



# SMART FARM MACHINES

## VST Tillers Tractors Ltd. (VST)

**Market Cap.**

Rs. 4,301 cr.

**52 Week H/L**

Rs. 6,371/2,875

**CMP**

Rs. 4,976

**Target Price**

Rs.6,120

### AUTO

#### BUY

<b>Reuters Code</b>	<b>VST.BO</b>
<b>Bloomberg Code</b>	<b>VSTT IN</b>
<b>BSE Code</b>	<b>531266</b>
<b>NSE Symbol</b>	<b>VSTILLERS</b>
<b>Face Value</b>	<b>Rs. 10</b>
<b>Shares Outstanding</b>	<b>0.86 Cr.</b>
<b>Avg. Daily Vol. (6m)</b>	<b>21,653 Shares</b>
<b>Price Performance (%)</b>	
<b>1M</b>	<b>3M</b>
<b>(17)</b>	<b>(18)</b>
<b>6M</b>	<b>(3)</b>
<b>200 Days EMA</b>	<b>Rs.5,266</b>

### SHARE HOLDING (%)

<b>Promoters</b>	<b>52.7</b>
<b>FII</b>	<b>2.9</b>
<b>FI/MF</b>	<b>16.4</b>
<b>Body Corporate</b>	<b>1.4</b>
<b>Public &amp; Others</b>	<b>26.6</b>

#### RESEARCH ANALYST

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**Introduction of new products, entry in new markets and macroeconomic drivers 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 FY27. 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 modern and advanced.

**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.

### 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.179 in FY28; assigning a target multiple of 34x, we arrive at a target price of Rs.6,120 showcasing an upside potential of 23% from current levels with an investment horizon of 18-24 months.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)
FY25	995	111	11.2%	93	9.3%	107.4	49.3	4.8
FY26 E	1,226	157	12.8%	122	10.0%	135.9	39.0	3.9
FY27 E	1,379	180	13.1%	144	10.4%	159.7	33.2	3.5
FY28 E	1,586	208	13.1%	161	10.2%	179.2	29.6	3.0

## 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 enterprise was originally conceived to manufacture power tillers and diesel engines, rolling out its first commercial production in 1970 and subsequently introducing India's first compact tractors in 1982. The operational architecture of VST is divided into several highly synergistic core business segments. The Small Farm Machines (SFM) division remains the historical bedrock of the enterprise, encompassing power tillers, power weeders and multicrop reapers. Within this segment, VST maintains a monopolistic grip, holding a 70% market share in the Indian power tiller industry

The Tractor division, traditionally focused on compact tractors ranging from 17 HP to 30 HP, has recently undergone a massive total addressable market (TAM) expansion. Through the strategic incorporation of VST Zetor Private Limited in 2023—a joint venture where VST holds 51% and HTC Investments a.s. holds 49%—the company has aggressively entered the lucrative 41 HP to 50 HP higher-horsepower (HHP) segment, as it is the large market in terms of the total size. Beyond its core manufacturing, VST has cultivated robust adjacent revenue streams. The International Business division exports to over 40 countries across Europe, Asia, Africa, and Latin America. Its compact tractors are marketed under the premium "VST FIELDTRAC" brand in the European Union, meticulously engineered to meet stringent Stage V emission norms. Furthermore, the Precision Components division, operating out of a dedicated state-of-the-art facility in Mysuru, supplies critical engine components such as crankshafts, camshafts, and cylinder blocks not only to the internal tiller and tractor assembly lines but also to external clients in the locomotive, automotive, aerospace, and defense sectors. The geographic reach and manufacturing footprint of the enterprise is formidable. Domestically, VST is supported by network of 1,234 dealers focusing on deep penetration into rural hinterlands. The Malur facility in Karnataka serves as the primary power tiller manufacturing hub with an installed capacity capable of scaling to 100,000 units annually.

During the year ended March 31, 2024, the company recorded sales of Rs.995 cr with an EBITDA margin of 11% and a net margin of 9% resulting in an EPS of Rs.109. 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 22.2% is owned by institutions. Among the key names are Nippon, Kotak, Ikgai etc. The remaining % stake is owned by the public.

