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Dear Sir/Madam,

Sub: Transcript of Analyst Conference Call

Please find attached transcript of the Analyst Conference call held on February 01, 2024, on the Financial Results for the quarter ended on December 31, 2023.

We request you take this on record.

Thanking you,

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

Chinmaya Khatua
Company Secretary
MNo:21759





“VST Tillers Tractors Limited 3Q FY '24 Post Results Conference Call”

February 01, 2024



**MANAGEMENT: MR. V.T. RAVINDRA – MANAGING DIRECTOR, VST
TILLERS TRACTORS LIMITED
MR. ANTONY CHERUKARA – CHIEF EXECUTIVE
OFFICER, VST TILLERS TRACTORS LIMITED
MR. NITIN AGRAWAL – CHIEF FINANCIAL OFFICER,
VST TILLERS TRACTORS LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to VST Tillers Tractors Limited 3Q FY '24 Post Results Conference Call hosted by B&K Securities.

From the VST Tillers Management, we have with us today Mr. V. T. Ravindra – the Managing Director; Mr. Anthony Cherukara – the Chief Executive Officer; and Mr. Nitin Agarwal – Chief Financial Officer.

At this point, all participants' line would be in the listen-only mode and there will be an opportunity for you to ask questions after the Management's Presentation and opening remarks.

Also, may I remind you of the safe harbor rules. The Company may be making some forward-looking statements that have to be understood in connection with the uncertainty and the risks that the Company faces. Over to you, sir.

Nitin Agarwal: Good evening, everyone. I am Nitin Agarwal – Chief Financial Officer of the Company and I welcome you all for the Investor Presentation Analyst Meet. This presentation is uploaded on the Stock Exchange and our website as well.

So, I will take you through, first, the sales performance for some of the key products for the nine months for FY '24. In the other column, you have the corresponding performance for the nine month.

So, in the current nine-month, sales volume for the Power Tiller is 24,914 as compared to 25,436 numbers in the corresponding previous year. Similarly, the numbers of Tractors, Power Weeders and Reapers have been given over there. As you can see, there is a marginal decline of roughly 2% in case of tillers and 21% for tractors. However, weeder and reaper, which are the new, have shown strong growth.

Moving on to the performance:

In terms of revenue, so, revenue from operation for nine months stood at 695 crore with respect to 684 crore for the corresponding period in the previous year and EBITDA of current year, there is an EBITDA of 18%, which was 13% in the same period last year. Also, operational EBITDA for the quarter in terms of rupees is 84 crore in the current nine month as compared to 73 crore for the earlier period, which shows a healthy growth of operational EBITDA of 12.14%. PBT and PAT number are impacted because of reflecting the impact of other income as well. So, in the nine month we have a PAT of 86 crore, which is roughly 11.6%.

I move on to the next slide now where Q3 performance, sales volume of Q3 has been captured over here. So, because of the condition in the market, the numbers are impacted for the Q3 as you can see on the screen. So, power tiller, for the current quarter, volume was around 5,060 tillers, tractors 979, power weeder 976 and reaper 1,192.

I move on to the last slide of my presentation, which is profit and loss statement for quarter 3. So, revenue is at 169.96 crore, which is around a 20% drop from the same quarter last year. EBITDA percentage is 14.7, which is almost similar to the last year level. However, operational EBITDA is at 5.61% for the current quarter. We have been investing in growth for some of the newer market, which we are discussing in the Q&A section. That is one of the reasons you will see a lower operational EBITDA. PAT for the quarters stands at 16.95 crore, which is approximately 9% of the turnover.

So, with this, I stop sharing my screen and we are open to questions. I would request Mr. Anthony Cherukara, – CEO of the Company to address.

Moderator: Thank you, sir. We shall now begin the question-and-answer session. We have a question in line from Mr. Ayush. Please unmute your line and go ahead. I think so the participant has dropped in the line. We have a question here in from Mr. Varun. So, his question is, what is the revenue breakup for tractors, tillers and others?

Anthony Cherukara: Revenue breakup for the quarter.

