shares (Cr)	9.86
Free Float (%)	63.41
52 week High/Low	1572/1100
Avg. Monthly Volume (BSE)	92917
Avg. Monthly volume (NSE)	1474626
BSE Code	500495
NSE Code	ESCORTS
Refinitiv Code	ESCO.NS
Date of Incorporation	October, 1944
Last Dividend Declared (Rs)	7.5
Indices	NIFTY 500

One Year Price/Volume Chart



Shareholding Pattern as 30th June 21



Source: Company, KJMC Research

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Escorts Ltd is among India's leading engineering conglomerates operating in high growth sectors of Agri Machinery, Material Handling & Construction and Railway Equipment.

Key Highlights

Preparing for next league of growth in its Core Business – The Company achieved a historic milestone of more than 100,000 tractor sales and production, with tractor volumes up by 24.1% to 1,06,741 units in FY21 as against 86,018 units in FY20. Escorts is one of India's foremost tractor manufacturers, offering more than 225 options in the 12-75 HP segments under the four marquee brands – Farmtrac, Powertrac, Steeltrac and Digitrac, with a market share at 11.9% as of FY21. The macro – economic picture for the industry remains optimistic backed by good and strong monsoon, record Rabi harvest with sustained crop prices, massive government spending on agriculture – driven rural economy, etc. The uptrend in the demand is expected to continue going forward. To cater the robust demand, the company has undertaken an immediate expansion of production capacity from 1.2 lakh per annum to 1.5 per annum in FY22 as its capacity utilizations has reached peak level of ~90%, we project Escorts tractor's revenue to grow at 10.25% between FY21-FY23E.

ECE the second pillar of growth is ready for upswing - Escorts Construction Equipment (ECE) is the second large business for Escorts with 11.06% revenue share as of FY21. Growth in the construction equipment (CE) industry is dependent majorly on road construction activities. The whole CE industry has seen a slowdown in FY19-20, on account of financing and delayed payment for ongoing infra projects. In the end of FY21 the industry had almost started to recover due to government clearance of payments and increase in spends, but was adversely impacted due to Covid-19 in March 2020-21. But now we see situation is improving with accelerated vaccination programme and Government of India's ambitious plan to invest Rs 111 lakh cores on infrastructure projects by 2024-25. The major heavyweights in CE are earth moving equipment (backhoe loaders), contributing lions share. Escorts is one of the leading players in CE primarily in the material handling, earth moving and road building segments. At present, the capacity utilization in ECE stood at 39% which is expected to pick-up on back of strong demand push Escorts being one of the largest pick and carry hydraulic mobile crane players is expanding network in the existing geographies augmenting exports footprint through collaborations & cross business synergies which will drive the growth momentum, we project ECE revenue to grow at 13.3% between FY21-FY23E.

Railway division is ready to come back with strong Macro Factors – The railway component industry is intrinsically correlated to Indian railway's spending which has become increasingly indigenous over the years. Escorts railway division revenue share as of FY21 is 6.83%. Escorts is Indian Railways approved supplier and present across diversified product offering in safety and comfort components for railways and metro, with more than six decades of experience. The Company has collaborated with the technology leaders from South Korea to develop world-class brake systems for metro, high speed trains and train-sets like the recently commissioned Vande Bharat Express. As of FY21, the company has order book more than ~Rs 340 Cr which is expected to be completed in FY22. With the economy opening up due to reduction in Covid cases, strong long-term macro factors in place, strong pipeline for fresh tenders backed by pent-up demand and recent foray into the Metro segment, we project revenue to grow at 3.64% between FY21-FY23E.

Valuation: Escorts is one of the few conglomerates which provides high degree of overall growth (top to bottom), which comes partially from the Company's historical track record and its performance vis-à-vis its competitors. Currently, the stock is trading at 15.2x FY23E EPS. We initiate coverage, with a “BUY” recommendation at a target price of Rs 1886 for the period of 12 months (upside of 24%) valuing the Company at 18.8x historical average (other than shares held by Escorts Benefit & Welfare Trust/Treasury shares) on FY23E EPS.

Financial Snapshot

Particulars (Rs in Cr)	FY19	FY20	FY21	FY22E	FY23E
Revenue	6262	5810	7014	7867	8773
EBITDA	725	662	1127	1268	1453
Profit after tax (PAT)	477	472	872	863	989
EPS (adjusted to treasury shares)	55.4	54.9	92.0	87.4	100.3
ROCE (%)	21.6	17.7	20.1	19.6	19.3

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Escorts Ltd - Business Overview

From a small agency house in 1944 to one of the largest engineering conglomerates in India. Escorts has been helping in enhancing the level of farm mechanization for the past 75 years. Escorts is a leading engineering conglomerate manufacturing best-in-class equipment for agriculture, infrastructure and railways. Ever since inception the Company had played an important role in helping shape the country's socio – economic progress. The Company helps farmers to facilitate food security for huge population India and the world. Escorts is preferred partner in nation – building as India focuses on enhancing its infrastructure capabilities. The Company also ensure safety and comfort for passengers in the world's second largest railway network.

Across businesses, the Company aims to create a standard & lead Indian Farm Mechanization Services Industry by achieving 2nd position in Indian Tractor Industry, achieve dominant leadership position in Indian Crane Industry, achieve leadership position in Indian Railway Components Industry in the components segments. The Company continues to increase collaboration, drive modernization and implement advanced manufacturing practices, "To bring the best that the world has to offer to India and take India's best capabilities to the world".

Exhibit 1 – Evolution in the Company

Year	Journey So Far
1944	Foundation of Escorts laid by visionaries Mr Yudi Nanda and Mr H. P. Nanda
1948	Launch Escorts (Agri Machinery Ltd)
1954	Franchise of Massey Ferguson tractors for northern India
1961	Shares listed on BSE
1969	JV with Ford motors to make Tractors
1971	Started production of Construction Equipment, introduced the concept of PnC cranes.
1974	Forayed into export markets for the first time
1977	Established an Independent R&D centre to develop new technologies
1979	Collaboration with JCB for backhoe
1991	Shares listed on NSE
1995	Launch Farmtrac End JV with Ford
1998	Launch Powertrac Brand of tractors
2003	End Collaboration with JCB
2005	Divested from other business to focus on tractors and construction equipment
2010	Launch DIGIMAX Brand of Backhoe
2016	Escorts Credit Partner with DLL for Financing and Auto part Business Divested
2017	Launched India's first Electric tractor concept, Farmtrac 26E
2018	Distribution Agreement with Doosan Infracore Co Ltd
2019	Collaborated with Kubota & entered into a JV with Tadano
2020	Deepened partnership with Kubota, where Kubota picked up 10% stake
2021	Launched the premium white line series in ECE Segment, Kubota tractor production commencement in 2021

Source: Company

The Company has undertaken an immediate expansion of its production capacity (tractor) from 1.2 lakh pa to 1.5 lakh pa.

Exhibit 2 - Manufacturing Units & Capacity details

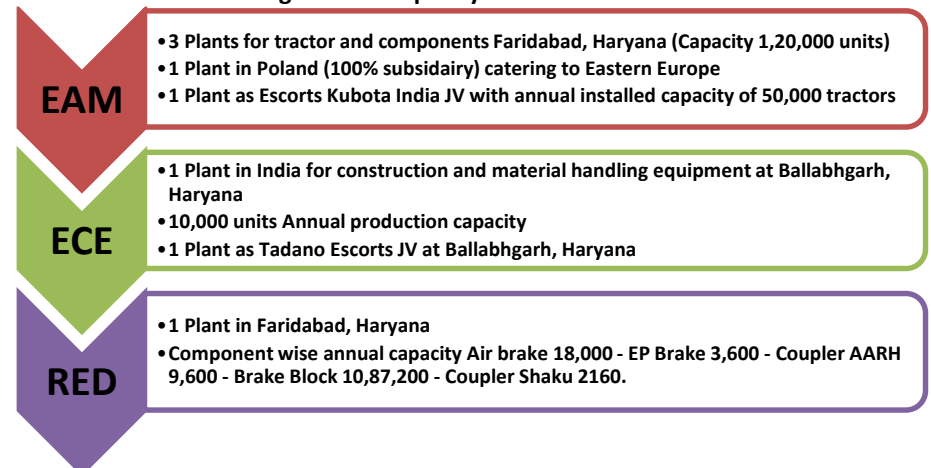
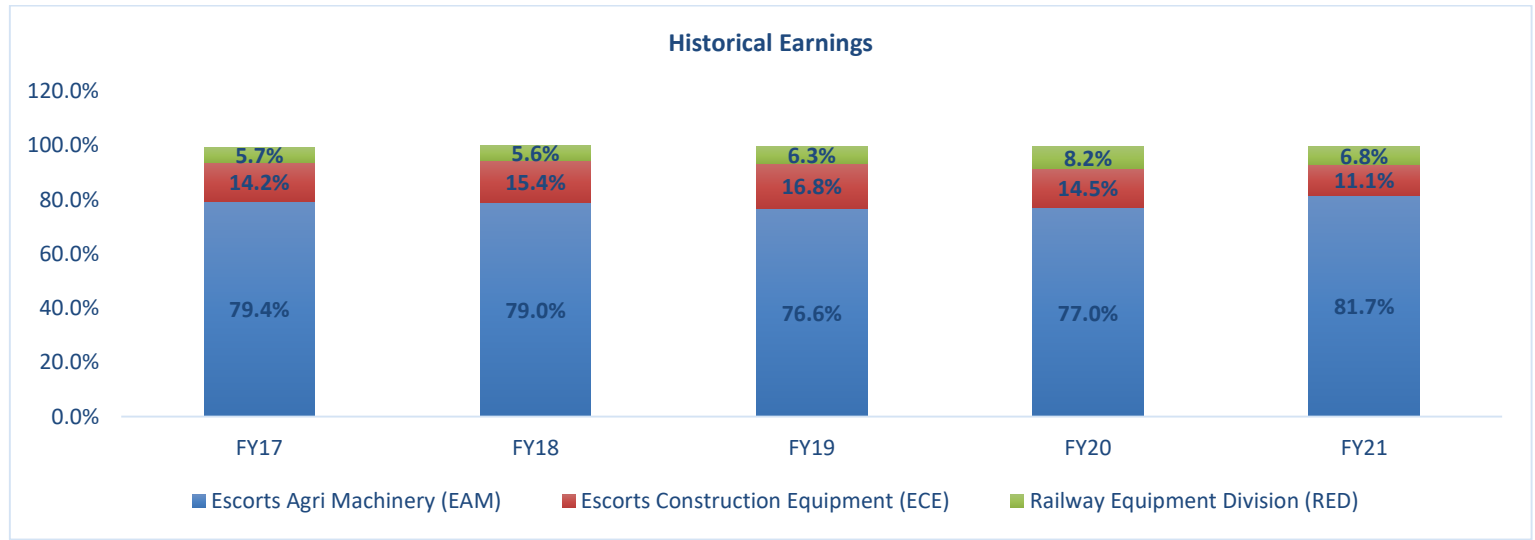
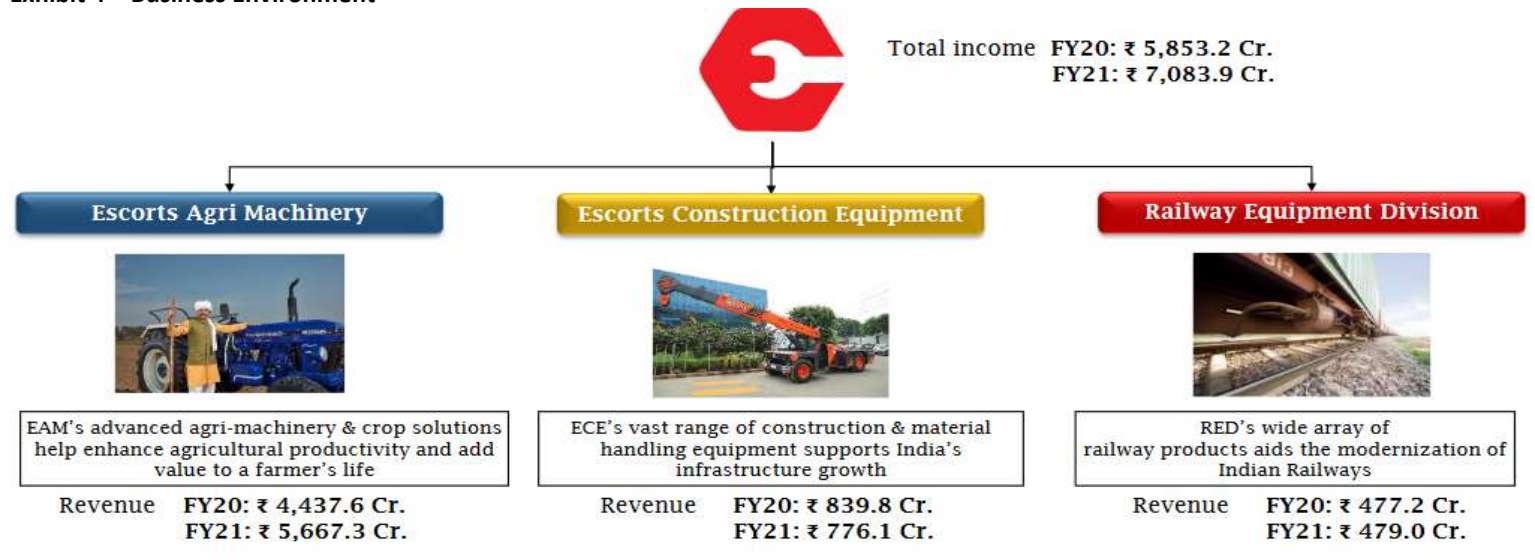


Exhibit 3 – Segment Contributions towards Total Revenue



Source: Company

Exhibit 4 – Business Environment



Source: Company

Exhibit 5 – Product Innovation

<30 HP

31-40 HP

41-50 HP

> 50 HP

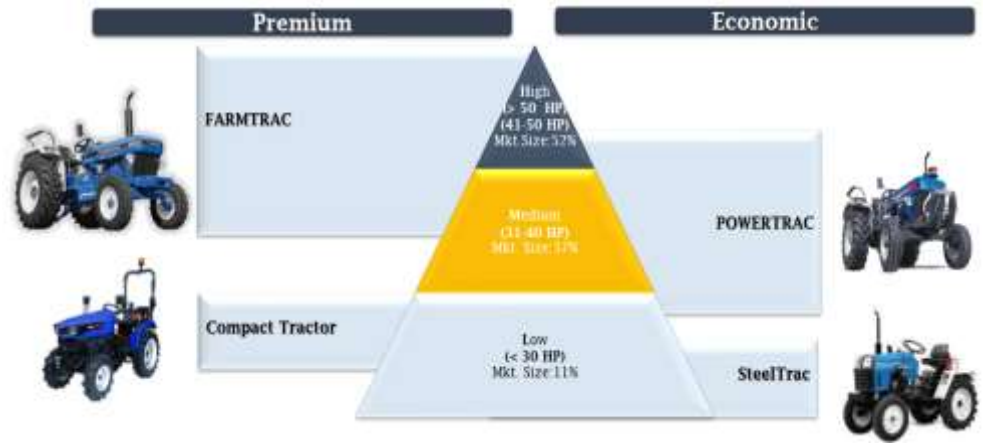
FARMTRAC Prestigious & Powerful & strong Brand Legacy				
	Atom Series	FarmTrac XP	FarmTrac Classic	FarmTrac Executive
POWERTRAC Efficient & Superior In-House Engineering				
	Steeltrac	PowerTrac DS+	PowerTrac Euro	PowerTrac Euro
POWERTRAC-ALT				
		PowerTrac ALT 3500	PowerTrac ALT 4000	

Source: Company

The Company continues to embark on growth path while leveraging the two brands "Farmtrac & Powertrac" to differentiate new products and through dual distribution strategy.

Exhibit 6 - EAM's Product offering with different categorization

In terms of segmental distribution, there was an uptick in above 40HP tractor which accounted for 62% of its domestic sales in FY21 as against 51% in FY20.



Source: Company

Exhibit 7 – Presents of Escorts in Construction Application and Uses

Segment	Major Equipment Types	Applications Segment	Escorts Presence
Earth Equipment	Backhoe loader, Excavator, Wheeled loader	Mining	✓
		Roads	
		Real Estate/Land Development	
		Power	
		Railways/Metros	
Material Handling & Cranes	Pick and Carry Cranes	Erection work in projects	✓
		Power	
		Steel	
		Mining	
		Railway/Metros	
Road Building Equipment	Compactors, pavers, asphalt finishers	Highways	✓
		Rural Roads	
		Airports	
		Land Reclamation	
		Motor Graders	
Concrete Equipment	Mixers, pumps, batching plants	Irrigation Canals	✗
		Road Construction	
		Building Construction	
		Airports	
		Precast/ In situ	
Material Processing	Compressors, Crushers	Stone Quarries	✗
		Mining	
		Over ground blue metal crushing	

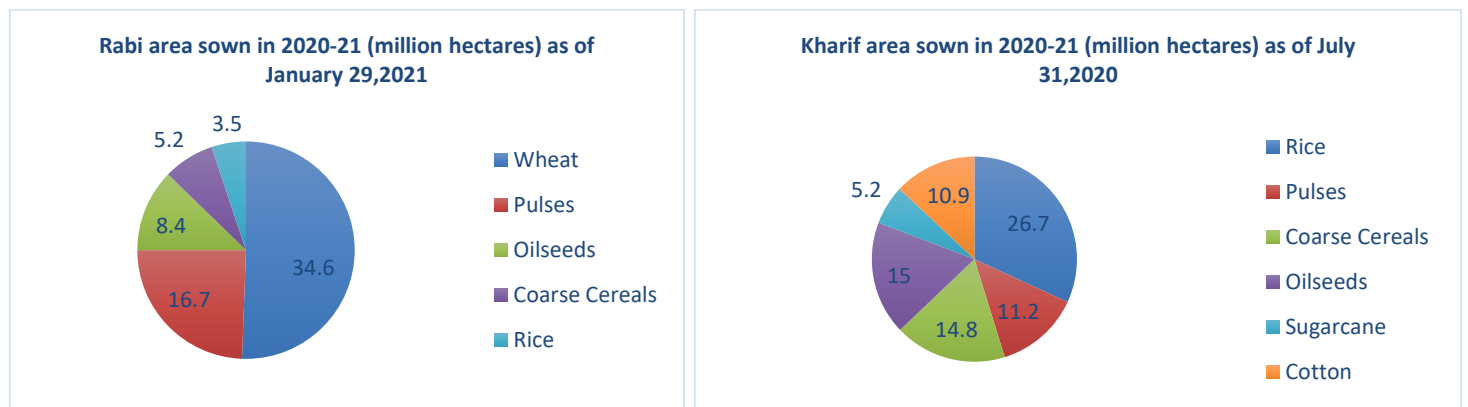
Source: Company

Indian Agriculture Industry – An Overview

Agriculture plays a vital role in India’s economy, 54.6% of the total workforce is engaged in agricultural and allied sector activities (Census 2011) and accounts for 17.8% of the country’s Gross Value Added (GVA) at current prices during 2019-20, which is marginally higher than 17.7% in 2015-16. Given the importance of the agriculture sector, Government of India has taken several steps for its development in a sustainable manner. Steps have been taken to improve the income of farmers. Like, to mitigate risk in the agriculture sector, a scheme “Pradhan Mantri Bima Yojana” (PMFBY) (PMFBY) was launched in 2016.

India has the second – largest arable land resources in the world, with 20 agri-climate regions, all the 15 major climate in the world exist in India. The country also has 46 to 60 soil types in the world. India is the largest producer of spices, pulses, milk, tea, cashew and jute and the second largest producer of wheat, rice, fruits and vegetables, sugarcane, cotton, and oilseeds. During 2019-20 crop year, food grain production reached a record of 296.65 million tonnes up by 11.44 million tonnes compared with 285.21 million tonnes in FY19. Total area sown with Rabi crops was 34.8 million hectares by November 27, 2020, 4% more than the previous season and 2% above the average of the last five years. According to the ministry of Agriculture, 44% of wheat and other Rabi crops were harvested out of a total of 97 lakh hectares sown area in the 2020-21 Rabi season. As of April 2021, a total of 73.76 lakh hectares of Kharif crops was sown in the Kharif season, which was an increase from 60.67 lakh hectares in the previous year in the corresponding period. A total of 50.90 lakh hectares of Kharif crops will be sown in the 2021-22.

Exhibit 8 - There are two major agriculture seasons in India: Kharif and Rabi – Kharif season lasts from April to September (summer) – Rice (paddy) is the main crop and Rabi season lasts from October to March (winter).

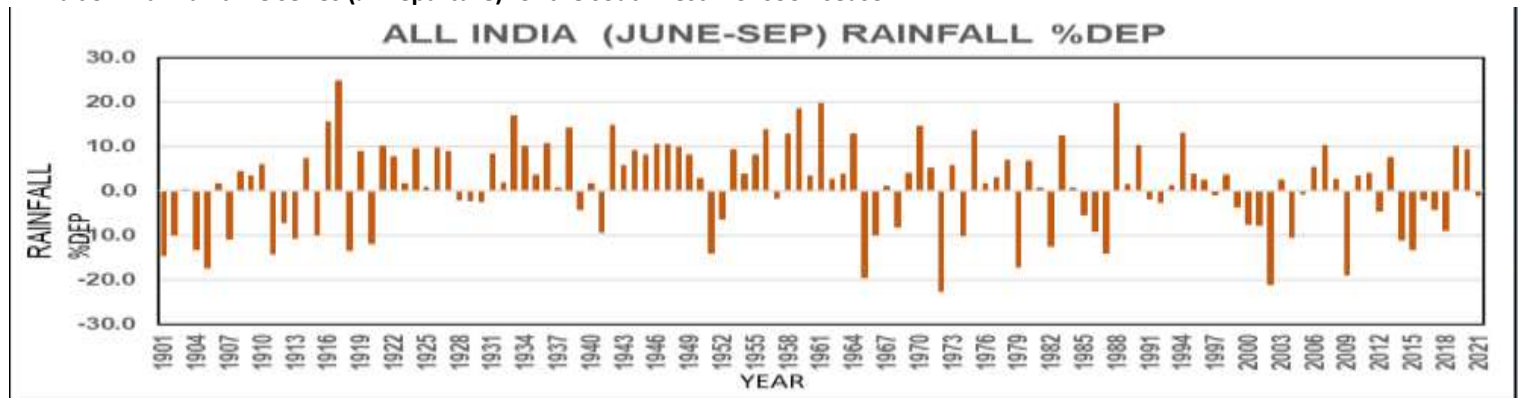


Source: IBEF

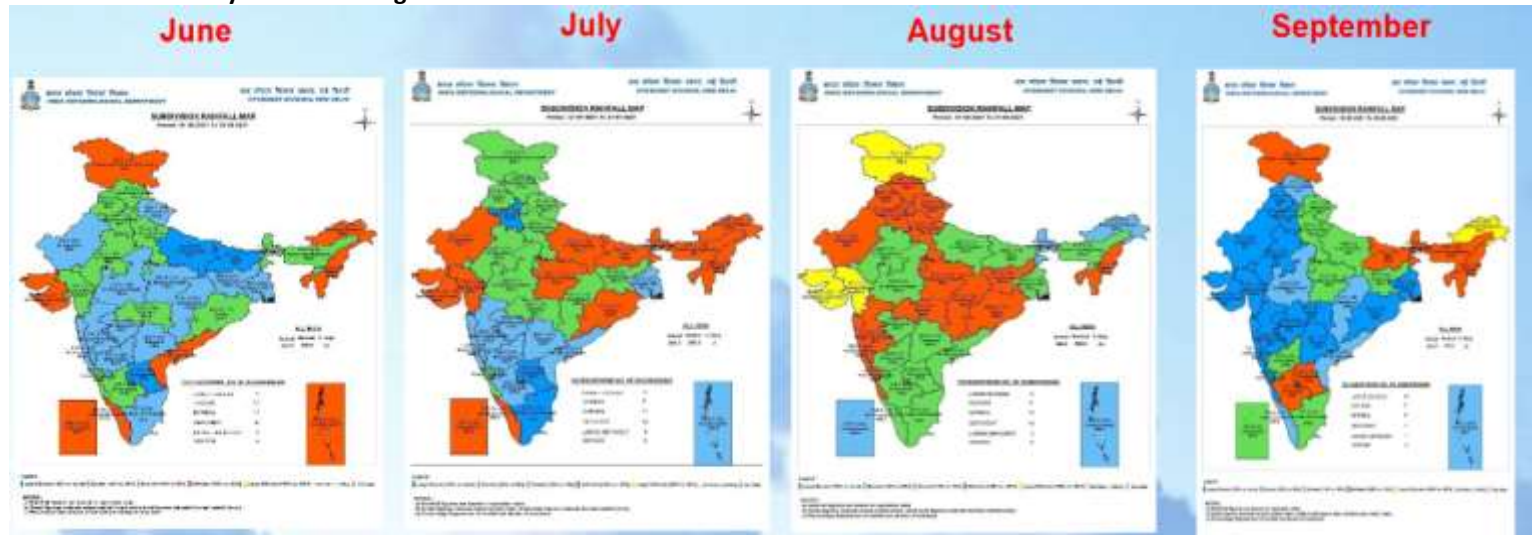
Record monsoon activity in 2021, rainfall deficit has largely been recovered

Southwest monsoon season rainfall for the country as a whole during (June – Sep) 2021 has been normal (96 – 104% of LPA), which augurs well for the industry in the upcoming months.

Exhibit 9 – Rainfall time series (% Departure) for the southwest monsoon season



Source: Indian Meteorological Department (IMD)

Exhibit 10 – Monthly Rainfall during Southwest Monsoon Season 2021


Source: Indian Meteorological Department (IMD)

Exhibit 11 - Consistent good Minimum Support Price (MSP) – A Game Changer to increase the Farmers Income. Statement showing below Minimum Support Prices – Fixed by Government (Rs quintal)

Commodity	Variety	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Kharif Crops									
Paddy	Common	1360	1410	1470	1550	1750	1815	1868	1940
	Grade A	1400	1450	1510	1590	1770	1835	1888	1960
Jowar	Hybrid	1530	1570	1625	1700	2430	2550	2620	2738
	Maldandi	1550	1590	1650	1725	2450	2570	2640	2758
Bajra	-	1250	1275	1330	1425	1950	2000	2150	2250
Maize	-	1310	1325	1365	1425	1700	1760	1850	1870
Ragi	-	1550	1650	1725	1900	2897	3150	3295	3377
Tur	-	4350	4625	5050	5450	5675	5800	6000	6300
Moong	-	4600	4850	5225	5575	6975	7050	7196	7275
Urad	-	4350	4625	5000	5400	5600	5700	6000	6300
Cotton	Medium	3750	3800	3860	4020	5150	5255	5515	5726
	Long Staple	4050	4100	4160	4320	5450	5550	5825	6025
Groundnut	-	4000	4030	4220	4450	4890	5090	5275	5550
Sunflower Seed	-	3750	3800	3950	4100	5388	5650	5885	6015
Soyabean	Yellow	2560	2600	2775	3050	3399	3710	3880	3950
Sesamum	-	4600	4700	5000	5300	6249	6485	6855	7307
Nigerseed	-	3600	3650	3825	4050	5877	5940	6695	6930
Rabi Crops									
Wheat	-	1450	1525	1625	1735	1840	1925	1975	-
Barley	-	1150	1225	1325	1410	1440	1525	1600	-
Gram	-	3175	3500	4000	4400	4620	4875	5100	-
Masur (Lentil)	-	3075	3400	3950	4250	4475	4800	5100	-
Rapeseed & Mustard	-	3100	3350	3700	4000	4200	4425	4650	-
Safflower	-	3050	3300	3700	4100	4945	5215	5327	-
Toria	-	3020	3290	3560	3900	4190	4425	4650	-

Source: farmer.gov.in

Key favorable policies that are boosting Agri Consumption and even the tractor demand in India

- Agriculture Export Policy 2018 – New export policy was cleared by the Government of India in December 2018. The government has target to increase agricultural export to over US\$ 60 billion by 2022.
- Pradhan Mantri Kisan Samman Nidhi Yojana (PM – Kisan) – Prime Minister of India launched the Pradhan Mantri Kisan Samman Nidhi Yojana and transferred Rs 2021 Cr to bank accounts of more than 10 million beneficiaries on February 24, 2019. As per Union Budget 2021-22, Rs 65000 Cr was allocated to Pradhan Mantri Kisan Samman Nidhi (PM – Kisan).
- Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM- AASHA) – Pradhan Mantri Annadata Sanrakshan is an umbrella scheme to ensure minimum support price (MSP) to farmers. It comprises the previous price support scheme (PSS) with few modifications and introduction of new schemes, including price deficiency payment scheme (PDPS) and pilot of private procurement and stockiest scheme (PPSS).
- Pradhan Mantri Krishi Sinchai Yojana (PMKSY) – As per the Union Budget 2021-22, Rs 11588 Cr was allocated to Pradhan Mantri Krishi Sinchai Yojana (PMKSY).
- Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY) – A minimum fixed pension of Rs 3000 will be provided to eligible small and marginal farmers on attaining the age of 60 years, subject to certain exclusion clauses.
- Pradhan Mantri Formalization of Micro Food Processing Enterprises (PM FME) – The sector has been assigned a priority status for bank credit. 60 Agri Export Zones (AEZ) have been set up across the country. In May 2020, Government announced the launch of animal husbandry infrastructure development fund of Rs 15000 Cr.
- APMC farmers go cashless – The Electronic National Agriculture Market (e-Nam) which was launched in April 2016 to create a unified national market for agriculture commodities by networking existing APMCs. It had 16.9 million farmers and 157,778 traders registered on its platform until February 2021. Over 1,000 mandis in India are already linked to e-NAM and 22,000 additional mandis are expected to be linked by 2021-22.
- Focus on R&D and modernization – Moreover, the Government plans to launch a programme named 'SAMPADA' for the food processing sector with investment worth US\$ 892.46 million to integrate current with new schemes, and with an aim to reduce waste and double farmer's income.
- Pradhan Mantri Fasal Bima Yojana (PMFBY) – Aims to support sustainable production in agriculture by providing financial support to farmers who have incurred crop losses/damages due to unforeseen events. This will help stabilise the income of farmers, ensure continuance in farming, encourage them to adopt innovative and modern agricultural practices and ensure flow of credit to the agriculture sector. The average sum insured per hectare has increased from Rs 15,100 during the pre – PMFBY Schemes to Rs 40,700 under PMFBY. The scheme completed five successful years of implementation on 13th January 2021.
- PLI Scheme – In April 2021, the Government of India approved a PLI scheme for the food processing sector with an incentive outlay of Rs 10,900 Cr (US\$1484 million) over a period of six years starting from FY22.

