



**“VST Tillers Tractors Limited
4Q FY2022 Post Results Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to VST Tillers Tractors Limited 4Q FY2022 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Sir!

Annamalai Jayaraj: Thank you. Welcome to VST Tillers Tractors Limited 4Q and FY2022 post results conference call. From VST Tillers Tractors Limited management, we have with us today, Mr. V.T. Ravindra, Managing Director, Mr. Antony Cherukara, Chief Executive Officer, and Mr. Pankaj Khemka, Chief Financial Officer. I will now hand over the call to the management for their opening remarks to be followed by question and answer session. Over to you, Sir!

Antony Cherukara: Thank you. Good evening, everyone and we are very happy to share with all of you the results for the last financial year FY2022 and the Q4 results. I will start with the financial figures for the year. For the FY2022, the revenue has been Rs.853.86 Crores, which is a growth of 11.73% over the previous year. The overall EBITDA is at Rs.158.27 Crores which is 17.82% compared to 17.01% the previous year, which is a growth of 14.82% over the previous year. Operational EBITDA is at Rs.124.18 Crores, which is 14.54% compared to previous year 12.01% which is a growth of 35.33%. PBT is at Rs.132.18 Crores, which is a growth of 10.87% and PAT is at Rs.99.31 Crores which is a growth of 9.41% over the previous year. These are the annual financial numbers.

I will go to the quarterly Q4 FY2022 numbers. The revenue was Rs.218.36 Crores which is a 12.13% increase over the previous year. Overall EBITDA is Rs.36.58 Crores which is a 65.67% increase over the previous year. Operational EBITDA is at Rs.30.15 Crores which is 285.07% over the previous year. PBT at Rs.29.16 Crores which is 66.62% over the previous year and PAT at Rs.22.10 Crores which is 70.91% over the previous year.

Now coming to the numbers of products. We have done 31,776 tillers of which 31,488 is domestic and about 288 is export. This is compared to the previous year's 27,318 and in tractors we have done 7991 tractors against previous year of 8835. The quarterly numbers on power tiller in Q4, we have done 9282 power tillers against previous year 7474 and tractors we have done 1575 against previous year of 1885 so these are the brief numbers of the quarter as well as the year in terms of revenue as well as the volume. I would like to open now for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

- Mukesh Saraf:** Good evening and thank you for the opportunity. My first question is on the tractor volumes Sir so we have seen the tractor volumes for this year decline about 10% and if I look at the industry volumes at least in less than 30 HP industry volumes have actually grown about 8% so I just want to understand number one what is the reason why we are losing some market share there and secondly what is our plan with respect to some of these new launches and how are we going to kind of get back to some of those market shares?
- Antony Cherukara:** The market share primarily loss has been in Gujarat and Maharashtra and this is where the four wheel drive compact tractors go, so if you look at less than 30 HP there are two segments. One is the utility tractor segment and the other one is the four wheel drive compact tractor. so the growth has happened only in the utility tractor segment and in the four wheel drive tractor segment there has not been much growth however we are taking steps in terms of launching more products in that segment. Last year we took initial steps during the second half of last year we launched the 30 HP. Now compact tractors we would be following that with more launches with the same platform this year. We would also be launching new platform of series called EGT which is ergonomically much advanced tractor that will be launched in this year. We have multiple products launches planned in this segment with which we hope to gain back the market share.
- Mukesh Saraf:** Sir these launches will be now prior to this key season that we are going to see in the next three to four months or this is going to be slightly later?
- Antony Cherukara:** These launches will happen in the next four to six months.
- Mukesh Saraf:** Four to six months so after the June to July period?
- Antony Cherukara:** Yes, when the market in Maharashtra which is mainly for the grape crop during the June and July season at that point we could be able to hit the market.
- Mukesh Saraf:** Understood and second question is on pricing Sir? In the last quarter you had mentioned that in Q4 we will take some price hikes on both the tillers and tractors segment could you give some sense on how much price hikes you have taken in this Q4 Sir?
- Antony Cherukara:** Yes, we have taken a price in Q4 in February so now the other companies as you already know have gone in for a price rise in April so we should be looking at further price rise in this quarter as well because the commodity prices have gone up further.
- Mukesh Saraf:** So what will be the quantum of hike we took in February for tillers and tractors if you can help?
- Antony Cherukara:** The February price rise in the tune of about 1.5% and going forward we are looking at about 2% to 3% price rise.
- Mukesh Saraf:** This will be for both these segments Sir tractors and tillers?

