



“VST Tillers Tractors Limited Q1 FY 2025 Post-Results Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to VST Tillers Tractors Limited 1Q FY '25 Post Results Conference Call.

From VST Tillers Tractors Limited's Management, we have with us today, Mr. V. T. Ravindra – Managing Director, and Mr. Nitin Agrawal – Chief Financial Officer.

Now, I will hand over the call to the Management for a presentation and Opening Remarks, to be followed by the question-and-answer session. Over to you, sir.

Nitin Agrawal: Yes. Good evening, everyone. My name is Nitin Agrawal. I am Chief Financial Officer of the company. I will take you through the key numbers for the quarter.

First is the safe harbor statement on projections. And in terms of financials, first we will talk about the sales number. Then, I will touch upon the Q1 results for standalone basis, and then on consolidated basis. And then we can open up the floor for the questions and answers.

So, moving on, these are the sales volume for our SFM business, which is Smart Farm Machineries, as well as tractors. So, as you can see on the screen, in the quarter we have sold around 6,089 power tillers, which is down about 33% in the corresponding quarter for last year. Similarly in tractors, 1,293 numbers of tractors we have been able to sell against 1,471 in the same period last quarter. Power weeder has of course shown quite a healthy growth, I would say. We have sold around 1,700 power weeders against 869 of last year's quarter.

Moving on, on the Results:

Revenue from operation for the current quarter is around Rs. 190 crores, against Rs. 246 crores last year. At EBITDA level, we are Rs. 34.7 crores, as a percentage this is around 16.37%. What we do is we also calculate operational EBITDA in which we ignore the other income part completely, because a lot of other income will include mark-to-market gains, so we exclude that completely. So, on operational EBITDA level, we are Rs. 13.38 crores, which is about 7.02%. The profit before tax stands at Rs. 27.94 crores, which is 13.18%, and PAT is at Rs. 22.85 crores. As you can see, the main reason of drop in operational EBITDA is because of the drop in revenue of around Rs. 55 crores. Yes, that's the main reason of drop in operational EBITDA. So, this was on standalone basis.

In the next slide, I will talk about the consolidated financials:

So, revenue from operation remains the same. The difference is, we have a JV with the name of VST Zetor Private Limited, in which VST holds 51% of the JV. So, during the quarter, our share of loss from JV is Rs. 0.38 crores, so that's the only difference between the consolidated and standalone number. So, operational EBITDA is around Rs. 13 crores from this and PBT is Rs. 27.56 crores which is, as a percentage, 13%.

Moving on, Q1 has been low for us due to various reasons, but we have seen the sign of recovery in July. So, I just captured in this slide about the sales numbers for power tiller for July, which is around 5,100 tillers and tractors are at 439.

Yes. So, that is all I had to cover in the PPT. Now, we can open for question-and-answers.

Moderator: Thank you, sir. We will now begin the question-and-answer session. First question will be from Mr. Ashish. Please unmute your line and ask your question.

Ashish: Sir, so if you could explain about how things are expected to move on the volumes for both tillers and tractors from now on, given the monsoons are fine this year? Plus, the higher HP tractors that we were intending to launch, so what's the status, what's the expectation around that? So, some sort of qualitative comments will be helpful for us.

V. T. Ravindra: Coming to the 2nd Quarter, we expect growth on the tiller volumes as compared to the 1st Quarter, which means we should at least double the volume over the 1st Quarter. And on the higher HP also we have started marketing the higher HP tractors. In the 1st Quarter we did about 40 tractors, and the network has just started coming into place. And we will also see Tractor growth in the 2nd Quarter from higher HP, because the network is just coming into place, especially in the Northern markets where we are not present.

Ashish: So, the entire expectation that has been built around the new products given the higher HP, so what sort of visibility you have? What are you gaining from your distributors on the ground as to how much to build on in terms of expectation of sales overall, maybe in the first year? Anything to share on that will be helpful.