Nitin Agarwal: For the quarter, for power tiller is 90.3 crores vis-a-vis last year, same period 121.5 crores. Tractor is 51 crores, against vis-a-vis last year, same period 61 crores. Nine months revenue also I will give you. Just a second. Yes, for the nine months, the power tiller business revenue is 401 crores, and the tractor business is 191 crores.

Moderator: We have the next question in line from Mr. Ashish Upadhyay. You can please unmute your line and go ahead.

Ashish Upadhyay: Sir, the market looks to be pretty weak. Your commentary on that would help. Numbers on the tractor side are pretty weak. So, any insights from you would help as to how you are looking at that regarding and the new launches that we were planning, I think on that also some insights would help.

Anthony Cherukara: So, in Q3, due to the rainfall, both the temporal as well as spatial distribution of rainfall, which was detrimental to agriculture, that has affected overall agriculture, reservoir levels, and hence the demand across states, most of the states. Some of the states, the intensity of that effect is more, especially Karnataka, Maharashtra. Some of these states, the intensity is much higher than the other states. And this is one reason why the demand has affected most of the industry players, and it has affected us also.

What we believe is that in some of the states in the coming months, especially in quarter 4, there would be some release of government supported subsidy schemes, which will enable some amount of buying and also some cash flow that has started, especially in the sugarcane belts where the payments are coming to the farmers. This should enable some amount of movement in Q4.

However, a complete recovery of the sector, I believe, will happen after the rains. The silver lining is that the first estimates of the forecast is stated to be normal monsoon for next year. This will definitely help us bounce back across the country.

Ashish Upadhyay: And how are you thinking about your strategy on the launches, plus how is the exports market shaping up? Is there anything to on the progress of this?

Anthony Cherukara: Yes, so on exports, for the first nine months we have done well, almost 40% growth in terms of exports. However, towards the end of quarter 3, the Red Sea crisis has created a huge problem in terms of logistics and the cost incurred in terms of moving material from India to various markets in Europe. That is going to be detrimental in quarter 4. I hope the issue does not last long. I hope there is a resolution because this is definitely affecting the volumes in quarter 4. However, the Company is also, as announced earlier, working towards expanding across geographies and the work on entering the U.S. market in the next two years is progressing as per plan.

Ashish Upadhyay: So, broadly, it seems like till the next monsoon comes in is a bit of a challenge on the ground.

Anthony Cherukara: Yes, it is definitely a challenge in terms of demand. However, all the long-term plans are in progress and we are focusing on that, executing those plans so that we make best of the bounce back when it happens.

Ashish Upadhyay: And sir, today, in the press release, you also mentioned about a JV that you are with one of the Japanese companies. So, can you elaborate a bit on what contours of that agreement is, as in what are the plans on that?

Anthony Cherukara: Yes, Kobashi is a blade manufacturer. The blades go into our power tillers, power weeders, rotavators, rotary tillers, etc. So, so far we have been sourcing these components from outside. Kobashi also has good technology, which is Japanese technology in this segment. So, with this joint venture, we want to make in India the blades and bring this technology into the Indian market.

Ashish Upadhyay: Sir, on the higher HP Tractor launches, so what's the thought process? I mean, I believe that those would have been postponed given the market conditions.

Anthony Cherukara: So, the VST Zetor joint venture Company has been formed and there were delays in the procedural aspects of formation of the Company, which is completed and the seeding of the tractors are on. So, it is going as per plan. There has been two months delay in terms of the procedural activities, as I said, and it is now completed. In every sense, the joint venture Company is in operation and the billing is started. So, it is going as per plan. As I have said before, the ramp up of volume production will happen from March-April onwards.

Ashish Upadhyay: Mostly we are looking ahead for next year for things to normalize and on all fronts to give us some traction.

Moderator: The next question in line we have is from Mr. Ayush. Mr. Ayush, you can please unmute your line and go ahead.

Ayush: Namaskar, in your Investor Presentation there is a key feature in which you mentioned that you would generate the revenue of Rs. 3000 crores in 2025 which almost 3x of the current revenue, on what basis you are saying this? And the second question is our move towards the electric tractors, so I would just like to know how big is the market and what market share do you see for our company in this segment in times to come?