Indian Construction Equipment Industry – An Overview

Infrastructure sector is a key driver for the Indian economy. The sector is largely responsible for propelling India’s overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Furthermore, the Government’s plans such as 100 smart cities, are expected to boost construction activity in the country and increase the demand for construction equipment. Growth in the construction equipment industry is dependent majorly on road construction activities. In the road sector, the Government’s policy to increase private sector participation has proved to be boon for the infrastructure industry as many private players are entering the business through the public – private partnership (PPP) model. India is expected to become the third largest construction market globally by 2022. India plans to spend US\$1.4 trillion on infrastructure projects through the National Infrastructure Pipeline (NIP) from 2019 to 2023, to ensure sustainable development in the country.

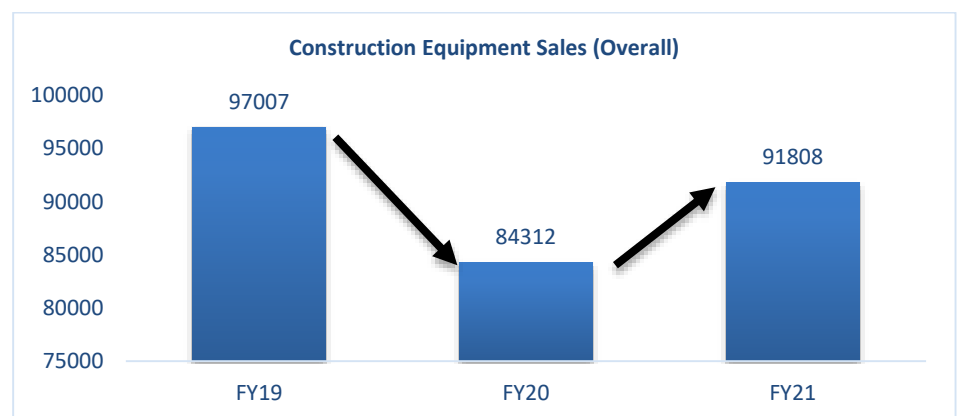
In the Union Budget 2021, the Government allocated Rs 60,241 Cr (US\$ 8.28 billion) for road works and Rs 57,350 Cr (US\$ 7.88 billion) for the National Highways. The Government plans to construct 8500 kms road by March 2022. Moreover, an additional 11,000 kms of National Highway corridors will be completed by March 2022. The Government announced an outlay of Rs 118,101 Cr (US\$ 16.20 billion) for the Ministry of Road Transport and Highways. Also, the Government, under the Bharatmala Pariyojana was awarded a project worth Rs 5.35 lakh Cr (US\$ 73.37 billion) including construction of >13,000 kms of roads worth Rs 3.3 lakh Cr.

The applications industries have received massive boost from the Government in the form of expenditure support, especially in Infrastructure. The three major heavyweights in the industry are earth moving equipment (backhoe loaders), contributing the lion’s share by value, material handling (cranes) and road building (compactors). These three alone account for ~63% of the industry. With the addition of the excavators to the mix, the concentration goes to 87% of the market.

Industry Performance

The construction equipment industry has seen a slowdown in FY2019-20, lack of financing and delayed payment for ongoing infrastructure projects. The industry had started to recover from December 2019 due to the Government clearance of payments and increased spending. The lockdown in March 2020 due to Covid-19 had hindered the positive growth momentum. Overcoming the slump caused by the pandemic in the first half, the construction equipment industry grew ~35% in the second half of the year, averaging a growth rate of 9% in terms of overall sales in FY2020-21. Overall construction equipment sales for the year were ~92k units with exports accounting for ~5% of the volume. The concrete equipment segment registered the highest growth in the industry, growing by 62%, even though “Earthmoving equipment” continues to be most dominant driver for overall sales.

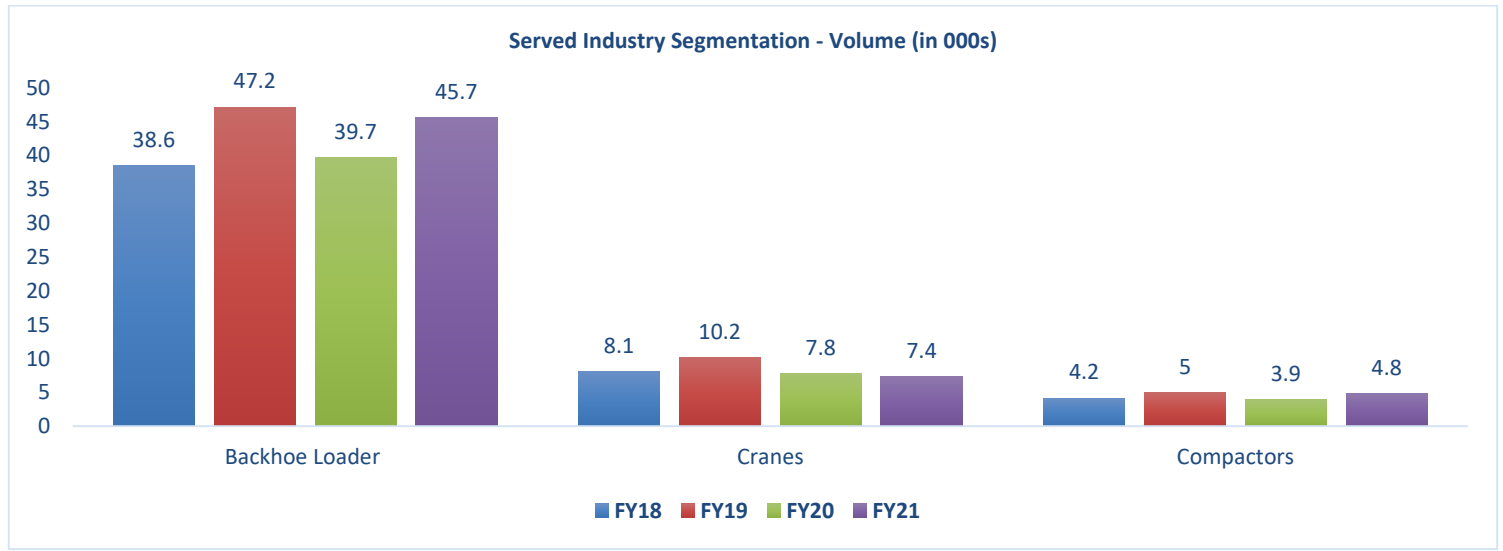
Exhibit 12 - Annual Sales across all equipment categories:



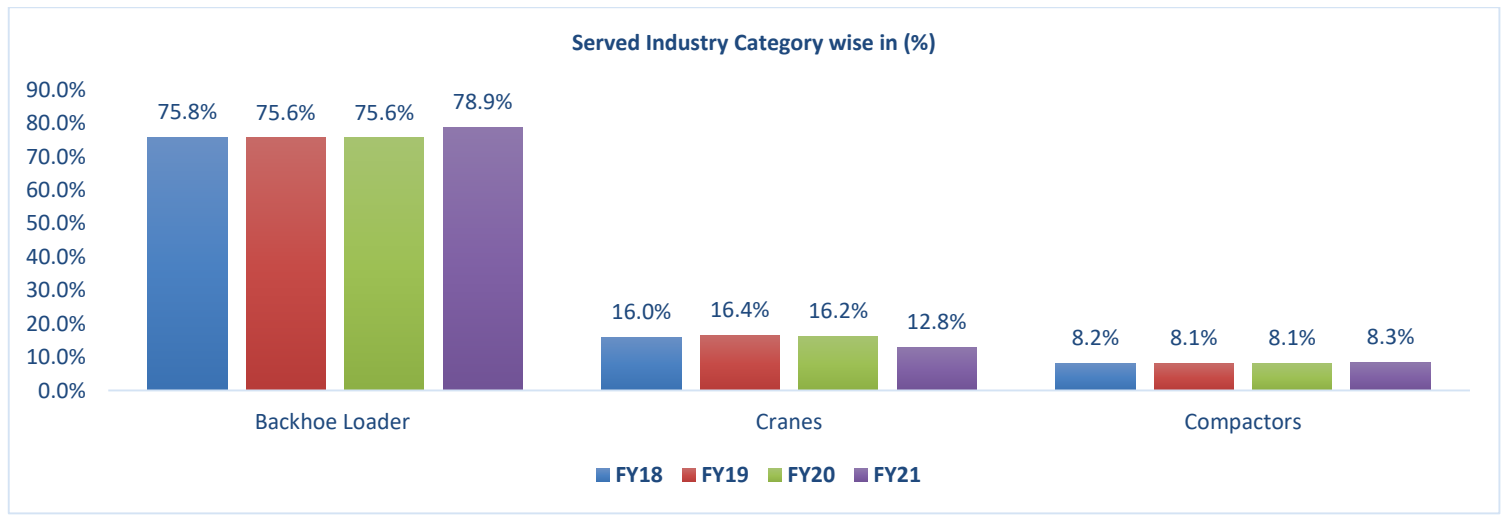
Source: ICEMA

Construction Equipment Industry has grown by 9% over the past 12 months with Concrete equipment growing at 62%

Exhibit 13 – Industry Segmentation



Source: Company



Source: Company

Exhibit – 14 Future Growth Drivers in Construction Equipment Industry



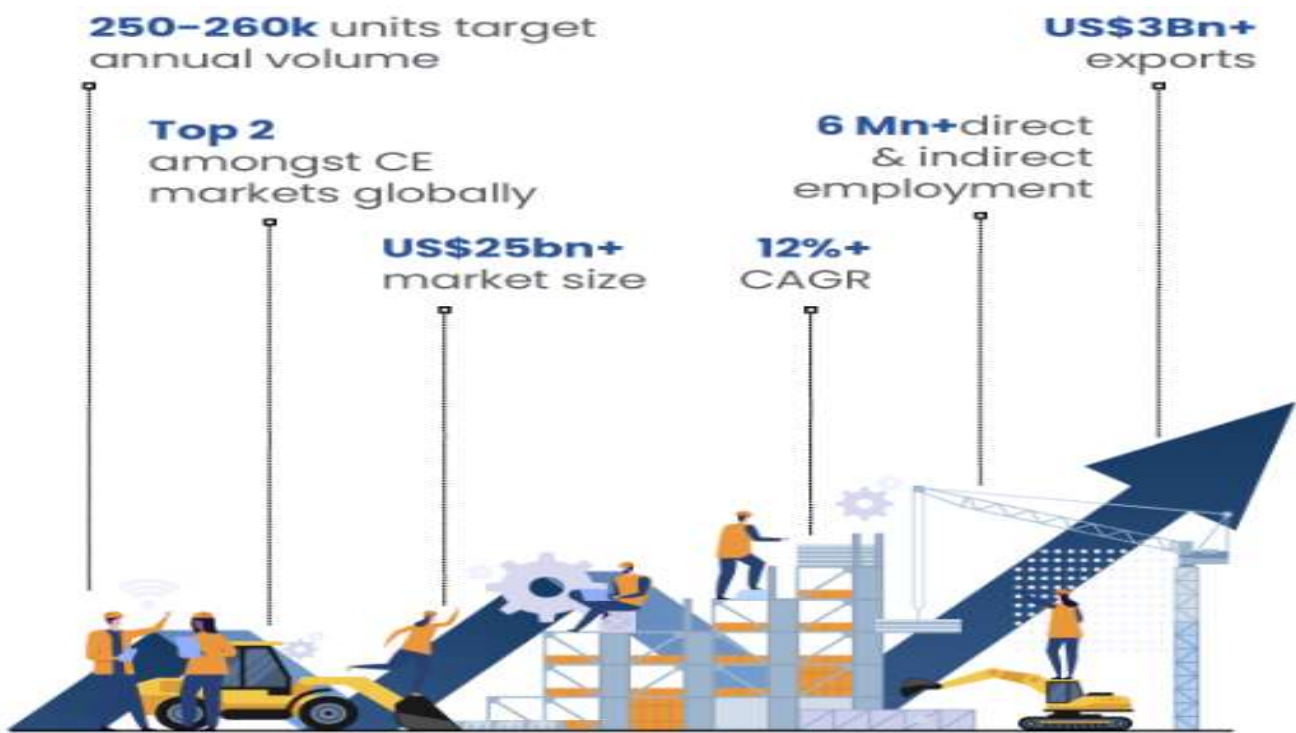
Source: ICEMA

The Indian Construction Equipment (CE) being the 3rd largest market in the world, currently holds a prominent position in the world. As per Indian Construction Equipment Manufacturers Association (ICEMA) Indian CE Industry drafted an ambitious Vision Plan 2030 and an Action Plan to drive this collective vision. Shri Nitin Gadkari, Minister of Road Transport & Highways and MSMEs released the Vision Plan on December 23, 2020 at a launch Ceremony.

While congratulating ICEMA on the proactive step of creating an action – oriented Vision Plan, the Minister highlighted that the Government of India’s ambitious Rs 111 lakh Cr National Infrastructure Pipeline (NIP) would augur well in enabling the Indian Construction Equipment Industry. Mr Gadkari urged the Indian CE industry to proactively capture this never before presented opportunity of domestic demand stressed on the need to work on productivity cost efficiency and raise production levels within the industry to serve the growing needs of the infrastructure sector.

This vision plan draws upon the government of India’s Rs 111 lakh Cr National Infrastructure Pipelines (NIP) which is expected to propel the CE industry’s growth over the next decade. The NIP is a part of the Government’s continued efforts at providing world-class infrastructure across the country. The opportunity for the CE industry will be further strengthened by the imminent need to enhance mechanization in infrastructure, construction and mining.

Exhibit 15 - Vision 2030 for Indian CE Industry



Source: ICEMA

The action oriented vision plan aims to build the CE industry by 3x from the current levels over the next 10 years by leveraging both domestic demand and developing the export potential. Thus, through the vision 2030, the Indian CE industry has set itself an aspirational goal to become the 2nd largest CE market worldwide, fastest growing CE market in the world in the 2020s and established India as the manufacturing and export hub of the world for CE.

Railway Components Industry – An Overview

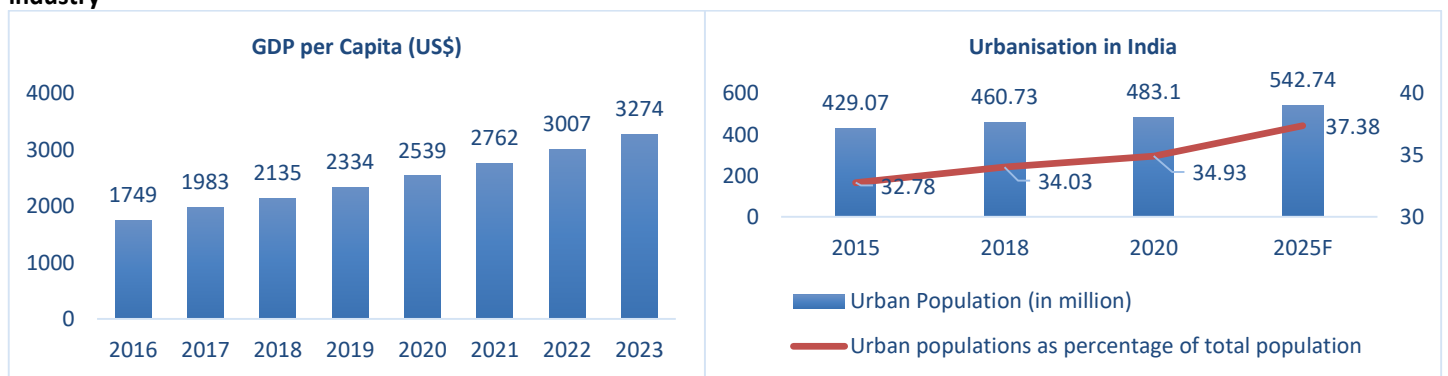
Indian Railways is among the world’s largest rail network and its route length network is spread over 67,956 kms with 13169 passengers trains and 8479 freight trains, plying 23 million travelers and 3 million tonnes (MT) of freight daily from 7349 stations. India’s railway network is recognized as one of the largest railway systems in the world under single management. The whole industry is expected a strong recovery in the segment after a slowdown and better than expected vaccination drive. The mid to long term factors remain strong, supported by a slew of expansion and upgradation projects being undertaken by the Indian Railways. The industry also continues to be buoyed by increasing urbanization, rising disposable incomes across rural and urban India, and growing industrialization across the country along with private sector participation.

Government of India has focused on investing in railway infrastructure by making investor – friendly policies, moved quickly to enable Foreign Direct Investment (FDI) in railways to improve infrastructure for freight and high – speed trains. Indian Railways aims to add 1.5% to the country’s GDP by building infrastructure to support 40% modal freight share of the economy. Also the Two Dedicated Freight Corridors (DFCs) have been fast tracked, while three new DFCs were announced in the current year FY2021-22 Budget. Indian Railways is looking to electrify the entire network by 2025. Further, the Government has also prepared the National Rail Plan 2030 focused on infrastructure development.

Strong Macro factors in place to drive the Railway Components Industry growth

- Growing Demand – Increasing urbanization and rising income (both urban and rural) are driving growth in the passengers segment. Also growing industrialization across the country has increased freight traffic in the last decade. India is projected to account for 40% of the total global share of rail activity by 2050 (IBEF)
- Opportunities – Freight traffic is set to increase significantly due to rising investments and private sector participation. Metro rail projects are being envisaged across many cities over the next ten years.
- Higher Investment – FDI inflows in railways – related components stood at US\$ 1.23 billion from April 2000 to March 2021. Investment in Railways’ infrastructure is estimated to increase from US\$58.96 billion in 2013-17RE to US\$ 124.13 billion in 2018-22E.
- Policy Support – The Government has increased the scope of PPP beyond providing maintenance and other such supporting roles. PPP is being utilized in area such as redevelopment of stations, building private freight terminals and private container train operations. Government has allowed 100% FDI in the railway sector.

Exhibit 16 - Rising income and urbanization to drive the passenger traffic growth which will directly accelerate the Rail Components industry



Source: IBEF

In recent years, the Government of India has undertaken multiple policy changes, making the sector more investor-friendly policies which is looking at increased interest in the form of foreign direct investment and public – private – partnerships. All these factors set the industry on a strong growth trajectory.

Major Investments & Projects

US\$ 15.19
BILLION

Budget Allocation for Indian Railways for FY 2021-22

US\$ 17
BILLION

Allocation for 35 bullet trains by 2022

US\$ 16.64
BILLION

For manufacturing of passenger coaches

US\$ 11.12
BILLION

Electric Locomotive Production Project

US\$ 4.1
BILLION

For private train operations

US\$ 3.83
BILLION

Madhepura Electric Locomotive Procurement Project

Source: Company.

Some of the initiatives taken by Indian Government to encourage the sector

- 1) Under the Union Budget 2021-22, the Government allocated Rs 110,054.64 Cr (US\$ 15.19 billion) to the Ministry of Railways.
- 2) Under the Union Budget 2021-22, the Government allotted Rs 1803.01 Cr (US\$ 249.07 million) for gauge conversion, Rs 3000 Cr (US\$ 414.43 million) for doubling tracks, Rs 6815.36 Cr (US\$ 941.51 million) for rolling stock.
- 3) With increasing participation expected from private players, domestic and foreign, due to favourable policy measures, both passenger and freight traffic is expected to grow rapidly over the medium to long term. The Government of India's focus on infrastructure is a major factor which will accelerate growth of railways. Railways infrastructure plans to invest Rs 50 lakh Cr (US\$ 715.41 billion) by 2030.
- 4) Demand for urban transport, there is a rapid increase in demand for urban mass transportation systems in the country. Several metro rail projects are in progress to improve connectivity within cities. The central Government inaugurated the Pune Metro Rail project on December 24, 2016. The metro line would have 30 stations and the 1st phase would cover 31.25 km. The project is expected to be completed by 2021 at a cost of US\$ 1.67 billion. In January 2019, the department of Economic Affairs (DEA) and the French Development agency (AFD) signed a credit facility framework agreement to extend funding to Rs 20.27 billion (US\$ 280.96 million). In May 2021, the Government of India and European investment Bank (EIB) signed a finance contract for the second tranche of US\$ 182.30 million for the Pune Metro Rail Project.

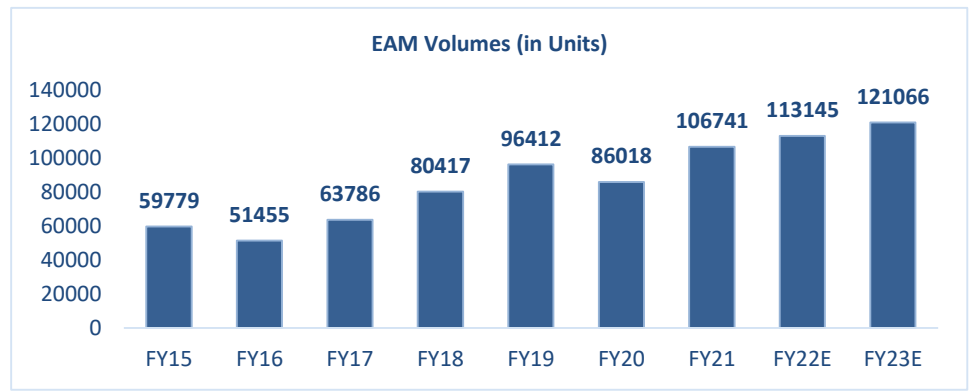
Key Investment rationale

Preparing for next league of growth in its Core Business

Until few year ago Escorts tractor product line was limited just between 35-50 HP. But today Escorts have a range starting from 11-120 HP product with modern styling. The Company has products that bounds 4 wheels drives and 20 speed gear box technology, the Company has products which can be utilized for garden application to orchids to big farms and ranches. Also have tractor with roll back protection and cabins.

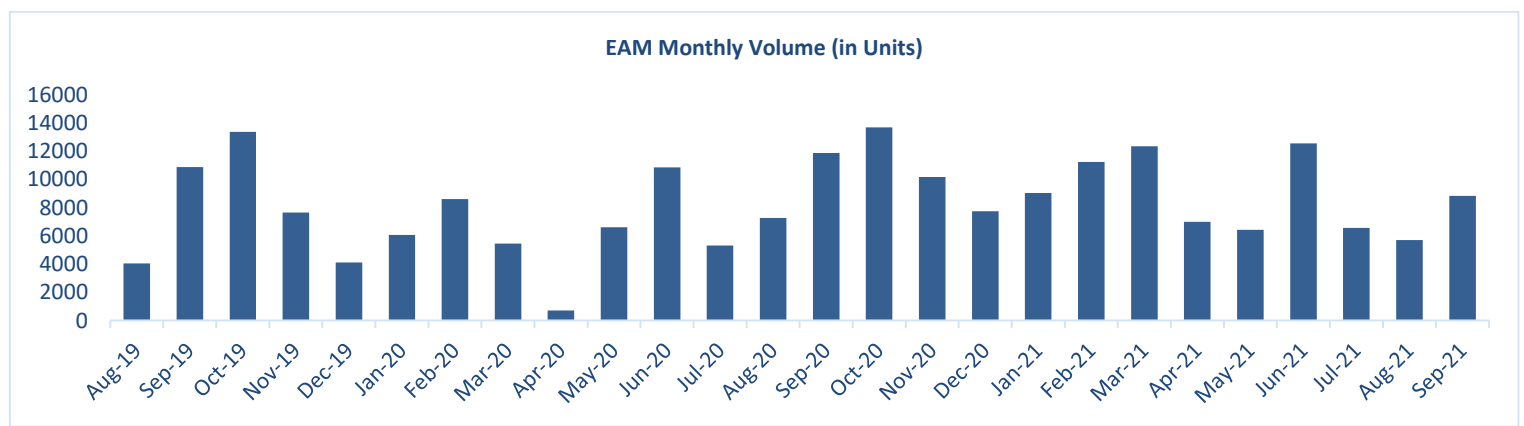
Escorts is one of India's foremost tractor manufacturers, offering more than 225 options in the 12-75 HP segments under the four marquee brands – Farmtrac, Powertrac, Steeltrac and Digitrac. Escorts Agri Machinery (EAM) is the core pillar of the company which contributes ~82% towards consolidated sales. On the performance front, the company registered a 24.1% growth in volume for FY21, also reported highest ever EBIT margins at 18.2% backed by cost efficiencies, better product mix. The Company achieved a historic milestone of more than 100,000 tractor sales and production, with tractor volumes up by 24.1% to 1,06,741 in FY21 as against 86,018 tractors in FY20. The outlook for the EAM segment remains very optimistic, due to macroeconomic factors remains positive backed by good and timely monsoon, record Rabi harvest and increased sowing 2021-22 with sustainable MSP, continued government support, availability of retail finance etc. The uptrend in the demand expected to continue going forward for EAM division.

Exhibit 17 – EAM Volumes Projected to grow @ ~7% range



Source: Company, KJMC Research

Exhibit 18 – EAM Monthly Volume Round-Ups



Source: Company

With healthy monsoon activity in Q2FY22 rainfall deficit largely been recovered, which is a good sign for the Agri industry for the upcoming months. However record rainfall in September 2021 has delayed harvesting in some parts of the country resulting in some delay in the onset festive season demand. Rest historically, the month of August is very weaker in terms of demand as till July the sowing season is seen at its peak where tractor demand is on the edge. In the coming months i.e. from Oct – Dec 2021 which are very defining months for the tractor industry, where the Company can see some pick-up in the volume. If we see last year Q3FY21 volume number which were around 31562 units and in Q4FY21 were 32588 units. We anticipate the demand in Q3 & Q4FY22 this year would be healthier than historical volume, mainly due to lined up with pent-up demand and delayed harvesting in some parts of the country. With healthy spend from Rural India backed by strong macroeconomic factor which remains favorable for industry growth ahead.

Exhibit 19 – EAM Revenue Projected to grow @ 10.25% between FY21-FY23E

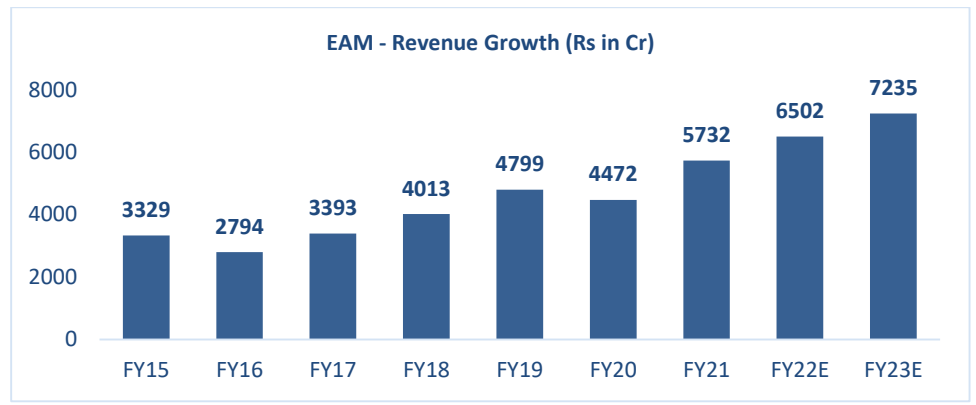
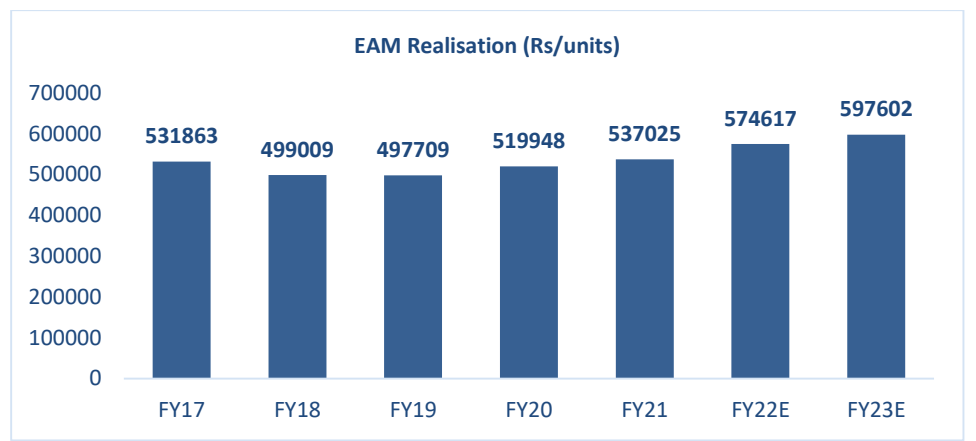


Exhibit 20 – EAM’s Realization to remain intact with some price escalation

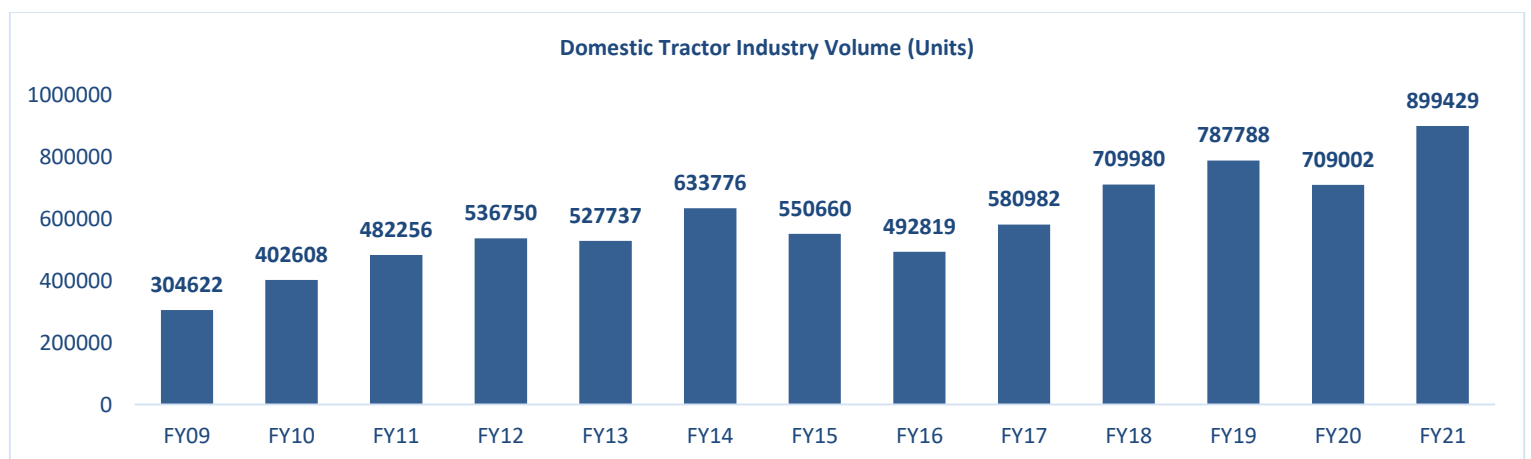


Source: Company, KJMC Research

Inflation continues to remain concern for the overall manufacturing sector with up-swing in the commodity price. Escorts have already taken some price hikes to beat the inflation, and one more price hike is expected between Oct – Dec 2021.