## KEY INVESTMENT RATIONALE

### Introduction of new products, entry in new markets and macroeconomic drivers to drive growth

The underlying macroeconomic drivers in India are exceptionally strong. Rural labour shortages and high labour cost are forcing unprecedented mechanization. The Government of India slashed the Goods and Services Tax (GST) rate on agricultural machinery from 12% to 5%, directly subsidized the EMI burden for the marginal farmers. Furthermore, the financialization is acting as a massive demand multiplier. Management notes that retail financing for these small machines has grown from practically 0% just two years ago to nearly 10% currently, with a strategic target to reach 30-40% penetration as more Non-Banking Financial Companies (NBFCs) enter the segment. These factors create a highly conducive environment for multi-year structural growth across the segment.

The second major growth driver is the Higher-Horsepower (HHP) Tractor leap catalyzed by the Zetor joint venture. The Indian tractor market is overwhelmingly concentrated in the 30-50 HP segment, which accounts for approximately 800,000 to 900,000 units annually. VST's historical absence from this space severely capped its revenue potential. The VST Zetor Private Limited joint venture allows the company to rapidly deploy premium. This product is expected to be launched in Q4FY26. Further growth is supported by relentless product innovation, specifically the rollout of the FENTM (Fuel Efficient and Torque Max) series. This product line directly addresses the core operational anxiety for Indian farmers—diesel expenditure. By optimizing torque generation at lower RPMs, these new engines significantly reduce the total cost of ownership, driving domestic market share capture (1/2)



## KEY INVESTMENT RATIONALE

### Introduction of new products, entry in new markets and macroeconomic drivers to drive growth (2/2)

International revenue currently constitutes approximately 10-13% of total turnover, predominantly sourced from the European Union (France, Germany, Netherlands, Spain). To circumvent the severe logistical delays and working capital issues caused by the Red Sea crisis, VST is in the process of establishing a direct physical operational base in Europe. This localized inventory hub will significantly reduce the working capital burden on its European distributors, ensuring seamless product availability. Concurrently, the establishment of the wholly-owned subsidiaries VST Americas Inc. and VST Fieldtrac LLC paves the way for a highly anticipated entry into the North American compact tractor market by 2027, provided the tariff environment remains conducive.

#### Growth Drivers & Trends

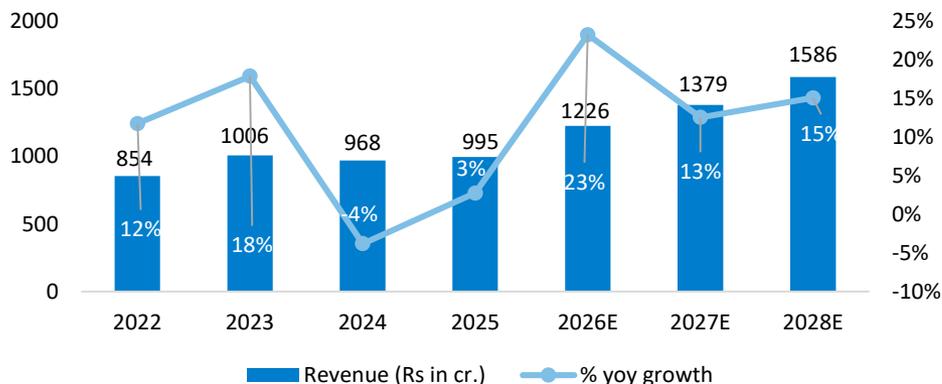


### Strong fundamentals & healthy financial position make a good base for growth, going forward

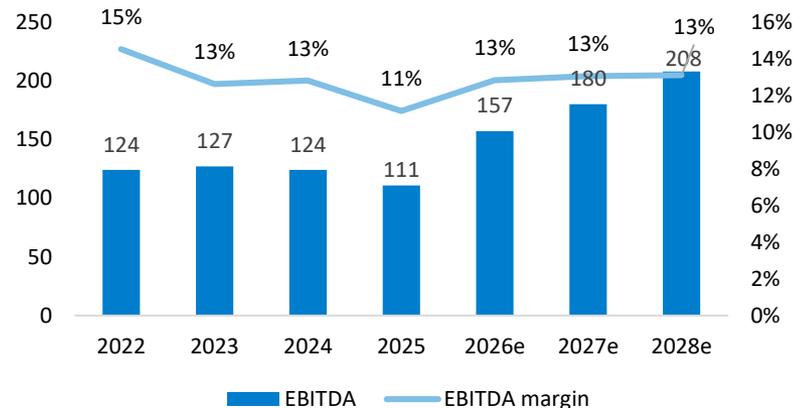
The Balance Sheet strength of VST is the strongest financial attribute. The enterprise operates with a pristine capital structure, carrying absolutely zero debt. This total absence of leverage insulates the company from the elevated borrowing costs and interest rate volatility that affects its more capital-intensive industrial peers. It has cash and investment reserves of Rs.655cr on Sept 2025, which would aid them to expand its operations .