V. T. Ravindra: See, the advantage would be that we are now entering the market. See, this segment is the biggest segment. If you see in the tractor industry, it's Rs. 5.5 lakh-plus segment is this segment of 40 horsepower to 50 horsepower. So, we were not present really in this segment. So, now we have the advantage of going to those markets where the higher HP are strong, those are predominantly markets like UP or MP and those markets. This will give us a base for building a network in those markets.

Ashish: Okay. So, are you suggesting that it is too premature to guess as to how the numbers would pick up over the course of the year for this?

V. T. Ravindra: Yes. Numbers are difficult to project right now, but we see that there would be good traction for this product, because the product itself has been well accepted. The feedback on the performance has been good. So, we expect that we should be looking at a decent volume, but we are not sure of what the exact number would be like.

Ashish: Any base case assumptions on this, sir, if possible?

V. T. Ravindra: Right now, I think it's too early to comment on that.

- Ashish:** And what is the distribution network like for these new launches?
- V. T. Ravindra:** Yes. Presently, we have about 20-plus distributors already who have started operations on this. And if we look at it, the numbers are growing substantially in the second and third quarter.
- Ashish:** And on the JVs, and basically the export markets that we were targeting, anything to share on those aspects?
- V. T. Ravindra:** Exports as of now, we have not started because we are concentrating on first building the network here. Exports, you're talking with exports with reference to Zetor JV?
- Ashish:** Yes.
- V. T. Ravindra:** Yes. No, we have not yet started marketing on the export front. That we will be looking at in probably from the third quarter onwards.
- Moderator:** Thanks, Ashish. The next, I will unmute Mr. Trance. Please unmute and ask your question.
- Trance:** You mentioned the Q1 volumes were lowered due to various reasons, can you just spell those reasons out?
- V. T. Ravindra:** Yes. The first one was primarily the drought situation in the end of last year that carried over till June. The monsoon started off in end of June onwards, only after the rains came the sentiments of the farmers picked up really. Then, considering most of our markets were on the back of a drought of last year, the sentiment was very poor with the farmers. Second issue was that because of the general elections, and also the focus on the subsidy schemes were not there in the 1st Quarter. So, all those have now started off in the 2nd Quarter and we see that the attraction is building up and these volumes come back in September.
- Trance:** And you are expecting 12,000 odd tillers volume in Q2, and what is your tractors expectation for the volume?
- V. T. Ravindra:** I would not put a number, but yes, we were looking at a decent growth on last year. So, we should be looking at 15%, 20% on last year's volume.
- Trance:** 20%, right?
- V. T. Ravindra:** Yes.
- Moderator:** In the meantime, I will go for some questions in the chat box. Sir, can you give a brief outlook on this EV tractors, what we do some exports?
- V. T. Ravindra:** Yes. We do not export the tractor itself. We do the drive train for the e-tractor, that is a driverless fully autonomous tractor that is built in the U.S. We build the complete drive train, that is the gearbox and the front and rear axle and the chassis, that is what we send from here.

- Moderator:** No, the questions is, what is the outlook for that and how it can scale up, sir?
- V. T. Ravindra:** Yes, the outlook for that is fairly good. We are seeing decent orders for that in this quarter. So, I think the volumes should be better than last year.
- Moderator:** Then the next question is on the implement, sir. What is the outlook for implements and how do you see it going forward?
- V. T. Ravindra:** The implement is a business is something that we are working on. It is taking a little time to build that business. See, primarily, I suppose you are referring to the rotavators and those sort of implements.
- Moderator:** Yes, sir.
- V. T. Ravindra:** Yes. No, we are working on that. We have built a separate vertical to focus on that business. And as I said, it's probably taking a little time to scale up.
- Trance:** Can you provide the revenue breakup for the quarter in your tractor, tillers and implements, sir?
- Nitin Agrawal:** Yes. So, for the quarter, SFM business has have done around Rs. 100 crores, tractor is around Rs. 60 crores, distribution business is around Rs. 28 crores.
- Moderator:** Sir, question in the chat box, but I think partially you have answered already, what are the reasons for the demand weakness that we witnessed in 1Q? That is the question. I think you already answered that, I think.
- Nitin Agrawal:** Yes, we have already answered this, mainly because of monsoon and general elections.
- Moderator:** And sir, now, see, we are expecting strong growth in the current quarter, sir, what is the specific reason for that?
- V. T. Ravindra:** The specific reason is the monsoon has been very good. All reservoirs are almost full. Across the country, I can say, monsoon is either surplus or normal. So, with this we definitely expect the sowing season to be very good. And it's already showing signs of picking up. That's the primary reason. The second reason, as I said, wherever the state government subsidies were supposed to come out in the 1st Quarter, they got pushed to the 2nd Quarter because of the general elections. And those are also falling in place, so that should also give us some additional traction on volumes.
- Moderator:** And there's a question in the chat box, sir. When can we expect improvement in realizations and EBITDA margins?
- Nitin Agrawal:** So, as we said that Q2 is looking better for us, so definitely margins should improve in Q2 and Q3 as well.
- V. T. Ravindra:** With the top line improving, automatically we will see an improvement in the EBITDA.