- Antony Cherukara:** Mainly in tractor segment. Power tillers space we have very little room for further price rise.
- Mukesh Saraf:** So there as raw materials cost go up we are not able to still pass through pricing there?
- Antony Cherukara:** We will have to manage our bottom line through better cost efficiencies and other cost management measures that we are working on which has yielded us results last year also as you can see.
- Mukesh Saraf:** Understood Sir and just lastly could you give us the number of tillers within this total number that you have mentioned? How many were B2B tillers that we have sold within this?
- Antony Cherukara:** B2B is about 1800 Nos.
- Mukesh Saraf:** For the year as a whole?
- Antony Cherukara:** For the year as a whole yes.
- Mukesh Saraf:** Right Sir thank you so much. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Harsh from Gemavat. Please go ahead.
- Harsh:** Good evening. Sir my question was on the margin side so we have seen a little bit of a pressure on the gross margin so would you let us know what kind of a cost impact did we have in this quarter and what kind of a cost impact are we expecting going ahead?
- Antony Cherukara:** So right now there is unprecedented inflation which we should be able to look at a price rise of 2% to 3% as I just said, so that is for now and volatility continues so to predict what will happen in the future is difficult. We will be looking at it on a quarter-on-quarter basis.
- Harsh:** Got it Sir and any capex so what kind of capex are we looking at for this year Sir?
- Antony Cherukara:** We are looking at a capex of about Rs.60 Crores.
- Harsh:** In FY2023?
- Antony Cherukara:** FY2023 yes.
- Harsh:** This will be towards new capacity or maintenance capex or this is including maintenance?
- Antony Cherukara:** Mostly new products and new product development.
- Harsh:** Okay that is it.
- Moderator:** Thank you. The next question is from the line of Devanshu Sampat from Yes Securities. Please go ahead.

- Devanshu Sampat:** Good afternoon. A few questions. Can you please let me know what is the increase for the non current investments from Rs.77 Crores to Rs.106 Crores?
- Antony Cherukara:** What is the nature of investment you are asking?
- Devanshu Sampat:** Why is there roughly Rs.30 Crores increase in non current investment in this year?
- Antony Cherukara:** Non current investment. These are practically into equity linked mutual fund scheme.
- Devanshu Sampat:** What is the investment in US company, currently total?
- Antony Cherukara:** That is about Rs.23 Crores in total.
- Devanshu Sampat:** Rs.23 Crores so far and Sir just if you can comment on the working capital like last year you mentioned that we have been taking conscious efforts to do so and this year there seems to be a lot of work done on the debtor side as well so can you explain a bit on what has happened and whether this number is something that is sustainable?
- Antony Cherukara:** Yes, of course as I have shared with you earlier we have been working on TOC base supply chain methodology so that is yielding us results where we have been able to manage inventory very well, so inventory as you know is at about 43 days and the receivables also has considerably come down. The receivables is at about 29 days and all this has been systematically done, process driven, very clear methodologies are in place so hence I think it is very much sustainable.
- Devanshu Sampat:** So you think tightening of these receivable days can possibly have an impact on volumes? That is essentially we are being a bit more stricter than what we were earlier?
- Antony Cherukara:** We are working as I repeated before. We are working on a pull base system so the focus is on retail. The focus is on billing based on consumption. We are not building any extra inventory into the channel. The focus is on ensuring dealer profitability through higher rotation for the dealer we believe is the key differentiator for us going forward.
- Devanshu Sampat:** Got it Sir. Coming to your export volumes can you tell me what the number was for FY2022?
- Antony Cherukara:** FY2022 the power tiller export was about 288 Nos and tractor export is about 1400 Nos.
- Devanshu Sampat:** 1400 and FY2023 is the year when your export business is supposed to grow considerably because of one of your tie-ups so would you say that your statement is still correct or are there any delays in the plan and if so could you provide some guidance in terms of the numbers?
- Antony Cherukara:** No the tie-up with Zetor is not only for export so there is no delay in that, the international business growth plan is continuing as said before.
- Devanshu Sampat:** Internal forecast for volumes this year if you can give some guidance?