The overall Indian tractor industry saw a phenomenal bounce back after lockdown from last year and witnessed the highest ever recorded growth across the domestic and exports markets. The domestic industry saw an impressive growth in volume of 27% to 8.99 lakh tractors in FY21 as compared to 7.09 lakh tractor in FY20. Tractors have historically played a dominant role in farm mechanization and increasing productivity across the world. The calendar year 2021 was tough during the first 2 months as sales dropped by 80% in April due to nationwide lockdown but post lockdown phase saw a gradual demand recovery in all vehicles segments, tractor sales which depends on a strong rural economy remained robust. The overall yearly tractor sales recorded a boom of 26.86%. The first tractors in India were bought in 1940's but their use became more widespread in approx. 1960's with full – fledged entry of homegrown companies. Escorts has played a phenomenal role towards developing the tractor industry.

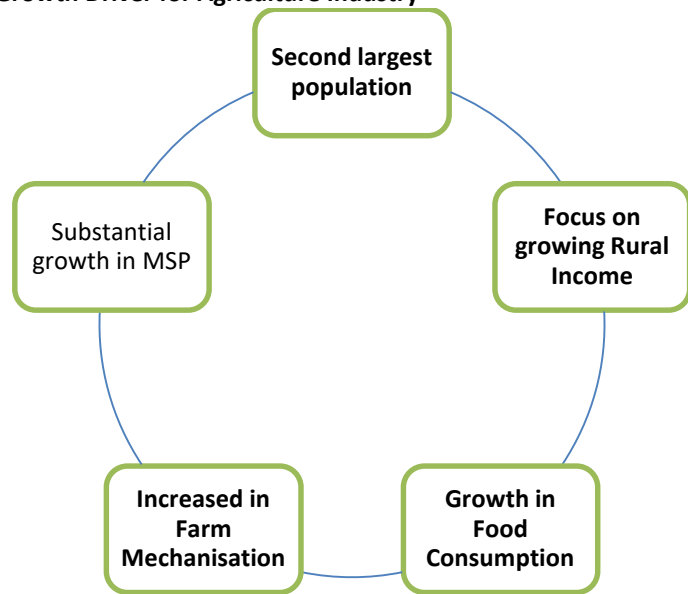
Exhibit 21 – Domestic Tractor Industry Volume – An Overview



Source: Company

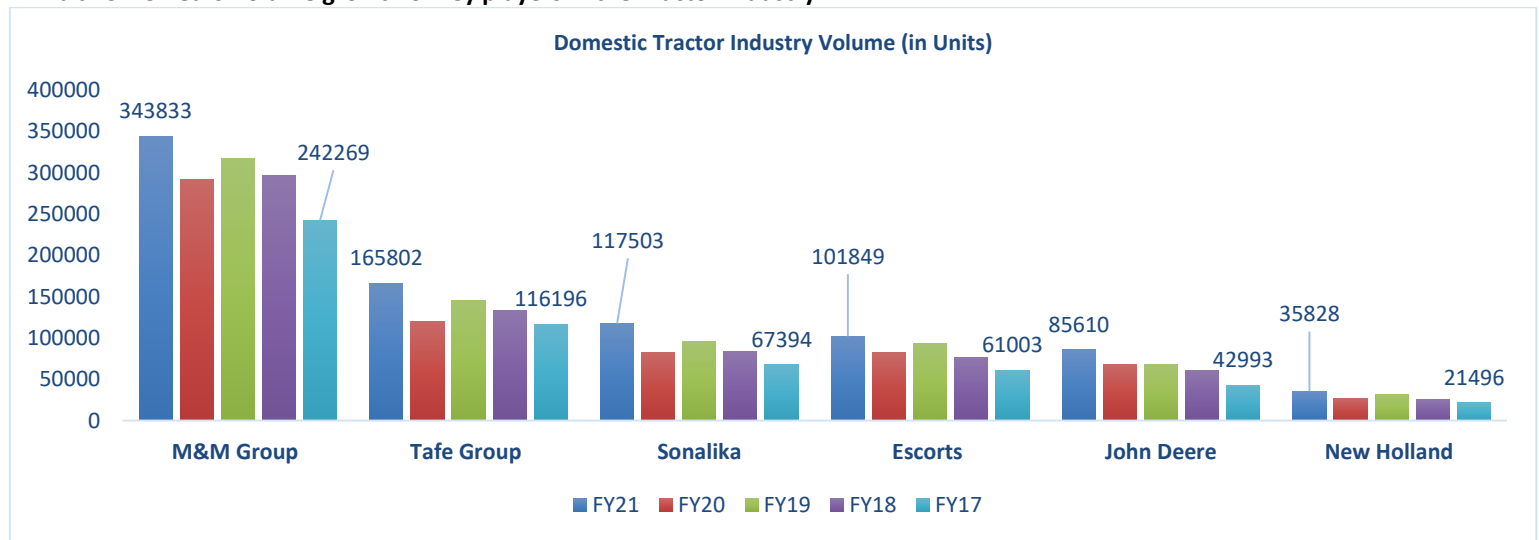
Government of India has introduced several projects to assist the agriculture sector, which will directly push the demand for Farm Mechanization: 1) Pradhan Mantri Gram Sinchai Yojana (PMGSY) aims to irrigate the field of every farmer and improve water use efficiency to achieve the motto 'Per Drop More Crop', overall the scheme ensures improved access to irrigation. As per the Union Budget 2021-22, Rs 11588 Cr (US\$ 1.5 billion) was allocated to Pradhan Mantri Krishi Sinchai Yojana (PMKSY). 2) As per union budget 2021-22, Rs 1.33 lakh Cr (US\$ 18.41 billion) was allocated to the ministry of Agriculture. 3) Prime Minister launched the Pradhan Mantri Samman Nidhi Yojana (PM – Kisan) and transferred Rs 18000 Cr (US\$ 2.45 billion) to bank accounts of >90 million beneficiaries on Dec 25, 2020. 4) As per Union budget 2021-22 Rs 65000 Cr (US\$ 8.9 billion) was allocated to Pradhan Mantri Kisan Samman Nidhi (PM-Kisan). 5) As per the union budget 2021-22, Rs 8514 Cr (US\$ 1.17 billion) was allocated to the Department of Agriculture Research and Education.

Exhibit 22 - Growth Driver for Agriculture Industry



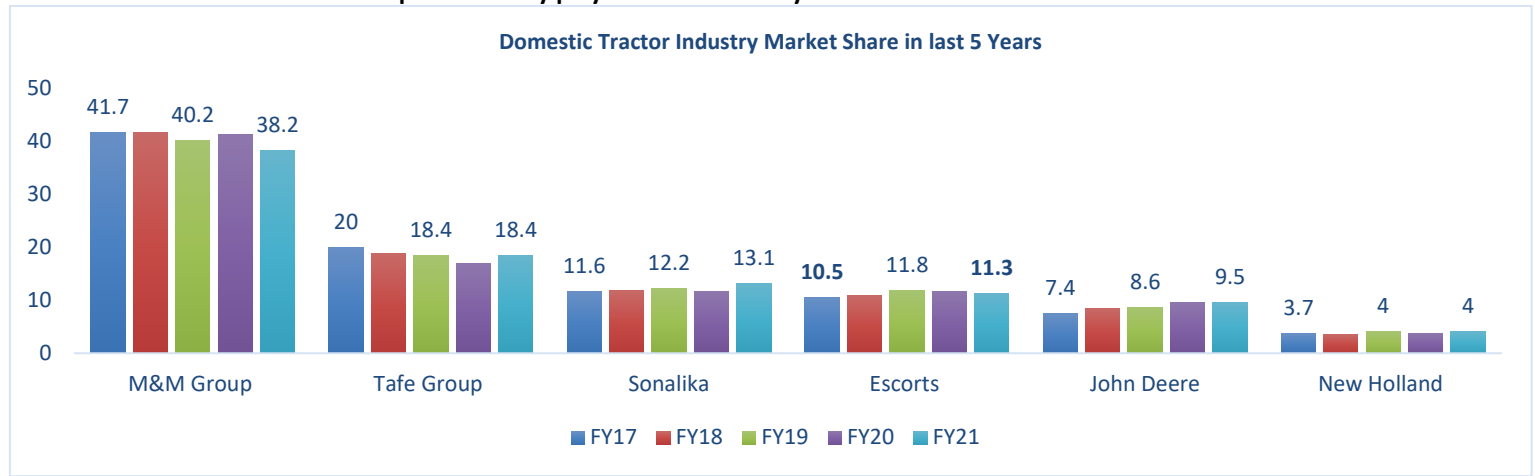
Source: IBEF, KJMC Research

Exhibit 23 – 5 Years Volume growth of key players in the Tractor Industry



Source: Tractor Junction, KJMC Research

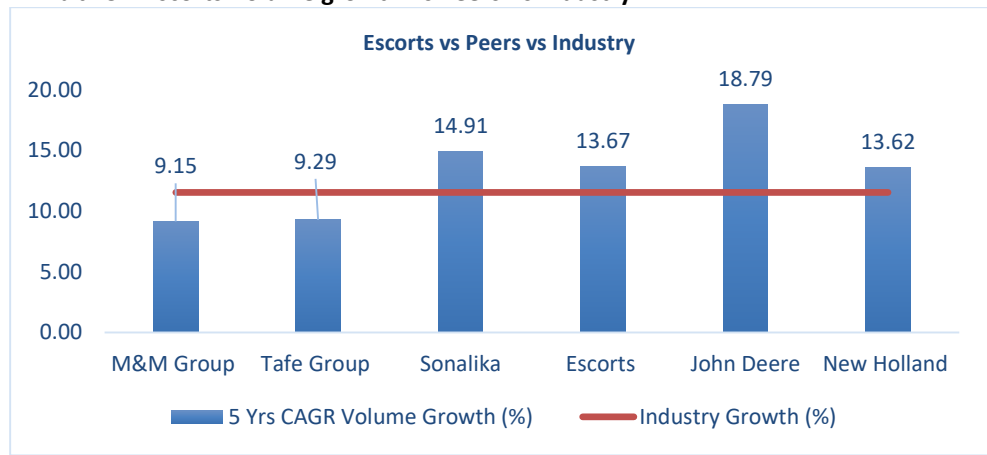
Exhibit 24 – Market Share Round-Ups for the key players in the Industry



Source: Tractor Junction, KJMC Research

The tractor industry is dominated by the top 5 players, who together contributes more than ~91% of the market.

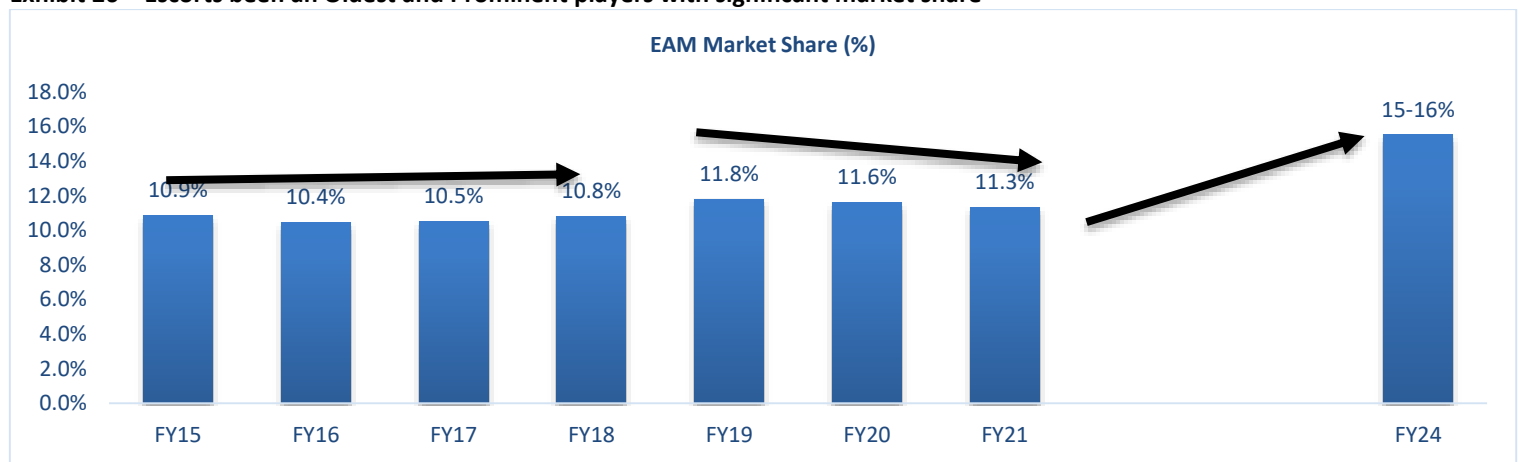
Exhibit 25 – Escorts Volume growth Vs Peers Vs Industry



Source: Tractor Junction, KJMC Research

Escorts been the 3rd largest player in the industry. At top of pyramid John Deere is leading the scale at 18.79% growth rate with 85610 units sold as of FY21, Sonalika leads the mid pyramid at 14.91% growth rate with 117503 units sold as of FY21 and at the bottom of pyramid Escorts leads at 13.67% growth rate with 101849 units sold as of FY21.

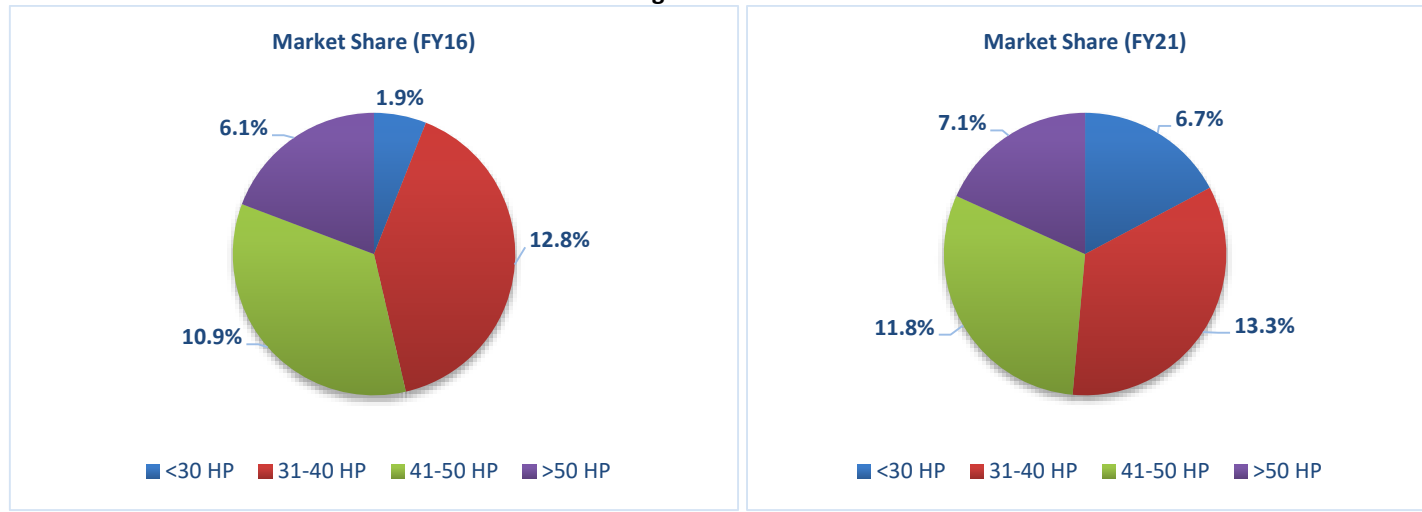
Exhibit 26 – Escorts been an Oldest and Prominent players with significant market share



Source: Company, KJMC Research

After 3-4 years of continuous winning streak, the Company market share had drop very marginally to 11.3% in FY21. Mainly on back of supply chain and inventory issues, if the third wave would not cause any disruptions in terms of supply chain or some markets, Then Company could achieved its market share aspirations of 15-16% in coming 2-3 years (Management)

Exhibit 27 – Evolutions in Escorts Market Share towards higher HPs



Source: Company

Escorts is among the frontrunners in India’s tractor manufacturing industry with a wide portfolio ranging 12 HP to 120 HP. In terms of segment distribution, the Company saw improvement in above – 40HP tractor segment, which accounted for 62% of its domestic sales in FY21 as against 51% in FY20. Which resulted in significant model mix gains on back of new product launch.

Exhibit 28 - Product Lineup – 11 to 120 HPs



HP Range = <30
Best-selling compact range for Vineyard & Orchards.

HP Range = 31-40
Utility range of Champion and Diesel Saver series.

HP Range = 41-50
This highest growth segment is Complemented with smart & classic and euro series.



Successful launch of PowerMaxx series of tractors
FT 6090



HP Range = 51-90

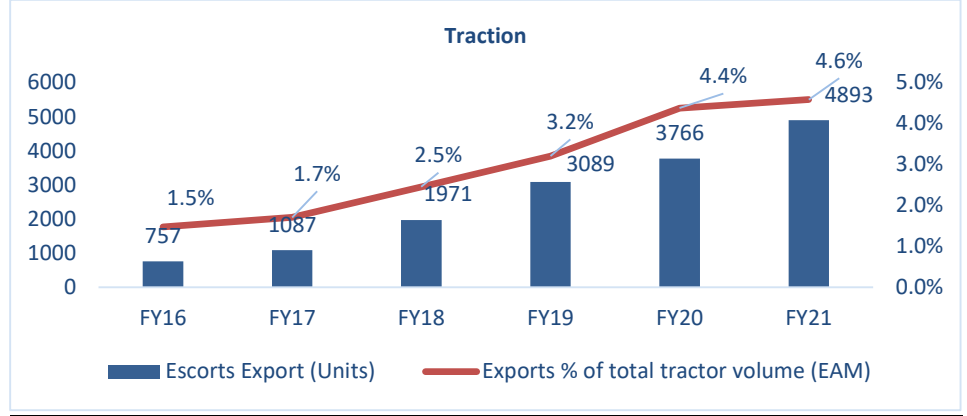
HP Range = 120
Highest horsepower Agriculture tractors for biggest farm size suitable of Esteemed farmers.

Escorts footprint on Exports Market Size & Opportunity

On the export front, Escorts had outperformed the growth by 2x than industry, driven by focus on product developments, focus on appointing dealers and channels partners in the countries where Escorts was not present and also the partnership with Kubota is enabling company to reach out markets not present in the past. Combination of the great products mix with enhance channel coverage exports volume will continue to grow in the year to come.

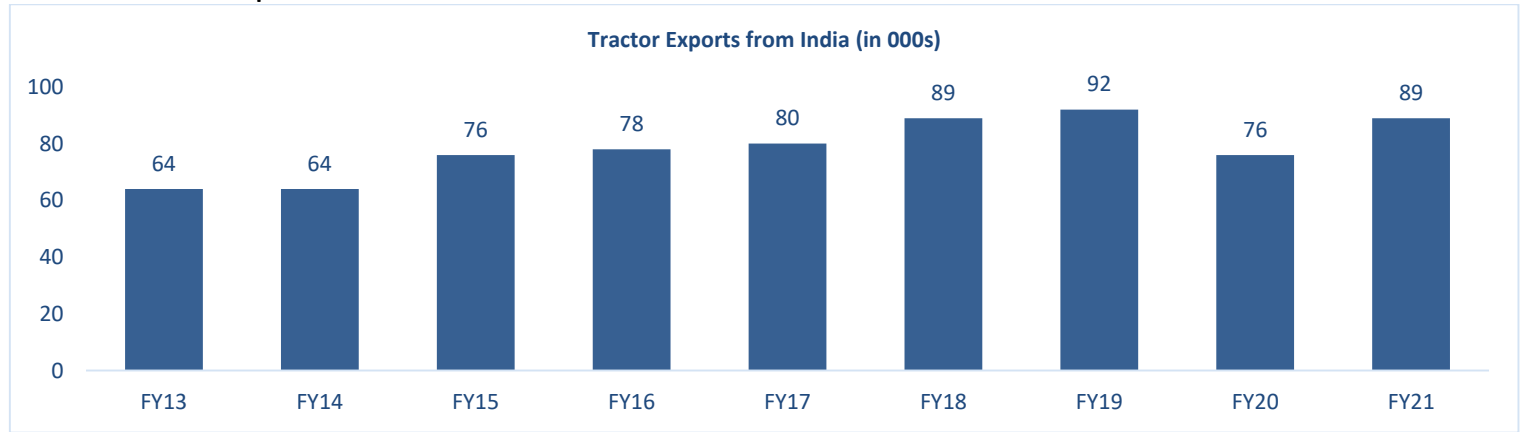
Exports markets are largely untapped for Escorts

Exhibit 29 – Escorts Exports from India



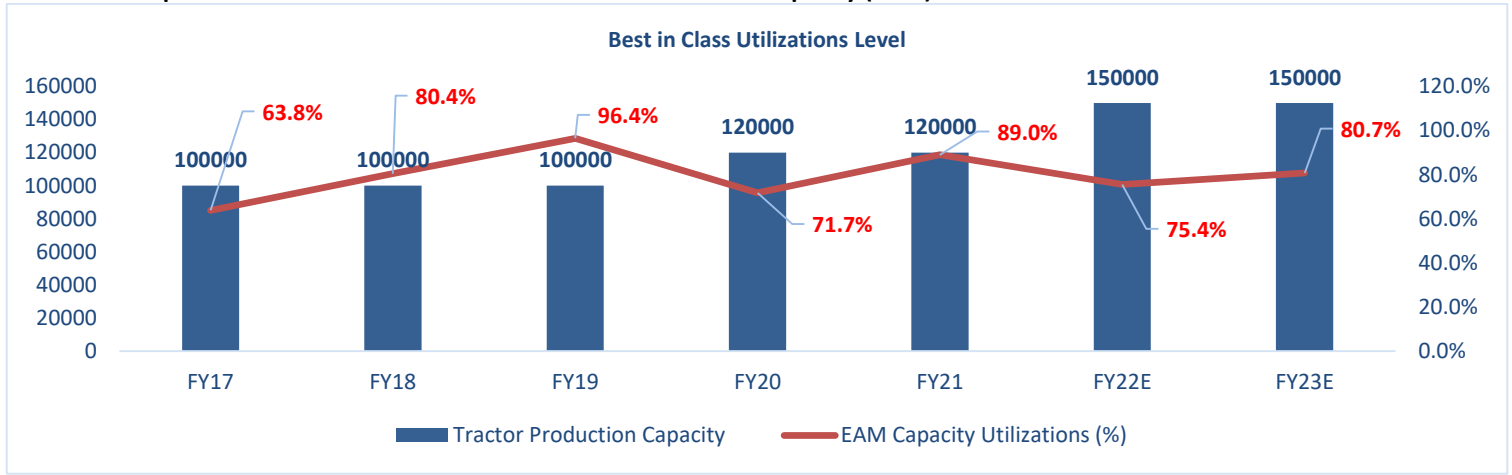
Source: Company, KJMC Research

Exhibit 30 – Tractor Exports from India



Source: Company

Exhibit 31 - Superior Utilization level leads to Increase in Production Capacity (EAM)



Source: Company, KJMC Research

With an higher utilization level, with continues uptrend in demand from industry, the Company have undertaken an quick expansion of its production capacity from 1.2 lakh per annum to 1.5 lakh per annum which is expected to be completed in FY22 end.

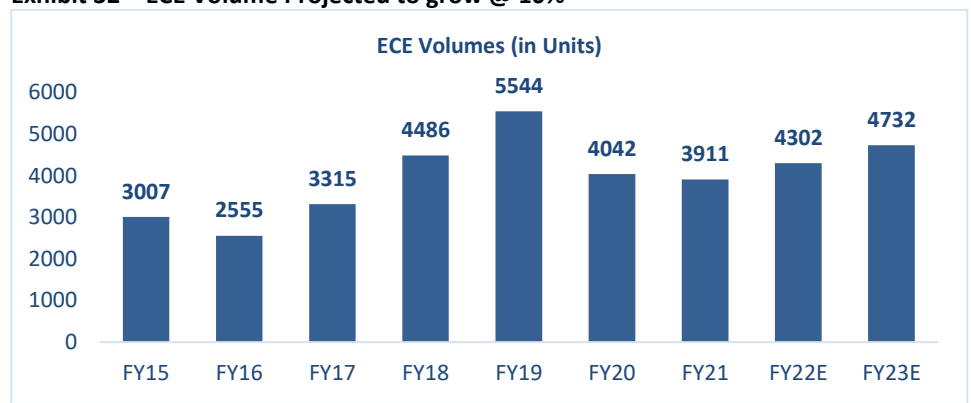
ECE the second pillar of growth is ready for upswing

Escorts Construction Equipment (ECE) is the second large business for Escorts with 11.06% revenue share as of FY21. The Company is present in material handling, earth moving and road building segments of construction equipment. The Company is one of the world's largest manufacturers of PnC hydraulic mobile cranes. The total volume growth in both manufactured and traded products, saw a marginal degrowth of 3%, recording a sales volume of 3911 machines in FY21 as against 4042 machines in FY20. The Company had outperformed the market in second half with volumes growing at 41% despite the continued supply challenges due to Covid. Revenue in ECE segment saw some pressure due to ongoing pandemic, which reported at Rs 776.1 Cr as against Rs 839.8 Cr in FY20.

The Indian Construction Equipment (CE) being the 3rd largest market in the world and currently holds a prominent position in the global CE landscape. The industry has been adversely impacted due to government clearance of payments and increase in spends, and Covid waves. But with the situation improve with the accelerated in the vaccination programme and other measures being adopted by the government in the near term. On the longer horizon, the Indian government proposing significant spend on infrastructure will open the new avenue for growth. The ministry with a vision plan 2030 ambition of National Infrastructure Pipeline (NIP) with scope of Rs 111 lakh Cr would augur well in enabling the Indian Construction Equipment industry.

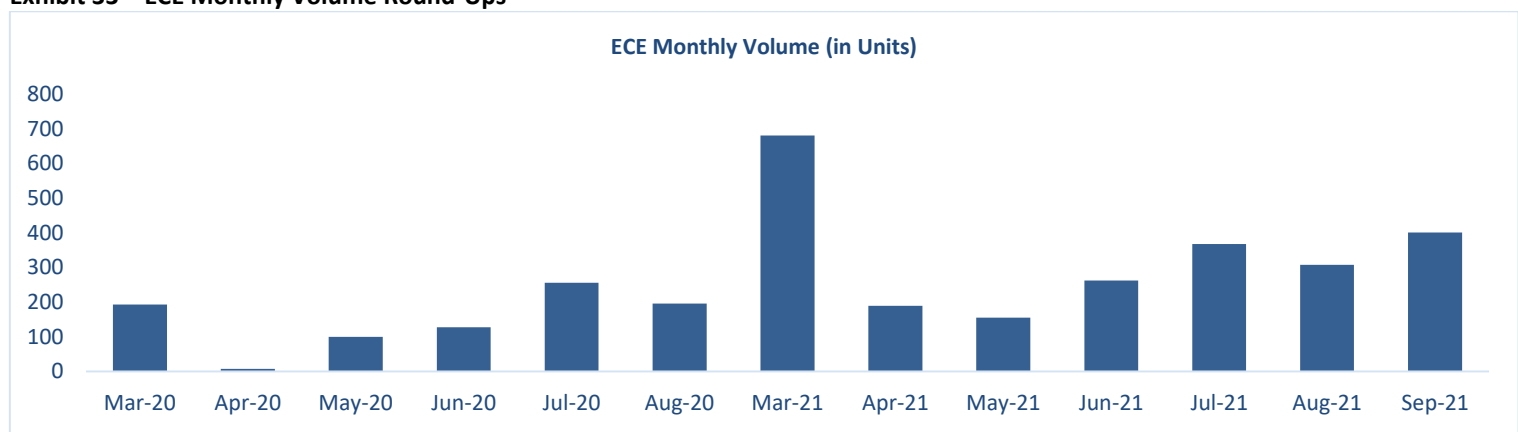
The vision plan draws upon the Government of India's Rs 111 lakh Cr National Infrastructure Pipeline (NIP) which is expected to propel the CE industry growth over the next decades. The NIP is a part of the Government's continued efforts at providing world-class infrastructure across the country. The opportunity for the CE industry will be further strengthened by the imminent need to enhance mechanization in infrastructure, construction and mining.