- Moderator:** And again, though this question also partially you answered, but again, what is the estimate on volumes in Zetor over the next two years?
- V. T. Ravindra:** Right now we are not able to put a figure, but as I said, we are looking at decent volumes on this, because this is a segment that we are entering newly. So, right now we do not want to comment on any volume.
- Moderator:** And the next two questions also partially you answered already. How is the customer feedback towards Zetor tractors as of now?
- V. T. Ravindra:** Yes, as of now the feedback is good, the performance has been very good. So, we expect the tractor to do well.
- Moderator:** And in the field, is people able to recollect HMT brand associated with Zetor, sir, or that is long back, and people are not able to associate Zetor with HMT now?
- V. T. Ravindra:** There are some markets which are able to recollect the brand and in the Zetor HMT markets, there is a brand recall.
- Moderator:** For tractors, we are now clocking around 40 numbers per month in FY '24, and despite Zetor launch we have not seen much push in our volumes as of now. Considering the above normal monsoon for FY '25, do we have any kind of target where we aspire to reach in the current year as well as next year? From the current 450 levels, where do you believe we can go up to, broadly? That is the question, sir.
- V. T. Ravindra:** Broadly, we believe that we should be definitely looking at 15%-plus growth from last year.
- Moderator:** Have you launched Zetor on a pan-India basis?
- V. T. Ravindra:** No, it will take us time to build our network pan-India. So, we have started in a few states and slowly we will build the higher horsepower network across the country.
- Moderator:** But the new networks, whatever we are building, will be selling only Zetor tractors, or they will be selling our lower HP tractors also? It is a combined network, sir? How are the new networks coming up?
- V. T. Ravindra:** See, some of the markets which we are entering with Zetor are new markets, so we have to establish a new network. Wherever our existing dealers are interested, we are also giving them the opportunity of taking the Zetor tractors dealership.
- Moderator:** If we are establishing a new network, they will be selling both Zetor as well as our normal lower HP tractors also, sir or is the new network only exclusively for Zetor type?
- V. T. Ravindra:** The new dealers will have an option to also sell our existing range of tractors.
- Moderator:** Okay. But in most of those markets, the smaller tractors may not be a big market, no, sir?