- Antony Cherukara:** I do not have a guidance number on that because as you know things are very volatile today but definitely you can expect growth this year as well.
- Devanshu Sampat:** Sir just last question, so we are generating about Rs.100 Crores of free cash flow per year and cash and cash investments is about Rs.300 Crores to Rs.350 Crores odd so cash is definitely piling up and it is roughly forming about 40% of your balance sheet now and I am not including the noncurrent investments over here and plus also there will be a land sale discussion that is happening so that will be some chunk that will come in as well so can you elaborate a bit on what is your capital allocation policy now and the promoter also did add to their holding a little bit in this December last year so clearly there is some sort of value that the promoter are seeing so are we considering a buyback or is that a part of the plan?
- Antony Cherukara:** We are looking at new opportunities for growth. Currently there is no plan for any buy back but definitely we are looking at faster growth and hence new opportunities. Like I have said before we are looking at inorganic as well as organic growth opportunities where the capital will be utilized.
- Devanshu Sampat:** That is it from my side. Thank you and wishing you all the best.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities Private Limited. Please go ahead.
- Kaushal Shah:** Thank you Sir for the opportunity so you shared the volume numbers for Q4? If you can share the revenue breakup also between tillers, tractors and the other segments?
- Antony Cherukara:** Just give me a second for the revenue figures. For the tiller segment, the revenue for Q4 is Rs.134 Crores and for the tractors it is about Rs.62 Crores.
- Kaushal Shah:** There will be parts or the other segments?
- Antony Cherukara:** The parts businesses is about Rs.20 Crores and the other business all put together is about Rs.19 Crores.
- Kaushal Shah:** Sir you shared the B2B volumes earlier and it was 1800 numbers at least in the past there was this possibility that this particular segment can grow because it was servicing dealers who were earlier selling Chinese make tillers so any particular reason why this particular segment has not picked up and numbers continue to be very modest?
- Antony Cherukara:** That depends on certification so whatever we supply will have to be recertified by government agencies for the other brands to sell. Last year lot of time was spent on certification so we expect that business to grow.
- Kaushal Shah:** Right and Sir how many such dealers are servicing now?

- Antony Cherukara:** We have only two OEMs that we are servicing now.
- Kaushal Shah:** So directionally Sir can this number grow because at 1800 numbers it is quite a modest number just now so may be in the current year can we look at a very stronger growth in this number or that is unlikely?
- Antony Cherukara:** Very high level of OEMs are in there because people who are traders typically importing two containers and three containers they are not working on a structural business so that I do not think will come back to us. However these two OEMs plus couple of other OEMs we are in talks with. Will the number be very high? I do not think so, but it should be in the tune of about 3000 to 4000 numbers.
- Kaushal Shah:** Right some thoughts on the implements business? We have been doing power weeders, we have been doing rotavator and brush cutters so may be some thoughts on where do you see that particular segment in the current year and may be over the next let us say two years?
- Antony Cherukara:** So last year was the first year when we started this business. I am very happy to say that power weeders we have ventured good growth and we have done over 2000 power weeders. The brush cutters also we have done good volume. We expect that to grow. We would like to see exponential growth in that and we are taking action to grow that exponentially.
- Kaushal Shah:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Thank you for this opportunity. Sir I missed the earlier commentary so sorry for repetition Sir. If you give us some more colour on how the business environment is shaping up for both the power tillers as well as the tractor segment? Correct me there Sir we were expecting that the tractor segment will be outperforming going forward from the Q1 as per the understanding from the OEM so if you could give us some more colour and what are the current challenges the company and the industry are facing and how are we going to deal with it Sir?
- Antony Cherukara:** So the challenges in both the segments are very different. The small farm mechanization space continues to grow. The industry continues to grow in that segment upwards of 20% to 25% CAGR. We also expect to grow at the same rate or slightly better that is what we are aiming at. What we are doing for that is trying to increase our coverage, increase the range of products. We have about 520 dealers now from about 150 dealers two years back. We expect another 200 dealers to be added this year so that should get us the growth with increased coverage and more number of products in that segment. Coming to the tractor segment as I have said we are at about 340 odd dealers currently. Most of the OEMs are at about 900 or 1000 plus dealerships so we have a long way to go in terms of increasing coverage in the market. Second is there are niche segments that we operate in which is the compact tractor four wheel drive segment where we will try and strengthen our position this year with launch of multiple new products. The second major

aspect is we do not build volumes by talking at the dealerships. We are working on a pull base system so if you see our retail market share has gone up while the whole sale figures does not reflect what the industry would generally do when the price increase happen that is stocking of inventory. This we would not do because we are focused on pull based system. We believe that should yield us good results because the focus is on the dealer profitability so that is where we have so slightly different approaches in both the segments and I hope I have answered your query.

Saket Kapoor: But Sir for the outlook for the sector what is the feedback from the ground and we already two months into this new financial year so if you could give?

Antony Cherukara: We expect both the industry to grow both the power tiller and the tractor industry to grow however it will depend on the monsoons. Prediction is good. The crop prices are better. Improved exports are giving better income to the farmer especially in the wheat growing states so I think all of this will augur well but in the wheat growing states our presence is much lower so how much of that will turn to business for us is comparatively lower compared to companies which are having a very strong presence in North India so however overall if you ask me the industry, the industry is looking at positive growth however there is a disclaimer that is the monsoon.

Saket Kapoor: Right Sir. Sir we did make some investment in the precision equipment I think at Mysore correct me there also so what is the contribution from the unit currently and I think some niche products were being developed there so what is the feedback from that segment and how is it going to contribute in the current year?

Antony Cherukara: So in Mysore we had done some investment for precision components as well as our precision implement foray so last year we have started the manufacturing of implements. We are yet to really scale up in that segment which we intend to do this year.

Saket Kapoor: What has been the contribution Sir last year from this segment?