Exhibit 32 – ECE Volume Projected to grow @ 10%



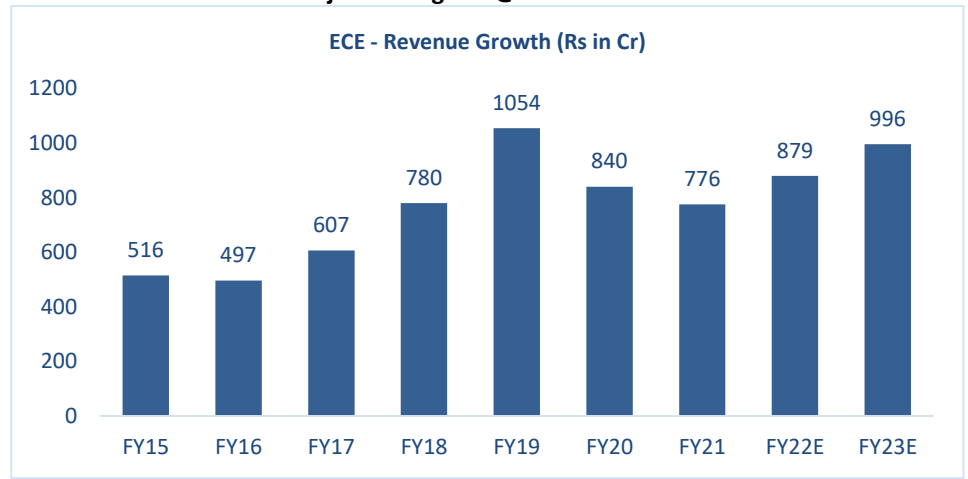
Source: Company, KJMC Research

Exhibit 33 – ECE Monthly Volume Round-Ups



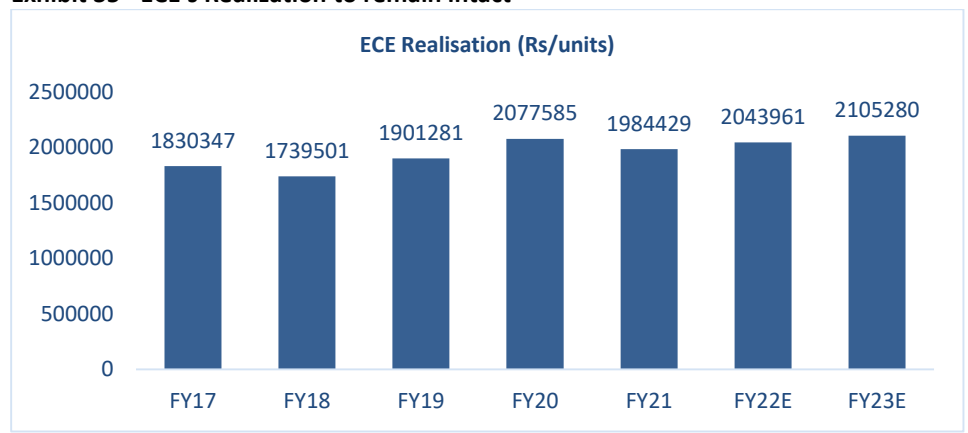
Source: Company

Exhibit 34 - ECE Revenue Projected to grow @ 13.3% between FY21-FY23E



Source: Company, KJMC Research

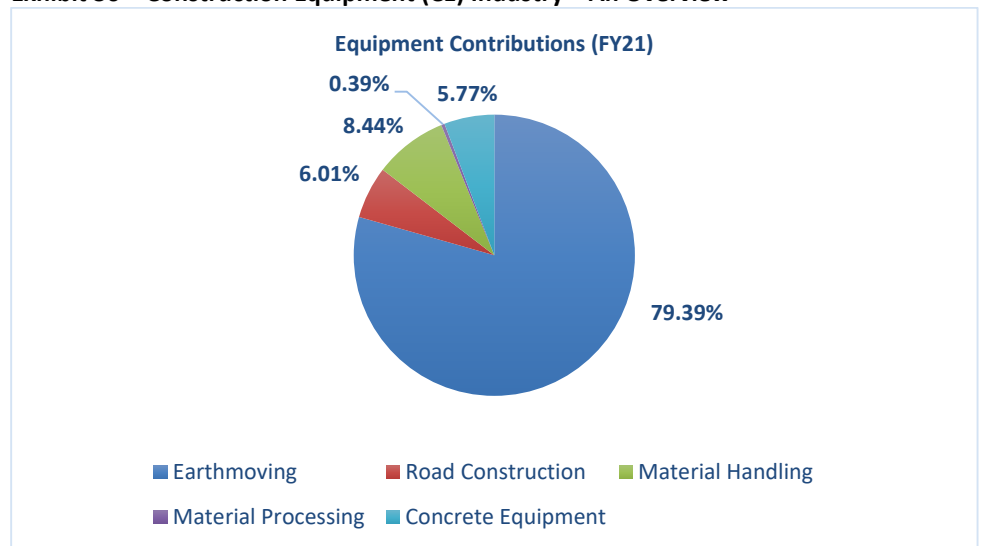
Exhibit 35 - ECE's Realization to remain intact



Source: Company, KJMC Research

Despite the impact of Covid-19 pandemic, the Indian Construction Equipment industry, backed by strong infrastructure demand in the second half of the fiscal, registered a volume growth of 9% YoY in FY21. Overall construction equipment sales for the year were ~92k units, with exports accounting for ~5% of the revenue. The concrete equipment segment registered the highest growth in the industry growing by 62% even though 'Earthmoving equipment continues to be the most dominant driver for overall sales. Looking ahead, futures drivers suggest healthy growth potential across sectors with direct impact on construction equipment sales.

Exhibit 36 – Construction Equipment (CE) Industry – An Overview



Source: Company

Exhibit 37 – Construction Equipment Industry grown by 9% over the past 12 months with Earthmoving Equipment, Road Construction Equipment, Concrete Equipment, Material Handling and Material Processing Equipment grew by 12%, 7%, 62%, -89% and 5% respectively



Source: ICEMA

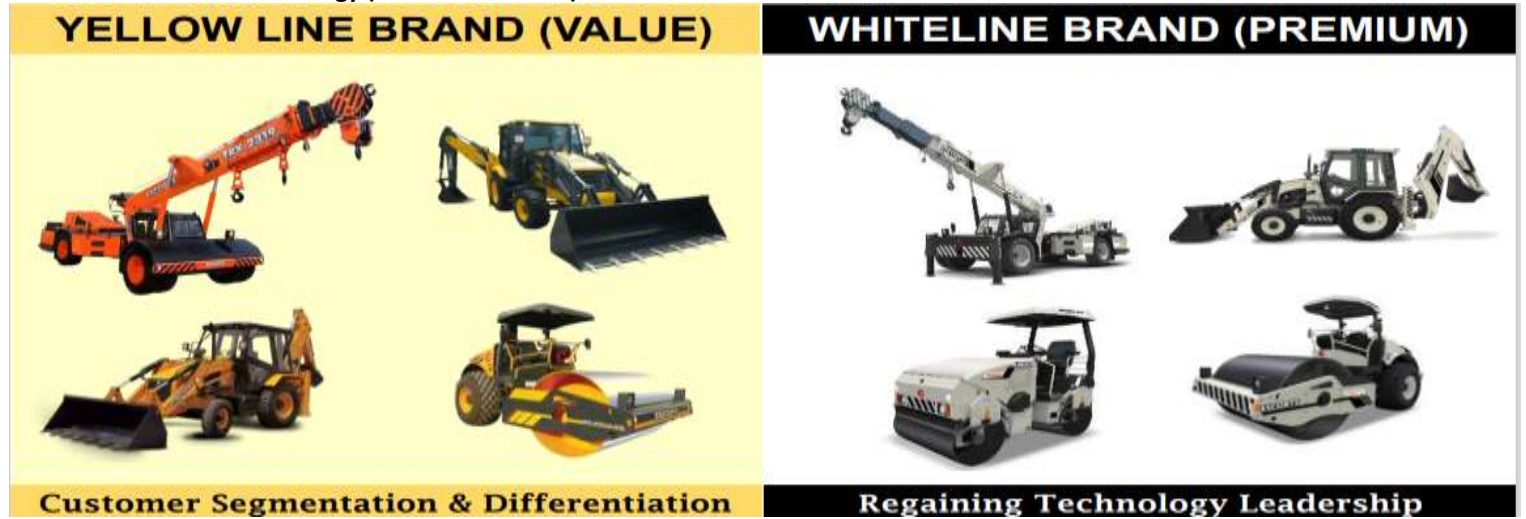
Exhibit 38 - Product Portfolio in ECE Segment

- Material Handling**
- Earth Moving**
- Road Construction**



Source: Company

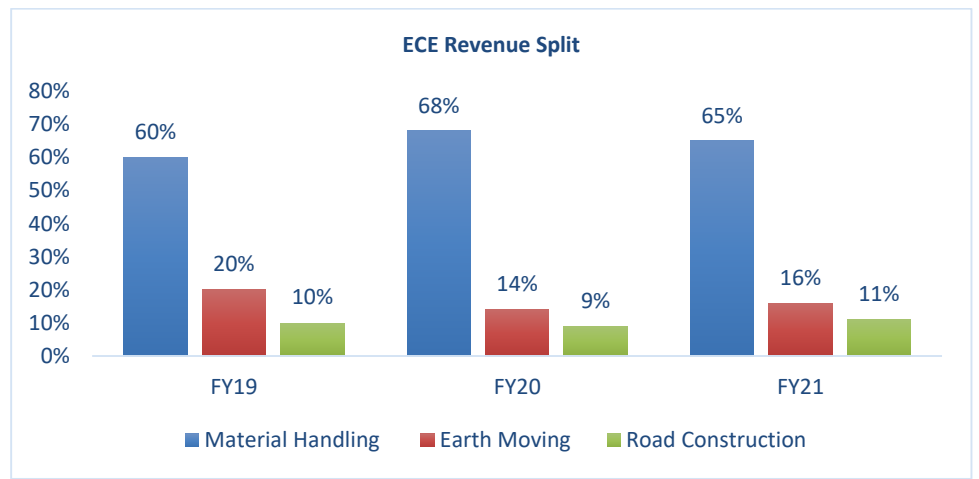
Exhibit 39 - Dual Brand Strategy (Value & Premium)



Source: Company

During the year (FY21), the Company reclassified its customer segment into value and premium categories. To address the both segments, Company launched new range white line of the construction equipment's, the existing yellow line serves customers seeking value for money and the new while line caters to the emerging requirements to the fleet owners and corporate customers who needs higher premium offering.

Exhibit 40 – Product Portfolio contribution % of ECE Revenue



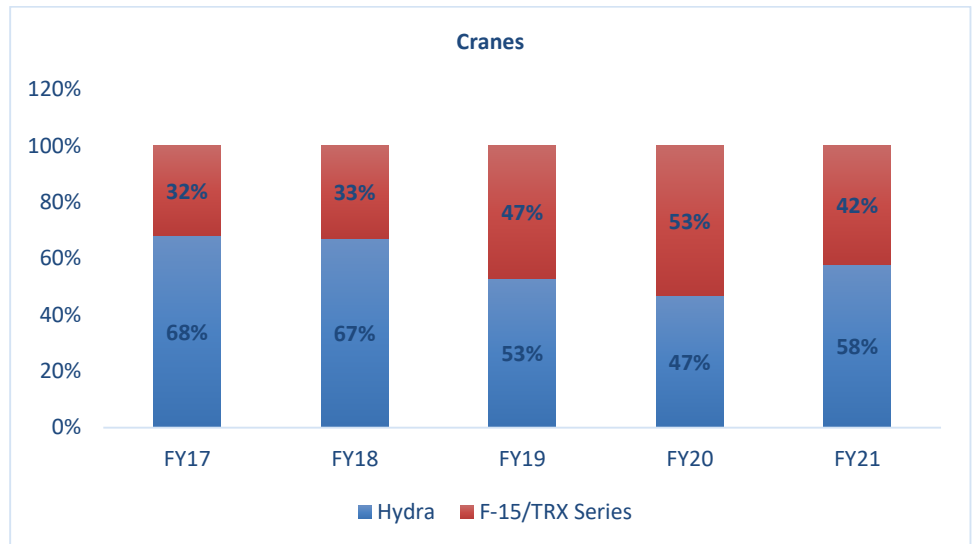
Source: Company, KJMC Research

Exhibit 41 - Escorts is one of the largest pick and carry hydraulic mobile crane players in the domestic market.



Source: Company

Exhibit 42 – Product Split in Material Handling divisions



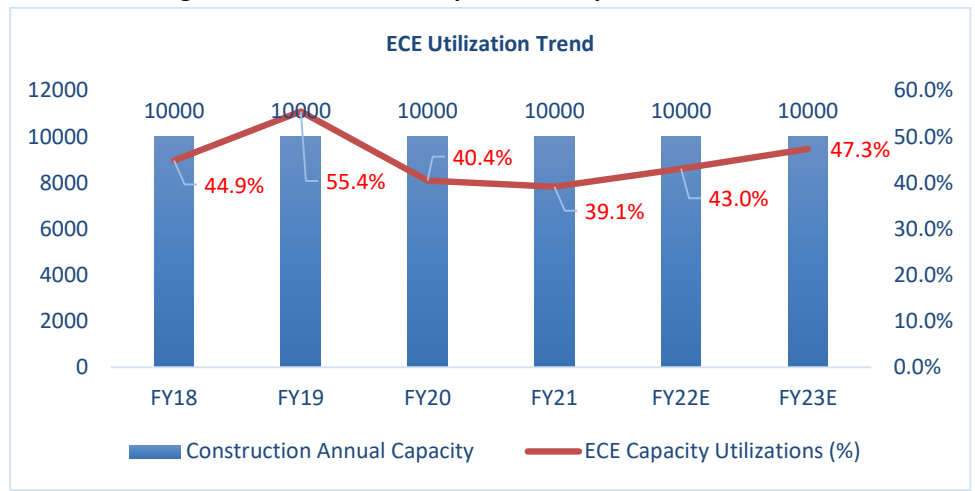
Source: Company, KJMC Research

Exhibit 43 – Cranes are the fastest growing segment in CE space

Equipment's (in 000 units)	FY16	FY17	FY18	FY19	FY20	FY21	YoY growth (%)	5 Yrs CAGR (%)
Backhoe Loaders	22.8	30.7	38.6	47.2	39.7	45.6	15	14.6
Cranes	3.4	4.5	8.1	10.2	7.4	7.4	0	16.8
Compactors	3	3.6	4.2	5	4.4	4.8	9.9	9.9

Source: Company

Exhibit 44 – Stagnant Utilization level expected to improve in future



Source: Company, KJMC Research

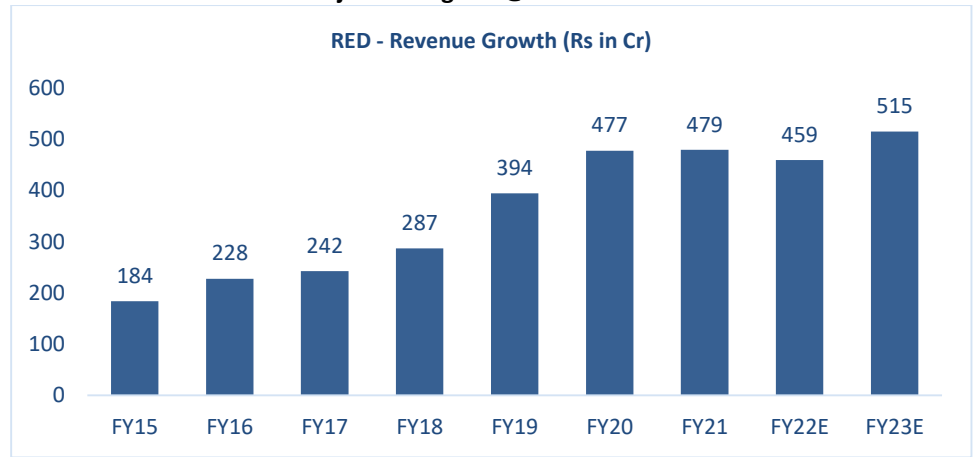
We anticipate, the utilization level in ECE segment to pick-ups on back of Indian government proposing significant spend on infrastructure, strong momentum in private sector housing and commercial building in favorable locations across the country.

Railway division is ready to come back with strong Macro Factors

Escorts is approved source for Indian Railway present across diversified product offering in safety and comfort components for railways and metro with more than six decades of experience. The company manufactures advanced components for Indian Railways, **including brake systems, couplers, suspension systems, shock absorbers and rail fastening systems, among others.** The company is certified manufacturing products conforming to Indian Research Design and Standard Organization (RDSO) and international standards (International Union of Railway (UIC) and Association of American Railroads (AAR), among others). The company is one of the few in India to receive the prestigious International Railway Equipment Standard (IRIS) certification.

Indian Railway is still not running its full operations due to unprecedented Covid-19 pandemic and have cut down the annual production rate affecting fresh order tendering and order inflow. Despite, the challenging year impact by heavily reduced movements of trains in the country the sales were marginal up at Rs 479 Cr in FY21 as against Rs 477 Cr in FY20. The EBIT margins for Railway division stood at 16%. During the FY21, the company made entry into the metro segment the company also introduced several new products. The company executed 59% of the total orders from the new products category, with high import content. The order book for the division at the end of June 2021 was more than Rs 300 Cr and going forward with government safety measures and vaccination drive taking up at fast pace, the tendering process is expected to trigger ahead.

Exhibit 45 – RED Revenue Projected to grow @ 3.64% between FY21-FY23E



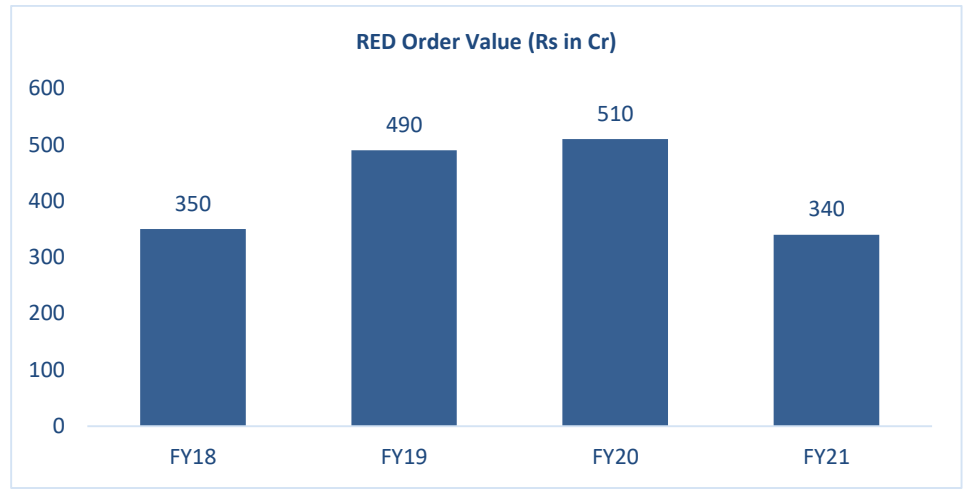
Source: Company, KJMC Research

Exhibit 46 - New Product launch



Source: Company

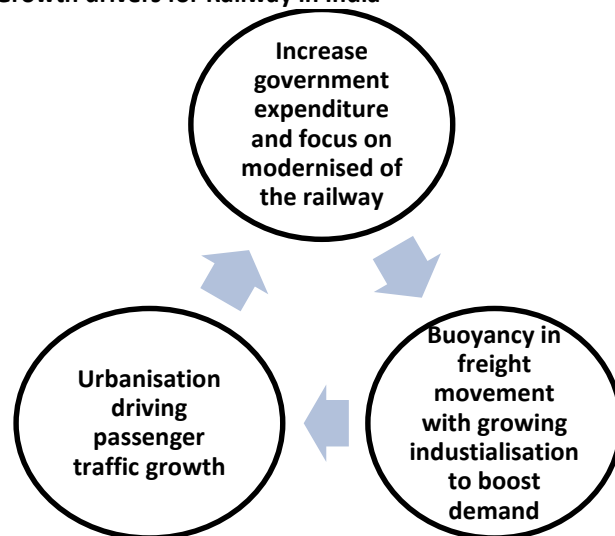
Exhibit 47 – RED Historical Order Book trend



Source: Company

The Indian Railway has always been considered as the economic backbone of the country. The government of India is taking concerted efforts to increase both passenger traffic and freight volumes along with developing and upgrading existing infrastructure to support the growth. The union budget 2021 announced a whopping Rs 1,10,055 Cr for Railway of which Rs 1,07,100 Cr is for capital expenditure. Government also announced that the Indian Railway have prepared a National Rail Plan for India. The plan will emphasis on creating a future ready Railway system by 2030.

Exhibit 48 - Growth drivers for Railway in India



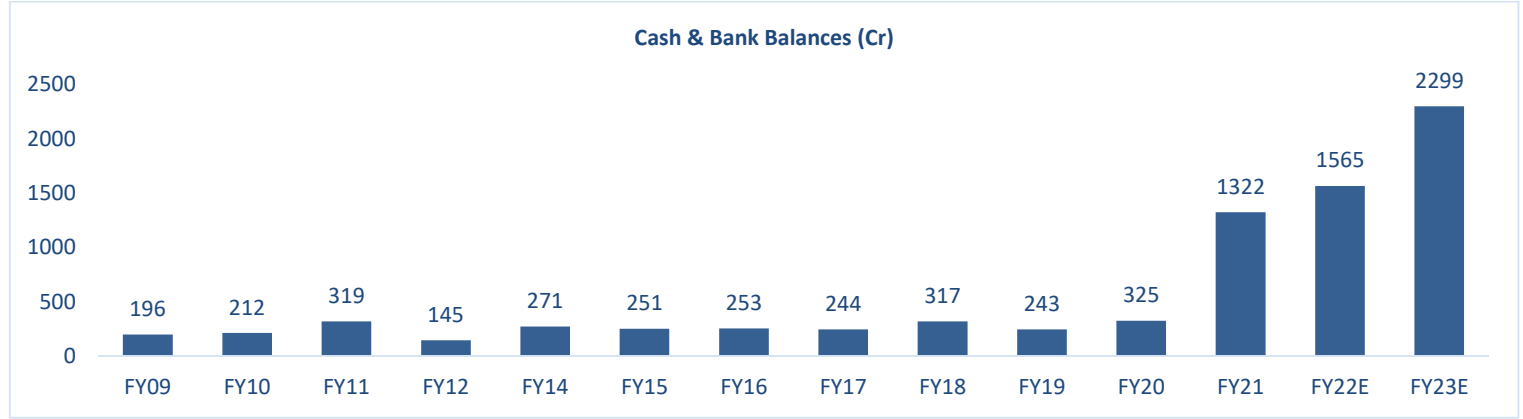
Source: IBEF, KJMC Research

Given the urbanization and increasing population levels in India, implementation of metro rail systems will become imperative as mass rapid transit systems are the best way to decongest traffic. National Urban Transport Policy also ensures that metros in some form or the other come up in cities thereby ensuring a steady requirements of metro rolling stock for the future. Which would indirectly trigger the demand for railway –related components.

Escorts continue to remain Debt Free

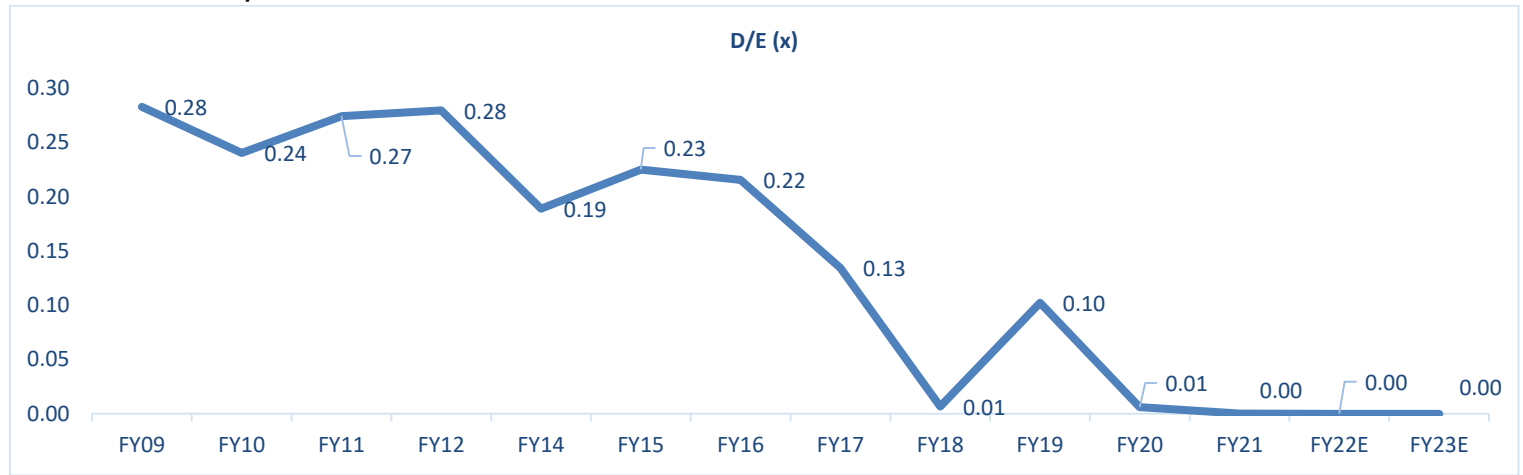
The Company continues to be debt free with sufficient available liquidity for future growth and expansion needs. The debt reduction is only made possible due to management focus and Company priorities include implementing cost efficiency across the board, optimizing capital allocation and ensuring free cash flow growth with efficient working capital management. The balance sheet strength, consistently diminishing debt profile and strong revenue and earning potential will help Company continue to be on growth trajectory to create wealth for its shareholders.

Exhibit 49 – Strong liquidity position leads to strengthen balance sheet



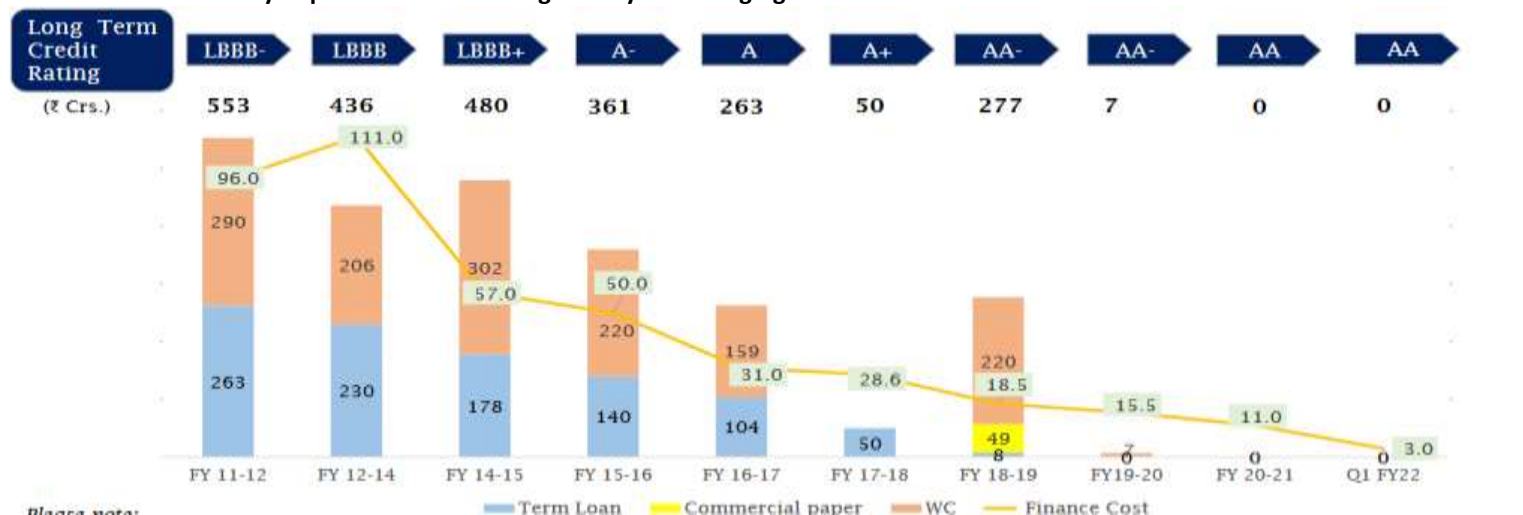
Source: Company & KJMC Research

Exhibit 50 – Escorts D/E reduced from 0.28x in FY09 to nil in FY21



Source: Company & KJMC Research

Exhibit 51 – Consistency improve in Credit Rating lead by deleveraging balance sheet

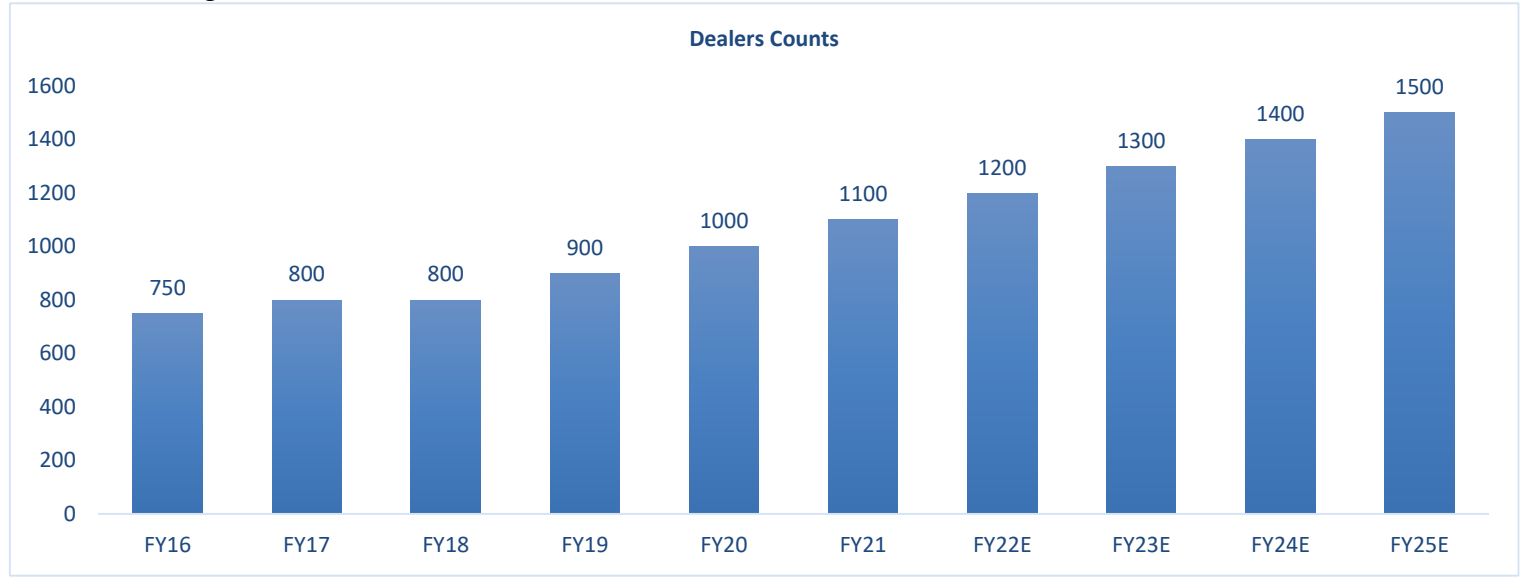


Source: Company

Increasing dealers network to increase the footprint across geographies

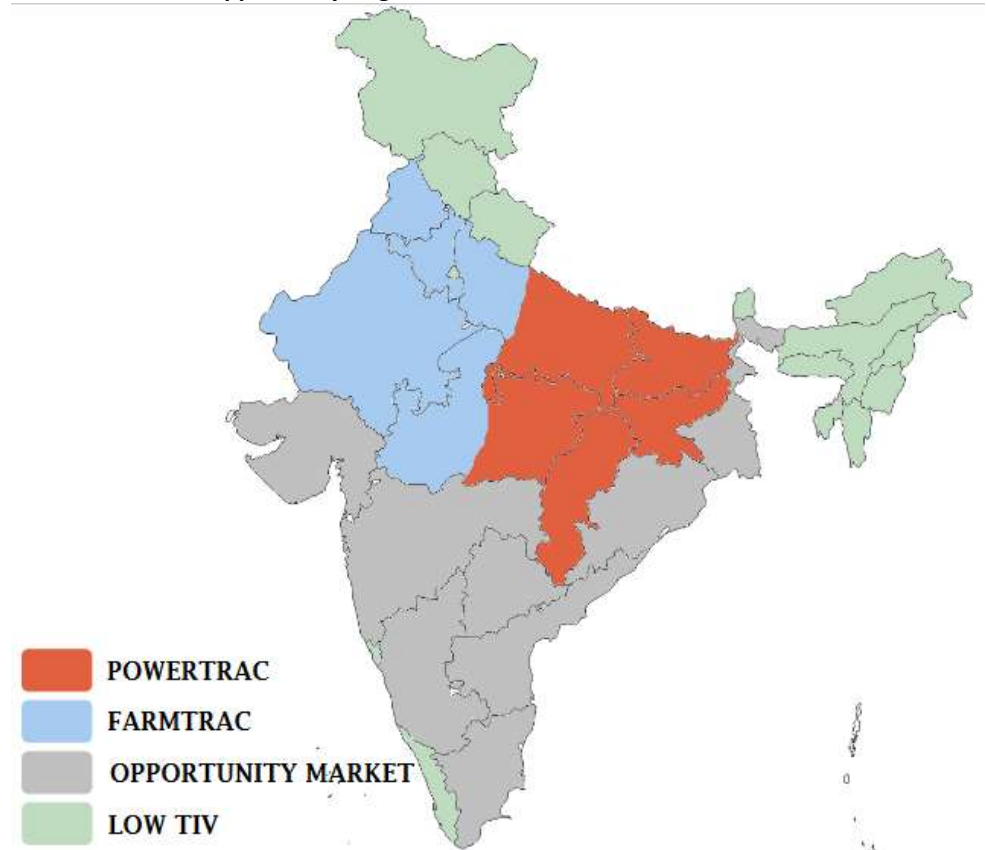
On the channel front, total dealers count in India stands at ~1100+. The most of the new dealers now coming up in South and western regions were the Company's penetration is low. The Company is adequately covered on Pan India basis for any customers who wants to buy an Escorts products.