- V. T. Ravindra:** That's correct. So, it really depends. If it makes sense for the dealer and for us, then definitely we will also give them the smaller tractor range.
- Moderator:** Again, one clarification on the chat box, sir. 15% growth is for the company as a whole for FY '25, or is it only for tillers or tractors?
- V. T. Ravindra:** Your question was specific to tractors, so that was my answer for the tractor segment.
- Moderator:** But even tiller, we estimate similar growth, no, sir?
- V. T. Ravindra:** Yes. Tiller also we expect, yes, definitely that's the growth we are expecting in tillers also.
- Moderator:** Some people have come on queue, sir. I will unmute Mr. Devanshu. You can ask your question.
- Devanshu:** Sir, a couple of questions. So, in your growth target that we have, which is your aggressive growth target you have set for the next four, five years, higher HP tractors is supposed to be playing a pretty strong role in the contribution incrementally, right?
- V. T. Ravindra:** Yes.
- Devanshu:** So, that is one. But we have been hearing from Mr. Cherukara and from the team that this is going to be a very strong growth driver. But from what you are saying that the rollout seems is very slow versus at least what the commentary was. So, if you can just help me with understanding what was the initial target? And are we behind target? And what is the reason for that? Why are things going much slower than anticipated?
- V. T. Ravindra:** So, we just rolled out, yes, at the end of last year the first batch of tractors. And this is the 1st Quarter that we have really taken into the dealerships. And the network itself, we are just building, so that will also require a little time. That's what we see. Because it's in new markets we are entering UP and MP, Rajasthan, these are all new markets for us. We do not have a big presence there with our earlier product range. This product would need to have an in-depth network in those areas. So, that's taking a little time.
- Devanshu:** Sir, just to clarify, I mean, because our presence in the North is not so strong and because this market is a higher HP tractor market, which is why we are looking over there. But what about your existing regions, is that not something that we are looking at pushing for the higher HP tractors?
- V. T. Ravindra:** We are just looking at a strategy where the higher HP market is particularly strong. And looking at, you can say, area-wise strategy, so that we will not go all over the place initially. So, we just identified a few areas where we would like to concentrate initially and then take it across.
- Devanshu:** Sure. And second question I had was on the share of the tiller financing in terms of volumes, the number last, if I remember correctly, was about 4% to 5%. Now that we have, I mean, the aim

is to rely less on the subsidy and provide financing, has this number, is it trending the same in terms of your volume contribution or has it scaled up?

Nitin Agrawal: Yes. So, in terms of retail finance, if I understand the question, it's more on retail finance, so we are at roughly at same percentage which you mentioned, around 4% to 5%, but we hope this number to grow quarter-on-quarter.

Devanshu: Sure. And the last question I had, since Mr. Ravindra is also on the call, would like to get his view on this. We have been talking about the land bank and monetization for many years now and the plans are always, I mean, it's always being pushed at least from what we hear. So, just to get some clarity, is this something that's on the cards or entirely? Or it cannot be expected to happen anytime soon?

V. T. Ravindra: It would not happen immediately. To be honest, we are at present using the setup there for our warehousing. I mean, we need to discuss this at the Board level . And there is a long-term plan, but nothing will happen in the short term.

Moderator: Next, I will unmute Shrayansh. Please ask your question.

Shrayansh: For the past few years, like you guys have been talking about increasing your finance share. I think somewhere you even mentioned in some con call that you are going to increase it to 30% in a year and that did not happen, it's still at 4% to 5%-odd. So, what is the deterrent, which is stopping you, like what is the main issue here, why is this not increasing?

Nitin Agrawal: Yes. So, I will answer the question. So, basically, tiller is not a registered product like tractor. So, that's one topic. Second is, the income level of the farmer, who is small and marginal, is comparatively lower. So, the bank basically finds this risky because the asset is not having a registration number, so hypothecation becomes a challenge. And second is the low paying capacity of the farmer. So, these are the two primary reasons which we found that because of these retail finances are low. To overcome this, what we are doing is we are doing tie-ups. In some cases, maybe loss-sharing as well, if it's really required to push the case. And that's what is seeing the traction now.

Shrayansh: So, this is improving now, right?

Nitin Agrawal: Yes, this is improving now, yes.

Moderator: We will take only one question from the chat box, sir. So, can we get some understanding on revenues from Monarch?

V. T. Ravindra: Monarch revenue?

Nitin Agrawal: How much is the Monarch revenue?

Moderator: Broad number, yes, broad number is fine.