Antony Cherukara: It is very small. It is not very significant.

Saket Kapoor: And for the current year are we looking to scale it up to some reasonable levels or still in the pilot stage?

Antony Cherukara: We should get into the double digit level in terms of revenues and that is what we are looking at.

Saket Kapoor: Double digit means Rs.10 Crores?

Antony Cherukara: It can be better than that. I do not want to give any guidance.

Saket Kapoor: I just wanted to understand the base Sir?

- Antony Cherukara:** We are starting from zero so I think whatever number we do in the double digit should be pretty good. This business is being built for the long term so I believe that in the short term you will not find any big impact on the topline but however as the industry grows farm mechanization grows in India which has got huge potential in India we will be one of the most significant players there.
- Saket Kapoor:** Sir in your Rs.3000 Crores topline road map for five years what have you factored in from this unit from the Mysore unit?
- Antony Cherukara:** We want to get implement this business up to at least Rs.100 Crores.
- Saket Kapoor:** Annual turnover of Rs.100 Crores and the margins are different in the higher double digits from this segment?
- Antony Cherukara:** Yes.
- Saket Kapoor:** Right Sir. Sir the volume numbers if you could share in the press release part I think so that will be very helpful? Earlier also we have requested that your press release to be slightly elaborative so that the quarterly volume numbers in a cumulative way and also comparative number year wise and when we are coming up with annual results, the annual volume numbers would have been very helpful Sir in this press release part Sir?
- Antony Cherukara:** I know but media people stick to one either the financials or the numbers.
- Saket Kapoor:** You can add both Sir? It is hardly a page?
- Antony Cherukara:** We will see how best we can manage both.
- Saket Kapoor:** Sir coming on to one more point? Sir if we take this quarter numbers comparison with March last year Sir the other income was slightly higher? It was Rs.14 Crores and this quarter is Rs.6.5 Crores so what has resulted in the lower other income Sir for this quarter?
- Antony Cherukara:** Last year the other income was around Rs.11 Crores to Rs.12 Crores. Basically the write back was around Rs.11 Crores to Rs.12 Crores. This year the write back is around to the tune of Rs.5 Crores. I think that is one of the major head under which has come.
- Saket Kapoor:** Sir for this year you have mentioned Rs.60 Crores the capex? That is all Sir into the operational capex and no capacity enhancement in that?
- Antony Cherukara:** No capacity enhancement very little on some power weeder segment and all that but mostly in the product development.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

- Shashank Kanodia:** Good evening, Sir. Sir I just wanted to understand what will be the total industry volumes in the case of power tillers and our market share for FY2022?
- Antony Cherukara:** Power tiller industry I do not have the exact figure but we have a 55% market share. Our volume is 31766 Nos if you do not mind you could just calculate that. 55% is our market share so we have improved market share by 2% this year.
- Shashank Kanodia:** Domestic still be roughly 30,000 units right because 1800 is the contract manufacturing part?
- Antony Cherukara:** Yes right.
- Shashank Kanodia:** So that means the industry size is again a 55,000 kind of a unit market right?
- Antony Cherukara:** Around 55,000 yes.
- Shashank Kanodia:** So the initial understanding was that 50% to 55% market is controlled by us? The rest 25% like CAMCO and the rest 25% is imported in nature so that should have some back to us right so something like 10,000 units of incremental volumes in terms of contract manufacturing and imports substitution was supposed to come to us?
- Antony Cherukara:** I agree. Industry has slightly grown last year but that entire 10,000 does not come back. Like I told the previous gentleman who asked me this question see any product that has been introduced in the market has to go through certification process, it has to go through the certification for both the OEMs. Many number of months were spent on certification last year so in fact this will be the first full year they will get to operate. We expect the volumes to grow but not to the same 10,000 level because I said that 10,000 had a large segment of unorganized players who will be importing two to three containers so that businessman will not come back to this business.
- Shashank Kanodia:** Sir people have smartly made a way out in importing power tillers in India?
- Antony Cherukara:** No there is no import happening. There is no import happening of power tillers into India because they will not be able to clear customs if they do that so that is not happening but a large amount of power weeders are being imported. Power weeders are again some smaller phase of power tillers anything below 9 HP is called power weeder so that large amount of import is happening.
- Shashank Kanodia:** You mean to say that power weeders have kind of cannibalized some position of power tiller market?
- Antony Cherukara:** Not really because both are very different segments and power weeders are very much smaller compared to a power tiller so these segments are very different. As you can see even after the imports, the industry has grown slightly and we expect this year the growth to get stronger.

