



SMART FARM MACHINES

V.S.T. Tillers Tractors Ltd. (VST)

Market Cap.

Rs. 4,356 Cr.

52 Week H/L

Rs. 5,200/2,961

CMP

Rs. 5,035

Target Price

Rs. 6,172

AUTO

BUY

Reuters Code **VST.BO**
Bloomberg Code **VSTT IN**

BSE Code **531266**
NSE Symbol **VSTTILLERS**

Face Value **Rs. 10**

Shares Outstanding **0.86 Cr.**

Avg. Daily Vol. (6m) **11,576**

Price Performance (%)

1M	3M	6M
10	19	34

200 Days EMA **Rs.4,108**

SHARE HOLDING (%)

Promoters	55.6
FII	2.9
FI/MF	17.3
Body Corporate	1.7
Public & Others	22.5

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Market leader in the tillers segment in India: The agricultural equipment market in India is expanding significantly, driven by factors such as the increasing mechanization of farming, government initiatives, and labor shortages due to urbanization. The increasing adoption of mechanization in agriculture, driven by an increase in MSP prices and incentives for small and marginal farmers, positions the company for sustained growth. The focus on smaller tractors and power tillers aligns well with India's fragmented farming landscape with ~70% of farms are small in the size (less than 2 hectares of farm). The company has a 70% share in India's power tiller industry, which reflects its strong market position and brand trust. Going ahead, to continue its dominant position in the market, VST is planning to launch new products in the small farm machines market in the coming quarters.

Introduction of new products and entry in new markets to drive growth: In 2016, the company established its presence in the European region under the umbrella of Fieldtrac with four-wheel drive and power steering features which provided safety on the toughest terrain. Later it introduced products that successfully met the tough Euro Stage V emission norms. The compact tractor is mainly sold in the European market predominantly in France, Germany, Netherlands, Spain, Portugal, Belgium and Italy. Also, it has recently entered in UK, Ireland, Canary island, Slovakia, Hungary (N), Romania, Ghana and Congo. VST (to hold 51%) has signed a joint venture with Czech tractor manufacturer and HTC investments to sell Zetor branded tractors in India. The JV will focus on selling the high HP variants to the Indian markets and thereafter expand its presence in the US market by FY26. As per the agreement, VST would manufacture the tractors from Q1FY25 for the Indian market. This development would benefit VST, as it would increase the realizable value per vehicle (Sales price per tractor for high HP in India would be 2-3x as compared to the compact tractor) for the company. Apart from this, VST will be in the position to utilize the Zetor testing facilities based out of Czech Republic and the development facilities which are quite modern and most advanced, which would be cost-free for the company.

Strong fundamentals & healthy financial position make a good base for growth, going forward: Apart from leading market share in tillers, the company has historically maintained a healthy balance sheet with minimal debt, providing stability and the capacity to invest in growth opportunities; Furthermore, VST has witnessed strong cash generation over the years resulting into strong balance sheet. Lower debt-equity & healthy profits have resulted in comfortable interest coverage and healthy return ratios.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)	P/B (x)
FY24	968	124	12.8%	121	12.5%	140.0	36.3	4.7	5.0
FY25 E	1,096	133	12.2%	132	12.0%	146.2	34.7	4.2	4.5
FY26 E	1,233	160	13.0%	154	12.5%	170.7	29.7	3.7	4.1
FY27 E	1,386	180	13.0%	173	12.4%	191.7	26.5	3.3	3.7

OUTLOOK & VALUATION

With a strong presence in Indian power tiller market segment, VST plans to strengthen its presence through the launch of innovative products in this segment. Its strategy to expand geographically with high horsepower tractors should yield healthy margins. Apart from this, the net debt-free company has been reporting stable return ratios, strong cash generation & has been paying dividends consistently for years. Going forward, we expect the company to deliver an EPS of Rs.191.7 in FY27; assigning a target multiple of 32x, we arrive at a target price of Rs.6,172 showcasing an upside potential of 23% from current levels with an investment horizon of 18-24 months.



COMPANY OVERVIEW



VST Tillers Tractors Ltd. was established in 1967 by the VST Group of companies, a well-known century-old business house in South India. The founder of the group was Sri V.S. Thiruvengadaswamy Mudaliar. VST Motors promoted VST Tillers Tractors Ltd. as a joint venture in 1966 with Mitsubishi Heavy Industries Ltd, Japan. The firm offers various goods to improve agricultural productivity, with a concentration on power tillers and small tractors. VST Tillers is recognised for providing efficient, user-friendly, and cost-effective solutions to small and marginal farms. The company has modern tractor manufacturing facilities located at Hosur, Tamil Nadu, and Power tiller manufacturing facilities at Malur, Karnataka, as well as a precision component plant in Mysore. VST has expanded globally with a predominant presence in Europe in the last 10 years and has become a popular brand for compact tractors. Modern VST Malur Plant has recently received the IMexI award for exemplifying operational excellence found on continuous improvement.

