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Dear Sir/Madam,

Sub: Transcript of investors' call

Please find attached transcript of the investors' call held on February 13, 2023, on the financial results for the quarter/nine months ended on December 31, 2022.

We request you take this on record.

Thanking you,

Yours truly,
For V.S.T Tillers Tractors Ltd.,

Chinmaya Khatua
Company Secretary





“V.S.T. Tillers Tractors Limited
Q3 FY '23 Earnings Conference Call”

February 13, 2023



MANAGEMENT: **MR. V.T. RAVINDRA – MANAGING DIRECTOR – V.S.T. TILLERS TRACTORS LIMITED**
MR. ANTONY CHERUKARA – CHIEF EXECUTIVE OFFICER – V.S.T. TILLERS TRACTORS LIMITED
MR. PANKAJ KHEMKA – CHIEF FINANCIAL OFFICER – V.S.T. TILLERS TRACTORS LIMITED

MODERATOR: **MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI SECURITIES INDIA PRIVATE LIMITED.**

Moderator: Ladies and gentlemen, good day, and welcome to the 3Q FY '23 Earnings Conference Call of V.S.T. Tillers Tractors Limited 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 star then zero 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: Thanks Rutuja. Good afternoon to everyone. On behalf of B&K Securities, welcome to 3Q FY '23 Post results Conference call of V.S.T. Tillers Tractors Limited. I also take this opportunity to welcome the senior management team of V.S.T. Tillers Tractors Limited. 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'll now invite the V.S.T. Tillers Tractors management for their opening remarks, should be followed with question-and-answer session. Over to you, sir.

Pankaj Khemka: . Hello. Good afternoon, everyone. Myself Pankaj Khemka to start with opening remarks. For the Q3FY23, the income from operations stands at INR 213.69 crores against INR 208.44 crores for the previous year same quarter. The EBITDA as a percentage stands at 14.56 percentage against 16.62 percentage in the same quarter. PAT for the quarter is INR 19.43 crores against INR 21.05 crores in the same quarter.

Now talking about the volumes for different businesses, our tillers registered a volume of 7456 numbers for the quarter, tractor volumes where 1537 numbers. And the turnover for different businesses are as follows: for the small farm mechanization business, turnover for the quarter is INR 121.5 crores. For the tractor business, we have done INR 61.5 crores. And for the spare division, we have done INR 22.8 crores. So those are my opening remarks. We are open for subsequent questions.

Moderator: The first question is from the line of Anshul Mittal from Care Portfolio Managers.

Anshul Mittal: Sir, so I wanted to ask my question regarding the higher horsepower tractor. Sir, what is the current contribution from higher horsepower tractor in terms of volume? And what is the average realization which we're looking at? And also, sir, going forward, what is the target which we have for this higher horsepower next year and in next couple of years?

Antony Cherukara: Yes. This is Antony. Higher horsepower currently, we get about 10% to 15% of our volume. However, as I stated before, we have not yet launched the VST-Zetor products, which we expect to do towards the end of this quarter with which we are expecting our higher horsepower contribution for next financial year should be at around 20% of our total volumes.

And going forward, the higher horsepower would be at least 30% to 40% of our business.

- Anshul Mittal:** Okay, sir. And what will be the current realization of higher horsepower, average realization? And sir, considering we have small exports. So how much are you exporting in higher horsepower? What are current exports?
- Antony Cherukara:** Current we are not exporting any higher higher horsepower tractor. However, with the new range of products, we will be exporting in the coming years in higher horsepower as well. As far as average value realization for higher horsepower is concerned, it will be roughly about 5 lakhs per unit.
- Anshul Mittal:** Okay, sir. Understood. Sir, as per my understanding, so once the utilization increases, so we are expecting operating target is supposed to kick in. So sir, how much -- so what do you think our margins going forward can be once we reach a decent utilization level? And do we have any plans to increase our advertisement spend or marketing spend going forward?
- Antony Cherukara:** See, as far as the margins are concerned, we will be in the range of 12% to 14%, which are maintained which is a likely range, which we will look forward this financial year. However, considering the marketing spend going forward, there could be a slight downward revision on the range of margins in the coming one year.
- Anshul Mittal:** Okay. And what is the -- so I understand the sustainable margin is between 12% to 14%, so once the operating leverage kicks in do we -- can we increase it further going forward once the marketing spend also reduces?
- Antony Cherukara:** Absolutely. We will be able to do that. But the key is we are entering certain key northern markets wherein we were never present. So for the next 1 to 2 years, we will be having higher marketing spend.
- Anshul Mittal:** Okay, sir, no problem. Sir, I also wanted to understand, so what is our current R&D cost, which we are doing? And what is the plan for future?
- Antony Cherukara:** See current R&D capex investment is roughly to the tune of INR 40 crores to INR 50 crores. In the next couple of years, you will see that rising to almost INR 100 crores per year.
- Anshul Mittal:** Sir, what is our current royalty agreement with Zetor? And for -- what is the tenure of our partnership with Zetor as well?
- Antony Cherukara:** There is no royalty agreement with Zetor. And it will be going forward a profit-sharing model. That is what we are planning with Zetor.
- Antony Cherukara:** There is no timeline.
- Anshul Mittal:** And sir, one more question from my end. So currently, can you give me a breakup of distribution network geography wise for the company?
- Antony Cherukara:** The distribution network currently for tractor at about 350 dealerships. Mostly spread in the Southeast and the West. North, we have only about 30-odd dealerships for tractors, which we

will be expanding this quarter onwards with the coming launch of VST-Zetor. In the small farm machinery space, we have 650 dealers, again, spread mostly in the West, South and East. In the North, we would have very less number of dealers for small farm to the tune of about 30, 40 number.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, if we compare our volume numbers for farm mechanization tractor on a Q-on-Q basis, how good is the comparison or whether the seasonality tractor is capable when we look at the quarter 2 volume versus the dip in quarter 3 volume. So if you could give us some colour on what the current business environment is shaping up for our product profile. That would really be very help.