- Shashank Kanodia:** Secondly Sir for the tractor division you have been guiding industry leading volumes so are we happy with the performance for the last fiscal so do you feel that we have grown ahead of the industry?
- Antony Cherukara:** We are working on a particular strategy that I said that is focused on pull based system on retail so if you look at the retail market share we have done well, but if you look at the whole sale market share which is leading channel inventory we have not followed the industry in terms of building that inventory. We believe that the key differentiation is going to be profitability of dealers in the market so we are sticking to that principle and you will see growth happening. If you ask me are you happy with the growth? definitely not. I am not happy with any growth that is happening, but then we need to grow faster so you will see that growth happening, but we will stick to that strategy. You may not see the same momentum, if whole sale billing happens in industry, will industry follow the same trend? it may not happen because we will follow the retail and consumption based model.
- Shashank Kanodia:** Lastly if you can share the absolute rupees Crores number for power tiller and tractor sales for the full fiscal year?
- Antony Cherukara:** The power tiller business is about Rs.133.87 Crores for Q4.
- Shashank Kanodia:** I need it for the full year Sir? We have it for the quarter, for the full year?
- Antony Cherukara:** Full year is Rs.458.7 Crores for power tiller and tractor is Rs.294.23 Crores.
- Shashank Kanodia:** Sir what kind of growth projection should we work for next fiscal FY2023?
- Antony Cherukara:** This year I am not giving any guidance simply because our situation is very volatile.
- Shashank Kanodia:** But we feel that we can achieve our target of Rs.3000 Crores of sales by FY2025?
- Antony Cherukara:** If the growth journey continues and all the plans are in place to move towards that objective because the key objective for VST Tillers Tractors Limited was to move out of stagnancy. I think in the last three years what we have achieved is move out of stagnancy and go into the growth momentum and so I think that will continue now. Because of the volatility of the situation, commodity, supply disruption and still we are yet to see the monsoon completely playing out so we do not know for sure what to expect, however our plans are in place to chase down that vision and like I said the primary purpose of getting into growth momentum has been achieved and we will see growth happening at VST Tillers.
- Shashank Kanodia:** Sure Sir. Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Sunny Agarwal from SBI Securities. Please go ahead.

Sunny Agarwal: Good evening, Sir. Sir just continuing on the last question so for a target of Rs.3000 Crores by 2025 what will drive this numbers so if you can just throw some more light on this, thank you?

Antony Cherukara: Like I have said with you before we have done multiple projects for that. Some of those projects are going live this year. One is the VST Zetor joint venture which will go live this year. Multiple products are being launched. We are working globally to expand our presence both in Europe, Africa and this year into Latin America so this should give us growth. We are working on range of products both in the small farm mechanism space and also the tractor space. In the tractor space both in the compact tractor competing with all the international players that is present in India. Also we are launching these new products internationally so that should give us growth. The second big thing is the higher HP segment, in this we will be making a larger presence this year with the launch of VST Zetor products so all these put together we are on a growth path. We have started working on multiple verticals which I have shared with you before one of them being the implements vertical which I said is insignificant today but we believe in the long term it will grow and it will be significant number. We are looking at working with technology partners to launch new products. We have invested into the electric growth story so all these put together, we intend to get to the milestone that we have created for 2025. We will also be looking at inorganic growth for that.

Sunny Agarwal: Sir on the electric side so how fast you feel that electric or may be electric tractor or electric implements or electric units will get penetrated in the agriculture sector so if you can throw some light on that also?

Antony Cherukara: It will take some time. It will not be before 2027-2028 before significant volumes in thousands will start happening in India especially in the compact tractor space. I think we will be ready by then more than ready by then for the entry into the electric tractor space.

Sunny Agarwal: Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Noel Vaz from Asian Market Securities. Please go ahead.

Noel Vaz: Thank you for giving me the opportunity. I just wanted to get some clarity on the certification process that you have described? Could you exactly tell me what is involved with it and how long does the process normally take that is all from me?

Antony Cherukara: The certification of power tillers is done in South India institute called SRFM TTI which is southern region farm machinery and tractor testing institute so typically it takes anywhere between three to six months to get a complete test report from this institute and in the case of tractors it happens in Budni. That takes anywhere between eight months to 16 months.

Noel Vaz: What is the criteria under which the certification is done I just want to know?