During the year ended March 31, 2024, the company recorded sales of Rs.968 cr with an EBITDA margin of 12.8% and a net margin of 12.5% resulting in an EPS of Rs.140. The company is net-debt free and has been a consistent dividend paying company. Of the total 0.9 cr shares outstanding, the promoters hold 55.6% while another 22% is owned by institutions. Among the key names are Nippon, Kotak, ICICI etc. The remaining % stake is owned by the public.

PRODUCTS



**Power Tiller 165 DI
ES (Electric Start)**



**Series 9 in 4WD
Compact Tractor
Launched**



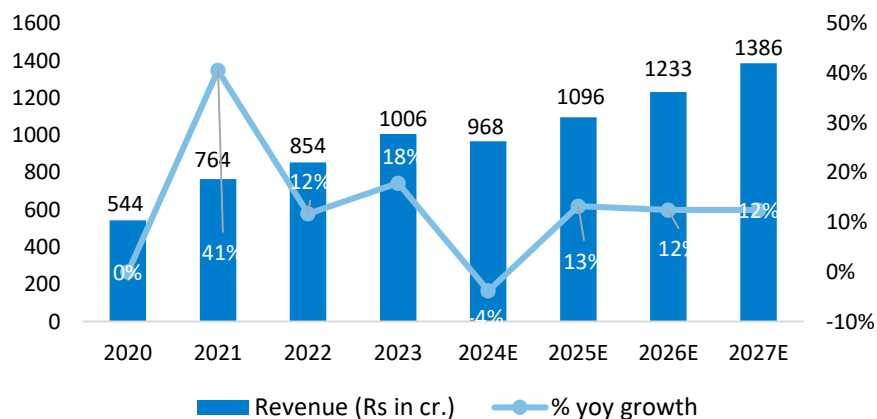
**VST FiledTrac EV
Series Unveiled
this Year**



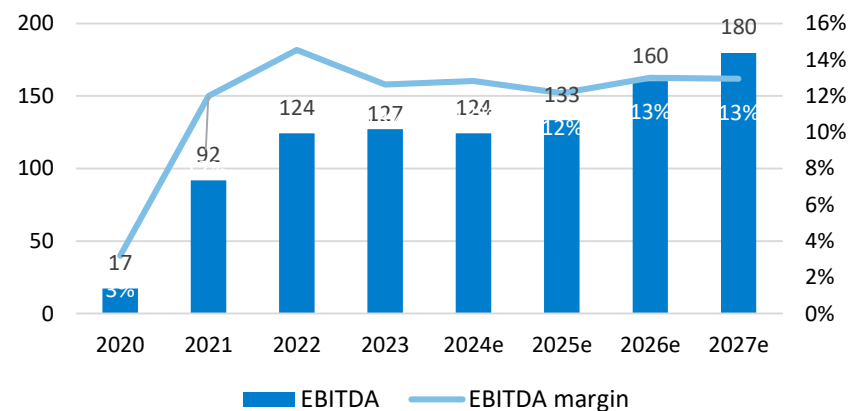
**VST Zetor - 4211, 4511, 5011
in 41- 50 HP Segment**