- Nitin Agrawal:** Yes. Around Rs. 5 crores is revenue from Monarch in this quarter. So, we expect this to grow in the coming quarters.
- Moderator:** There is only one more question from the chat box, sir, so probably we will finish up with that.
- Nitin Agrawal:** Sure.
- Moderator:** Any color on how do we intend to counter competition from established players on higher HP tractors? How do we aim to distinguish our product from competitors? This is on Zetor, sir.
- V. T. Ravindra:** This is restricted to Zetor, is it?
- Nitin Agrawal:** Yes, the question is on higher HP tractors.
- Moderator:** Yes. The question is on the higher HP tractors. Yes.
- V. T. Ravindra:** Now, what I would say is, one is, see, we are working with the network to ensure that the network of our tractor dealers is profitable. So, this will ensure the long-term viability of the network. And number two is also, on the product side, we are working on some innovations. And Zetor tractors are also, as a brand, have recall and they are known for their build quality and the power. So, this should also help us in taking on the competition.
- Moderator:** Okay, sir. Some more people have come on the queue. I will unmute Arjun Khanna, sir. Arjun, you can unmute and ask your question.
- Arjun Khanna:** Thank you for taking my question. The first question is regarding the tractor piece where we are estimating a 15% growth this year. I understand, sir, we have even launched utility tractors on the compact side, that itself increases the target market size apart from VST Zetor. So, in this environment where we are expecting a good monsoon in key markets of Maharashtra and Karnataka, why is the growth estimate just 15%?
- V. T. Ravindra:** Yes. We have just launched that product, so we need to see how that product is accepted and how it behaves. So, yes, you are right, we have one more product in our stable. Yes, right now, we do not want to jump the gun by projecting any higher volumes on that.
- Arjun Khanna:** Right. It's just that the context is, if I go back to maybe FY '21, we did roughly 9,000 tractors, 8,800, we did 4,800 in FY '24. So, if you just go back to earlier levels with the earlier range, we should be up substantially. That's why, is there something --
- V. T. Ravindra:** That's the intent, but yes, we will get there, that's the intent.
- Arjun Khanna:** Sure. Secondly, in terms of power tillers, we had an announcement to the exchange where we do believe the market potentially could get to almost 1 lakh power tillers. In terms of production, last year was just, in terms of our sales, almost 36,000, 37,000 units, assuming we are 60%, 70% of the market. If the goal is that the market can be 1 lakh units, why would we be growing at just 10%, 15%, sir?

- Nitin Agrawal:** Yes. So, Arjun, I think that 1 lakh number which Mr. Anthony Cherukara has been mentioning, it's a long-term number. It's not in one or two years we are looking at. If you look at the old transcripts as well, that's, I will say, a long-term target which we believe that that industry has the potential. But for this year, we are taking 15% of the growth target. As Mr. Ravindra mentioned, it's more to be modest, I would say.
- Arjun Khanna:** Sure. Thirdly, if you look at the power weeder side, we had mentioned we would set up a manufacturing capacity of 6,000 units this year. Are we on track for the same?
- Nitin Agrawal:** Yes, we are on track for that. We have started work on the proto weeders; we are going to develop the weeders in-house. They should be out by the third quarter; we should have a couple of models for testing purposes. And I think by the fourth quarter, we should be able to start marketing the weeders that are completely built by us.
- Arjun Khanna:** Sure. That's heartening to hear, sir. In terms of pricing would this be significantly lower than the imported models we are selling at this point in time?
- Nitin Agrawal:** I do not think so. I do not believe that there would be huge price savings, because right now many of the weeders that are imported are cheaper weeders that really do not last. So, we want to give a good product, and we do not want to play on the price. Rather than that, we give a quality product and establish the product for the long term.
- Arjun Khanna:** Right, sir. I was referring to the products we are importing, are we also importing Chinese products and selling of the number?
- V. T. Ravindra:** We are importing a few products right now. Yes, we are in the higher end of the range. We have stuck to only a few products which are quality products. That's why even now, as far as pricing is concerned, maybe we are higher priced than the competition. And I believe even when we indigenize the products, we really would not be playing in the cheaper segment.
- Arjun Khanna:** Sure. Sir, we had talked of a potential JV per leads with Kobashi, has there been any further update on that, sir?
- V. T. Ravindra:** Yes. It's taking a little time. The Kobashi people are taking a little time to come back on that. We are hoping to hear from them by this month end. So, we should have some clarity for you by the next quarter. But it's not shared or anything, so it's still just work in progress.
- Arjun Khanna:** Right. And just the final question, sir, from my side. If one looks at capital allocation, we have significance amounts of cash on the balance sheet. And you mentioned in the long-term potential sale of land which would further add to cash balances. How do you look at the capital expenditure for the company over the next two years? And what could be potential ways to speed up growth? Thank you.
- V. T. Ravindra:** Coming to the land, firstly, we are not clear whether we are selling it, or we are developing it. We do not know. That's a decision that will be taken by the Board. So, I would not comment on