- Antony Cherukara:** There is a whole list of test procedure. We have to meet the norms for the engine. We have to meet the norms for transmission, sound level, braking efficacy, and reliability so there is a whole host of testing standards that will be tested. There will lab tests and also field tests so it is a very elaborate procedure.
- Noel Vaz:** Thanks.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thanks for the opportunity. Sir with regards to the higher HP tractor segment so what kind of numbers we have ended this year with and how do we look at the numbers going ahead and you also mentioned about Zetor coming in this year so that is expected in somewhere around Q2 or Q3 of this year?
- Antony Cherukara:** Yes, Q3 of this year this last financial year the growth has remained flat. This year is where we are looking at new product launches so we have done about 900 numbers last year which is almost similar to the previous year however with the growth of dealership happening in the Northern market we did not want to grow much in the last year in the Northern market because of products were not ready so UP, MP, Rajasthan and all the other markets which are mainly higher horsepower market, we will be growing the dealership network rapidly this year and with that we will be launching the products from VST Zetor stable by Q3.
- Rahul Jain:** So out of the dealer network which we are taken up to almost 500 plus typically there will some dealers do or what will be the number of dealers in this Northern market where incremental addition which has been done?
- Antony Cherukara:** 500 is for the power tiller segment. The tractor is at about 340. In the Northern market it will be 40 to 50 dealers only at the moment.
- Rahul Jain:** For the next 12 months what kind of addition do we foresee?
- Antony Cherukara:** We are looking at adding at least 100 dealers in the North.
- Rahul Jain:** Typically Sir how has been the response till now with this 40 to 50 dealers with regards to our product acceptance and regards to the market price and the competitiveness over there with regards to the kind of dealership margins we are offering to the dealers? How has been the initial response?
- Antony Cherukara:** It has been reasonably good I would say because almost all the dealers have been with us almost one to one and a half years now and they are waiting for new products from us. They are also looking at the VST Zetor products to come in and help the growth of these dealers.

- Rahul Jain:** Is there some ball park number like generally typically a single dealer will give you X amount of tractors sales in a year? Do you work with that?
- Antony Cherukara:** We work on the ROI of dealers and we do not have a particular number to give you right away.
- Rahul Jain:** I am asking so because I think within Rs.1000 Crores top line expected for tractors out of the Rs.3000 Crores we had spoken earlier that a good chunk of about Rs.500 Crores to Rs.600 Crores can be done from higher HP tractors, which is why I was trying to go into more details with regards to this segment?
- Antony Cherukara:** Tractors business will be around close to Rs.1000 Crores. This is what I have shared with you. I have not looked at a segmental revenue at least I have not shared those numbers. We are looking at tractors to be around Rs.1000 Crores.
- Rahul Jain:** And just to get a sense that in some of the calls recently not just tractor segment but other segments which we are catering to the rural India or agri dependent products the commentary coming from some of this companies has been that rural seems to be picking up because of increase in MSE prices and better rabi crop so I do understand rainfall is still away and it is a difficult call to take? Do you compared to last year do we see some better activity on the ground in terms of rural off take?
- Antony Cherukara:** I definitely feel that this year looks positive at the moment, but there are multiple factors especially on the commodity front. If the prices keep rising the way it is priced and if we have to pass on to the consumers, I think it will have a detrimental effect on the demand.
- Rahul Jain:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Niteen S Dharmawat from Aurum Capital. Please go ahead.
- Niteen S Dharmawat:** Thank you for the opportunity. I wanted to know about this real estate parcel? Last year you mentioned in our con call that beyond one or two years you will consider it so what is the status now? Are we considering anything on that?
- Antony Cherukara:** You are right. We will definitely consider it. I think as any progress is made on that we will definitely let you know. Right now there is nothing to share on that front.
- Niteen S Dharmawat:** Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sushithal from Samatva Investments. Please go ahead.
- Sushithal:** Thank you for this opportunity. I have two questions. The first one is Sir how has been the experience with segments in sector for the last one year? What were your key earnings and like

how do we see it going forward and also when you sell dealers with regards to the total tractors or tillers would all dealers be fairly same segments products as well?

Antony Cherukara: So we have dealers separately for the small farm mechanization segments and we have dealers separately for the tractor segments so that is an action that we took two and a half to three years back that we will have separate dealers so for the tractors we have around 340 dealers now and for the small farm mechanization we have around 520 dealers now, which continues to expand. The next two to three years the dealership network will continue to expand. We will have about 800 to 900 tractor dealers and we would like have about 1000 dealers for the small farm mechanization segment so it will continue to expand.

Sushithal: How was your experience being in the last one year Sir like what are things your key leanings would be and how would you think you would change your strategy in the next two years?

Antony Cherukara: If you look at our last one year see if you look at FY2020 we grew at about 40% plus. Last year our revenue growth has been 12% so we are at about 25% to 26% CAGR. We need to get to about 40% to 45% CAGR to be closer to the Rs.3000 Crores plus in inorganic which will help us to get to that Rs.3000 Crores. The key focus of the company today is to how to accelerate faster in terms of execution, how to accelerate faster in terms of revenue growth. The key verticals have all been set up. Now the key is execution and the entire focus of the company is on faster execution.

Sushithal: Got it and Sir can you throw any light on the tiller industry like we are seeing the new products being launched like Swaraj so can you let us know what is happening on the ground and does the company have any plan to launch any product to take on such specific products?