## BUSINESS OVERVIEW

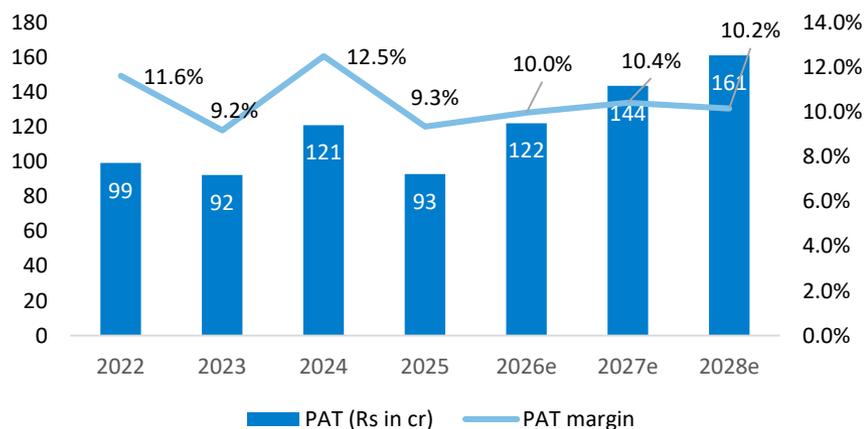
### Revenue & Revenue Growth



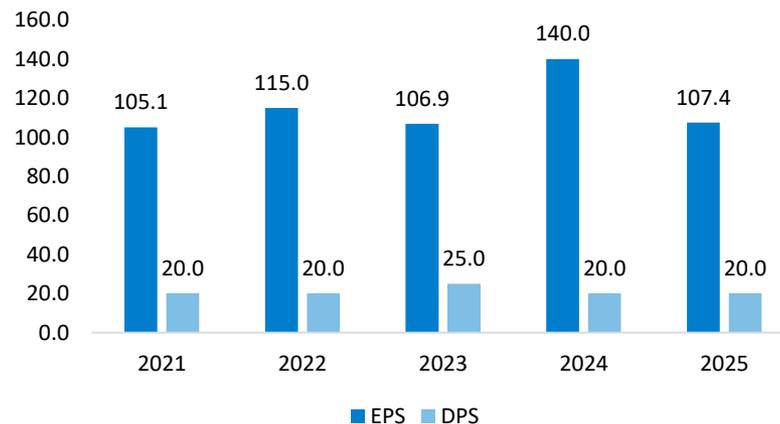
### EBITDA & EBITDA Margin



### Net Profit & Net Margin



### Earnings & Dividend Per Share

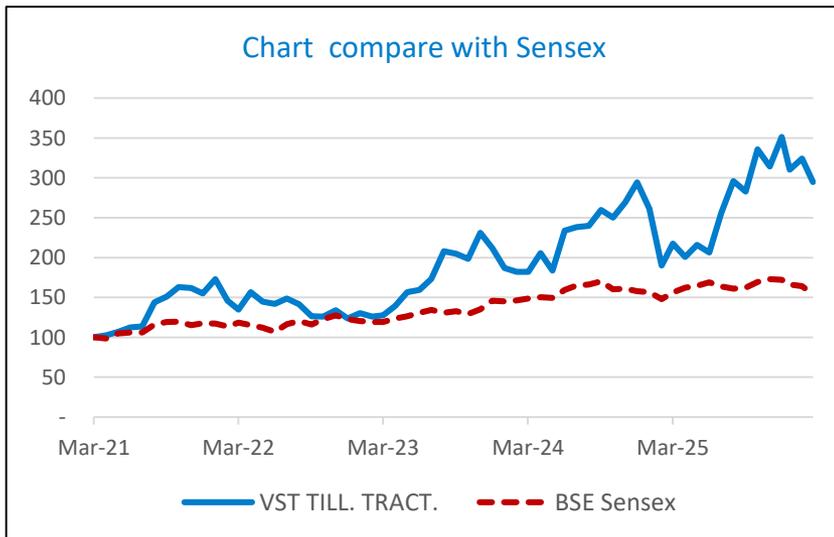
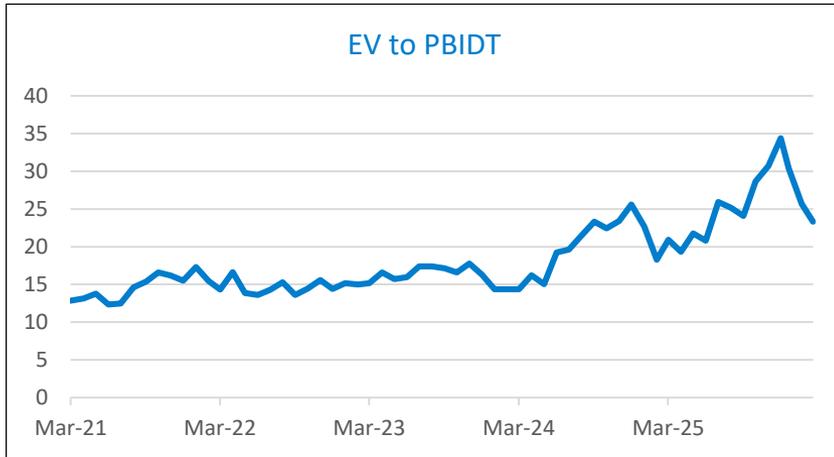


Source: Company Data, Sushil Finance

## KEY RISKS

- ❖ Indian agriculture remains highly sensitive to the southwest monsoon. El Nino phenomena or temporal shifts in rainfall distribution can instantly suppress rural cash flows, destroying volume projections. Furthermore, fluctuations in the prices of primary raw materials (steel, pig iron, copper) exert pressure on gross margins. While the company noted stable ferrous metal prices recently, copper inflation remains a continuous headwind. VST mitigates this by passing costs to consumers where possible
- ❖ If there is general economic slowdown or substantial increase in the interest rates, it may impact the economy and increase the cost to the farmers, which may have negative implications for the company.