Antony Cherukara: Quarter 3 number was 7,456 for tillers, 7,139 Nos in Q3 of previous year.

Saket Kapoor: Correct, sir. I just wanted to understand the dip firstly. And then if you could give us a broader colour, sir, on how things are shaping up? So then I will come up with my further questions.

Antony Cherukara: Yes. So the October, November, December Q3 volumes of Tillers were not as per the seasonal demand that we expected because there was no expected cash flow that was happening in Q3, it's like, Orissa, Tamil Nadu, Karnataka, and Orissa. However, in the end of December and January, we saw that the season is picking up. So if you see our January numbers, the season has picked up very well. That is continuing into February and hopefully in March as well.

Saket Kapoor: So sir if I...

Antony Cherukara: As far as the tractors are concerned, the volume in Q2 was 1,688 against which we have done 1,537 in Q3. Again, in the last 3 months, November, December, January, we have started posting growth over the previous year. We're expecting that to continue. But that predominantly is coming from the new launches that we were waiting to happen. So the compact tractor launch that has happened. So you will see tractor business growing on quarter-to-quarter business from now on.

Saket Kapoor: Sir, you are commenting on the Zetor launch, sir, we articulated a November launch...

Antony Cherukara: Yes. If you remember, I have spoken about compact tractor launches also. So we have launched the key two products that we are expecting to launch. One is the 929 model, which is the new horsepower which we were not present in that segment. So we have launched that in Maharashtra to begin with.

And then the 171 model which we have launched the 17 Hp mainly in Gujarat. So these products are giving us the growth and further growth is going to come from the launch of 936 model, which will be a 36 horsepower, there will also be launches from the V.S.T. result stable in the coming Q4 end.

- Saket Kapoor:** Sir, November 4 launch was expected for Zetor at Chandigarh. So what is the update on that? Did we launch it in the month -- in that month?
- Antony Cherukara:** So we have unveiled the product. We have shown it -- taken feedback from the market. So some minor changes are going on, which we will launch in quarter 4.
- Saket Kapoor:** So what kind of volumes do we expect for January to March out of this new launch?
- Antony Cherukara:** This VST-Zetor, there will be hardly any volumes in Q4 because we are likely to do it only in the margins, but we're looking forward to 1,000-plus numbers in next financial year from the distributor.
- Saket Kapoor:** And sir if I hear you correctly, sir, you guided for 12% to 13% margin. Is it the EBITDA margins, sir, earlier we were in the vicinity of 14.5% to 16%. So are we...?
- Antony Cherukara:** I have given guidance on EBITDA margins of 12% to 14%, which we continue to do for this financial year. And next financial year, we will be slightly down, considering the planned marketing spends we are going to do.
- Saket Kapoor:** What is the absolute number on the marketing expense we are 0 in for the next year? And what are for this year?
- Antony Cherukara:** I will come back to you on that once the numbers are clear as well, but there may be a downward of 1% to 2% roughly at this point in time.
- Saket Kapoor:** Sir, we were looking to close this year with a top line of INR 1,000 crores. So with the type of deferment, if I may, of sales for this quarter and you are speaking that it is picking up for the month of January and also the tillers from February, so are we looking to close this year closer to INR 1,000 crores offline?
- Antony Cherukara:** Yes.
- Saket Kapoor:** Okay. But not reaching there?
- Antony Cherukara:** We hope to reach there.
- Saket Kapoor:** We hope to reach the INR 1,000 crores top line this year. And the margin profile would be similar to what Q3, and 9-month average has been?
- Antony Cherukara:** It will be better. That is why I said I am continuing with the guidance of 12% to 14%.
- Saket Kapoor:** Okay. So what was our margin for the third quarter, sir, EBITDA margin?
- Antony Cherukara:** Year-to-date 10.58.
- Saket Kapoor:** Okay. So we are looking an upward revision from 10.58 to -- in the vicinity of 12.5, sir. This is what...