Exhibit 52 – Stronger Dealers Network:



Source: Company, KJMC Research

Exhibit 53 - Escorts is still under-penetrated in certain states of India – Which Leaves Enormous opportunity to grow



Source: Company

New Collaboration to lead next level of growth in future

The Company has much more potential than it has delivered yet historically. The future journey emerged enormous growth opportunity to grow especially in top two contributing segments – EAM and ECE which all together contributes ~93% towards top-line as of FY21. As per Mr. Nanda the future of the Company stands at three growth pillars: 1) Creating a winning partnership, 2) Developing futuristic technologies and 3) Incubating new age business models, by adoption of these three measures Escorts can be “Reinvented” which would helped contributing and transforming the India and the world in many unique ways. If we see, the historical transformation of Escorts which has always believed in partnership it’s been a DNA of the Company, which Mr. H P Nanda founder has formed in the Company. Escorts in the last 75 years take great pride in working with multiple partnership from across the globe which even been a growth engine of the business to grow.

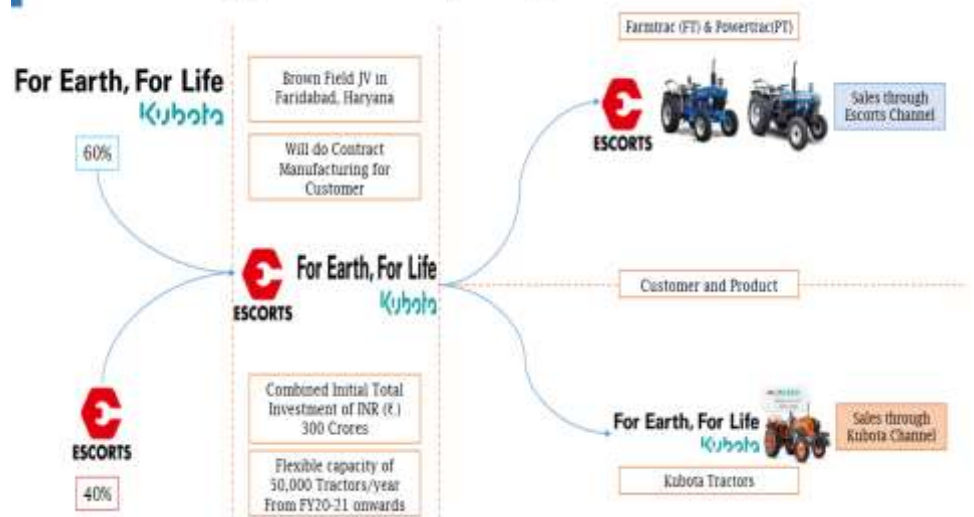
Partnership with Kubota Corporation

Established in 1890, Kubota Group is a global manufacturing company, specializing in agriculture, water, and living environment products, with a worldwide network over 100 countries. Kubota is highly respected name in tractor and machinery around the world. With turnover exceeding of more than US\$18 billion. In late 2018, Escorts collaborated with Kubota to develop value – oriented tractors that caters to farming requirements in India and overseas markets. **Working with Kubota - Escorts will achieve the following:**

- Escorts & Kubota eyes at strong domestic and exports market share by entering in to a Global Joint Venture for technology collaboration and joint manufacturing of high –end, value oriented utility tractor range.
- Both companies to jointly develop new products to cater to India and Overseas market.
- JV to established new common manufacturing with initial capacity of 50,000. These tractors will be sold by both players respectively through their separate channel network in domestic market.
- As part of collaboration, Kubota to export Escorts tractors through Kubota global distribution network in specific markets as mutually agreed.
- While Escorts and Kubota continue to develop their distribution channel in India independently both companies to share their technology platforms for mutual growth along with some Greenfield opportunity in future.

With an initial investment of Rs 300 Cr, the 60:40 manufacturing joint venture between Kubota and Escorts respectively will enable both partners to optimize their current and future capabilities in the segment globally.

Exhibit 54 - Manufacturing Joint Venture (60:40)



Source: Company

On July 2020, Escorts has allotted 1,22,57,688 equity shares at an issue price of Rs 850 per share on preferential basis for an aggregate consideration of Rs 1041.90 Cr to Kubota Corporation, Japan by way of preferential allotment on private placement basis.

Exhibit 55 - What brings Escorts and Kubota Together?



Source: Company

Exhibit 56 -Global Products Range under 'Joint Branding'



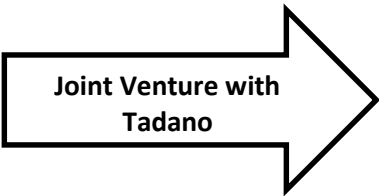
Source: Company

Exhibit 57 - Sales Collaboration which will drive Exports number for Escorts Ltd



Source: Company

Kubota opens its global channel for Escorts Products, jointly targeting a significant global share. Means Escorts products exported under 'Joint Branding'. To distribution channel 'Kubota overseas' network.



Escorts enters into JV with Japan's Tadano Group for Higher Capacity Mobile Cranes

Tadano Ltd, established in 1948 has played a leading role in lifting equipment industry since development of first hydraulic crane in Japan. The group has earned an outstanding reputation both in Japanese market and worldwide by pursuing core value of Safety, Quality and Efficiency. In the construction equipment's space the company has partnership with Tadano group. The company is jointly developing high end products customized for Indian market to cater to the demand in rough terrain cranes and truck mounted cranes in the 20 to 80 ton category.

The JV will strengthen Escorts technology leadership and market presence in the material handling equipment.

The JV will leverage the cost effective frugal Indian engineering excellence of Escorts and world leading Japanese technology from Tadano to cater to an expanding market for heavier capacity and efficient Truck & RT Cranes and sophisticated truck mounted and rough terrain cranes in the 20 to 80 tonnage category. The 51:49 JV will enable both partners to optimize their current and future capabilities in the segment globally. The JV will aim to take leading position in the high tonnage crane segment in medium to long term.

Exhibit 58 - What brings Escorts and Tadano Together?



Source: Company

Exhibit 59 - Products to address high end category



Source: Company

Exhibit 60 - Market Opportunity



Source: Company

Sustainability Strategy & Advertisement Landscape

For over 75 years, Escorts has supported people by providing the right scope of work, sharing opportunities equitably by approaching business conscientiously. The Company aimed at promoting environmental and social sustainability. On the journey to sustainability last year, the road ahead towards becoming a more greener, more responsible and mature organization has become clearer. The three years sustainability roadmap lays out multiple actions in various impact area and company are committed to abide the same. In the coming years, Escorts will adopt a carbon neutrality strategy which will further streamline its initiatives to achieve the laid targets in sustainability.

Given the volume of energy consumption and use in the operations, the company have adopted several energy efficiency and renewable energy initiatives across the corporate office and in other units.

Exhibit 61 - Energy consumption and intensity

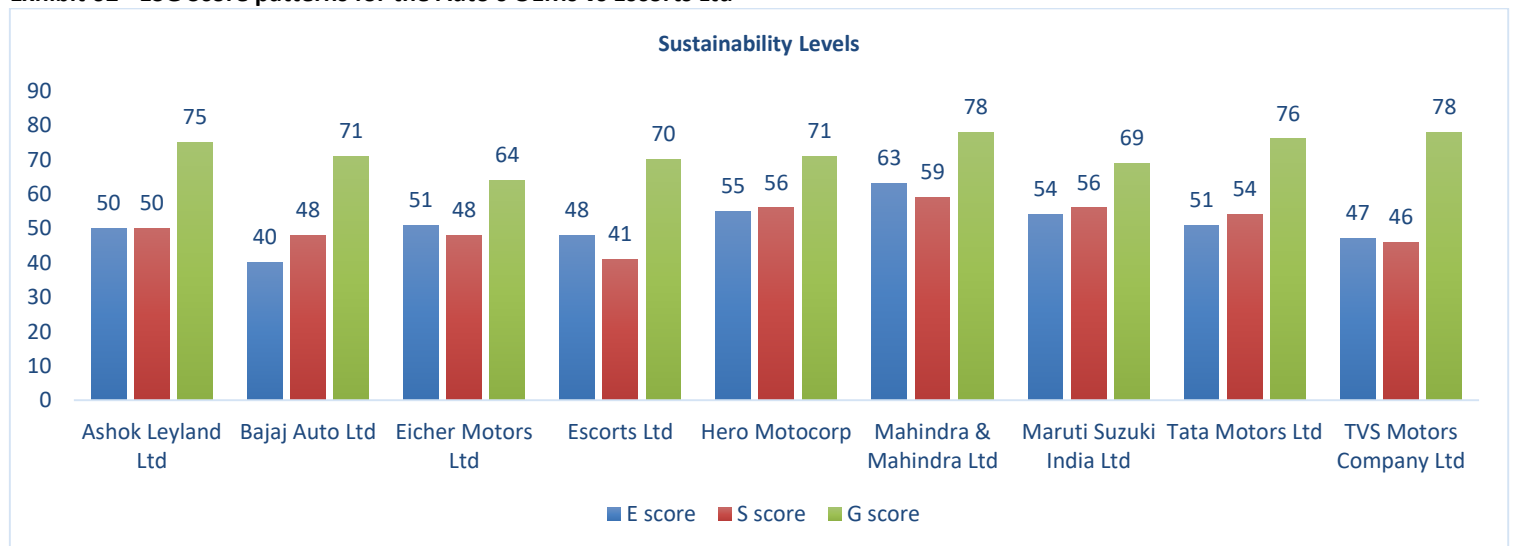
Energy Consumption	FY 2020-21	FY 2019-20	FY 2018-19
Direct Energy (TJ)	604.78	614.14	558.21
Indirect Energy (TJ)	164.76	154.56	158.77
Energy Intensity (TJ/crores ₹)	0.11	0.13	0.11

Source: Company

Human Resources – The Company is committed to providing an energetic, enabling, and open work environment to the employees. The Company have ~11,058 employees on payroll, including temporary, casual and contractual workers who are engaged in various roles across the business. The Company is also working towards creating a culture of gender diversity by hiring women talent and skilling the existing women base to take up key responsibility across businesses. The Company has already enrolled multiple empowerments and welfare initiatives to create opportunities for women workforce.

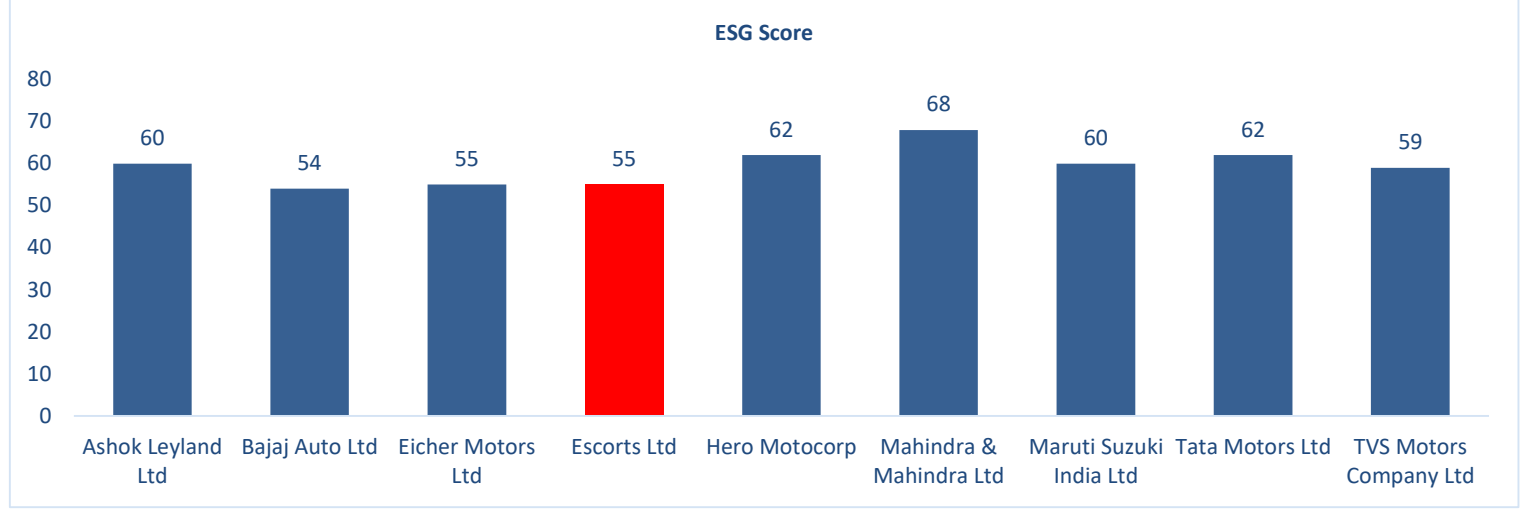
Corporate governance is a high priority area at Escorts, the Company work continuously to ensure that the policies and guidelines are in line with international standards. The company follows four driving forces in the governance system as: 1) Shareholder relations, 2) Confluence of Management and supervisory Boards, 3) Fair, performance based compensation to employees and 4) Proactive and open disclosure of business performance.

Exhibit 62 - ESG Score patterns for the Auto's OEMs vs Escorts Ltd



Source: CRISIL (June 2021)

Exhibit 63 - Escorts is at very Initial Stage in the adoption of ESG Framework

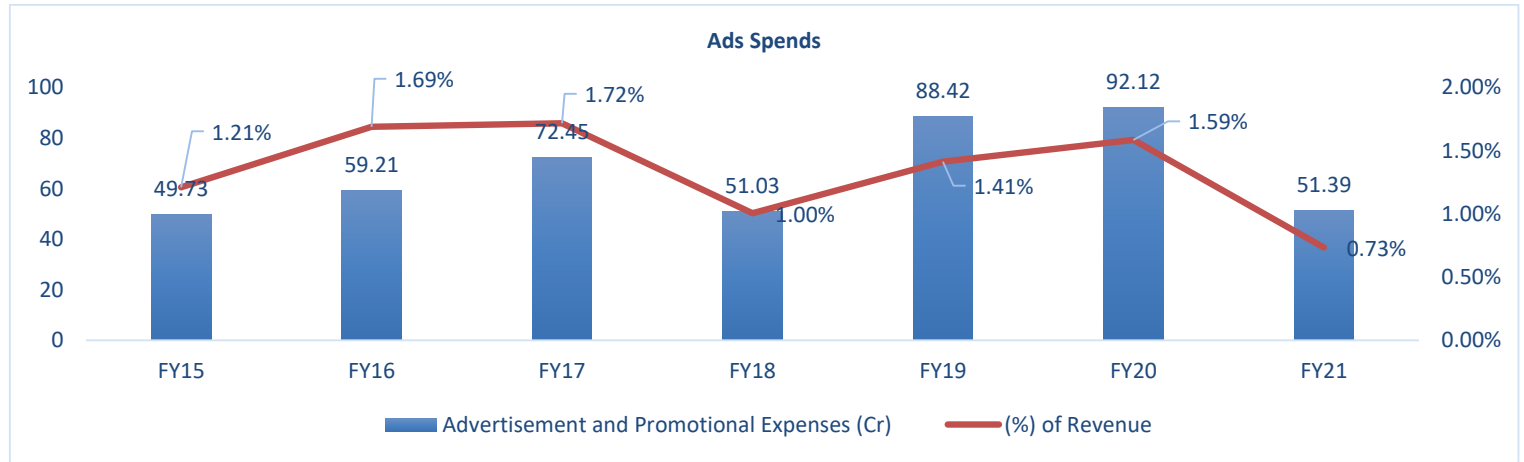


Source: CRISIL (June 2021)

Advertisement Landscape

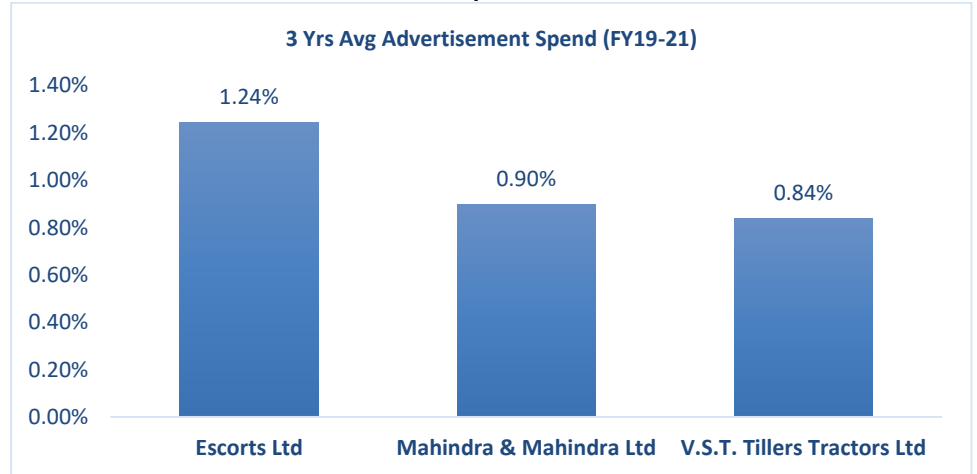
The Company is continuously rolling out new products in line with the evolving requirements for customers. In the EAM segment higher HP products are continuously gaining market traction. New series of tractors in both key brands, Farmtrac 'Powermaxx' series and the Powertrac 'Euro Next' series are setting new benchmark of performance and quality in the domestic market. On back of new launch and vision to increase penetration in Southern and Western regions with increase in dealer's footprint with an aim to grow market share, the advertisement spend is expected to stay intact in coming periods.

Exhibit – 64 Advertisement and Promotions



Source: Company, KJMC Research

Exhibit 65 – Escorts vs Others Tractors Players



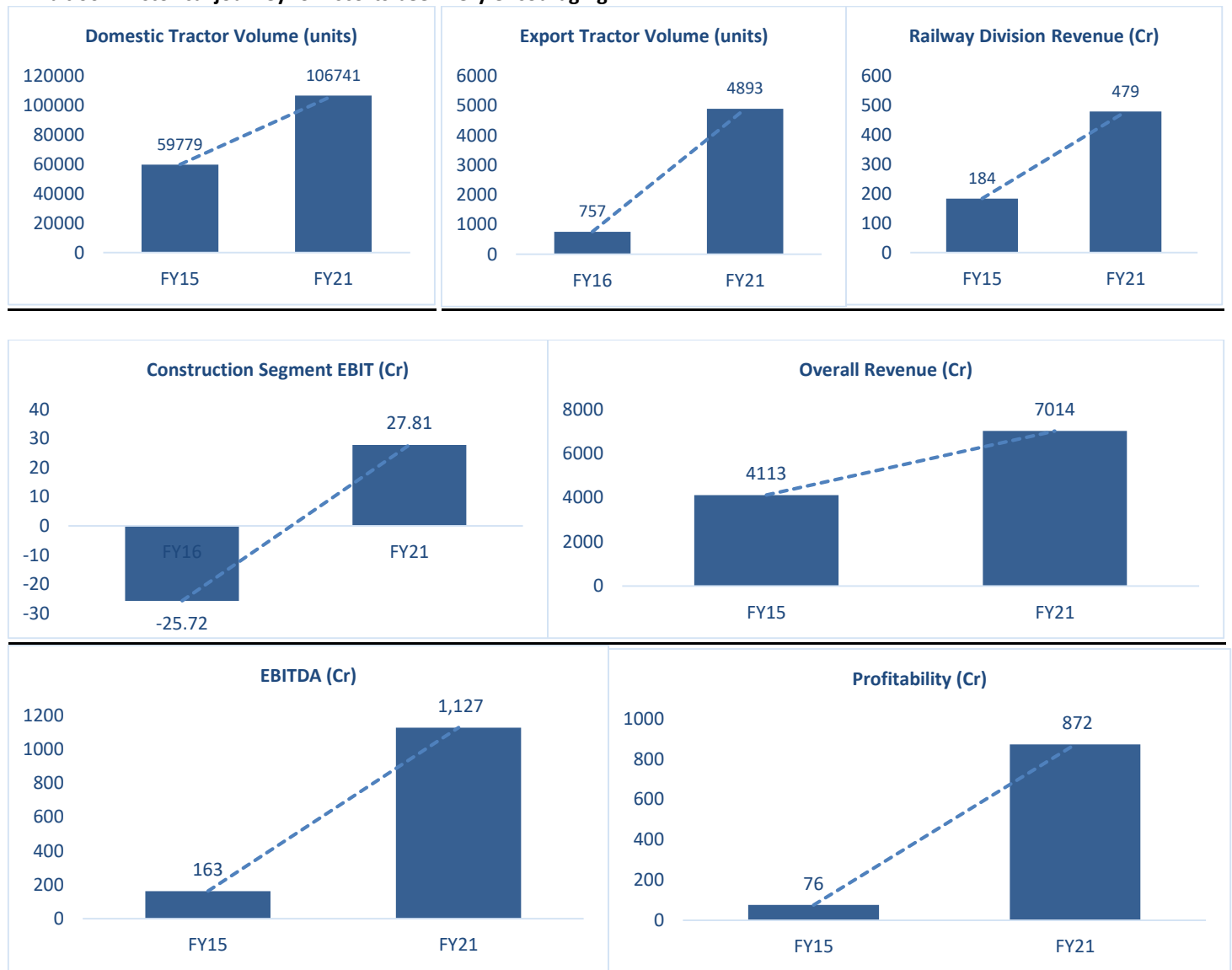
Source: Company, KJMC Research

Consolidated Overview

Historically, the Company's has created shareholders value, consistently. With continued focus on principle of lean and frugal engineering developments which helps Company to deliver industry leading products with strong volume, revenue, profitability and margins growth. The Company has quit strong product portfolio comprises tractors and other farm mechanization equipment, with continue focus on investing in technology to introduce new products will help Escorts to lead the way developing India's agriculture, infrastructure and rail transportation to grow in line with other advanced countries and opens multiple runway for growth. To fastrack the process the Company have forged collaborations with various global industry leaders to co-develop products and markets. Which helps in reducing the lead time to conceptualize and market products, advanced technologies and process. Escorts is clearly heading towards the Company of next century by reinventing itself.

In the last 6-7 years, the Company's tractors sales almost doubled, tractors export increased by almost 7x, railway business sales grew by ~3x, construction business emerged from red to making a small but modest profits, at consolidated level Company's revenue grew by almost 2x, EBITDA grew by 7x and profitability grew by almost 12x. We anticipate the similar trend could continue for Escorts by enhancing its presence across key sector which will play a pivotal role in the nation's progress in the coming years.

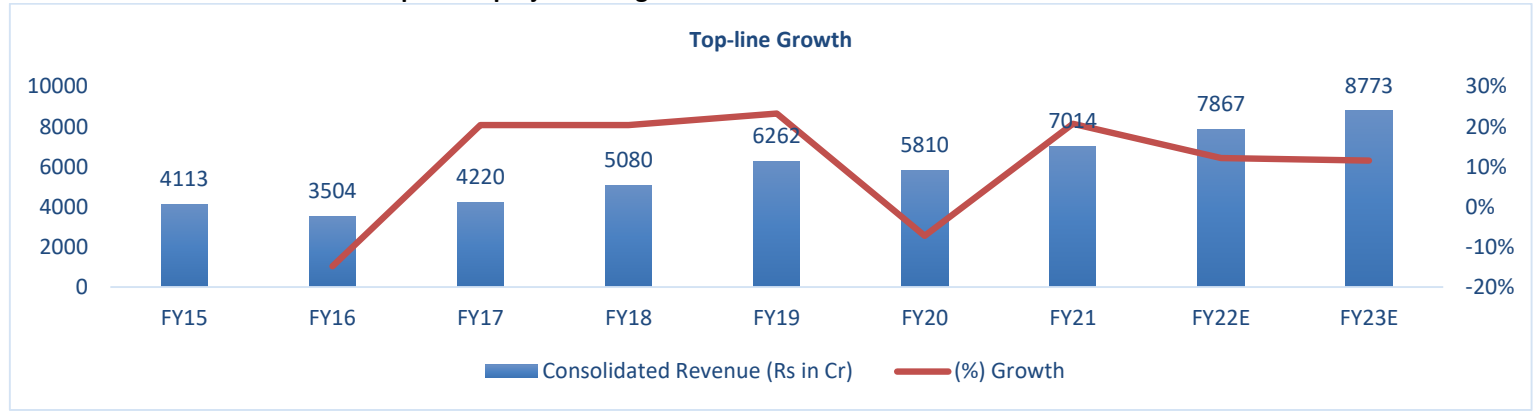
Exhibit 66 – Historical journey for Escorts been very encouraging



Source: Company, KJMC Research

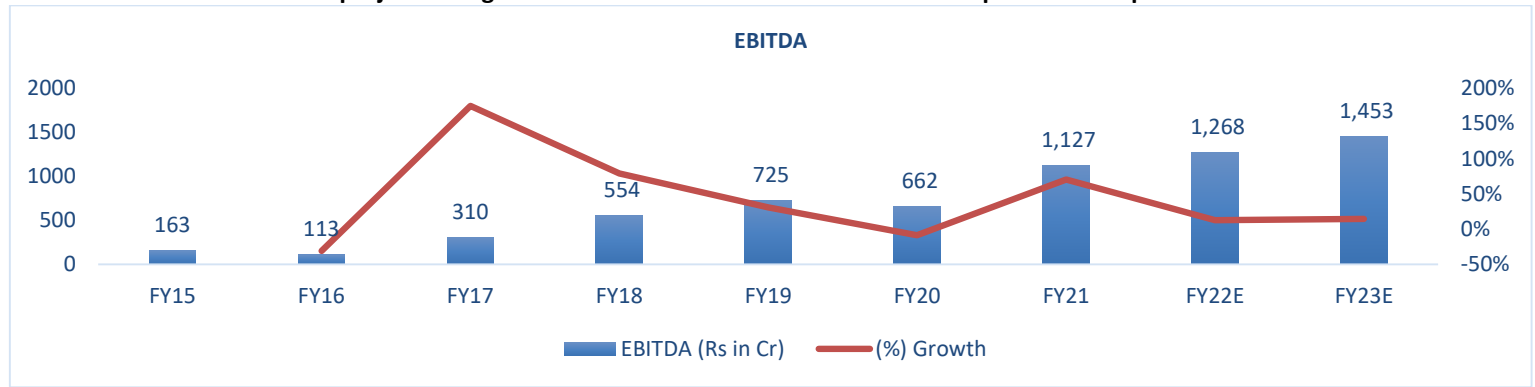
The Company is clearly delving into long term potential suggests a long growth runway. The Company has grown its revenue at a ~10% CAGR, EBITDA at 38% CAGR and its profitability at 50% for the last 6-7 years. We projects Escorts revenue, EBITDA and profitability to remain robust on back of strong macro environments with more than one leg to grow (Agriculture, Construction and Railway). In the EAM segment the Company achieved a historic milestone of more than 100,000 tractor sales and production in the financial year, with tractor volumes up by 24% to 1,06,741 tractor as against 86,018 tractors during previous year. The Company's construction equipment division is ready for upswing as given the government thrust on monetization through disinvestment and huge investment through projects under National Infrastructure Pipeline (NIP). The Company's railway division been lucrative due to country wide lockdown. But now as the situation improves the tendering process is expected to get back at pre-covid level and the order book will trigger ahead. With three different segments the Company is quiet favorable to capture the opportunities emerging across the operating sectors.