Anthony Cherukara: The mission of reaching Rs. 3000 crores by 2026 so the first aim was to develop an aggressive growth-oriented company culture and as far as that target is concerned that we have achieved considerably. And the target of Rs. 3000 crore we have kept for that we have planned long term projects which we are announcing one-by-one, one is the JV of VST Zetor, production is commencing very soon. We are talking about entry to the US. In new launches in India, the progress is on expected timelines. The Power Weeder segment which was not there earlier now we are have progressed well in that segment and from next year onwards we may start manufacturing as well. So whatever projects we have planned to reach to our aim of Rs. 3000 crores all are at the execution level and going according to the plan. We are putting all the efforts to accelerate those. So, we hope that the target we kept of Rs. 3000 crores we will be able to chase that. Six months to one year could be here and there but we will definitely chase down the target because the project which we have defined to achieve that aim the execution of those projects are 100% on the track.

Ayush: If you can talk a little bit about electric tractor please?

Anthony Cherukara: As far as electric tractor is concerned it is a going on in the direction of technology transformation. Today perhaps market is very less especially in India and infrastructure is not ready for that. But we have in the US market that last year almost 400-500 tractors have been sold and according to our study our hypothesis is that electric tractor industry will reach to 5000-6000 electric tractors and when we enter to such developed country as we are talking about entry to the US in the next two years and we want to enter with well-rounded portfolio and by that time our electric tractor will be completely ready. And as and when India will be infrastructure ready for electronic tractors, at that time we will launch in India as well.

Moderator: Thank you, sir. The next question we have is from Mr. Saket Kapoor. You can please unmute your line and go ahead.

Saket Kapoor: So, pardon me for repetition. If you could just give me some more color on the environment currently shaping up and going ahead, sir, I think so for the top-line part, we are flattish in terms of nine months. So, where should we end this year, sir? If you could give some more color and just for the sake of repetition, if you could just summarize the quarter and the business environment, please.

Anthony Cherukara: Yes, Sakeet. Today, as I have explained already, the demand drivers are not working in the favor of the industry and definitely it is affecting us as well. The monsoon in terms of both the spatial spread and the timing of monsoon has been a problem and that has affected crops that has affected the yields and especially it has affected some of the strong markets, compact tractor markets which we are operating in. So, this has definitely affected our volumes.

However, we feel that it is a temporary phenomenon because we still see a lot of inquiries coming into our showrooms, but the farmers are postponing their purchase. So, it is an issue of cash flow. It is an issue when it is not an issue of need. The need is still there but the farmer needs cash in his hand to make the purchase. So, I think that is where the delay is. I think I am trying to dig a little deep and give you the detail and that is what is happening in the market.

However, we feel that with a little liquidity with the cash flows happening from the sugar mills and some states declaring certain subsidies in quarter four that we have seen in January and which likely will go into February as well before the election announcement happens, which we feel that it will trigger a little bit of purchase in the quarter four which will enable us to do a good quarter 4 and get into a single digit kind of growth for the year. That is what we are looking at.

Saket Kapoor: So, we did a top line close above just tied at 1,000 crore. So, as of now, we are already one month down, I think. So, sir, the Feb numbers have been declared. I think the January numbers have been declared by you, the volume numbers. They are higher than what sequentially month-on-month. So, that reflects the optimism what you are trying to articulate now. Maybe take the January sales number. I think the tractor numbers are lower than the volume numbers.

Anthony Cherukara: Yes, tractors continue to be lower because like I said in my explanation, the key markets, compact tractor markets have not revived yet, which is Maharashtra and some parts of Karnataka, which is not revived yet. We have seen but an uptick in Gujarat and Tamil Nadu and certain parts of the South as well, we have seen an uptick.

However, the higher HP market is also doing well in some parts of the northern parts of India. However, we are not a major player at this point in time in the higher HP space. So, that is what is affecting the tractor business.

As far as power tiller is concerned, like I said, the issue is not demand. Issue is cash flow into the farmer's hand. And I believe in quarter four, we are seeing an uptick in terms of the cash flow in some parts of the country, the sugarcane belt and we also see some states like Karnataka, Orissa, some schemes in Assam being declared by the state governments, which should give us a single digit growth is what we are looking at in quarter four. So, we should end the year with single digit growth as I explained before.

