

Aug 23, 2013

ESCORTS LTD

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Escorts Limited (ESCORTS) is a leading engineering conglomerates operating in the high growth sectors of agri-machinery, construction & material handling equipment, railway equipment and auto components. The Company's subsidiaries include FarmtracTractors Europe Sp. z.o.o, Escorts Securities Ltd. (ESL), Escorts Asset Management Ltd. and EDDAL Credit Limited.

## Investor's Rationale

**Topline grew 16.2% YoY on healthy Agri Machinery Products**— ESCORTS registered a healthy growth in topline by 16.2% at ₹11,729 mn in Q3FY'13 assisted by robust growth in Agri Machinery products by 24.9% YoY at ₹9,882 mn as tractor segment volume improved significantly (21.5% YoY at 19,518 units). Further, the growth in the Railways segment by 36.7% to ₹537mn has also assisted in the growth performance. While, Auto ancillary and construction segment recorded decline of 10.3% and 31.6% at ₹374 mn and ₹1,093 mn respectively.

**Healthy growth in bottom-line** — The company's bottom-line registered a robust growth of 215.8% YoY at ₹583mn in Q3FY'13 against ₹185mn mainly due to healthy operating margin up by 256bps YoY at 7.9% against 5.3% coupled with robust topline. Further, decline in interest cost by 14.5% YoY at ₹202.5 mn has also assisted in uplifting the bottomline. However, depreciation and tax grew by 6.0% and 21.8% at ₹133.4 mn and ₹138.7 mn respectively. Thus, NPM expanded by 310bps YoY at 4.9% against 1.8%.

**Current Debt** - Current debt on books stands at ₹4.bn with ₹0.7-0.8 bn of repayment scheduled per year. The management said the average cost of borrowing for the long-term debt stands at 13.5%.

**Region wise performance** - The major markets for Escorts viz; North & Central India, registered growth of ~8.0% each. MP and Rajasthan grew by ~47.0% each whereas Chhattisgarh grew by ~94.0%. Eastern India grew by ~10.0% and South & Western India, where the company has low penetration, grew by ~5.0%.

**Signed a MoU** - Escorts Ltd has signed a Memorandum of Understanding (MoU) with State Bank of India (SBI) for providing financial assistance to its newly launched agri service infrastructure called 'Escorts Crop Solutions'.

## Market Data

Rating	BUY
CMP (₹)	88.70
Target Price	98
Stop Loss	83
Duration	Short-term
52-week High-Low (₹)	95.5/48.35
Rise from 52WL (%)	83.5
Correction from 52WH (%)	7.1
Beta	1.5
1 year Average Volume (mn)	0.9
Stock Return (%)	3M- 46.4 6M- 40.1 1Y- 37.6
Market Cap (₹bn)	10.9
Book Value (₹)	131.9

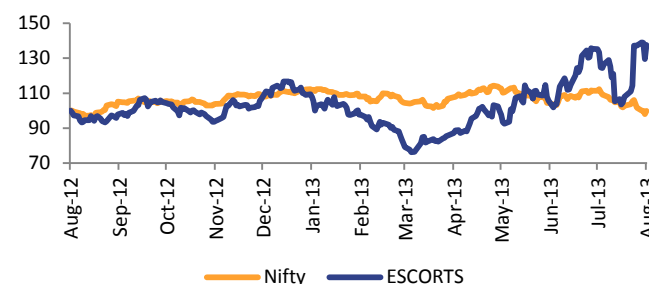
## Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	41.98	41.98	-
FII (%)	12.08	13.02	(0.94)
DII (%)	5.38	3.86	1.52
Public & Others (%)	40.56	41.14	(0.58)

## Quarterly Performance

(₹Mn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Sales	11,729	10,091	9,971	16.2	17.6
Op. exp	10,832	9,597	9,464	12.9	14.5
EBITDA	927	540	543	71.6	70.9
OPM (%)	7.9	5.3	5.4	256bps	246bps
Net profit	583	185	375	215.8	55.6
NPM (%)	4.9	1.8	3.7	310bps	120bps
EPS (₹)	4.9	1.6	3.1	211.5	55.7

## One Year Price Chart





Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

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