Exhibit 67 – Escorts consolidated top-line is projected to grow at ~12% CAGR between FY21-FY23E



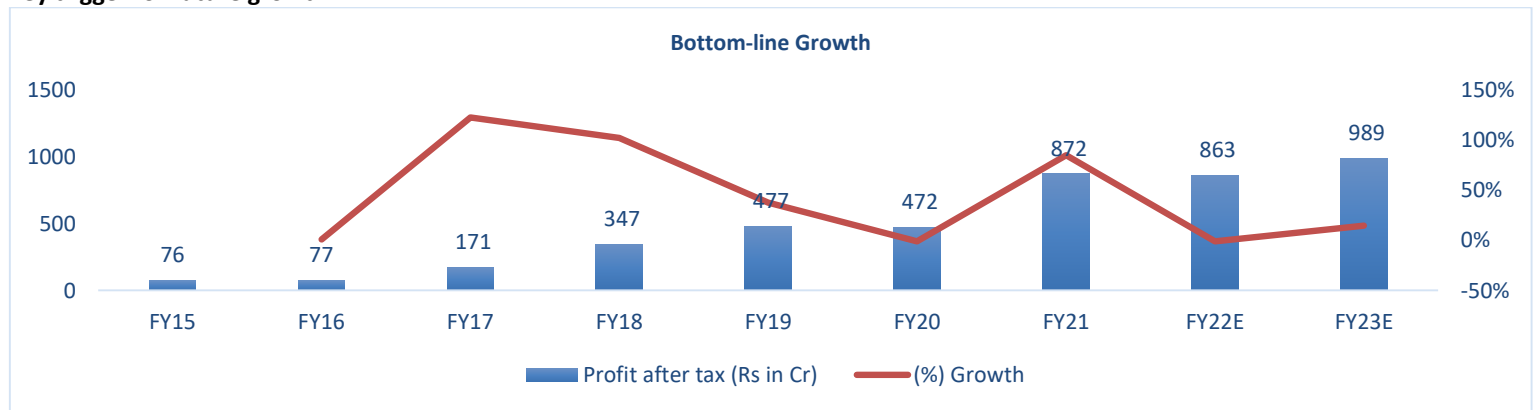
Source: Company, KJMC Research

Exhibit 68 – Escorts EBITDA is projected to grow at ~14% CAGR between FY21-FY23E despite inflation pressure and cost escalation



Source: Company, KJMC Research

Exhibit 69 – Escorts Profitability is projected to grow at ~7% between FY21-FY23E increases in mechanization/ productivity will be key trigger for future growth

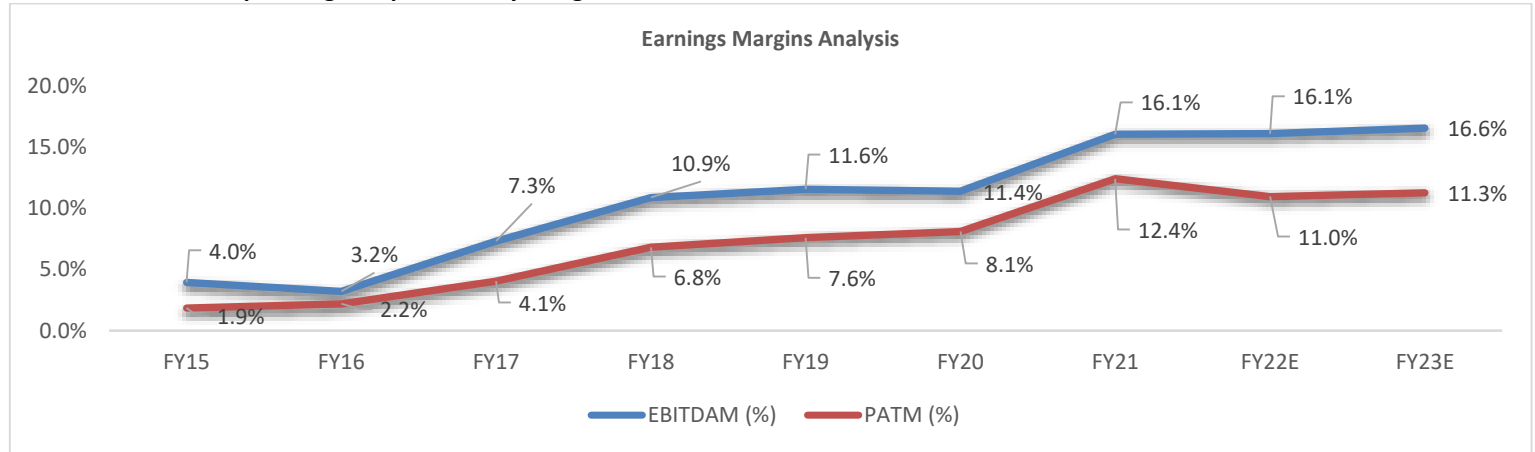


Source: Company, KJMC Research

Margins landscape

We expect EBITDA and PAT margins for Company to remain steady at ~ 16% and ~11% range. As all the divisions is ready to outperform with improve in the macro-economy. The Company has already started passing the inflation pressure to its customers with some price hikes. The entire inflation till June has already been passed into the market. The Company have already made two price increase lately, one in mid-November last year and another in the beginning of April this year to partially pass on the impact.

Exhibit 70 – Escorts operating and profitability margins to remain sustainable

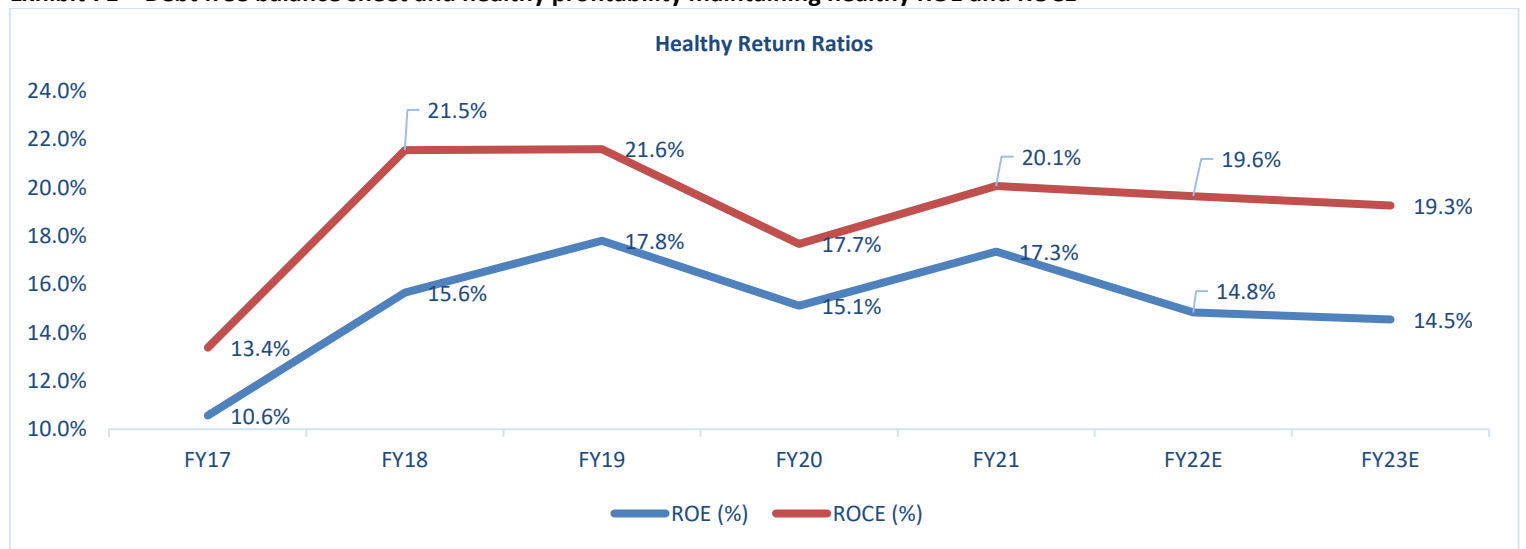


Source: Company, KJMC Research

Being Capital Efficient is in the DNA of Escorts

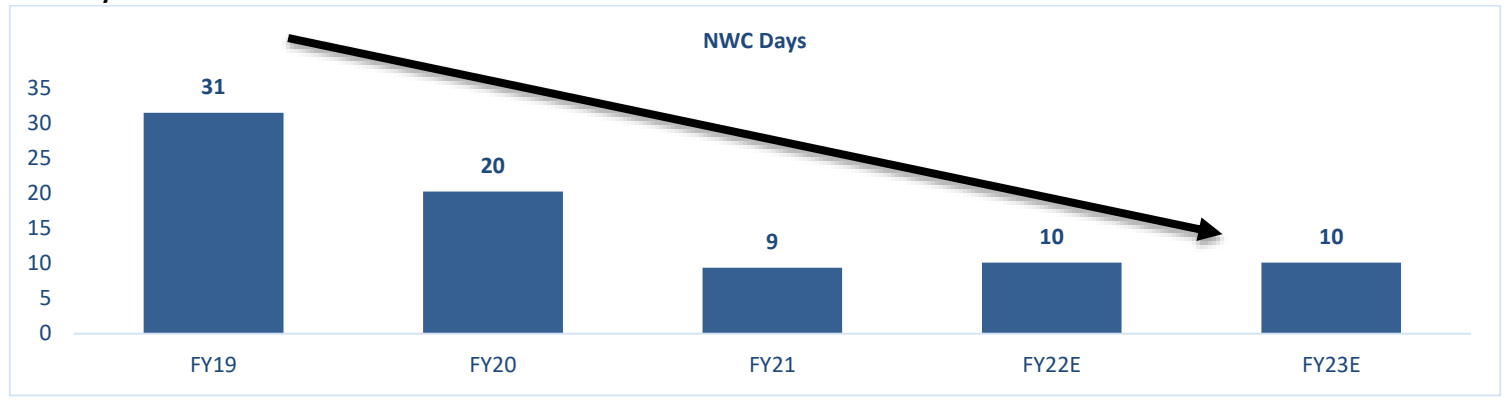
To measure the expansion in return ratio like ROE and ROCE, usually there are three levers as – 1) Net Working capital is reducing, 2) The Company is deleveraging and 3) Entering/ launch of new high margins products. Escorts working capital management has been very excellent throughout the years due to favorable crop production, record crop procurement by the government last year which added sufficient cash availability by the farmers. We expect the same momentum to continue even for the next few years. The Company continue to be debt free by maintaining healthy cash and bank balances, resulting in strong liquidity profile and increase in profitability. These certain factors resulted in superior capital efficiency management and encourage business to grow with healthy balance sheet.

Exhibit 71 – Debt free balance sheet and healthy profitability maintaining healthy ROE and ROCE



Source: Company, KJMC Research

Exhibit 72 – Working capital days have structurally come down on back of positive business environment, which used to be as high as 31 days in FY19

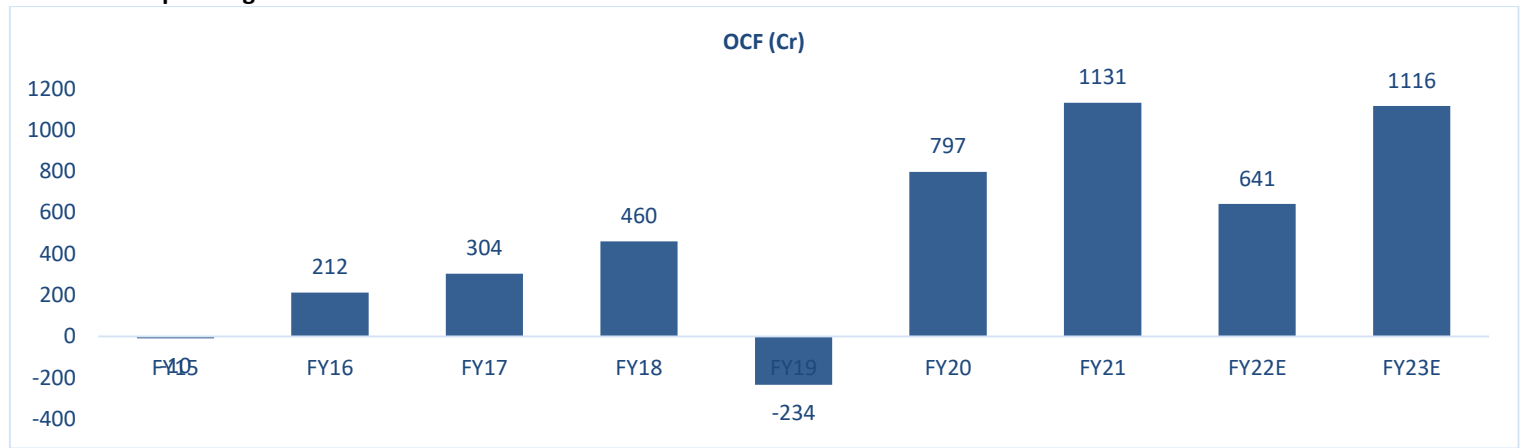


Source: Company, KJMC Research

Cash Flow Management

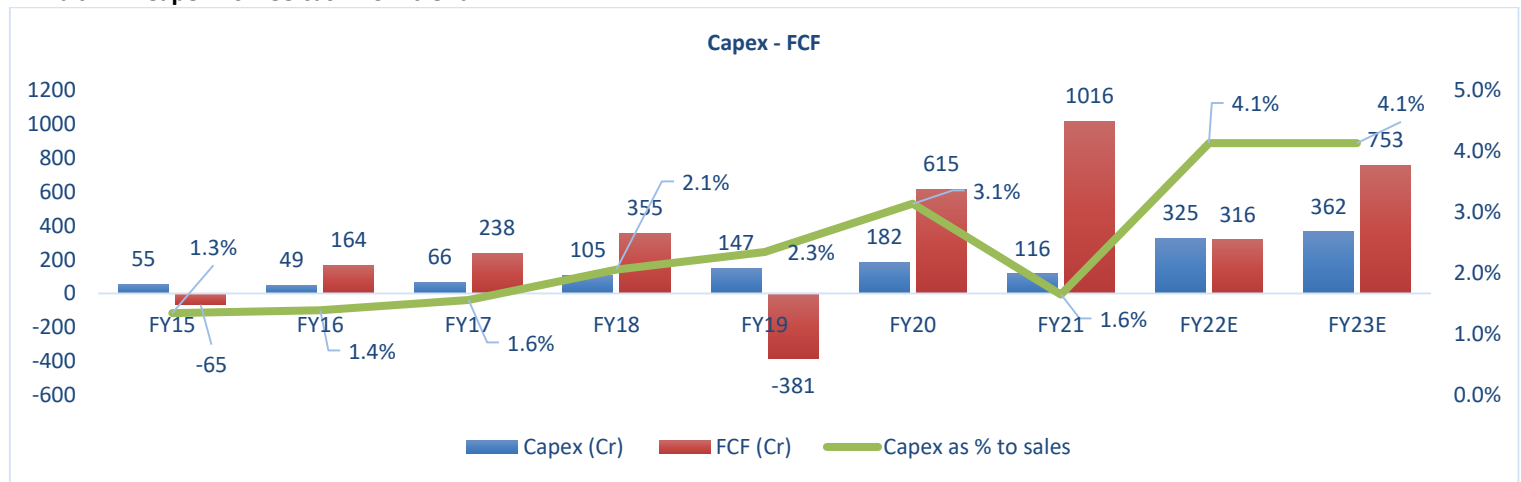
Escorts have a healthy balance sheet, with strong free cash flow and low capex requirement backed by negligible working capital cycle. The Company has plan higher capex for coming year which is lot of spill from last year due to Covid situation so spends might not happened. The capex will be used for capacity expansion from 120000 to 150000 and then 30000 unit's capacity will come from Kubota JV users. Despite the planned capex towards expansion free cash flow is expected to generate strong. Escorts carries enough cash on balance sheet to fund its future capacity thereby we see the company's business stay debt free in nature.

Exhibit 73 – Operating Cash Flow trend



Source: Company, KJMC Research

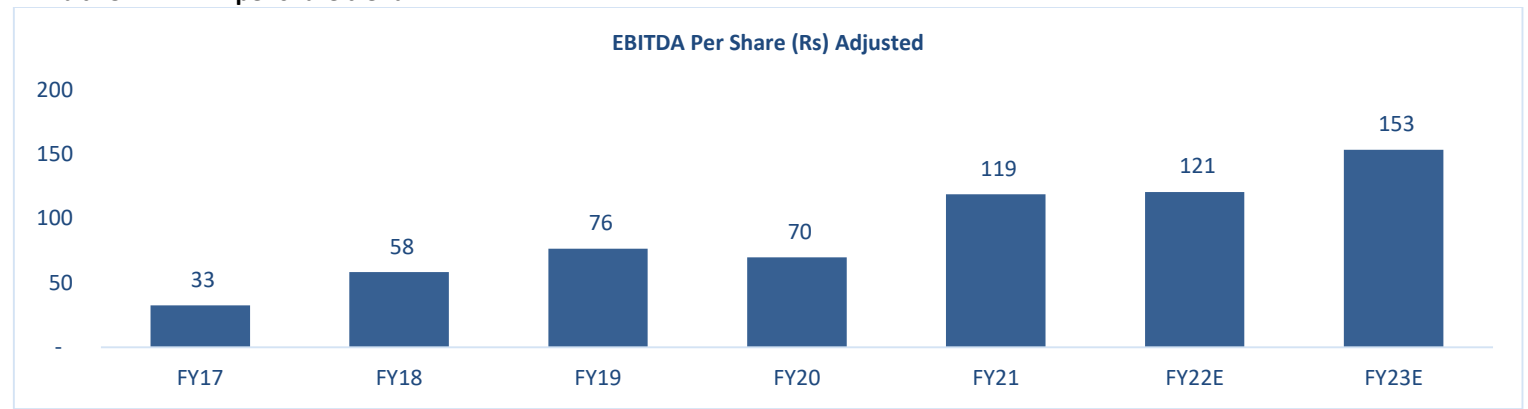
Exhibit 74 – Capex Vs free cash flow trend



Source: Company, KJMC Research

Per share scenario for Escorts remains healthier throughout the periods

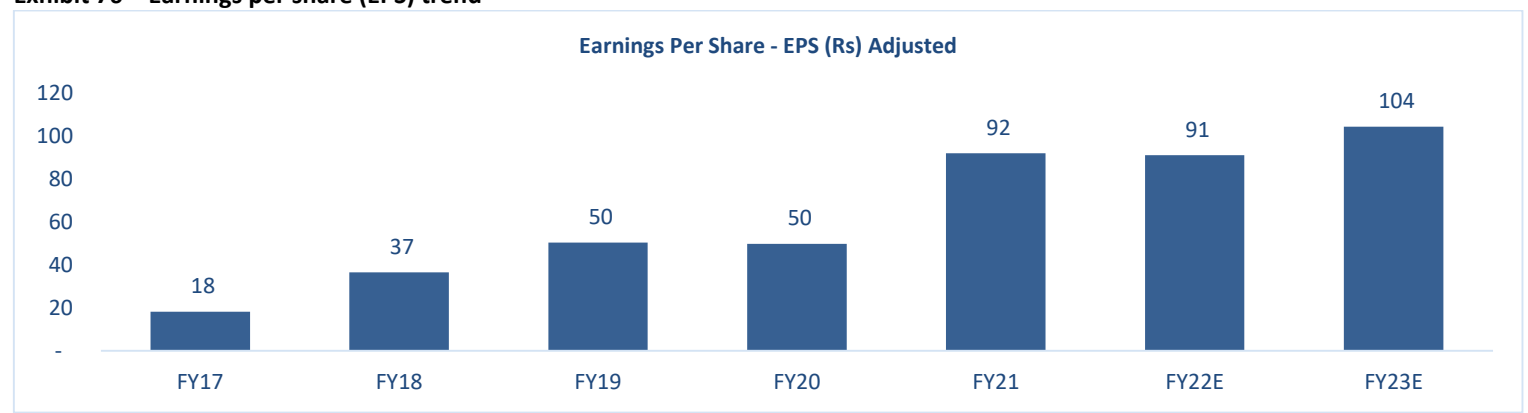
Exhibit 75 – EBITDA per share trend*



Source: Company, KJMC Research

*adjusted to treasury shares

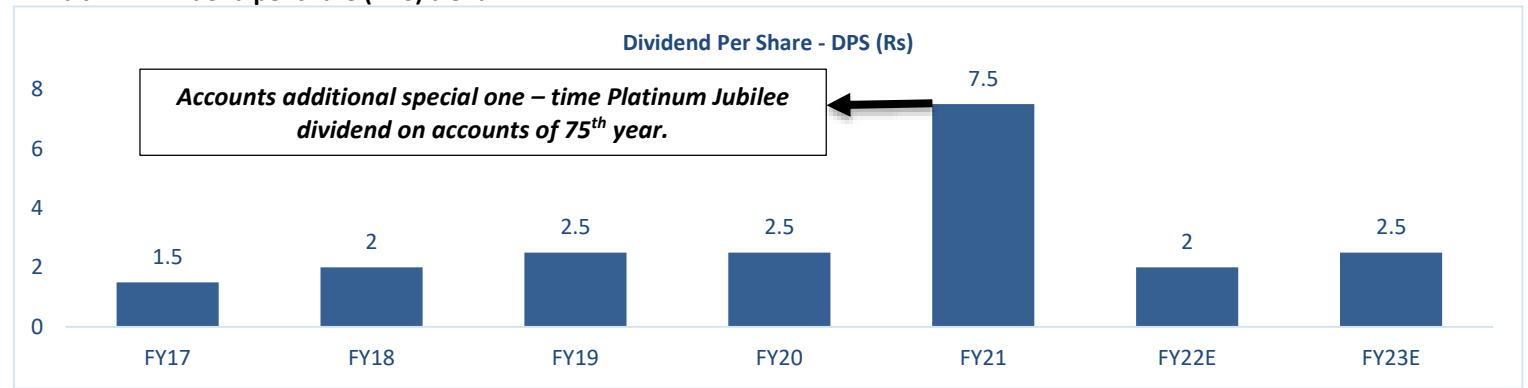
Exhibit 76 – Earnings per share (EPS) trend*



Source: Company, KJMC Research

*adjusted to treasury shares

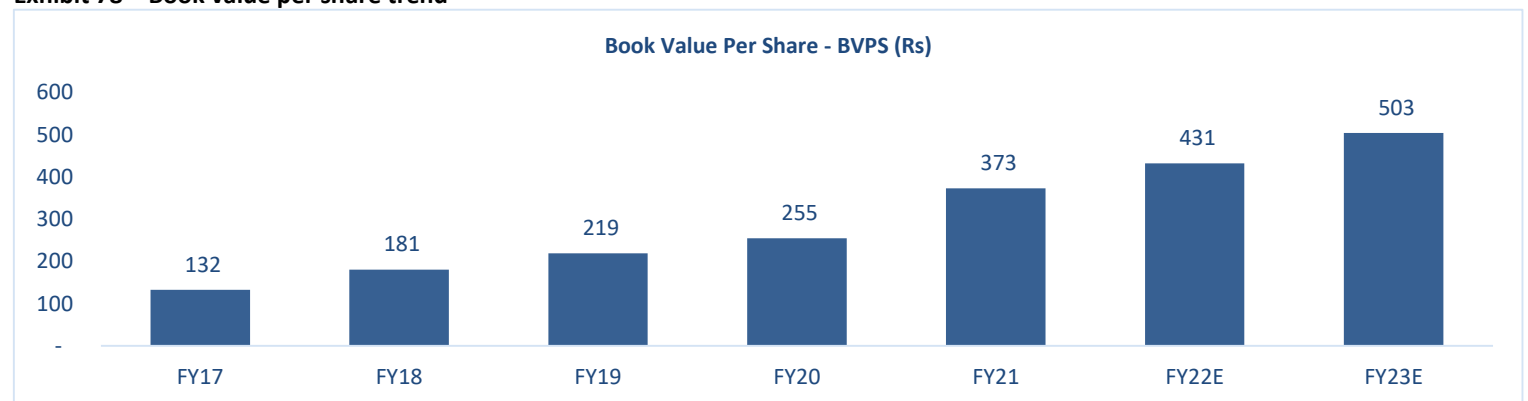
Exhibit 77 – Dividend per share (DPS) trend*



Source: Company, KJMC Research

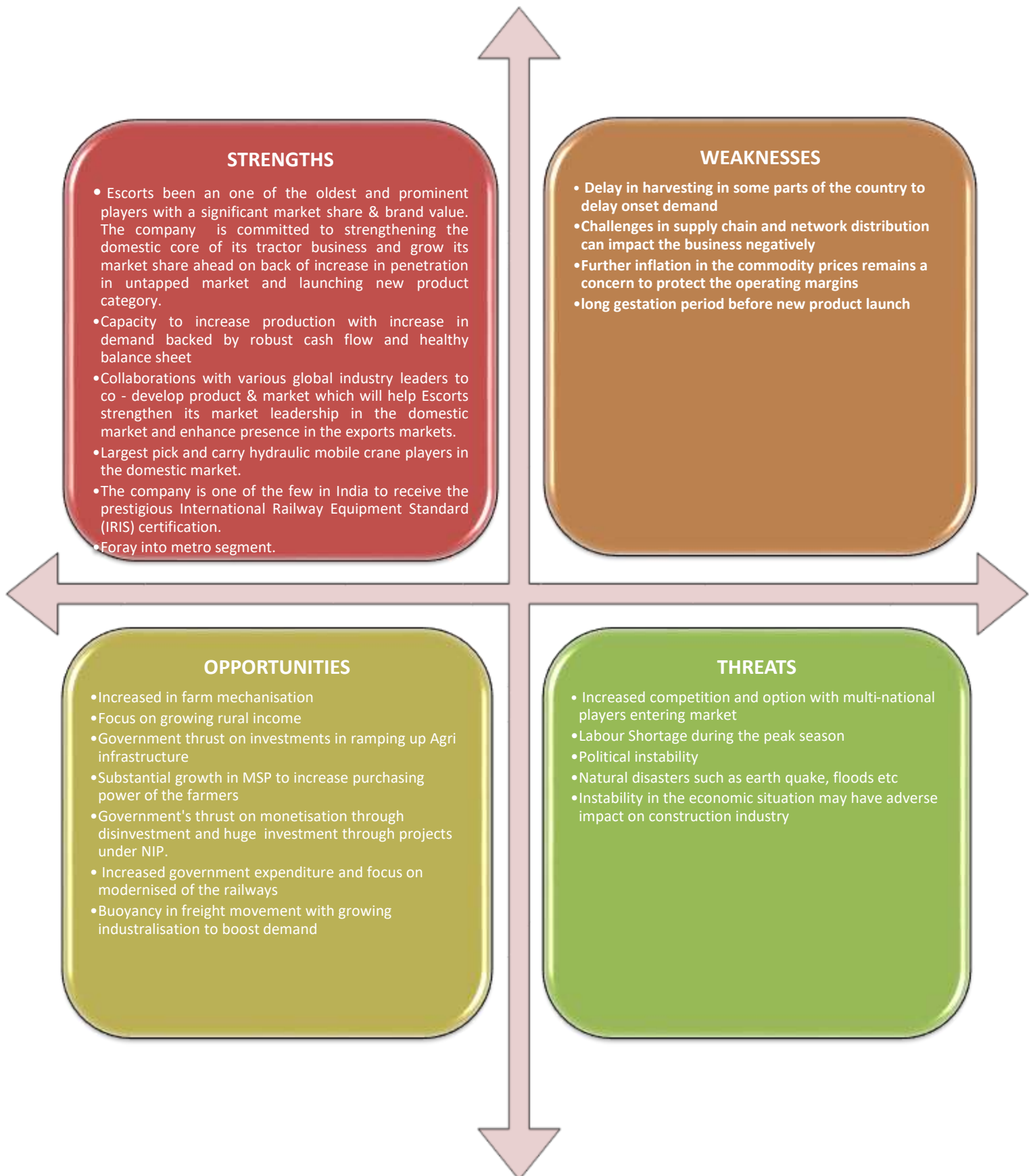
*adjusted to treasury shares

Exhibit 78 – Book value per share trend



Source: Company, KJMC Research

SWOT Analysis



Source: KJMC Research

Peer Comparison & Analysis

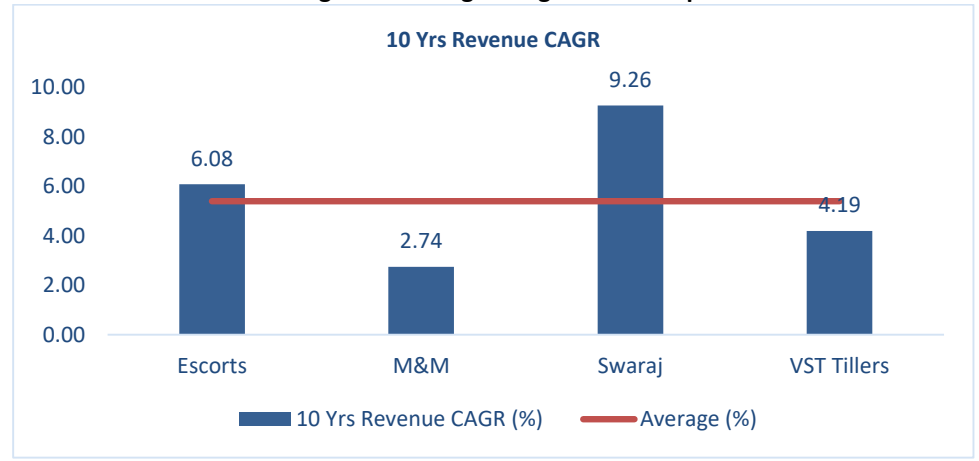
Exhibit 79 – Competitor Landscape

Particulars (Rs in INR Cr)	Revenue			EBITDA			PAT			EPS (Rs)			ROE (%)		
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Escorts Ltd*	7014	7867	8773	1127	1268	1453	872	863	989	92	88	100	17.4	14.8	14.6
Mahindra & Mahindra Ltd	74278	66427	76133	13677	10905	12753	2971	5083	6022	26	45	53	7.3	11.0	12.0
Swaraj Engines Ltd	987	1107	1186	136	153	174	93	106	122	76	87	101	35.8	36.6	37.5
V.S.T Tillers Tractors Ltd	764	954	1095	92	127	156	91	108	129	105	138	151	14.6	16.8	15.7