- Antony Cherukara:** Yes. Two reasons for that. One is the volume pickup. Second is the commodity price normalization that is happening now or the reduction of commodity prices that is happening now, which will accrue in Q4.
- Saket Kapoor:** Okay. So we have also bought from some price revisions of our finished products also since the commodity price has cooled or what are the price changes we have taken, sir, for this quarter?
- Antony Cherukara:** We have taken price revision in December 2022.
- Saket Kapoor:** Downward revision in both the...
- Antony Cherukara:** Yes, yes. So in December, we have taken in tractor and the similar pricing is more dependent on the government prices. The good news is that we have got price revision in few of the state governments like Orissa, Tamil Nadu, and Karnataka.
- Saket Kapoor:** Okay. Sir, how it is a good news when we are revising prices lower? I didn't get that point.
- Antony Cherukara:** No, no, price upward -- from the subsidiary pricing, normally the power tiller pricing is dependent on subsidy price revision. So we have got upward price revision in Karnataka, Orissa, Tamil Nadu that is what I said.
- Saket Kapoor:** Okay. And what percentage of our sales towards these 3 markets, sir, 3 geographies?
- Antony Cherukara:** These markets count to about 40% to 50% of our sales.
- Saket Kapoor:** That's correct, sir. And sir if you could give us some more color on how the receivables currently are? And then I come to the compact assets and other question.
- Antony Cherukara:** Yes. So the receivable currently is at about 128 crores, which is at 52 days.
- Saket Kapoor:** And this is the average sir or have we better the number?
- Antony Cherukara:** It will definitely be better by the end of the year because a lot of subsidy payments are coming from the government which should be realized in the month of January and February and expect to have a better receivable situation by March.
- Saket Kapoor:** And the CFO, sir, what is the reason for this increase in other expenses Q-on-Q. Earlier, we were guided that the other expense line item would normalize to 6% to 7% of the profile cost. But if we see the jump on Q-on-Q basis, it has gone up from INR 16 crores to INR 24 crores level. So could you explain the reason for that, sir?
- Pankaj Khemka:** Yes. So 2 or 3 things that we have done. One is that I've been talking about increase the brand strength that will happen going forward. So we have decided to do brand spend. One thing that we did was the title sponsors for Bangalore Bulls, which is a Kabaddi league, which is quite popular. The Kabaddi sport is quite popular in the rural areas. So that is something that we have done. We have also started marketing spends in tractors and sales acceleration projection tractors.

- Saket Kapoor:** Can you quantify the number on a like-for-like basis, what should be the increase in the other expense line item?
- Pankaj Khemka:** Yes, the retails are definitely out there in our reporting, but for our consideration, it is about INR 2.5 crores on the titling sponsorship of the Kabaddi league. There is also a spend on marketing which is about INR 1.2 crores. And there is also product exhibitions across the countries that we have participated where we have VST-Zetor range of products, which is also to the tune of close to a growth. And the total traveling expenses have gone up compared to the COVID times.
- Saket Kapoor:** So these 3-line items do we expect the continuity of INR 4 crores, INR 5 crores now on a regular basis -- going ahead also?
- Pankaj Khemka:** The marketing spend, -- like I said, we expect to continue the marketing spends going forward, especially in the northern markets where we are not present in which we want to accelerate our network growth as well as our volume growth in those markets. Not necessarily maybe the same items that we will spend on.
- Saket Kapoor:** Sir, come again, sir. I missed your last point. Sorry.
- Pankaj Khemka:** So, what I said is not necessarily the same item we will spend on, but the spend will be on similar amounts. So as a percentage of sales, this number will be in similar line, yes.
- Saket Kapoor:** Sir, you mentioned about the Northern market re-penetrating, and I think so earlier call also, you did mention about our presence. So what is our game plan effect about in penetrating in the Northern market? And what kind of revenue could be looking for going ahead on the geography?
- Pankaj Khemka:** Yes. So what we are doing in the Northern market is we are taking a cluster approach. We are starting with the markets of MP and Rajasthan. And here, we are creating cluster of dealerships where we want to establish the dealership performance and the performance of our products. We have got initial successes both in Rajasthan and MP. We want to take it forward. And this should take us about 5 to 6 months, almost half a year. After which, we will scale up the number of dealerships. And along with it, we will be doing a lot of marketing activities in all the other areas.
- Saket Kapoor:** Okay. So taking into account the steps, we are in the annual, what should be the mix then the total revenue pie, how much would be currently from North, I think, sir, and what are we envisaging for the 1 year down the line?
- Antony Cherukara :** See, 1 year down the line, I don't see a significant impact. But in the next 3 to 5 years terms, the Northern market should give us 30% of the revenue.
- Saket Kapoor:** That's a very considerable number, sir. The mix will change. Okay, and lastly, sir...
- Antony Cherukara:** That's what I said, if you remember I spoke to another gentleman, so I told him the higher horsepower will eventually be about 20% to 30% of our total price.
- Saket Kapoor:** Correct sir. And sir if you look at the precision unit at Mysore, sir, how is that contributing? And sir, for the spares business, what is the future that has also seen a slight dip. There is no growth

as such Q-on-Q. On a competitive number of INR 23.43 crores for Q2, we did closer to less than INR 23 crores for the December quarter. So what should be the growth number we are looking for the share segment and the precision unit at Mysore contribution?

Antony Cherukara:

Yes. So the 2 aspects you asked me. One is regarding the parts business and Mysore; these are mutually exclusive. So I will talk separately about it. One is the parts business, which is actually a distribution business for us. As I have said before, we are setting up the distribution channel in 2 states this year for electric pumps. We have set it up in UP and Bihar this year. We are doing about 30 lakhs to 40 lakhs of revenue every month in these markets where we are fresh entrants with no brand name and the first time, we are entering these markets. Now there is a consistent revenue that is coming from these 2 markets through the electric pump business.