Antony Cherukara: I do not have any comments on the competition products, but I can tell you we have studied it closely. We have to be innovative. Last year we were among the most innovative companies in India, CII awarded us. In fact we had the ninth position among the innovative companies so definitely VST will continue to innovative. We will provide solutions to small and marginal farmers. Definitely this is one area you will find lot of innovation coming from our end in the next two to three years.

Sushithal: Great. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir in one of the previous interactions you used to mention that now a days farmers are not waiting for subsidy release for power tillers purchase so what will be the proportion of sales coming from retail?

Antony Cherukara: Power tiller yes you are right. They do not wait for subsidiary to be announced but it is not they do not want subsidiary. Every single customers applies for subsidiary, but since it is direct

benefit transfer they do not wait for the subsidiary to be announced anymore. They go ahead when the need is there and then they apply for subsidiary. Many of them get it. Many of them do not get it.

Shashank Kanodia: Sir what proportion of that sales is actually so what I am trying to derive is any proportion of sales which is not subsidiary linked for us the power tillers?

Antony Cherukara: The subsidiary dependency of this business is I think something behind us except for some tribal subsidiaries which come in North East where the subsidiary is as high as 90% but I think the quantum is going down so the industry cannot depend on those subsidiary any more.

Shashank Kanodia: Sir secondly just wanted to get a sense the total tiller volumes domestically have remained more or less constant right the 53% to 55% level and we have also maintained some kind of a same leadership in terms of 50% to 55% kind of a market share so have our...

Antony Cherukara: In fact the power tiller industry had gone down. Now it is back up at 55%. Now in think in the next five years you will find growth happening. We are expecting by 2030 that is around seven to eight years we should be able to get to about 100,000 power tiller industry. While I say that then there is another segment that is growing exponentially at the rate of 25% to 30% which is the power weeder industry which is less than 9 HP below i.e. 8 horsepower, 6 horsepower, 5 horsepower. There the growth is at about 25% to 30% CAGR so that is growing exponentially so fundamentally the small farm mechanization as a whole is growing exponentially.

Shashank Kanodia: Sir if something like 10,000 units of import is restricted so the industry volumes should have gone down? Our market share improved drastically right? You mentioned that this is not the case?

Antony Cherukara: The market share I am not calculating based on what I am supplying to OEMs. I am looking at the brand market share which is 55%. If I add the OEMs sale and look at manufacturing market share our share will close to 57% to 58%.

Shashank Kanodia: Sir we are supposed to go in excess of 65% to 70% kind of a thing right because again there were some limitations with Camco going big on to this segment?

Antony Cherukara: We were at 60% to 65% market share until about February. March there have been some excess billing by competitors so that is something which we are not very sure about.

Shashank Kanodia: Sir we have just two people operating this industry so VST Tillers and Tractors and Camco? Is my understanding correct?

Antony Cherukara: There is Camco, there is Kirloskar, there is Greaves, there is George Majo. There are at least seven or eight organized players in this.

- Shashank Kanodia:** Kirloskar and Greaves were largely who were importing and selling so we were supposed to do contract manufacturing?
- Antony Cherukara:** Kirloskar is manufacturing. Greaves has also invested into manufacturing.
- Shashank Kanodia:** Where they importing in the initial stage and then gone for manufacturing because of import restriction?
- Antony Cherukara:** My understanding is Kirloskar has always been manufacturing. Greaves I think they were importing something. I am not too sure about it.
- Shashank Kanodia:** Sir what kind of contract manufacturing volumes we are supposed to do this year any ball park guidance?
- Antony Cherukara:** Around roughly let us say around 3000 numbers.
- Shashank Kanodia:** Thank you so much?
- Moderator:** Thank you. The next question is from the line of Yognesh Jiswani from Mittal Analytics. Please go ahead.
- Yognesh Jiswani:** Thanks for the opportunity. Sir just one question. On the dealers network for our tractors and tillers what was these numbers couple of years back if you could share?
- Antony Cherukara:** Tillers number of dealers were about 150 to 175 and tractors were around 120 to 130, I am talking about numbers couple of years back.
- Yognesh Jiswani:** This would be FY2018-FY2019 also or even before that?
- Antony Cherukara:** It will be I think FY2019 figures. FY2020 figures yes.
- Yognesh Jiswani:** Sir so the plan that we have to increase tractor dealers from 340 to 800 and similarly doubling the tillers so what is the time line that you are keeping in mind for the execution of the same?
- Antony Cherukara:** By FY2025 we want to do that.
- Yognesh Jiswani:** Sir in term of the OEM contract that you are looking and discussing is there any new order win or anything in the pipeline that you will let us know? I am sorry if I missed in opening commentary?
- Antony Cherukara:** We do not have any new orders in pipeline. This is a continuous supply agreement with OEM so those agreements are continuing.