- ❖ The domestic tractor market is a highly entrenched oligopoly dominated by M&M and Escorts Kubota. Breaking into the 41-50 HP segment via Zetor requires aggressive marketing spend and dealer incentivization, threatening near-term EBIT margins. Additionally, the low-end power weeder segment faces relentless pricing pressure from cheap, unbranded Chinese imports. VST counters this by pushing domestic "Make in India" manufacturing and better quality product with a 2 year warranty, which the Chinese players do not offer on the weeder

MARKET INFORMATION



Source: Company, Sushil Finance Research

## PROFIT & LOSS STATEMENT

(Rs. Cr.)

Y/E Mar.	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>995</b>	<b>1,226</b>	<b>1,379</b>	<b>1,586</b>
Raw Material Cost	683	823	930	1,069
Employee Cost	101	123	131	151
Other Expenses	99	123	138	159
<b>EBITDA</b>	<b>111</b>	<b>157</b>	<b>180</b>	<b>208</b>
<i>EBITDA Margin (%)</i>	<i>11.2%</i>	<i>12.8%</i>	<i>13.1%</i>	<i>13.1%</i>
Depreciation	25	32	32	37
Finance Costs	2	2	2	3
Other Income	38	34	38	38
<b>Profit before Tax</b>	<b>120</b>	<b>159</b>	<b>187</b>	<b>210</b>
Tax Expense	28	37	43	48
<b>Net Profit</b>	<b>93</b>	<b>122</b>	<b>144</b>	<b>161</b>
<i>Net Margin (%)</i>	<i>9.3%</i>	<i>10.0%</i>	<i>10.4%</i>	<i>10.2%</i>
<b>EPS</b>	<b>107.4</b>	<b>135.9</b>	<b>159.7</b>	<b>179.2</b>