Now we are scaling up to 4 more states. In the coming quarter 1 we will scale it to 4 more states, establish the distribution there as well. So in the next 3 years, what we expect this electric pump business to get to about INR 100 crores. That we give us the growth in the electrical pump space in the distribution business.

The parts and the oil, which is largely dependent on internal consumption has grown slightly this year. We expect that to grow with more dealerships getting added in the Northern belt. So that also should register a reasonable growth of at least 10% going forward. That is on the parts and distribution business.

Coming to the Mysore establishment, we have seen flat revenue growth in terms of Mysore. We have been trying to establish the dealership business. The operator business that we started to have been streamlined, it was a cash and carry business now is due to the earlier credit demand business. Now there's a cash and carry, and we have been able to maintain some of it.

Now going forward, we are introducing new products in that range. Secondly, we are looking at collaborations with multiple companies to expand the business in farming machines. This will also come in the mechanization that is a precision implement division that we are talking. Once it is finalized, I will let you know.

Saket Kapoor:

So if we take the revenue number, sir? -- I'll come just this answer the question. If the revenue part, we look for the Mysore unit, what has been the contribution for the 9 months, sir?

Antony Cherukara:

For the 9 months, revenue from Mysore is pretty low. It is about -- external business is only about INR 5 crores to INR 6 crores.

Saket Kapoor:

And we spent around more than INR 100 crores on this unit, sir?

Antony Cherukara:

That is why it's an external business because the large amount of business parts that we manufacture, we supply to the production of our V.S.T. Tillers and tractors.

Saket Kapoor:

Can you give the number, sir?

Antony Cherukara:

That number would be on a quarterly basis, again, for quarter 3 FY '23, the total revenue is almost INR 21 crores.

- Saket Kapoor:** INR 21 crores contribution. I'll join the queue...
- Antony Cherukara:** About INR 20 crores to INR 23 crores every quarter we've taken from Mysore.
- Saket Kapoor:** Sir, can I put one more question and can join the queue, sir, with your permission.
- Antony Cherukara:** Yes. Please, go ahead.
- Saket Kapoor:** Sir, when we look at this other income line item, sir, I think it is about the investment in mutual funds and because of this, the MTM is generated, sir? What is the reason for the other income line item?
- Pankaj Khemka:** Yes. Other income line item is basically from the investment in retail funds and equity.
- Saket Kapoor:** Okay, sir. So taking into account good practices also and if that could be adhered to, sir, this can be routed to the other comprehensive income or the OCI route also. So that would give us a fair picture of...
- Pankaj Khemka:** You're right. We'll take it from the next quarter, we will find that being reported after the -- as other comprehensive income. We have already discussed, and we'll be doing that.
- Saket Kapoor:** That would be very helpful, and that would give a clear picture of the operation number, sir.
- Pankaj Khemka:** Absolutely.
- Saket Kapoor:** Yes. And Khemka sir resignation sir, best of luck for his future endeavour. Any specific reason for -- and are we looking for any other suitor for the same? Do we have somebody to succeed in from the organization?
- Pankaj Khemka:** It's purely for personal reasons there is no other reasons.
- Saket Kapoor:** Okay. And we have the succession planning for the CFO?
- Antony Cherukara:** Yes.
- Saket Kapoor:** Okay. I'll join the queue and thank you for the elaborate answer. I will just sum up also -- I request the moderator, give me the last and ultimate chance for a 2, 3 more questions. I will wait for my turn.
- Moderator:** The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.
- Arjun Khanna:** My first question is I just wanted to understand if I heard correctly, we are saying Zetor incremental sales would be 20% of the overall mix. Is that the right understanding from next year, FY '24?
- Antony Cherukara:** Higher horsepower eventually will be 20% to 30% of the overall mix. But it will not happen in the next year. It will happen over the next 1, 2, 3 years.

- Arjun Khanna:** Sure. Sure. And in terms of price points, so could you give us a sense what kind of price points that would be -- so if I see for this quarter, our current average realization is roughly INR 4 lakh per unit. So what would be the price point of these higher HP tractors?
- Antony Cherukara:** Higher horsepower will be almost 6 lakhs. Current higher horsepower that we sell is about Rs.5 lakhs to Rs.5.5 lakhs which is with our launch which is coming in the premium segment, which is 6 lakhs plus.
- Arjun Khanna:** Sure, sure. And sir, if we look at the Tillers segment, we have seen growth this year, and most likely, we'll probably be north of what we have seen in the past 3 to 4 years, do you see next 2 years sustainable in terms of these tiller sales? Or do you possibly see a slowdown from here on?
- Antony Cherukara:** You're asking about the industry?
- Arjun Khanna:** Yes. Our sales, sir. Our power tiller sales. Because if I look at...
- Antony Cherukara:** I don't see any slowdown happening in our power tiller sales. Last 3 years, we have grown. And like I said, we will be somewhere in the tune of 15% to 20% on growth even this year for the power tiller business.
- Currently, we are talking at about 14% roughly at the end of January. So we should be able to cross that 15% to 20% growth guidance that I said in terms of power tiller. I was expecting the tractor business to be at the lower single-digit growth, but we -- it looks like we will be flat in terms of the tractor business primarily because of the long delay that we had in terms of the new products for our tractors.
- Arjun Khanna:** Sure. Sure. And sir, in terms of our outlook for the next year, FY '24, would it be possible to grow tillers from these levels, sir?
- Antony Cherukara:** Yes, we are getting into the annual report we have shared very clearly, we are looking at 3 phases in this we are going to walk in towards our mission. One was the cleaning phase, gearing phase and now -- next year, we are getting into the exponential growth pace. So many of the projects that we had undertaken, one is the V.S.T. Zetor project. Secondly, the investment that we did and the supplies that we are starting with Monarch to do the electric tractor companies are in the U.S. and several other projects that we had put up is all scaling up. And in the next 2 years, we will see the revenue growing faster than currently.
- Arjun Khanna:** Sure. So if I understand correctly, while we have given a guidance here of an EBITDA margin cut in FY '24, on an absolute EBITDA basis, we are yet looking at a healthy growth. Is that the right understanding?
- Antony Cherukara:** The top line, we are looking at definitely a healthy growth in percentage terms, as you rightly said, there could be a cut. But overall, there will be a growth. I mean, in terms of the pure value.
- Arjun Khanna:** In terms of earnings for the company?
- Antony Cherukara:** Absolutely.