Source: Company, Refinitiv & KJMC Research

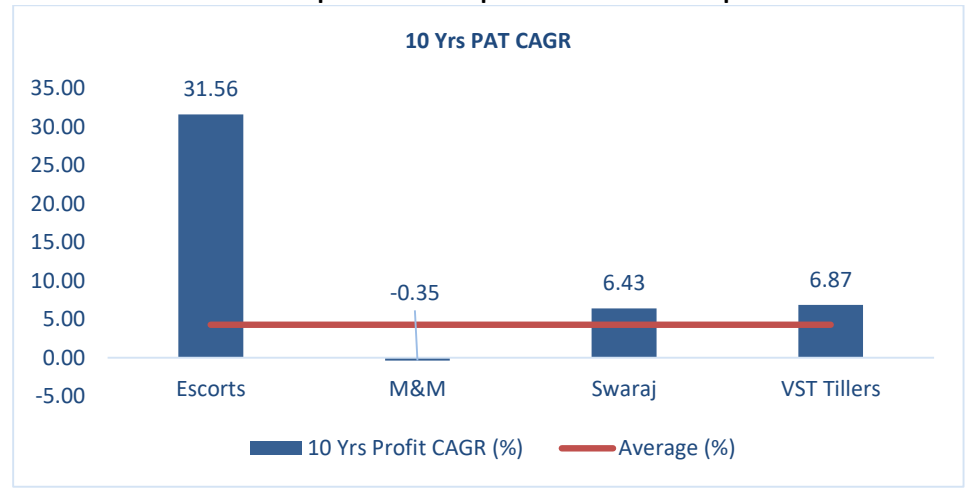
*Escorts EPS - adjusted to treasury shares

Exhibit 80 – Escorts is among the fastest growing tractor companies in India



Source: Company, KJMC Research

Exhibit 81 – Escorts is most profitable companies at the tractor space



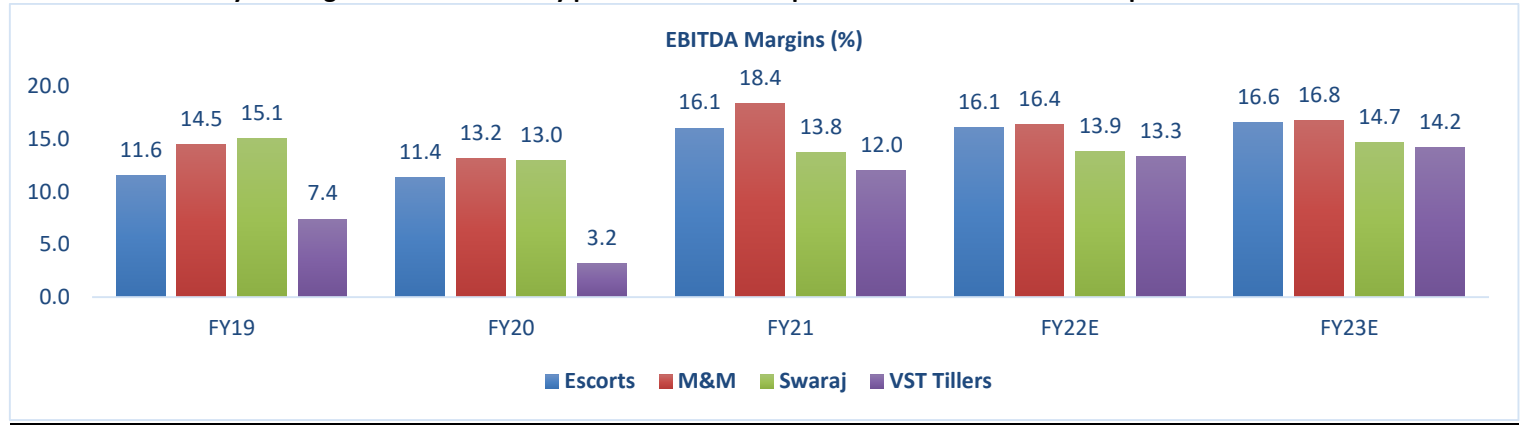
Source: Company, KJMC Research

Exhibit 82 – Control in operating expenses to gain margins and improve profitability

Parameters (Rs in INR Cr)	Escorts			M&M			Swaraj			VST Tillers		
	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Cost of Material Consumed	4077	3476	4073	55919	32322	32798	665	583	774	439	348	499
% of Sales	65.1	59.8	58.1	53.4	42.9	44.2	76.31	75.41	78.49	71.4	63.9	65.3
Employee Expenses	485	521	547	11242	8215	7813	39	42	43	66	68	82
% of Sales	7.7	9.0	7.8	10.7	10.9	10.5	4.5	5.4	4.34	10.8	12.6	10.7
Other Expenses	776	786	696	18478	15871	14542	44	39	42	97	86	81
% of Sales	12.4	13.5	9.9	17.6	21.1	19.6	5.07	4.99	4.28	15.7	15.8	10.6

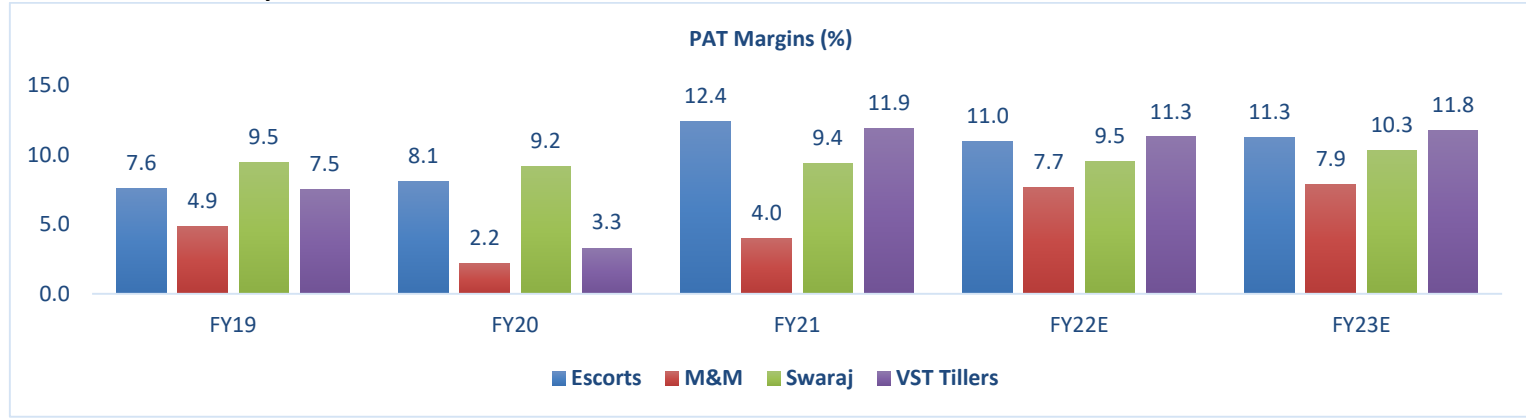
Source: Company, KJMC Research

Exhibit 83 – Volatility of margin due to commodity price inflation to impact Farm Mechanization Companies



Source: Company, Refinitiv & KJMC Research

Exhibit 84 – Profitability trend



Source: Company, Refinitiv & KJMC Research

Exhibit 85 – Working Capital Landscape (Escorts has always been Prudent in Working Capital Management)



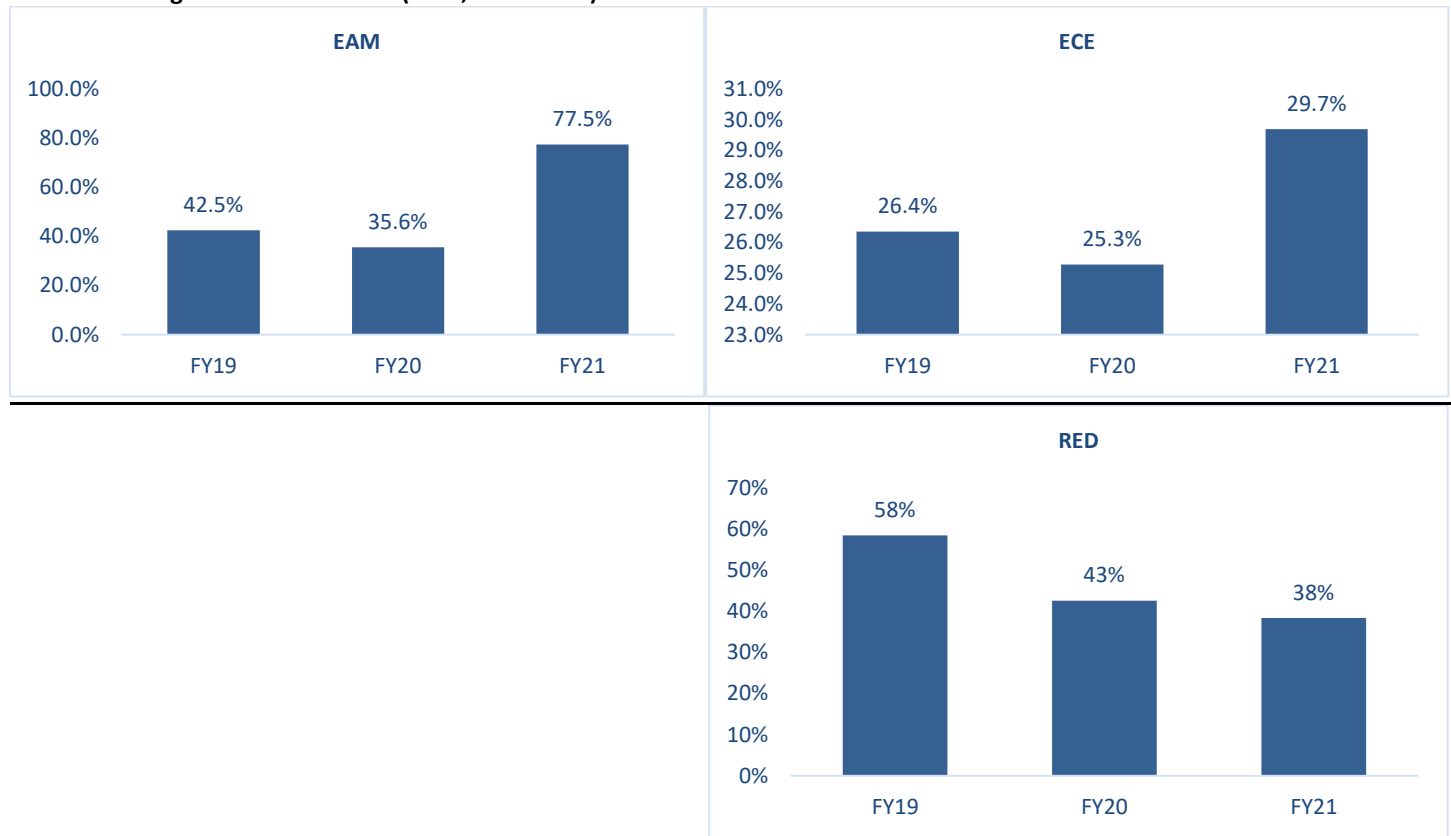
Source: Company, KJMC Research

Sensible Capital Allocation in every operating segments

Sensible capital allocation remains the cornerstone of growing profitably consistently. This requires a unique mindset at the promoter level with capability to focus on business intelligence systems, helping improve company profitability through cost initiatives, ensuring optimal capital allocation and continuously improving working capital cycle which helps businesses in their growth aspirations by entering into partnership with multinational corporations continuously identifying and evaluating opportunities for further growth.

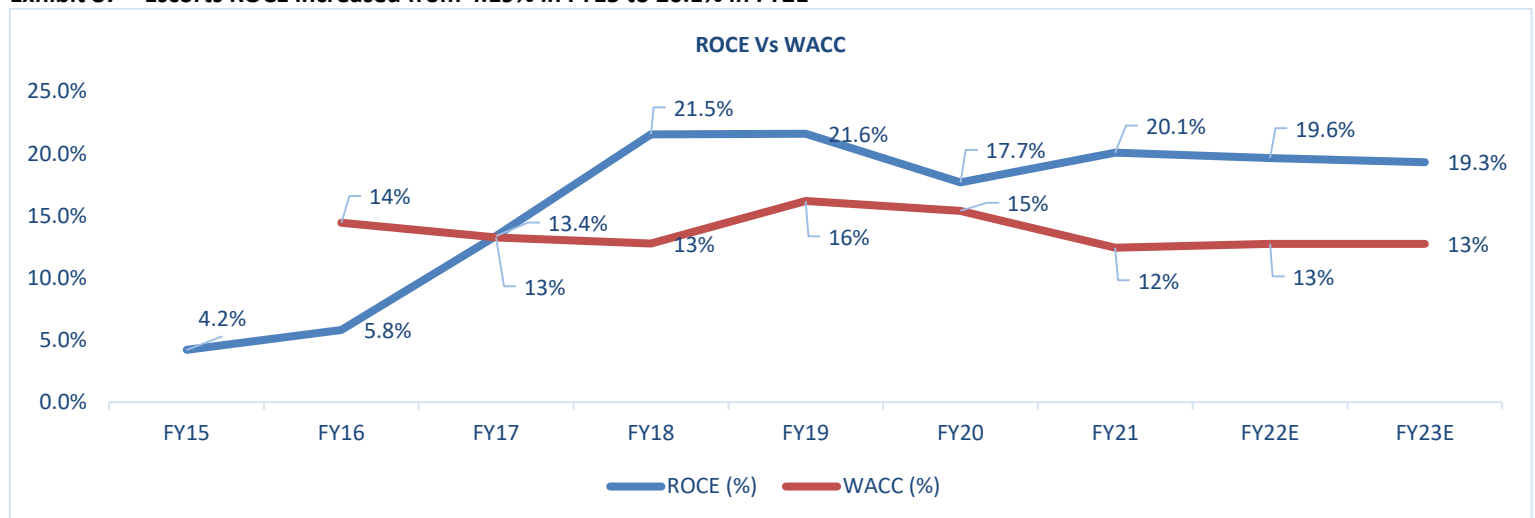
With superior control of operating expenses helps Company to strengthen the margins and prioritized capex according the needs. The Company has strong focus on cash generation with record free cash flow, reporting superior return on capital employed (ROCE) across all three business verticals.

Exhibit 86 – Segmental ROCE trend (EAM, ECE & RED)



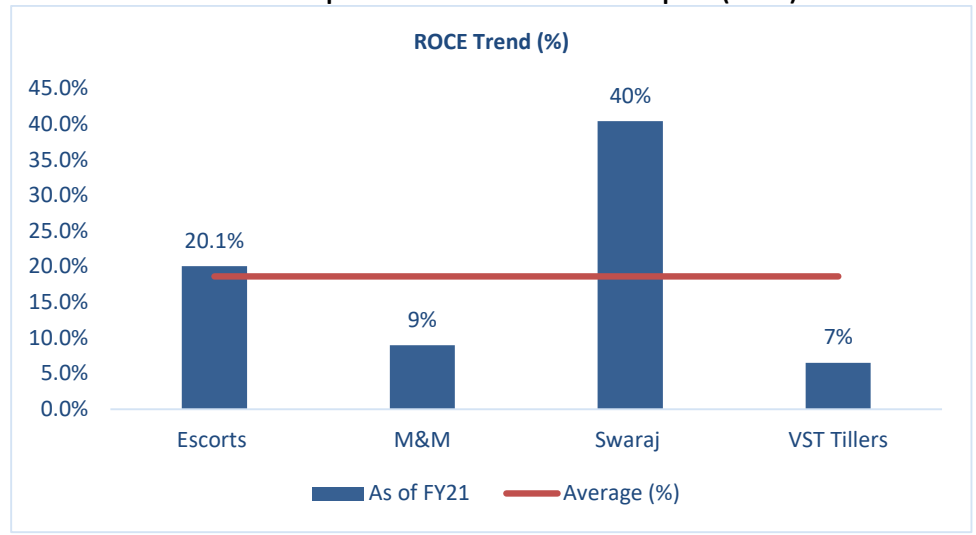
Source: Company, KJMC Research

Exhibit 87 – Escorts ROCE increased from 4.19% in FY15 to 20.1% in FY21



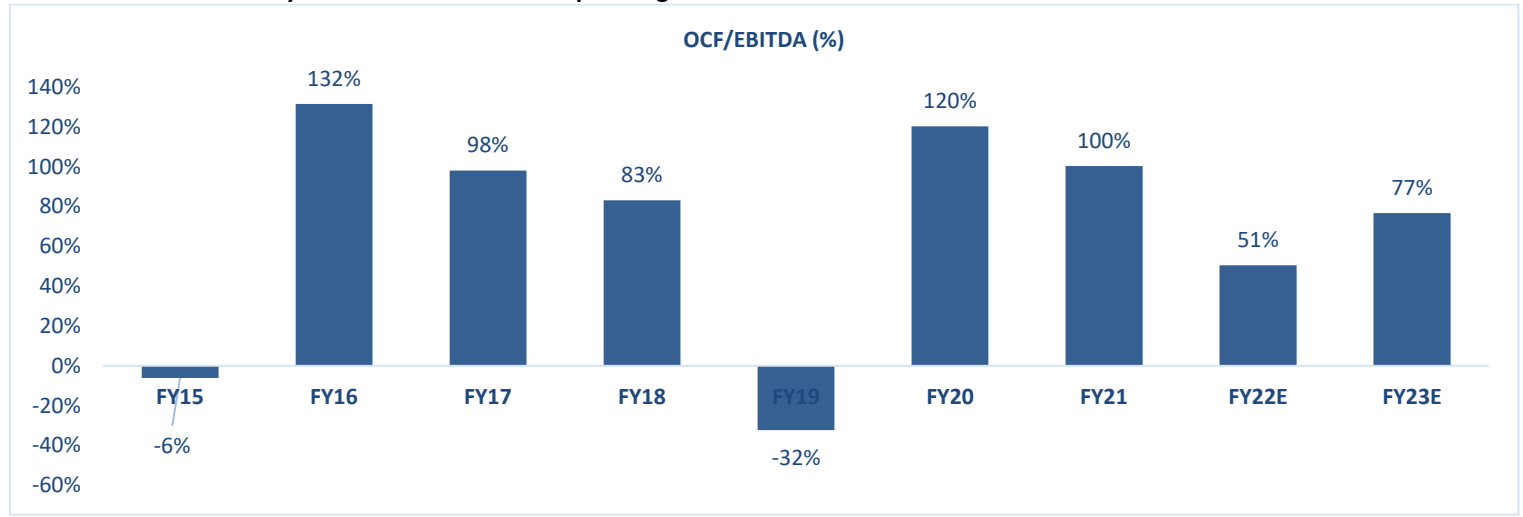
Source: Company, Refinitiv and KJMC Research

Exhibit 88 – Escorts vs listed peers in Farm mechanization space (ROCE)



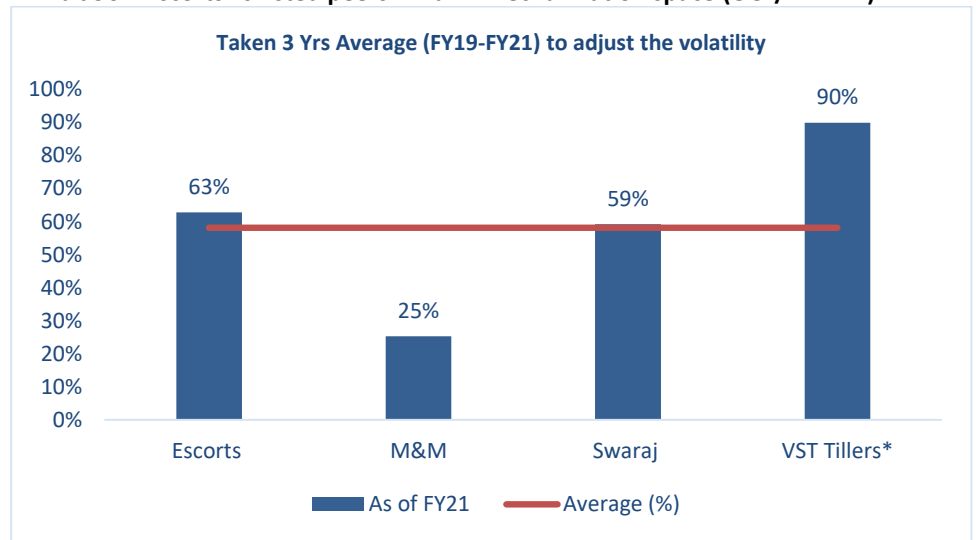
Source: Company, Refinitiv & KJMC Research

Exhibit 89 – Escorts ability to convert EBITDA into operating cash flow remains robust



Source: Company, KJMC Research

Exhibit 90 – Escorts vs listed peers in Farm mechanization space (OCF/EBITDA)



Source: Company, KJMC Research

* VST Tillers calculations reflects adjustment.

Benchmark Comparison with Peers & BSE/NSE Auto Index (Relative Valuation)

Companies	RIC Code	CMP * (Rs)	Mcap * (Cr)	5 yrs CAGR (%)			ROCE (%)			EV/EBITDA (x)			PE (x)			
				Sales	EBITDA	PAT	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	
Tractors Players																
Escorts Ltd	ESCO.NS	1523	20,521	14.1	38.1	47.7	20.1	19.6	19.3	15.8	14.0	12.2	16.6	17.4	15.2	
Mahindra & Mahindra Ltd	MAHM.NS	936	1,16,306	-3.0	6.3	-2.2	9.0	12.1	12.6	12.7	17.1	14.4	39.1	22.1	18.0	
Swaraj Engines Ltd	SWAR.NS	1761	2,137	9.6	2.8	7.7	40.4	43.3	44.2	14.7	13.0	11.4	23.1	20.2	17.5	
V.S.T. Tillers Tractors Ltd	VST.NS	3320	2,868	2.4	-5.3	6.1	6.5	18.7	17.1	30.9	22.3	18.2	31.6	26.6	22.3	
Mean				3.0	1.2	3.8	18.6	24.7	24.7	19.4	17.5	14.7	31.3	23.0	19.3	
Median				2.4	2.8	6.1	9.0	18.7	17.1	14.7	17.1	14.4	31.6	22.1	18.0	
BSE/NSE Auto Index																
Ashok Leyland Ltd	ASOK.NS	147	42,990	-3.9	-7.0	-	-2.1	6.2	19.4	26.4	43.4	20.7	-	178.2	91.3	26.1
Bajaj Auto Ltd	BAJA.NS	3971	1,14,907	6.7	-3.3	4.5	16.7	15.5	20.3	21.6	18.5	14.9	23.7	21.5	17.7	
Balkrishna Industries Ltd	BLKI.NS	2596	50,184	11.2	12.5	13.2	22.3	21.3	21.6	28.2	23.0	19.8	42.6	35.4	30.3	
Bosch Ltd	BOSH.NS	17917	52,850	-1.1	-12.3	-4.0	8.0	14.2	16.8	42.0	29.6	22.7	43.1	39.8	31.2	
Cummins India Ltd	CUMM.NS	898	24,891	-3.8	-12.2	-3.6	9.4	10.9	18.5	42.0	33.2	27.1	39.2	33.4	28.6	
Eicher Motors Ltd	EICH.NS	2905	79,417	5.6	-4.9	-5.2	11.2	16.9	20.4	40.8	29.5	21.8	59.0	39.8	27.9	
Hero MotoCorp	HROM.NS	2926	58,451	2.1	-5.1	-5.0	20.4	23.0	25.8	12.8	11.9	10.0	20.0	18.0	15.0	
Mahindra & Mahindra Ltd	MAHM.NS	936	1,16,306	-3.0	6.3	-2.2	9.0	12.1	12.6	12.7	17.1	14.4	39.1	22.1	18.0	
Maruti Suzuki India Ltd	MRTI.NS	7484	2,26,087	1.3	-15.2	-	4.2	12.0	17.8	40.2	29.1	19.3	51.5	39.7	26.4	
Motherson Sumi Systems Ltd	MOSS.NS	254	80,096	8.1	0.4	-9.6	5.2	13.0	18.2	19.7	12.2	9.5	72.7	35.6	23.9	
MRF Ltd	MRF.NS	86120	36,525	5.1	4.9	-3.1	11.8	10.2	11.9	11.5	12.0	9.9	28.6	30.1	22.7	
Tata Motors Ltd	TAMO.NS	507	1,68,256	-1.9	-2.8	-	3.8	5.6	11.3	8.0	7.0	5.0	547.0	49.9	13.6	
Tube Investments of India Ltd	TBEI.NS	1375	26,530	6.0	11.7	21.5	10.9	22.2	26.8	43.5	23.7	18.0	80.8	41.0	31.4	
TVS Motor Co Ltd	TVSM.NS	577	27,410	11.7	21.1	4.2	14.9	11.3	13.7	17.1	18.3	14.6	45.4	27.9	20.3	
Amara Raja Batteries Ltd	AMAR.NS	766	13,077	7.7	5.5	7.8	17.8	19.4	19.6	11.4	10.3	9.2	20.2	18.8	16.7	
Bharat Forge Ltd	BFRG.NS	805	37,437	-0.2	-10.9	-	2.9	11.5	14.6	47.1	22.1	17.0	208.2	39.8	27.6	
Exide Industries Ltd	EXID.NS	188	15,941	8.1	3.1	0.2	13.4	12.6	13.4	9.2	9.4	8.5	19.7	17.7	15.4	
Mean				3.5	-0.5	-4.7	10.6	14.0	17.8	25.6	20.6	15.4	68.4	35.4	23.1	
Median				5.1	-2.8	-3.4	10.9	12.6	18.2	21.6	18.5	14.9	42.6	35.4	23.9	

Source: Company, Refinitiv & KJMC Research

*Price & Mcap updated as of 13/10/2021

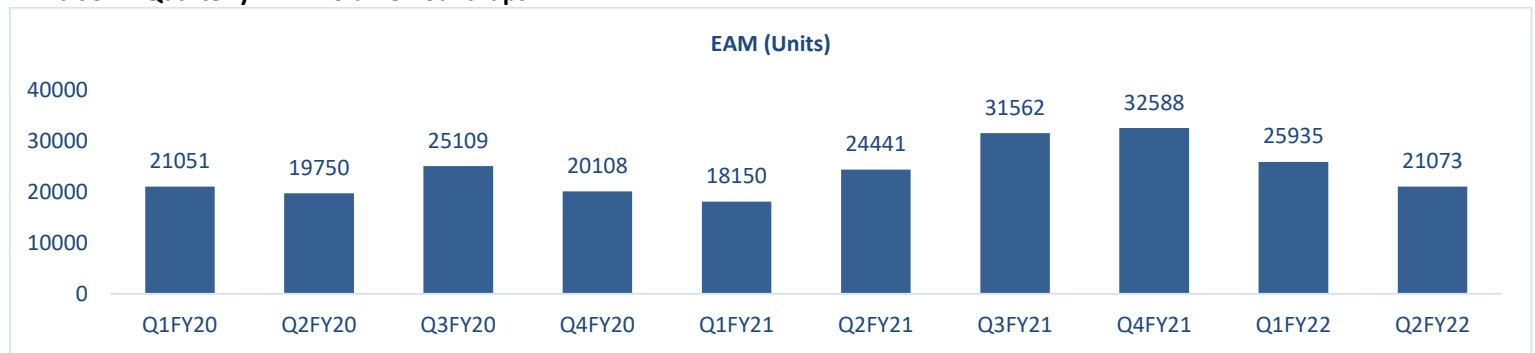
Quarterly Analysis

Parameters (Rs in Cr)	Quarter ended 30 June 2021	Quarter ended 31 Mar 2021	Q-o-Q Growth (%)	Quarter ended 30 June 2020	Y-o-Y Growth (%)	Year Ended 31 Mar 2021	Year Ended 31 Mar 2020	Y-o-Y Growth (%)
Revenue from operations	1701.79	2228.75	-24%	1089.26	56%	7014.42	5810.09	21%
Total Exp.	1465.39	1884.92	-22%	967.28	51%	5887.66	5147.69	14%
EBITDA	236.4	343.83	-31%	121.98	94%	1126.76	662.4	70%
EBITDAM (%)	13.89%	15.43%	-154 bps	11.20%	269 bps	16.06%	11.40%	466 bps
Other income	48.82	41.9	17%	30.59	60%	160.38	97.6	64%
Depreciation	31.95	31.08	3%	27.08	18%	118.28	107.22	10%
Profit before Interest and Tax	253.27	354.65	-29%	125.49	102%	1168.86	652.78	79%
Interest	3.48	3.22	8%	2.41	44%	13.34	17.23	-23%
PBT	249.79	351.43	-29%	123.08	103%	1155.52	635.55	82%
Share of loss (Adjust)	-10.39	-5.24	98%	-1.45	617%	-0.74	-1.08	-31%
Profit after Exceptional items	239.4	346.19	-31%	121.63	97%	1154.78	634.47	82%
Tax expense	60.95	80.78	-25%	29.05	110%	283.15	162.75	74%
Tax rate (%)	25.5%	23.3%	213 bps	23.9%	158 bps	24.5%	25.7%	-113 bps
PAT	178.45	265.41	-33%	92.58	93%	871.63	471.72	85%
PATM (%)	10.49%	11.91%	-142 bps	8.50%	199 bps	12.43%	8.12%	431 bps
EPS	18.1	26.98	-33%	10.78	68%	91.98	55.04	67%
Equity Capital	134.83	134.83	0%	122.58	10%	134.83	122.58	10%

Parameters (Rs in Cr)	Quarter ended 30 June 2021	Quarter ended 31 Mar 2021	Q-o-Q Growth (%)	Quarter ended 30 June 2020	Y-o-Y Growth (%)	Year Ended 31 Mar 2021	Year Ended 31 Mar 2020	Y-o-Y Growth (%)
Agri Machinery Products	1436.3	1753.05	-18%	976.71	47%	5732.26	4472.49	28%
Construction Equipment's	140.82	321.97	-56%	52.49	168%	776.11	839.76	-8%
Railway Equipment's	119.4	146.46	-18%	54.91	117%	478.96	477.22	0%
Unallocated	5.27	7.27	-28%	5.15	2%	27.09	20.69	31%
Total Revenue from operations	1701.79	2228.75	-24%	1089.26	56%	7014.42	5810.16	21%

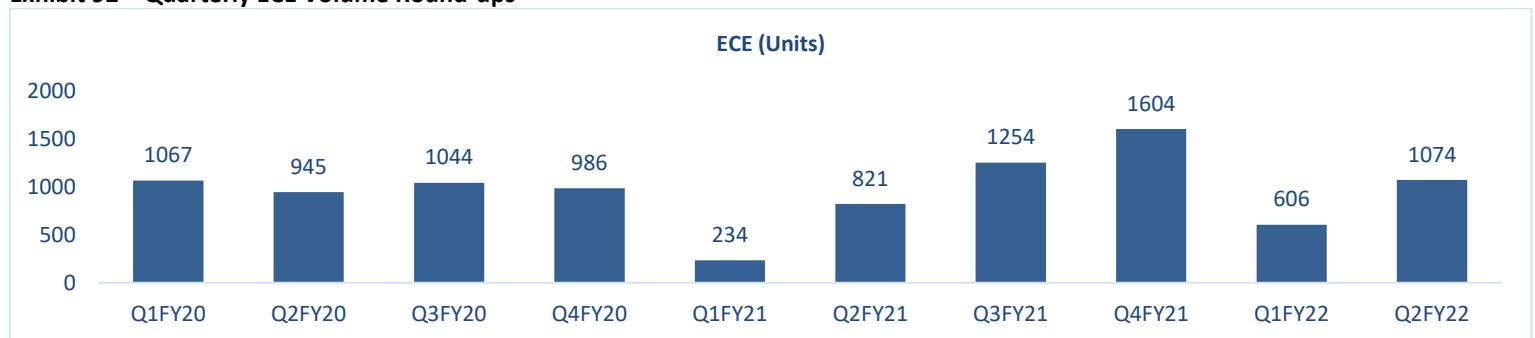
Source: Company, KJMC Research

Exhibit 91 – Quarterly EAM Volume Round-ups



Source: Company, KJMC Research

Exhibit 92 – Quarterly ECE Volume Round-ups



Source: Company, KJMC Research

Valuation & View

The Company is one of India's leading engineering conglomerates with a vision to be among the top engineering companies in India, with constantly reshaping, redefining and reinventing the path of growth and development of the nation. Being a trusted brand, with a diversified portfolio and strong pan India network it makes the Company a preferred partner of choice in the industries it operates. The Company is among the frontrunners in India's tractor manufacturing being 4th largest player in the industry with market share ~11.3%. The Company is one of the largest pick and carry hydraulic mobile crane player in the domestic market. In the years ahead, the Company will be able to achieve higher market share in tractor segment and increase its penetration in construction segment on back of superior collaboration with various global industry leaders which will help Escorts in reducing the lead time to conceptualize and accelerate innovation which will make Escorts a global brand. With management focus on improving the revenue mix by introducing the new products and reclassifying its customer segment into value and premium categories, it will lead to improvement in margins and profitability across all business verticals with scaling up the ROCE, focus on free cash flow generation, with well controlled cash conversion cycle on the back of a healthy balance sheet.