that right now. But yes, we are looking at various ways of deploying the reserves. We look at even some inorganic growth, which is a possibility. Right now, we cannot comment, but we are looking at some options on that.

Arjun Khanna: Would that be largely be in India or anywhere across the world, sir?

V. T. Ravindra: No, both.

Moderator: There are one or two people in the queue, sir. Shall I take the questions, sir?

Nitin Agrawal: Maybe one last question.

V. T. Ravindra: Yes.

Moderator: Yes. The final call will be from Mr. Zubin. Please unmute and ask your question.

Zubin: Sir, firstly, just wanted to know, how the compact tractors in our main market, basically Maharashtra side, in the Western side, because over the last two quarters we have heard that things were not great. So, what is the outlook in these states? Just wanted to know that, first question.

V. T. Ravindra: The outlook is, I think, Maharashtra is coming back. Of course, from a very dry spell, they went into a very, very extremely wet spell. So, that also dampened things in July, because the farmers were not able to do anything. They had very heavy rains, as you may be aware. And now things are settling down, and we are seeing that there would be a very significant traction coming back for the segment in Maharashtra.

Zubin: Sir, secondly, just wanted to know in terms of our exports for this quarter and what are we expecting. Because I remember in Q4 also we were looking at targeting U.S., specifically, so entering into U.S. So, what would our current juncture, so where are we on that?

V. T. Ravindra: Yes. In the U.S. market, we have started work on that. And we have started work on developing specific products for the U.S. market, because U.S. market has different requirements unlike Europe. And we are, I would say, on track to launch the products in U.S. sometime next year.

Zubin: Also, sir, with respect to Zetor numbers for this year, what are we kind of expecting looking at Q1 as well as your expectation with expansion happening in the distribution side? So, any specific or any range of numbers would be helpful with respect to Zetor side.

Nitin Agrawal: So, Zubin, this question has been asked two, three times. We do not want to give out any numbers as of now. But yes, the product is being accepted good in the market and we expect this to be better on a quarter-on-quarter basis.

Zubin: Sure. Also, lastly, I would like to know, so I think so in Q4 we had already spoken about our targets, which got extended by. So, do we expect any change in the timelines with respect to our target of reaching Rs. 3,000 crores?

I also, I remember, Anthony sir had given, how he plans to go about, so he had spoken about the Rs. 1,000 crores. But the remaining Rs. 1,000 crores, they had spoken, he had said that we are looking at different avenues. So, any movement with respect to that or any information you could provide with respect to that?

V. T. Ravindra: Yes. We have been looking at a couple of options. As we said, I think in the last Investors call, Mr. Anthony had indicated that we should be looking at Rs. 2,000 crores coming from the existing products and what we are doing, that is by the years '25-'26. And for the other Rs. 1,000 crores, we are looking at some other growth opportunities. Right now, I am unable to comment on those because it's not yet formed up.

Zubin: So, basically, we are sticking with the timeline of FY '25-'26, right sir?

V. T. Ravindra: Yes. I think the Rs. 2,000 crores at '25-'26 are what has been indicated in the last Investors call.

Moderator: So, on behalf of B&K Securities, we thank all the participants for joining the call. And special thanks to VST Tillers' Management for taking time out for the call and giving us the opportunity to host the call. Have a good day.

V. T. Ravindra: Thank you.

Nitin Agrawal: Thank you. Thank you so much.

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