- Arjun Khanna:** Sure. Just one last question. In terms of power weeders, you usually give us some numbers in terms of the mechanization, have those numbers form growth?
- Antony Cherukara:** Yes. So definitely, it has grown during current year.
- Moderator:** The next question is from the line of Devanshu Sampat from Yes Securities.
- Devanshu Sampat:** I have a few questions. So just wondering if you can update on the share of financing sales. What is the number that we're working with right now?
- Antony Cherukara:** Financing sales for tillers...
- Moderator:** Ladies and gentlemen, thank you for patiently holding the line. The management line is reconnected. Thank you, and over to you, sir.
- Antony Cherukara:** So could you repeat that last question you were asking.
- Devanshu Sampat:** So what I was asking is the share of financing and overall volume of sales right now?
- Antony Cherukara:** Yes. So 1% to 2% is a power tiller financing, but now we have got into multiple arrangements. One is with Yes Bank, and we are also talking to a couple of NBFCs, wherein we are tying up with them to increase the retail finance in power tillers.
- Devanshu Sampat:** What did you say the number was?
- Antony Cherukara:** Right now, it is about 2%.
- Devanshu Sampat:** So this number if I'm not mistaken, you've mentioned a few quarters ago, so...
- Antony Cherukara:** Slightly during COVID, it had gone up, then it has come down now. Now it is slowly rising again with the tie-ups that we are doing.
- Devanshu Sampat:** Okay. But are we doing this only for tillers right now? Or are we doing this across other farm implements also?
- Antony Cherukara:** Mainly for tillers because the tractor finance is already available.
- Devanshu Sampat:** And sir, second question I had was about the dealers. Now if I'm not mistaken, at the end of a year ago, we were -- the tractor dealers were around 340, and you said right now it's 350 only. So this number has not been moving up and especially that we're looking at launching higher horsepower in the northern market. So what are the issues, what are the -- what's the feedback we're getting Why is that number not scaling up as per intended?
- Antony Cherukara:** Yes. So the intention was to launch the tractor in Q3 of this year, which has got slightly delayed. So hence, we didn't scale up the number of dealerships in the North. That is one.
- Secondly, I said we have refined our process. So we are developing clusters of performance. Like I said, we are doing that in Rajasthan and MP to begin with. And so the cluster approach as created cluster of dealerships, which is doing well, and then we want to create other clusters

of -- because we understand that we are the 10th or 11th player who is getting into the higher horsepower segment. So we are doing it pocket-by-pocket.

So that is why we have kind of stabilize the number of dealerships in tractors it's about 350. Once we have established the higher horsepower in these 350 dealerships, then we will take up and scaling up for more dealers. However, the same approach is not there in power tiller segment. Power tiller segment, we are at about 650-plus dealers, and we'll continue to grow.

Devanshu Sampat: Yes, I think that number has gone up by 100 from a year ago if I'm not mistaken.

Antony Cherukara: Correct.

Devanshu Sampat: So all of the incremental numbers we're looking at will mainly be from MP, Rajasthan right now? Or are we looking at...

Antony Cherukara: Yes, mostly in the higher horsepower will be coming through MP, Rajasthan, also our strong builds of Maharashtra, Gujarat we have shown already.

Devanshu Sampat: Sure, sure. And just wanted some updates on some of your other initiatives that you were -- you have mentioned in the last few years. So one is on bringing manufacturing into India with the company from France. So any thoughts on that? Because last I remember you said it was because of COVID, we couldn't travel. Is there any developments there?

Antony Cherukara: Yes, we are looking at multiple companies to manufacture in India, not only France, so talks are going on, nothing is finalized yet. So we should be able to close something in the coming financial year.

Devanshu Sampat: So this is for any particular product? Or can you give us a...

Antony Cherukara: A small farm mechanization product. And also V.S.T. Zetor, I have already spoken to you earlier. We are already selling compact tractors. We have started just, in fact, started in January. We have started sending our tractors to sell through the Zetor network in Europe.

Devanshu Sampat: Okay. Okay. So what number are we looking at for export volumes?