Saket Kapoor: Sir, just a small point. If you could give the, first, the revenue split between power tillers, tractors, power weeders and reaper, that would be helpful. And as you were mentioning that we are

looking at single digit growth. So, we did a top line of 170 crore for this quarter. Just to put the maths into place, IF we had to reach 1,000 crore, we are looking at a top line of closer to 310, 15. That will translate into a 1,000-crore top line for the year. So, that maths is correct, sir? We can look forward for this Jan to March quarter to post top line closer to this 310, 315 bracket?

Anthony Cherukara: Saket, your mathematics is absolutely right.

Saket Kapoor: Now, if you could give me, sir, the split between the product wise split in revenue terms, sir?

Anthony Cherukara: Saket, just for your information, I will give you the numbers. But just for your information, this is already uploaded, the revenue figures, but I will repeat that again. For quarter three, we have done power tillers 90.3 crores vis-à-vis last year 121 crores. Tractors 51 crores vis-a-vis 61 crores last year, and nine months it is power tiller 401 crores, tractors is 191 crores.

Saket Kapoor: Where are they uploaded, sir? In your presentation of 12 pages, I guess...

Anthony Cherukara: It is on our website.

Saket Kapoor: Kindly make it a part of the presentation also, sir?

Anthony Cherukara: Yes, presentation I think is already uploaded.

Nitin Agarwal: In the stock exchange.

Saket Kapoor: No, no, I am telling that, please make it a part of the presentation. Your presentation.

Anthony Cherukara: Okay, fine. You want the revenue figures in crores as well, right?

Saket Kapoor: And one more adjustment, if that can happen, sir. When you are providing the comparative number for last year quarter, kindly provide sequential numbers also along with that.

Anthony Cherukara: Okay. Yes, previous year also. Got it.

Saket Kapoor: No, no. Current year only. Sir, sequential number. When we are looking at Q3, we should also get the glance of how Q2 have performed. That would give us a better understanding there also. And sir, now coming again to this, our, I think so we were also working with our Mysuru unit earlier, sir, with, I think the precision equipments that will get aligned with as an integration part for our main business. So, where are we, sir, in terms of utilizing that unit?

Anthony Cherukara: Yes, exactly that is one of the projects that is coming up is the Kobashi joint venture that we are working towards this. That is again part of the precision implement division. The rotary tiller production is continuing out of Mysuru, and various projects are being planned under this precision implement division. One of them is the Kobashi JV that we have just announced today.

Saket Kapoor: And also, sir, we found that capital work in progress for closing balance for September was around 17 crore. So, what has been our CAPEX for the 9 months, sir?

Anthony Cherukara: The 9 months CAPEX figure, We will get back to you on that,.

Saket Kapoor: As the turnover did not commensurate, I think, that is the reason why the employee cost looks higher in terms of as a percentage of sales. This will get even out when we post better number the next quarter.

Anthony Cherukara: Absolutely. You see the absolute value has come down. It is only the percentage that looks up.

Saket Kapoor: That looks up. Okay. I will request that, if feasible, we should be having an audio call that that is a better one than going for the Webex mode. Although its medium is okay, but for audio, I think, so, the connectivity is much better at places. So, looking forward for that.

Anthony Cherukara: But earlier, there was a request for the presentation to be made. So, that is why we got on to this. We will check if there are better ways to do it, Saket.

Saket Kapoor: And on the property part, sir, any update, sir, on the land which we have on our books? Any steps to monetize the same or what should...

Anthony Cherukara: Not at this point, Saket. We don't have any new news at this point.

Moderator: Thank you, Mr. Saket. The next question in line is we have from Udaya Prakash. Please unmute your line and go ahead.

Udaya Prakash: So, I just have one question regarding our volumes and Power Weeders and Reaper segment. They have been doing really well. So, is the growth due to low base effect or are we witnessing increased demand? So, can you also comment on the market opportunity in the segments? What is the market share we have and the competitive scenario in the segment?