In the years gone by, the Company has grown its revenue at a 5 years CAGR of ~14%, EBITDA at ~38%, profitability at 50%, operating cash flow at 38% and free cash flow at 43%. Further, we anticipate the growth momentum to continue on back of favorable macro and micro economic factors, with continued government support and expansion in the agriculture, construction and railway industries. **We project, the Company's consolidated revenue to grow at ~12%, EBITDA to grow at ~14%, profitability to grow at ~7% CAGR between FY21-FY23E.**

Exhibit 93 – Key Assumption (Consolidated)

(Rs in Cr)

Parameters	FY19	FY20	FY21	FY22E	FY23E
Revenue	6262	5810	7014	7867	8773
(%) of Growth		-7%	21%	12%	12%
EBITDA	725	662	1127	1268	1453
(%) of Growth		-9%	70%	13%	15%
Profit after tax (PAT)	477	472	872	863	989
(%) of Growth		-1%	85%	-1%	15%
EPS (Rs)*	55.4	55.0	92.0	87.4	100.3

Source: Company & KJMC Research

*adjusted for treasury shares

Exhibit 94 – Escorts segment wise guidance

(Rs in Cr)

Segment Revenue's	FY19	FY20	FY21	FY22E	FY23E	Remarks
EAM	4799	4472	5732	6502	7235	We have built in 6-7% volume growth over FY22-FY23E, with increase in realization over 7-4%. On back of continued uptrend in the demand going forward with 90% utilization level in FY21 and increase in production capacity from 1.2 to 1.5 lakh p.a. expect in FY22 augur well.
(%) of Growth		-7%	28%	13%	11%	
ECE	1054	840	776	879	996	We have built in 10% volume growth over FY22-FY23E, with increase in realization over ~3%. On back of Indian government proposing significant spend on infrastructure, thrust on monetization through disinvestment and huge investment through projects under NIP etc.
(%) of Growth		-20%	-8%	13%	13%	
RED	394	477	479	459	515	We have built in stable revenue growth for FY22 and 12% growth for FY23E onwards. On back of Covid-19 situation getting normalised, expecting the tendering process to pick – up, and underlying pent-up demand to provide boost to the segment.
(%) of Growth		21%	0%	-4%	12%	

Source: Company, KJMC Research

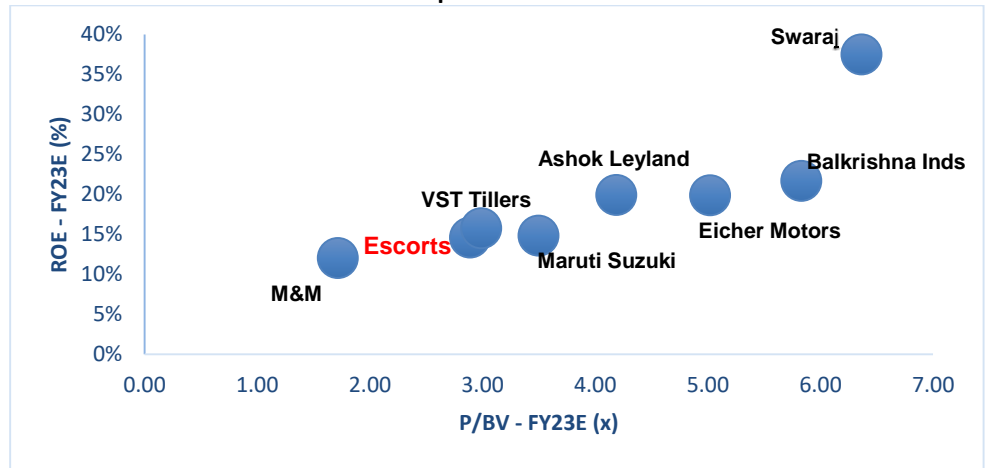
Exhibit 95 – Valuation Synopsis

Valuation Method	Multiple	Value
PE Multiple (x)	18.8	
PAT (FY23E) (Cr)		989
Equity value of firm (Cr)**		18600
Shares outstanding (o/s)		9.86
Target Price (Rs)		1886
CMP (Rs)		1523
Upside (%)		24

Source: KJMC Research

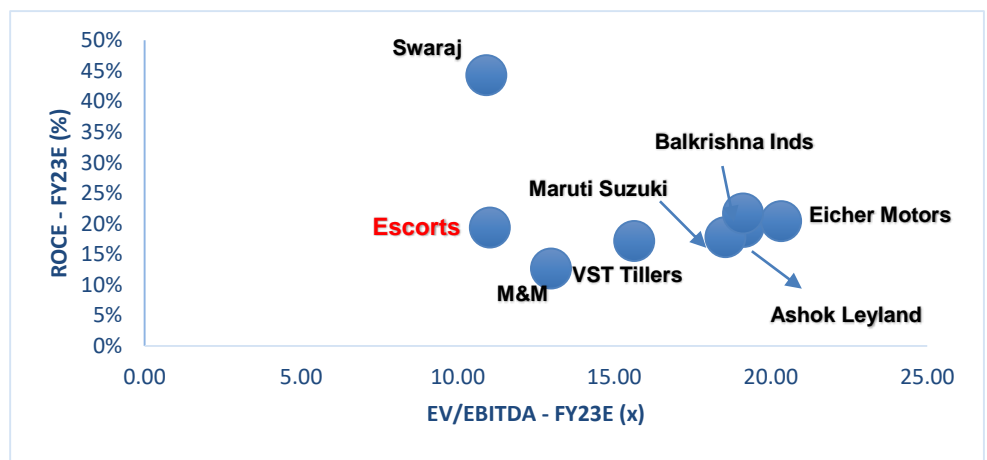
**adjusted to treasury shares

Exhibit 96 – ROE and valuation scatter plot



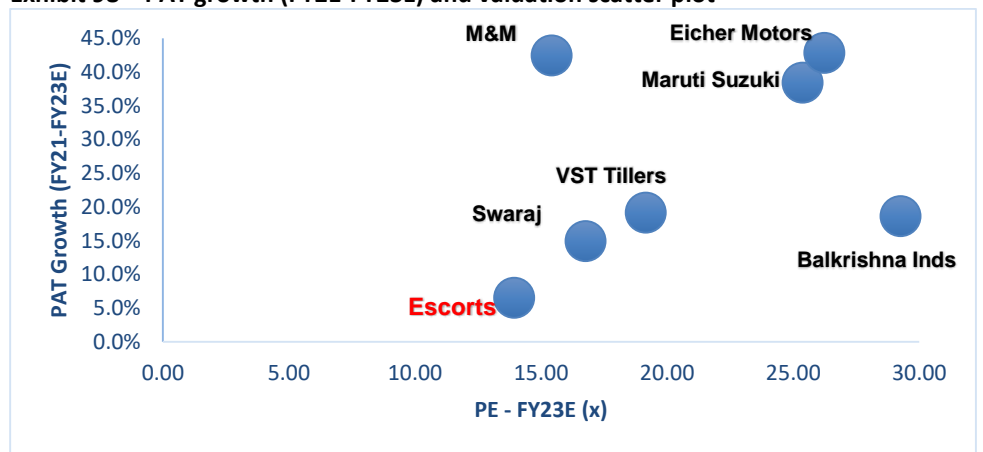
Source: Company, Refinitiv & KJMC Research

Exhibit 97 – ROCE and valuation scatter plot



Source: Company, Refinitiv & KJMC Research

Exhibit 98 – PAT growth (FY21-FY23E) and valuation scatter plot



Source: Company, Refinitiv & KJMC Research

View – We remain optimistic on the Company’s roadmap for the future growth on back of enhanced capacity, improving profitability, debt free balance sheet to support the future growth, efficient working capital management, which will help the Company to improve its ROCE and scales up its cash flow generation ahead. In terms of profitability, the Company has outperformed majority of the peers in the farm mechanization space over the years. We project robust growth in revenue in all three business verticals Escorts Agri Machinery (EAM) expected to grow at ~13%, Escorts Construction Equipment (ECE) expected to grow at ~14% and Railway Equipment Division (RED) expected to grow at ~4% CAGR between FY21-FY23E. **Escorts is one of the few conglomerates which provide high degree of overall growth (top to bottom), which comes partially from the Company’s historical track record and its performance vis-à-vis its competitors. Currently, the stock is trading at 15.2x FY23E EPS. We initiate coverage, with a “BUY” recommendation at a target price of Rs 1886 for the period of 12 months (upside of 24%) valuing the Company at 18.8x the historical average (other than shares held by Escorts Benefit & Welfare Trust/Treasury shares) on FY23E EPS.**

Exhibit 99 – Last one year closing share price performance



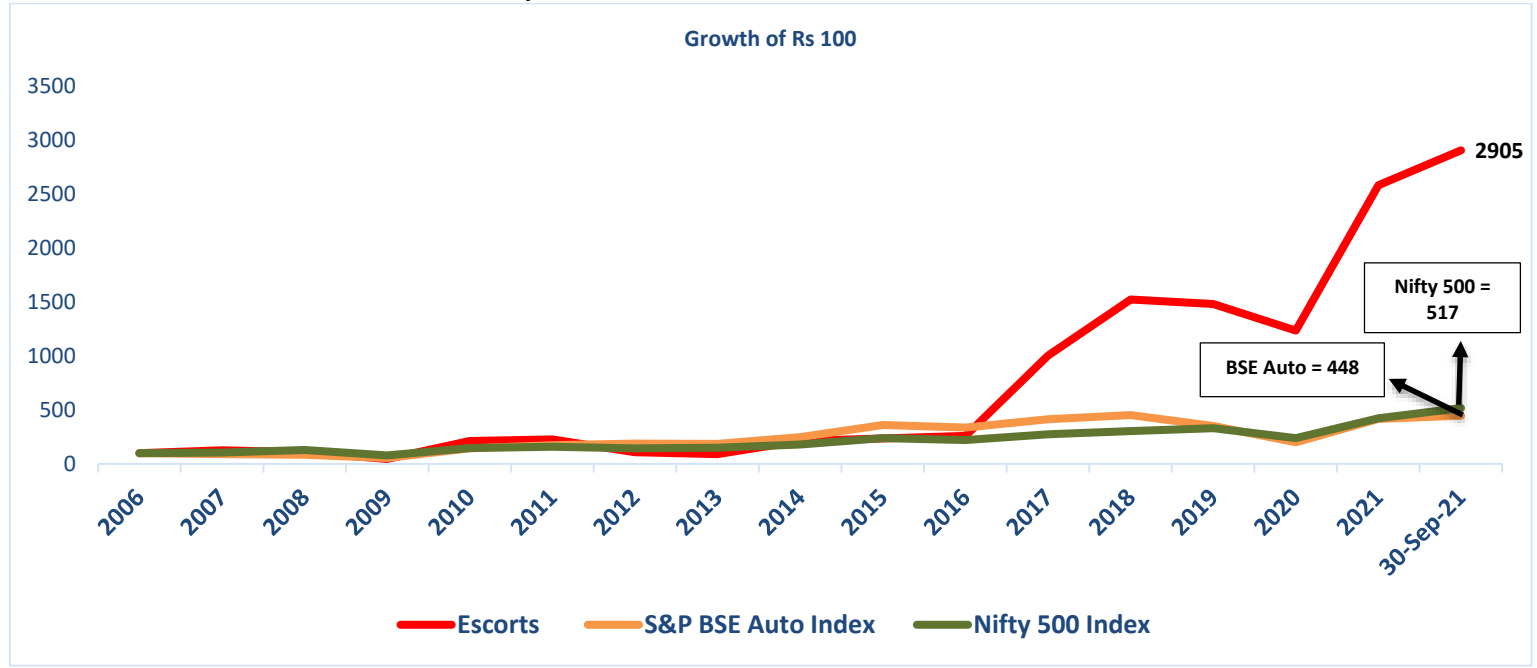
Source: NSE

Risks Factors

- ✓ Rising inflation to dent Company’s operating margins and lower profitability
- ✓ Increase in competition and product option with multi-national players entering the market
- ✓ Geopolitical occurrences, industry volatilities and rising fuel prices remain a threat
- ✓ Natural disaster such as earth quake and floods are unpredictable and can delay or interrupt the construction boom.

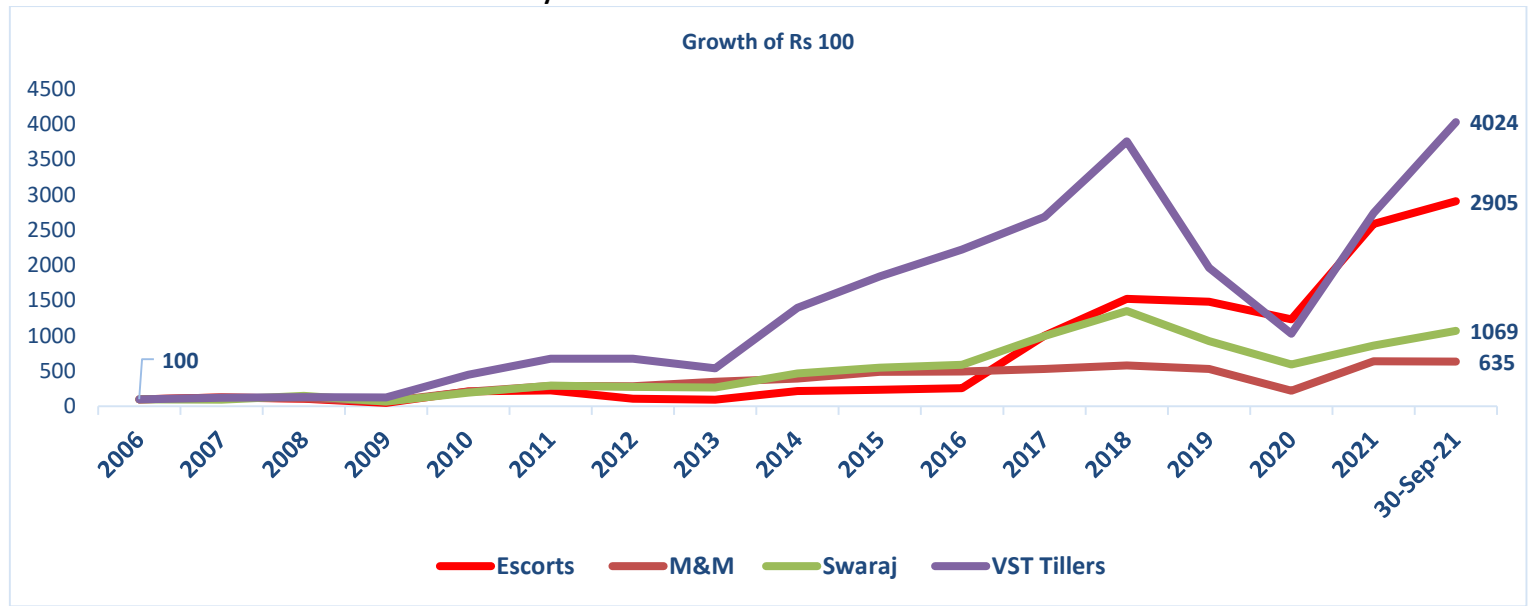
Ability to Outperform in the Long Run

Exhibit 100 – Escorts Vs BSE Auto Index Vs Nifty 500 Index



Source: BSE/NSE, KJMC Research

Exhibit 101 – Escorts Vs Farm Mechanization Players



Source: Company, KJMC Research

Board of Directors



Nikhil Nanda



Hardeep Singh



P.H. Ravikumar



Vibha Paul Rishi



Sutanu Behuria



Nitasha Nanda



Shailendra Agrawal



Sunil Kant Munjal



Tanya Dubash



Harish N. Salve



Dai Watanabe



Yuji Tomiyama

Brief Overview:

Name	Designation	Particulars
Mr. Nikhil Nanda	Chairman & Managing Director	Mr. Nanda joined Escorts Board in 1997. He holds Baccalaureate Degree, Bachelor of Business Administration from The Wharton Business School, University of Pennsylvania.
Mr. Shailendra Agrawal	Executive Director	He is a mechanical engineer with 39 years of diverse experience in Tata Motors, Hero Motors and Escorts Ltd. In his past assignment as President of Hero Motors, he was instrumental in the successful turnaround of its Auto components business.
Mr. Hardeep Singh	Director	Mr. Singh was earlier associated with Tata Group rose to be Director Agrochemical, Rallis India Ltd. He is an alumni of Kellogg School of Management Advanced Management Programme.
Mr. P.H. Ravikumar	Independent Director	Mr. Ravikumar at present, the Non - executive Chairman of Utkarsh Small Finance Bank Ltd and on Board of Aditya Birla Capital and on Board of Bharat Forge Ltd, among others. He is a Commerce graduate with a Senior Diploma in French.
Mrs. Vibha Paul Rishi	Independent Director	Mrs. Rishi is a passionate marketing professional, specializing in Indian and International markets. She is also associated with Pratham NGO works to provide education to underprivileged Children. She is an alumna of Faculty of Management Studies (FMS), Delhi
Dr. Sutanu Behuria	Independent Director	He was a Board member in more than 25 PSUs and has worked in the Asian Development bank for over five years. He is postgraduate from Delhi School of Economics, earning a second postgraduate degree as well as a doctorate in Economics from Southern Methodist University, USA. He is an Indian Administrative Services Officer (1976 batch)
Ms Nitasha Nanda	Whole -time Director	She was responsible for managing the Company's subsidiaries, including Escorts Securities Ltd and Escorts Asset Management Ltd. She is a B.Com (H) from University of Delhi.
Mr. Sunil Kant Munjal	Independent Director	Mr. Munjal is one of the founder promoters of the Hero Group, India's premier automotive manufacturing group that has evolved from being the world's largest bicycle - maker to the largest two-wheeler maker. He had completed the graduation and underwent training in the field of Mechanical Engineering.
Ms Tanya Dubash	Independent Director	She is a Director on the Board of Godrej Industries, Godrej Consumer Products and Godrej Agrovet. She is an A.B. in Economics & Political Science from Brown university, USA and an alumna of Harvard Business School.
Mr. Harish N. Salve	Independent Director	Mr. Salve is a senior counsel as well as an arbitrator in India and Barrister (UK) specialising in constitutional, commercial and taxation law. He was the youngest ever to be appointed as solicitor. He holds an Honorary Doctorate and is Chartered Accountant and a law graduate.
Mr. Dai Watanabe	Nominee Director	Mr. Watanabe is the Director and Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation. He graduated in 1984 from the Department of Economics, Kyoto University. He did his MBA from Kobe University in 1995.
Mr. Yuji Tomiyama	Nominee Director	Mr. Tomiyama is the Senior Managing Executive Officer of Kubota Corporation. He graduated in 1980 from the Department of Engineering, Tokyo Institute of Technology.

Key Leadership Team:



Brief Overview:

Name	Designation	Particulars
Mr. Bharat Madan	Group CFO and Corporate Head	A Commerce graduate from Sri Ram College of Commerce, Delhi University, a Fellow Chartered Accountant (1988), a Member of All India Management Association (AIIMA) and IMA - CFO Forum, with over 33 years of rich experience in financial management. Prior to joining Escorts, he was the Financial Controller at Electrolux Kelvinator Ltd.
Mr. Shenu Agarwal	CEO - Agri Machinery	An MBA from Duke University, USA a B.Tech from NIT Kurushetra, and 30+ years of experience. Starting his journey as Graduate Engineering Trainee, he has worked in numerous key positions across sales and marketing, product development, strategy and project management. He is a member of the CII National Council of Agriculture and the Managing Committee of the Tractor Manufacturers Association.
Mr. Ajay Mandahr	CEO Construction Equipment	Engineering Graduate from NIT/REC, Silchar & MBA in (Marketing & Business Finance) from FSM, Delhi with more than 30 years of diverse experience in leadership positions. Worked with L&T, Indian Aluminum, Manitou South Asia Ltd, and Toyota Material Handling India.
Mr. Amit Singhal	Group Chief Human Resource Officer & Dy Corporate Head	He has rich and diversified experience of more than 18 years in Strategic HR, Business Partnership, Employee Relations and Culture and Change management roles across industries and geographies. He is alumnus from Symbiosis Institute of Business Management, Pune.

Scope	Entity
Statutory Auditors	M/s Walker Chandiook & Co. LLP
Cost Auditors	M/s Ramanath Iyer and Co.
Secretarial Auditors	M/s Jayant Gupta and Associates
Internal Auditor	EY LLP

Exhibit 80 - Top investor's shareholding

Shareholders	(%) Outstanding	Value (\$ M)
Kubota Corp	9.49	201.12
Jhunjhunwala (Rakesh Radheshyam)	4.95	105.01
UTI Asset Management Co Ltd	3.76	79.73
T. Rowe Price International (UK) Ltd	2.07	43.92
The Vanguard Group, INC	1.74	41.38
Amundi Investment Fund Management	1.43	30.41
Big Apple Clothing Pvt Ltd	1.37	29.07
AAA Portfolio Pvt Ltd	1.31	27.68
BNP Paribas Asset Management India	1.09	23.06
Aditya Birla Sun Life AMC	0.82	19.55
Dimensional Fund Advisors Lp	0.80	18.97
Blackrock Institutional Trust Company	0.73	18.74
HSBC Global Asset Management (Hong Kong)	0.67	14.13
Franklin Templeton Asset Management (India)	0.62	14.76
Kotak Mahindra Asset Management Company	0.59	14.1
Swedbank Robur Fonder AB	0.57	13.56
Tata Asset Management Ltd	0.54	12.77
Goldman Sachs Asset Management	0.46	9.84
Norges Bank Investment Management	0.46	10.34
ICICI Prudential Asset Management	0.46	10.91

Source: Refinitiv (range 30-06-2021 to 31-08-2021)

Financial Statements

Profit & Loss

(All amounts in Rupees Cr, unless otherwise stated)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	4145	5059	6262	5810	7014	7867	8773
Other Income	47	65	92	98	160	164	167
Total Income	4192	5125	6354	5908	7175	8031	8940
Cost of Goods sold	2831	3407	4277	3841	4645	5288	5878
Gross Margin	1314	1652	1985	1969	2370	2743	3062
Employee Benefit Expenses	451	442	485	521	547	694	738
Other Expenses	553	656	776	786	696	781	871
EBITDA	310	554	725	662	1127	1268	1453
Depreciation And Amortisation Expenses	63	73	87	107	118	125	143
EBIT	261	516	710	636	1156	1143	1310
Finance Cost	32	29	20	17	13	0	0
EBT	261	516	710	636	1156	1143	1310
Adjustment (Share of loss equity/Excep items)	12	7	-4	10	1	0	0
Tax Rate (%)	29.6%	31.5%	33.4%	24.2%	24.5%	0	0
Tax Expenses	77	162	237	154	283	280	321
Net Income	171	347	477	472	872	863	989
Number of Shares Outstanding	12.26	8.34	8.60	8.58	9.47	9.86	9.86

Key Balance Sheet

Particulars	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	122.6	122.6	122.6	122.6	134.8	134.8	134.8
Reserves and Surplus	1500	2092	2557	3000	4890	5682	6652
Total Equity	1623	2215	2679	3123	5025	5817	6786
Long Term Borrowings	59	15	4	3	2	0	0
Non-Current Liabilities	109	75	110	117	158	156	156
Trade payable	910	1234	1249	1293	1195	1044	1161
Other Financial liabilities	143	174	149	143	152	184	204
Short Term Borrowings	159	0	269	17	0	0	0
Total Current Liabilities	1467	1684	1919	1775	1695	1591	1774
Total Liabilities & Equity	3199	3973	4708	5015	6878	7564	8716
Current Investments	173	499	404	651	1665	1665	1665
Inventory	450	566	857	883	718	541	602
Trade receivable	456	592	931	732	658	966	1077
Cash And Cash Equivalent	244	317	243	325	1322	1565	2299
Total Current Assets	1460	2153	2770	2911	4634	5120	6053
Tangible assets	1513	1528	1593	1613	1655	1854	2074
Investment property	23	23	23	23	70	70	70
Intangible assets	52	54	54	53	52	52	52
Financial assets	57	68	96	161	292	292	292
Total Non-Current Assets	1739	1820	1938	2104	2244	2444	2663
Total Assets	3199	3973	4708	5015	6878	7564	8716

Source: Company & KJMC Research

Cash Flow Statement

Particulars	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Cash from Operating Activities	212	460	-234	797	1131	641	1116
Net Cash from Investing Activities	-45	-374	-17	-421	-2194	-325	-362
Net Cash flow from Financing Activities	-191	-1	191	-300	1003	-73	-20
Net Changes in Cash & Cash Equivalents	-24	85	-61	75	-59	244	733
Add: Opening Cash & Cash Equivalents	253	244	317	243	325	1322	1565
Closing Cash & Cash Equivalent	229	329	257	319	266	1565	2299

Key Ratios

Parameters	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)							
EPS (adjusted to treasury shares)	14.0	41.6	55.4	55.0	92.0	87.4	100.3
DPS	1.5	2.0	2.5	2.5	7.5	2.0	2.5
Book Value	132	181	219	255	373	431	503
Profitability (%)							
EBITDAM	7.5	10.9	11.6	11.4	16.1	16.1	16.6
PATM	4.1	6.9	7.6	8.1	12.4	11.0	11.3
Return Ratios (%)							
ROE	10.6	15.6	17.8	15.1	17.3	14.8	14.6
ROCE	13.4	21.5	21.6	17.7	20.1	19.6	19.3
Working Capital Ratios							
Inventory (Days)	39	41	50	55	37	37	37
Debtors (Days)	39	43	54	46	34	45	45
Creditors (Days)	79	89	73	81	62	72	72
Cash Conversion Cycle (Days)	0	-6	31	20	9	10	10
Valuation (x)							
PE (adjusted to treasury shares)	49.9	28.8	20.2	15.5	19.2	17.4	15.2
EV/EBITDA	21.1	16.9	10.8	9.9	12.4	14.0	12.2
P/BV	4.0	4.5	3.6	2.6	3.4	3.5	3.0

Source: Company & KJMC Research

Contact name

Mr. Girish Jain	Executive Director	jaingirish@kjmc.com	2288 5201-02 (B)
Mr. Suresh Parmar	A.V.P. – Institutional Equities	suresh.parmar@kjmc.com	22820388
Mr. Yogesh Purohit	Manager – Institutional Dealing & Sales	yogesh.purohit@kjmc.com	22820388
Retail Team	Dealing Desk	retail@kjmc.com	22885206/35004464-65

Recommendation Parameters

	Expected returns in absolute terms over a one-year period
Buy	- appreciate more than 20% over a 12- month period
Hold / Neutral	- appreciate up to 20% over a 12- month period
Reduce	- depreciate up to 10% over a 12- month period
Sell	- depreciate more than 10% over a 12- month period
Not Rated	- Not have any estimates or recommendations

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SEBI Regn No – INZ000221631

Mutual Fund's AMFI No

: ARN – 2386

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