Source: Company, Sushil Finance Research

**BALANCE SHEET STATEMENT**
**(Rs. Cr.)**

Y/E Mar.	FY25	FY26E	FY27E	FY28E
Net block	222	224	230	238
Other non-current assets	75	86	96	102
Inventories	101	140	158	181
Trade receivables	206	191	215	248
Cash and bank	75	58	45	20
Others Current assets	588	653	733	842
<b>Total Assets</b>	<b>1,265</b>	<b>1,352</b>	<b>1,478</b>	<b>1,630</b>
Equity Share Capital	9	9	9	9
Reserves	993	1,071	1,169	1,286
<b>Borrowings</b>	-	-	-	-
Other non-current liabilities	60	59	62	62
Trade Payables	99	119	135	155
Other Current Liabilities	104	94	103	118
<b>Total Liabilities</b>	<b>1,265</b>	<b>1,352</b>	<b>1,478</b>	<b>1,630</b>

Source: Company, Sushil Finance Research

**CASH FLOW STATEMENT**
**(Rs. Cr)**

Y/E Mar.	FY25	FY26E	FY27E	FY28E
PBT	120	159	187	210
Depreciation	25	32	32	37
Taxes	(28)	(37)	(43)	(48)
Interest	2	2	2	3
Chg in Inventories	17	(39)	(18)	(24)
Chg in Trade Payables	(0)	20	15	20
Chg in Trade Receivables	(50)	14	(24)	(32)
Chg in Other Current Assets	(4)	3	(11)	(15)
Chg in Other Current Liabilities	9	(5)	5	7
<b>Cash Flow from Operations</b>	<b>77</b>	<b>76</b>	<b>81</b>	<b>72</b>
Capex	(20)	(34)	(39)	(44)
Others	(7)	(33)	(33)	(28)
<b>Cash Flow from Investing</b>	<b>(29)</b>	<b>(67)</b>	<b>(72)</b>	<b>(73)</b>
Interest	(2)	(2)	(2)	(3)
Others	(40)	(19)	(22)	(21)
<b>Cash Flow from Financing</b>	<b>(38)</b>	<b>(23)</b>	<b>(21)</b>	<b>(24)</b>
<b>Opening Cash</b>	<b>44</b>	<b>71</b>	<b>58</b>	<b>45</b>
<b>Total Cash Flow</b>	<b>10</b>	<b>(13)</b>	<b>(13)</b>	<b>(25)</b>
<b>Closing Cash</b>	<b>54</b>	<b>58</b>	<b>45</b>	<b>20</b>

*Source: Company, Sushil Finance Research*

**FINANCIAL RATIO STATEMENT**

Y/E Mar.	FY25	FY26E	FY27E	FY28E
<b><u>Growth (%)</u></b>				
Revenue	2.7%	23.2%	12.5%	15.0%
EBITDA	-10.5%	41.6%	14.5%	15.5%
Net Profit	-23.2%	31.5%	17.6%	12.2%
<b><u>Profitability (%)</u></b>				
EBITDA Margin	11.2%	12.8%	13.1%	13.1%
Net Profit Margin	9.3%	10.0%	10.4%	10.2%
ROCE	8.1%	11.0%	11.9%	12.6%
ROE	9.3%	11.3%	12.2%	12.5%
<b><u>Per Share Data (Rs.)</u></b>				
EPS	107	136	160	179
BVPS	1,113	1,199	1,309	1,438
<b><u>Valuation (x)</u></b>				
P/E	49.0	38.8	33.0	29.4
P/BV	4.7	4.4	4.0	3.7
EV/EBITDA	42.0	29.8	26.1	22.7
P/S	4.8	3.9	3.4	3.0
<b><u>Turnover</u></b>				
Inventory days	54	62	62	62
Debtor days	75	57	57	57
Creditor days	53	53	53	53
<b><u>Gearing (x)</u></b>				
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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<b>Analyst Stock Ownership</b>	<b>Yes</b>
<b>Stock Recommended to Clients</b>	<b>Yes</b>
<b>Remuneration/Benefits received from company in 12 months</b>	<b>No</b>
<b>Merchant Banking Market Making activities / projects</b>	<b>No</b>
<b>Sushil Financial Services Pvt. Ltd and Group Companies Holding</b>	<b>No</b>
<b>Sushil Financial Services Pvt. Ltd and Group Directors Holding</b>	<b>Yes</b>
<b>Broking Relationship with the company covered</b>	<b>No</b>