

CHOLA SECURITIES**Escorts (Buy)**

CMP: ₹717

Target: ₹889

Escorts Ltd (ESC) is one of India's prominent players in the automotive/tractor industry, with an overall market share of 10.5 per cent in the domestic tractor industry. ESC is also present in construction and material handling equipment, such as cranes, compactors and forklifts with 55 per cent market share in material handling segment.

Key takeaways: a) **Agri business:** In the agri business, Escorts has been consistently increasing its portfolio thorough the new lunches especially in higher HP tractors. We believe that penetration in the higher HP tractors will boost the market share of the company in its 'opportunity market' i.e. southern and western Maharashtra.

b) **Construction equipment:** Escorts is launching with new hydra cranes and road compactors as the management is optimistic about the increase in the demand due to traction in the infra segment. The launch will widen the product portfolio in their construction segment.

Currently, Escorts drives 60 per cent of revenues from cranes in Construction Equipment Division and 20 per cent from backhoe loader and 20 per cent from road compactors.

c) **Railway Equipment Division:** Escorts supplies brakes, couplers and suspension, etc to Indian Railways. Currently, Railway Division has an order book of worth ₹273 crore and management expects order book to increase by 3 fold in next 2-3 years due to modernization of railways and high-speed trains.