BUSINESS OVERVIEW

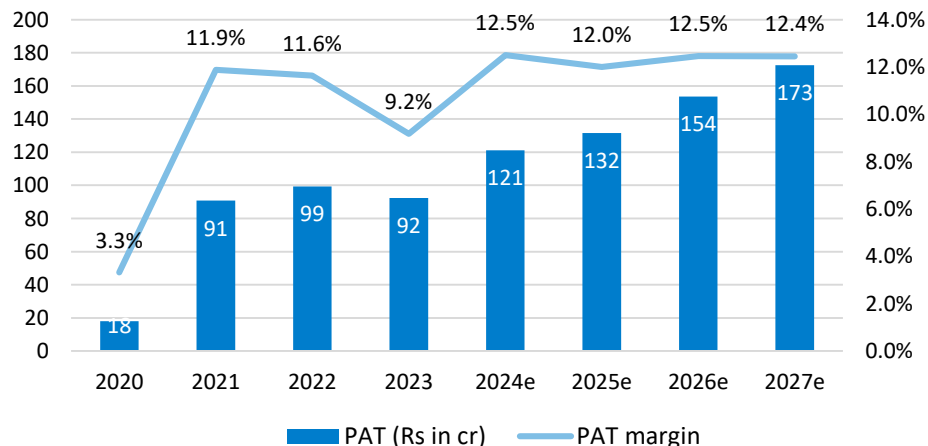
Revenue & Revenue Growth



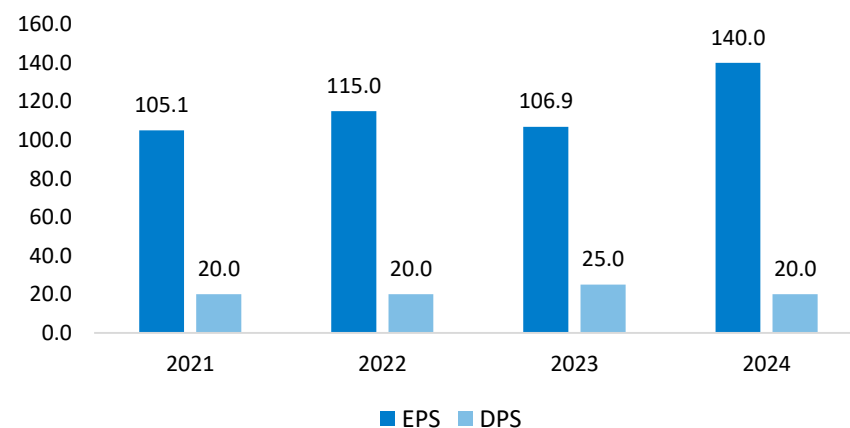
EBITDA & EBITDA Margin



Net Profit & Net Margin



Earnings & Dividend Per Share

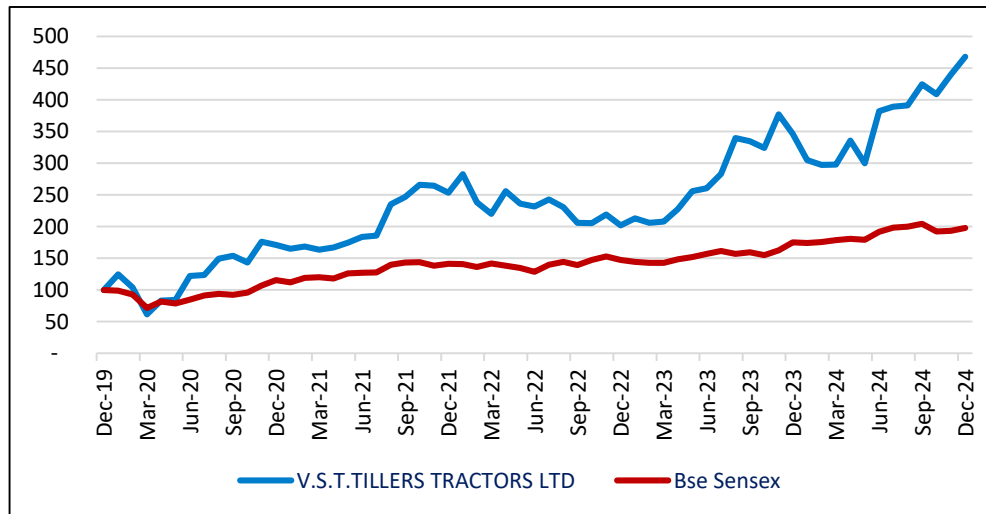
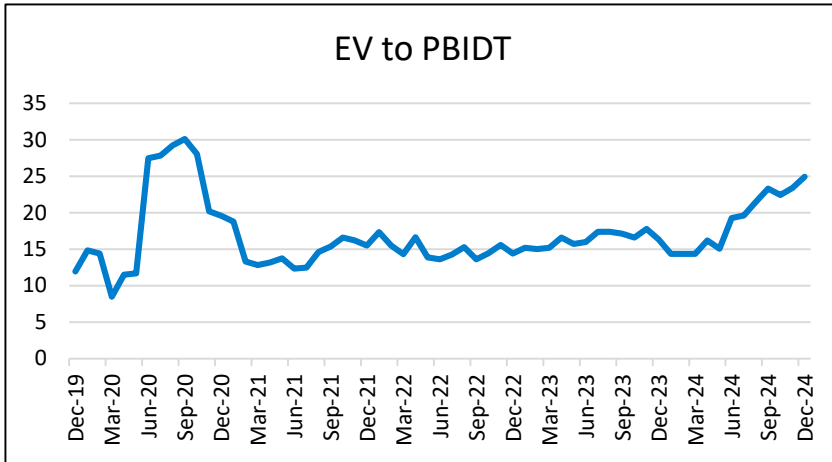


Source: Company Data, Sushil Finance

KEY RISKS

- ❖ The growth of the tractor industry is closely tied to the variation of monsoons from their long term average. Any notable deviation, particularly if occurring consecutively over two years, leading to weaker monsoons, may impact the industry growth.
- ❖ If the general economic **slowdown** extends further, it may impact the economy which may have negative implications for the company.
- ❖ The company may face a rise in input costs and experience pressure on margins and profitability due to an increase in prices for essential raw materials like steel and components.