Antony Cherukara: Yes. Export volumes, like I said, we should be earlier last quarter when the call happened, I said we could be slightly down compared to previous year, considering the situation in Europe. But most likely, we are going to end up flat. We will not be down. But last year, we had done about 1315 numbers, we should be around the same number this year. So we won't be down in exports.

Devanshu Sampat: And you also mentioned now, and this was the plan also that the Monarch business should start contributing from early 2023. So assuming for FY '24, can you give us a sense of what number you're working with?

Antony Cherukara: Yes. We are looking at -- of 1,000 units to Monarch .

Devanshu Sampat: As revenue of, roughly?

- Antony Cherukara:** Roughly about INR 40 crores to INR 50 crores.
- Devanshu Sampat:** INR 40 crores to INR 50 crores coming in from Monarch in FY '24, you're saying?
- Antony Cherukara:** Correct.
- Devanshu Sampat:** Okay. Okay. So this number could -- are you looking at maybe from a 2, 3-year perspective going up to, say, 150, 200 types?
- Antony Cherukara:** There should be, yes, considerable upside.
- Devanshu Sampat:** Okay, sure. And sir, what's the cash on books right now? Cash and investments value?
- Antony Cherukara:** Investments right now. Just a second, the CFO will answer the question.
- Pankaj Khemka:** Investment around roughly INR 450 crores.
- Devanshu Sampat:** INR 450 crores, okay. And any update on the land sale update, as we've been talk for a while and you're looking at getting the market and everything now. So what is the board thinking? Why is there a delay in this development?
- Antony Cherukara:** No. Right now, there is no update on the land. Definitely, once the things are finalized, we will let you know.
- Devanshu Sampat:** Sir, but is there a change in intention of doing anything or is this still on the table for us?
- Antony Cherukara:** Definitely on the table.
- Moderator:** The next question is from the line of Shreyans Gathani from SG Securities.
- Shreyans Gathani:** So I had a couple of questions. So the first one is on the new product launches, which we showcased in 9 to 9 and likes. So what is the response that we are seeing on that? And also, I wanted to know on the higher horsepower category. We have our own brand and then we have V.S.T. Zetor, which is like V.S.T. and V.S.T. Zetor both, so how do they compete in terms of features? Or do they have any cannibalization in that sense in terms of product?
- Antony Cherukara:** Yes. So I'll answer the first part of the question. This is 929, which is getting tremendous response in the market that we have launched in Maharashtra. The volume is being ramped up. That is why I made the statement that we are expecting good growth in the tractor volumes going forward.
- Coming to the higher horsepower, we have clearly been positioning. The V.S.T. range of products will be value for money positioning, and the VST-Zetor products will be premium basis. So the V.S.T.- Zetor products will compete with 1 year for kind of premium products in the market. And the V.S.T. products will compete with the value for money positioning in the market.

Shreyans Gathani: Got it. Got it. And so just following up on that, on the UP strategy, on the Northern strategy, there's like very established and strong brand. So is there -- like how do we compete with them on pricing? And how do we intend to gain market share? Would it be on pricing or brand? Or what is the strategy to compete with the larger guys who are -- have a stronger presence in those markets.

Antony Cherukara: Understood. That business is kind of a larger question and take a little more time to explain it, but in the short time that I have, I'll try and explain our strategy on this. You are absolutely right that we are the 11 or 12 players in the higher horsepower space. So it is very clear for us that in the market that what we can achieve in terms of product or differentiation is limited. Of course, giving a good quality product in the tractor industries today high yield. So that definitely will be up there, and we will be definitely having all the features premium product that we have. And of course, the value for money positioning products is also placed accordingly.

Now having said that, the key differentiation is in terms of the capability of dealerships and the coverage that we established in the market. So this is where we have created a cluster strategy where we will focus on specific clusters, wherein we will trace the product in the market, do kind of one-to-one marketing that is happening today, establish our product for few lead customers in the market, make others follow these customers and that is what exactly is happening in the Northern market.

And once you're established in the cluster which we are doing an active sale -- acceleration work, once we establish in one cluster, then we move on to the next cluster. So we have laid down procedure by how we will establish in each cluster, and we have been able to make surplus out of this unique cluster. So I mean, there is much more to it, as I said. But in short, this is the answer.

Moderator: The next question is from the line of Dhruv Galada, an individual investor.

Dhruv Galada: So my first question is on our strategic investment and supply agreement with Monarch. It looks interesting given the backing and multiyear licensing agreement Monarch has with a global leader like CNH and the scale at which they'll be manufacturing. So can you please give us a sense of how you see this relationship developing?

Antony Cherukara: Yes. So let me tell you the relationship with Monarch at one level is as an investor and at the other level is as a supplier. So the agreement they have with CNH is for a totally different category of higher horsepower product and for their autonomous software and controls that they have developed for. So that is a separate agreement.

Now what we are supplying is for the Monarch range of tractors for which we are supplying the transaxle, front axle, etcetera, which we call as a glider. That is what we supply to Monarch from here in India. So this is for a totally different tractor product. So there is no relationship between what is happening between Monarch and CNH, and what is happening between Monarch and V.S.T.

Dhruv Galada: Sure. Got it, sir. But over the long term, how do you see this relationship developing with Monarch?