Anthony Cherukara: This is an unorganized segment. So, there are no organized figures in terms of giving you a kind of a solid market share figure. But what I can tell you how we get out these figures, what is happening or the growth rates or the industry in this is, we take out the imports data. So, many of the players are importing from China and we can estimate what kind of sale is happening in the country. That is how we get the power weeder figures for India and which is consistently showing 25- 30% CAGR over the last several years.

So, that, I mean, to answer your first question, there is a good demand for these products. Small farm mechanization will continue to grow. And this is why we entered into this space in the last year. And from last year, we have grown rapidly. This year we should be closing anywhere between 5,000 plus numbers and I think that growth will continue going forward as well.

Same is the case with the Reaper. Reaper is a slightly different machine. This is mostly used by small and marginal farmers for harvesting. They reap the harvest and then they use a thresher to separate the grain and the shaft. So, reaper is quite seasonal, so there won't be continuous demand throughout the year, but then it is seasonal during the harvest season. And here also, in these seasons, typically spread over four to five months, we will see very high demand and it will continue to grow.

Udaya Prakash: And sir, the margin profile for these two products, is it similar to the power tillers or is it lower, higher?

Anthony Cherukara: It is good margins. We won't be able to get into the specifics right now as we are setting up these businesses at this point in time.

Udaya Prakash: And in the next, let's say, next 2-3 years, what is the long-term revenue contribution of the two segments? Do you have any plan for that, or do you just want to go with the flow looking at the demand scenario?

Anthony Cherukara: No, this will definitely, we see that this volume will sustain for a long period of time. We are looking at this segment, the power, we call it the small farm machines. We believe that this segment will continue to grow over a longer period of time, more than 10 years plus. So, we are expecting huge revenues from this segment.

Moderator: Thank you. We have the next question in line from one **Investor**. You can please unmute your line and go ahead.

Investor: The R&D facility spending and how is that going and maybe what kind of product launches are we looking at with Zetor?

Anthony Cherukara: So, the first three products, 42, 45 and 49 HP launches we are doing now and seeding is happening now. 20 machines we have already put into the market. We will start volume production sometime in March. We have lined up multiple product launches with VST Zetor in the coming years as well. We have not announced the specific models yet. So, probably in coming quarter, we will be able to give you more detail.

Investor: And on CAPEX spend, sir, I think you were planning to put up a R&D facility worth 50 crores, I think.

Nitin Agarwal: Yes, so the current, definitely the work is in progress. It will take at least 1, 1.5 years to complete this project. So, we will give you more details as we get closer to the completion of the project.

Investor: So, what kind of amount would have already been invested in this project?

Anthony Cherukara: The land has been procured. So, the work, the planning progress is happening at this point in time.

Investor: Any absolute amount, sir?

Anthony Cherukara: I won't be able to give you an exact amount. I will get back to you on that.

Moderator: Thank you. We have the next question in line from Mr. Arjun Khanna. Can you please unmute your line and go ahead?

Arjun Khanna: My first question is, now that the Zetor JV is on stream, could you help us with how much have we capitalized the JV?

Anthony Cherukara: I didn't understand that question.

Arjun Khanna: We would have put capital in it, right? So, how much have we put in and how much have the JV partner capitalized in terms of equity?

Anthony Cherukara: Yes, I will ask the CFO to answer this question.

Nitin Agarwal: So, the share capital of the new joint venture is around 19 crores. 51% is invested by VST, 49% by the HTC INVESTMENTS a.s..

Arjun Khanna: So, 19 crores would probably be not enough to set up a full assembly facility. So, are we using the facilities of VST?

Anthony Cherukara: Yes, absolutely, Arjun. I think this we have discussed before. I have explained to all of you that the manufacturing will be done by VST. The joint venture is a sales and marketing Company.

Arjun Khanna: So, then what's the use of these 20 crores? Just to understand. So, what is this capital for? Is it for holding inventory or?

Anthony Cherukara: It is working capital requirements. It is development expenditure as well. Product development expenditure.

Arjun Khanna: Just the second part on this. I thought we were taking products from Zetor. So, this is largely the indigenization of these products.

Anthony Cherukara: No, we have jointly engineered this product for the Indian market. So, it has been an engineering effort by both the VST engineers and the Zetor engineers.