- Yognesh Jiswani:** Do we have any further potential from the domestic market where we see somebody was importing is now still looking for manufacturing or there is no potential opportunities also?
- Antony Cherukara:** We are looking at couple of players but nothing is concluded yet.
- Yognesh Jiswani:** Thank you Sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Devanshu Sampat from Yes Securities. Please go ahead.
- Devanshu Sampat:** Thank you for the follow-up. Sir two more questions. Sir any update on the power weeder tie up with Pubert and discussions have gone forward?
- Antony Cherukara:** Yes, that tie up continues. Unfortunately, the physical travel is yet to happen so there is no other news to say around that front.
- Devanshu Sampat:** So the weeders that we are selling right now that is basically just trading in them?
- Antony Cherukara:** Right now we are trading in them but we intend to get into manufacturing this year?
- Devanshu Sampat:** Can you give a sense on what the volumes are?
- Antony Cherukara:** Last year we have done 2100 weeders. This year we should be able to double it.
- Devanshu Sampat:** Can you talk a bit about the agri farms that we have launched the tie up? What are the plans here just in terms of market sizes opportunity and may be if the working capital scenario is different from this can you touch up a bit on this?
- Antony Cherukara:** This is the distribution vertical that we have launched so the idea is to distribute and build a funnel into rural India. We already have a retailer network of about 1500 to 2000 retailers. We want to build on it. The immediate target is to build about 5000 retailers network in the next two years and start with electric pumps. We will be looking at other opportunities as well in terms of rural distribution.
- Devanshu Sampat:** We have done this through a tie up with some one right now?
- Antony Cherukara:** We are not manufacturing. We have tie ups with manufactures.
- Devanshu Sampat:** What kind of numbers are we talking about over here Sir if we can look at some at least internally what it is?
- Antony Cherukara:** Like I said right now the vertical is being set up. The launch has happened only in two states which is UP and Bihar and we want to focus on that. There is a particular reason why we want to get there because in the North the VST brand is not significantly present. We want to penetrate

into each household with the VST brand name so we are focused on that front and the focus is on digital distribution. From day one the distribution is managed completely digitally. With the last mile person also using the mobile network to manage the sale so that has been the focus and that focus continues. As it grows, I will keep reporting on that.

Devanshu Sampat: Sure and if you talking about brand building and everything so are we looking at any big spends over here or may be getting an ambassador or something like that?

Antony Cherukara: We have started spending on advertising and brand promotion. Last year we have significantly brought change in the approach towards advertising spends. The new look of the brand probably you are aware. We have brought the new look of the brand. The advertising in TV commercials started last year. We will be building further on it and we will be spending more money digitally in terms of advertising and sales promotion.

Devanshu Sampat: Got it. Thank you again and all the best.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir the raw materials mix if you could explain what are the key components of it and any forward booking or forward contracts which we undertake at the time of receiving orders? How do we secure our raw materials?

Antony Cherukara: We have some agreements with steel mills. That is one thing but the last one or two years the contract has not really played out because the volatility has been very high. The key areas has been casting, deep metal forging and then of course proprietary item so the volatility has been pretty high. If you see from Q4 of last year to this year casting grey cast iron itself has increased by about 14%. Pig iron if you see is at about 20%. Sheet metal is at about 12%. Forgings are as high as 42% and if you look at other metals aluminium 58%, copper 21% so the volatility has been very high and it has been moving on a month-on-month basis so wherever we have steel mill level tie ups, even in those cases we have faced difficulty because the material was not available so it is a very volatile situation to be frankly.

Saket Kapoor: Out of this revenue mix for the total year Sir how much has been from the spare business we have done for this year?

Antony Cherukara: Spare business I have shared earlier the revenue is at Rs.92 Crores for the year.

Saket Kapoor: What kind of growth are we expecting going forward depending on the base now that the base has increased?

Antony Cherukara: We have grown last year also at about 12% to 13% so we will continue with that growth in that segment on parts and oil alone.

Saket Kapoor: For this first month numbers for the tractor and trailer the tractor numbers were muted what tractors played out for April 2022 tractor number lower than April 2021?

Antony Cherukara: Like I said in the domestic market we follow pull based system on consumption base billing so we do not push inventory to the dealers based on price increases or any other methodology. We are focused on profitability of the dealers, what we see in the tractor industry is most of the dealers lose money on inventory carrying cost, which are not incurring for our dealers. That is one of the reasons why most of the dealers are with us even in the Northern market where we have appointed them one year or one and a half years back so we will continue to focus on the dealers profitability and we believe that in the long run that will be the differentiating factor.

Saket Kapoor: Thank you and all the best Sir.

Moderator: Thank you. Ladies and gentleman, as this was the last question for today I would now like to hand the conference over to the management for closing comments.

Antony Cherukara: Thank you very much for your participation. We look forward to this quarter as well and this financial year. Thank you for being with us. Thank you.

Moderator: Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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