- Antony Cherukara:** Yes. So I said we are an investor in that company. We expect the relationship to be in the long term. The plans are not laid out in terms of what are the next steps that need to be taken. Right now, the focus is on ramping up production. As I said, 1,000 units plus is what we are looking at in FY '24. So the focus is on that.
- Dhruv Galada:** Sure, sir. Coming to my second question, you recently said that the small farm sector in India is expected to adopt a lot of electric machines in the near future. With Monarch recently entering India and looking for manufacturing partners, are you open to contract manufacturing opportunity with Monarch or any other OEM that may come knocking on the door?
- Antony Cherukara:** No, Monarch has not started manufacturing operations in India with anybody else. We are -- we continue to be a supplier to Monarch for their product that they have launched,. There is no other investment with them in terms of manufacturing. However, they have opened software centres somewhere in Hyderabad.
- Dhruv Galada:** Yes. Sir, just to clarify on my question, actually, what I meant was that they are -- like I was seeing one of the recent interviews in which they mentioned, they are looking at India, to scale up in India in a big way, so -- and they...
- Antony Cherukara:** Absolutely. That is why I said there is nothing finalized at the moment. So I cannot give you anything which is not, get completely finalized so there are there are discussions happening. Once anything is final, I will let you know.
- Dhruv Galada:** Sure. And another -- lastly, on the capacity utilization at Hosur plant, which has remained low for many years. So what is the strategy and progress in increasing our capacity utilization there?
- Antony Cherukara:** Yes. So the last 2 years, the work has been happening with Monarch, with V.S.T. Zetor and increasing our range of production. Fundamental reason for all these is to build our utilization of the Hosur plant. So we expect FY '24 utilization to be much better than the previous year? And in the next 3 years, we should be upwards of 80% plus utilization of the Hosur plant, which is total -- manufacturing capacity of close to 40,000 tractors.
- So products of Zetor, Monarch and our consumption, all these put together, we will definitely be looking at increasing utilization to the levels that I say.
- Dhruv Galada:** Okay, sir. Just one final question. CNH has also talked about its big plants in India and they're specifically looking at the 40 to 50 HP tractor segment, which we have also recently entered. But do you see any potential synergies and partnerships with them as co-investors in Monarch?
- Antony Cherukara:** Right now, there is no discussion with CNH, but we will be open to anything that we definitely may come across.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Yes, sir. Firstly, sir, regarding your comment earlier by our CEO, Mr. Antony regarding the investor presentation we made a part. I think during the AGM. So where are we in terms of the

presentations being provided to us with these numbers being accumulated in a PPT presentation and the key highlights of the quarter. So that's making the concord more interesting?

Antony Cherukara: Yes. Within the next 3, 4 days, we will upload the presentation on our website, number one.. So very soon, probably in the next call, we will try and have a discussion over it.

Saket Kapoor: Sir, you mentioned presentation will be uploaded for this year, this result also?

Antony Cherukara: This results we will upload in the next few days probably.

Saket Kapoor: And please provide them to the exchanges also has they been the mandatory.

Antony Cherukara: Yes, we will provide. The transcript will be provided.

Saket Kapoor: I think it is getting -- sir, we want the presentation. Transcript of this con call will be provided. Specifically, you will be providing us with any...

Antony Cherukara: You want the presentation also to be given to the exchanges. I'll speak with my company secretary and if there is no other issue, I will definitely upload it in the exchange.

Saket Kapoor: Now coming to your vision part, sir. I think so the last call also, you mentioned that because of the COVID sector because of this war scenario and geographical changes, we are still looking for FY '26 exit at INR 3,000 crores. So taking into account the current -- the investments we have done over a period of time. And you've been articulating that there will be substantial increase in the revenue pie also going that. So are we sticking to our target of INR 3,000 crores by FY '26?

Antony Cherukara: Yes. By FY '26, we are -- like I said in the last call, we might -- we wanted to do it by 2025, but we might kind of cover up for the COVID time loss that we had, and we might move into FY '26. But definitely, we are chasing that target bump.

Saket Kapoor: Correct. And sir, for the Monarch part, what has been our investment in the JV? Is it in the form of equity or if you could give some more color?

Antony Cherukara: Investment is in the term in equity.

Saket Kapoor: How much have we invested, sir?

Antony Cherukara: Roughly about INR 22 crores.

Saket Kapoor: Okay. And this figure gets some in our INR 450 crores investment?

Antony Cherukara: Yes.

Saket Kapoor: Okay. And sir, then about these last 2 points about firstly, I think with FarmTech and the NCB US, you were also looking for this power weeder and brush cutter parts. So how are sales moving ahead in these 2 aspects, sir?