MARKET INFORMATION



Source: Company, Sushil Finance Research

PROFIT & LOSS STATEMENT
(Rs. Cr.)

Y/E Mar.	FY24	FY25E	FY26E	FY27E
Revenue	968	1,096	1,233	1,386
Raw Material Cost	658	750	838	943
Employee Cost	86	99	111	125
Other Expenses	100	114	123	139
EBITDA	124	133	160	180
<i>EBITDA Margin (%)</i>	<i>12.8%</i>	<i>12.2%</i>	<i>13.0%</i>	<i>13.0%</i>
Depreciation	27	30	32	36
Finance Costs	2	2	2	2
Other Income	61	66	70	78
Profit before Tax	155	169	200	224
Tax Expense	34	37	46	52
Net Profit	121	132	154	173
<i>Net Margin (%)</i>	<i>12.5%</i>	<i>12.0%</i>	<i>12.5%</i>	<i>12.4%</i>
EPS	140.0	146.2	170.7	191.7

Source: Company, Sushil Finance Research

BALANCE SHEET
(Rs. Cr.)

Y/E Mar.	FY24	FY25E	FY26E	FY27E
Net block	227	224	226	229
Other non-current assets	78	90	99	107
Inventories	118	127	142	160
Trade receivables	155	171	193	217
Cash and bank	47	51	61	78
Others Current assets	542	607	678	759
Total Assets	1,167	1,270	1,399	1,549
Equity Share Capital	9	9	9	9
Reserves	915	1,007	1,117	1,243
Borrowings	-	-	-	-
Other non-current liabilities	56	56	56	57
Trade Payables	99	109	121	137
Other Current Liabilities	88	89	95	104
Total Liabilities	1,167	1,270	1,399	1,549

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT
(Rs. Cr)

Y/E Mar.	FY24	FY25E	FY26E	FY27E
PBT	155	169	200	224
Depreciation	27	30	32	36
Taxes	34	37	46	52
Interest	2	2	2	2
Chg in Inventories	(10)	(9)	(15)	(18)
Chg in Trade Payables	(32)	10	13	15
Chg in Trade Receivables	(6)	(16)	(21)	(24)
Chg in Other Current Assets	(9)	(10)	(12)	(13)
Chg in Other Current Liabilities	2	0	4	5
Cash Flow from Operations	49	83	98	112
Capex	(11)	(26)	(35)	(39)
Intangible	4	(1)	-	-
Non current Investments	(5)	(7)	(5)	(3)
Others	21	(17)	(22)	(23)
Cash Flow from Investing	9	(55)	(65)	(70)
Interest	(2)	(2)	(2)	(2)
Others	(17)	(20)	(22)	(23)
Cash Flow from Financing	(24)	(21)	(23)	(25)
Opening Cash	11	44	51	61
Total Cash Flow	33	7	10	18
Closing Cash	44	51	61	78

Source: Company, Sushil Finance Research

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY24	FY25E	FY26E	FY27E
<u>Growth (%)</u>				
Revenue	(3.8%)	13.2%	12.5%	12.5%
EBITDA	(2.4%)	7.3%	20.3%	12.1%
Net Profit	31.1%	8.7%	16.8%	12.3%
<u>Profitability (%)</u>				
EBITDA Margin	12.8%	12.2%	13.0%	13.0%
Net Profit Margin	12.5%	12.0%	12.5%	12.4%
ROCE	9.9%	9.7%	10.8%	11.0%
ROE	13.1%	13.0%	13.6%	13.8%
<u>Per Share Data (Rs.)</u>				
EPS	140.0	146.2	170.7	191.7
CEPS	170.0	179.1	206.3	231.7
BVPS	1,026.2	1,128.4	1,251.2	1,390.9
<u>Valuation (x)</u>				
P/E	36.3	34.7	29.7	26.5
P/BV	4.9	4.5	4.1	3.6
EV/EBITDA	36.4	33.9	28.1	25.0
P/S	4.7	4.2	3.7	3.3
<u>Turnover</u>				
Inventory days	65	62	62	62
Debtor days	59	57	57	57
Creditor days	55	53	53	53
<u>Gearing (x)</u>				
D/E	0	0	0	0

Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No