- Antony Cherukara:** Yes. We are working with them. Currently, we are taking supplies with FARMECH, Taiwan, that is progressing very well. Like I said, we are in talks with multiple players in terms of productionizing in India. Nothing is final yet. As soon as it is final, we will announce it.
- Saket Kapoor:** Okay. And also, sir, about the MNM, I think the last quarter, you did discuss about the interesting point of this being a product for the power tillers. So how is the traction there? And is it sending as a competitor to us in the power tiller segment?
- Antony Cherukara:** As of now, we don't see it as a competition to power tiller because our power tiller demand continues to grow every month. I don't see it as somebody in. However, having said that, I see mergers as a new segment happening.
- So the prices at which that was -- that particular product was launched, has gone up now. The company has revised the prices upwards. So I see a new segment emerging between tractors and tillers so that will be an interesting space that we will -- we are also keen to enter.
- Moderator:** Sorry to interrupt, Mr. Kapoor...
- Saket Kapoor:** Just concluding, if you could allow me this to conclude and then we'll get another opportunity next quarter on this. So just a small part with the... So in conclusion, we are looking for a 14% to 15% volume growth for power tiller to end this year with a single-digit growth in the tractor segment. And looking at the top line closer to INR 1,000 crores for FY '23. So this understanding is correct, as of now?
- Antony Cherukara:** Yes.
- Saket Kapoor:** Okay. But the gap in the profitability, sir, if we remove the other income line item, then also there is a substantial gap in the 9 months -- yearly and the 9 months as on date. So
- Antony Cherukara:** So as I said EBITDA is at about 10.5 weeks now year-to-date. So what we are seeing is getting into a range of 12 to 14, which I've always said where EBITDA will be.
- Saket Kapoor:** Okay. So this fourth quarter would be substantially higher than the average will go up to 12.5?
- Antony Cherukara:** I told this earlier also, there are 2 reasons for this. One is the commodity reduction that is happening is not accrued to the P&L as of now, as of year-to-date, December, which we will expect it to happen in Q4. There is also an upward -- I mean the business is good in Q4 so far. So it is looking up, and we should be able to maintain that 12% to 14% range that we have always spoken about.
- Saket Kapoor:** Okay. So there is a gross margin expansion that is -- we were expecting because of the...
- Antony Cherukara:** Yes, definitely that is the only way that's possible, right?
- Saket Kapoor:** Yes. And all the best to Pankajji for his future endeavour. And sir, I think then this change in inventory will get depleted. I think -- there is an increase in inventory for 9 months to the tune of INR 27 crores. With the improved revenue, this will get even out for the fourth quarter.

Antony Cherukara: Yes, inventory we will be slightly upward compared to the previous financial year closing. The reason is simple that in June, July, we lose space because we are not able to do demand. We don't want that to happen going into the new financial year. So there are some corrections that we are doing in that respect.

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

Antony Cherukara: Yes. So thank you, everyone, and we look forward to a good Q4, as I have mentioned. So far, the going is good. January was good. We expect February to be good. We look forward to meeting you all in the month of May. Thank you.

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

Disclaimer: This Release/Communication contains historical information and forward looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments, political instability and input costs. The Company, therefore, cannot guarantee that the forward looking statements made herein shall be realized. The Company does not undertake any obligation to update forward looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.



VST Tillers Tractors Limited

Q3 FY23 Highlights



Highlight for the Quarter



Income from Operation **INR 213.69 Crs**

Q3 FY23	Vs	Q3 FY22
213.69		208.44



EBIDTA* **INR 32.44 Crs.**

Q3 FY23	Vs	Q3 FY22
14.56 %		16.62 %



PAT **INR 19.43 Crs**

Q3 FY23	Vs	Q3 FY22
8.72 %		9.85 %

*EBIDTA excluding Other Income – Q3 FY 23 – 10.91%, Q3 FY 22 – 14.51%

Highlight for YTD Dec 22



Income from Operation **INR 683.82 Crs**

YTD Dec 22	Vs	YTD Dec 21
<u>683.82</u>		<u>635.50</u>



EBIDTA* **INR 92.38 Crs.**

YTD Dec 22	Vs	YTD Dec 21
<u>13.13%</u>		<u>18.35 %</u>



PAT **INR 52.22 Crs**

YTD Dec 22	Vs	YTD Dec 21
<u>7.42 %</u>		<u>11.64 %</u>

*EBIDTA excluding Other Income – YTD Dec 22 – 10.63%, YTD Dec 21 – 14.80%

Tractors - Compact & HHP Break up

Variant (Nos)	Q3 FY23	Q3 FY22	YTD Dec 22	YTD Dec 21
Compact- Tractors	1413	1752	4486	5730
HHP – Tractors	124	291	426	686
Total	1537	2043	4912	6416

Tractors – Export & Domestic Break up

Variant (Nos)	Q3 FY23	Q3 FY22	YTD Dec 22	YTD Dec 21
Tractor – Export	248	358	836	946
Tractor - Domestic	1289	1685	4076	5470
Total	1537	2043	4912	6416

Power Tiller – Export & Domestic Break up

Variant (Nos)	Q3 FY23	Q3 FY22	YTD Dec 22	YTD Dec 21
Power Tiller – Exp	38	122	97	199
Power Tiller - Dom	7418	7017	25,339	22,295
Total	7456	7139	25,436	22,494

Profitability



Rs in Crore

Particulars	Q3 FY23	Q3 FY22	YTD Dec 22	YTD Dec 21
Revenue	213.69	208.44	683.82	635.50
Tot Income	222.81	213.70	703.54	663.16
EBIDTA	32.44	35.51	92.38	121.69
<i>EBIDTA %</i>	14.56%	16.62%	13.13%	18.35%
PBT	24.95	29.00	71.37	103.02
<i>PBT %</i>	11.20%	13.60%	10.14%	15.53%
PAT	19.43	21.05	52.22	77.21
<i>PAT %</i>	8.72%	9.85%	7.42%	11.64%