Arjun Khanna: In addition, these products we were looking at possibly for even other geographies such as Africa etc. Are those plans also on stream?

Anthony Cherukara: Absolutely. So, this, the first focus is on the Indian market and the next products that we will be launching, which will be announced later, which is also work in progress, will be for the African markets.



- Arjun Khanna:** And the entire lot would be manufactured in VST facilities.
- Anthony Cherukara:** Correct.
- Arjun Khanna:** So, you mentioned just 20 units sold in the previous quarter. In this quarter, what's our outlook? It actually starts only from first quarter FY '25.
- Anthony Cherukara:** I didn't get your question. Are you asking about FY '25 first quarter or this quarter?
- Anthony Cherukara:** No, no, in terms of volumes, so fourth quarter, would we see additional volumes coming from the Zetor JV or it would start from the first quarter FY '25?
- Anthony Cherukara:** The larger volumes will come from first quarter next year.
- Arjun Khanna:** In terms of the calendar year, we had indicated earlier that Monarch had an order with us for the chassis of maybe a 1,000 units. Do we have a sense what would be the order outlook for CY '24?
- Anthony Cherukara:** Yes, we are continuously supplying them and the supply is at this point at about 300 odd units that we have done. It is not a complete tractor that we supply. The drive train we supply.
- Arjun Khanna:** In terms of tie-ups with other players, so Kobashi is the JV of top-top for the small implements. What kind of capital outlay would be for this JV?
- Anthony Cherukara:** The details and terms and conditions are being worked out, Arjun. So, probably the next call, next quarter call, I will be able to give you more details.
- Arjun Khanna:** So, just to understand, this would be only for internal consumption or also for selling in the market to other players?
- Anthony Cherukara:** Both.
- Moderator:** Thank you. I will take certain questions from the chat box. We have a question here from Mr. Piyush. He is asking what is the average price of a single unit of a power weeder and a reaper?
- Anthony Cherukara:** A power weeder ranges between Rs.40,000 to Rs.70,000. The reaper is just over 1 lakh.
- Moderator:** Thank you. Next question we have is from Mr. Benai in the chat box. He is asking for what is the rough number of power weeders and reapers that are being imported into India?
- Anthony Cherukara:** Rough numbers is around 120,000.
- Moderator:** We will take the next question in line from Mr. Masal. Can you please unmute and go ahead.

Masal: Our current revenue size is about Rs. 1,000 crore. In PPT, it's mentioned that during FY '25 we want to be Rs. 3,000 crore Company. So, can you spell out that how are you going to take this such a leap about three times?

Anthony Cherukara: Yes, see, FY '26 is when we said we will get to 3,000 crores like I said to one of the...

Masal: It's meant at 25, sir, FY '25.

Anthony Cherukara: So, in several calls before and I had clarified that Vision 2025 is what we stated and after which we got into a period of COVID and two years many projects we couldn't move physically and get it done and hence there has been a delay. So, the team had to rework the plans and looked at how we can ensure that the Vision 2025 is achieved. Then we realized that certain plans is getting a delay because of the disruptions that we had during COVID and the supply disruptions as well. So, we said okay, we can take an aggressive target of chasing down that in FY2026.

So, we have been clarifying that for quite some time that FY2026 is when we will chase down 3,000 crores for which we have taken several steps, several projects including getting into the small farm mechanization like power weeder, getting into new segments with joint ventures, getting into a production of new products, getting into new markets, consolidating in Europe. So, several number of projects that we launched are progressing, and we are confident that we will be able to chase down this number plus or minus 6 months, 1 year, that might happen, but we are confident that we will be able to chase it down.

Masal: Sir, like there has to be a journey, phase wise journey, for example, okay, we agree, yes, in FY '26, no problem. So, for example, then in FY '25, like, where do you want to reach? Rs. 2,000 crore? Rs. 1,800 crore? Where?

Anthony Cherukara: We will let you know. I mean, we can't give you such forward-looking numbers, but definitely there will be aggressive growth numbers.

Masal: So, this is number one. So, I will say that like in PPT also, if, for example, some broad break up is given, so that we can have some focused discussion, that okay, that's like, yes, from power weeder so much, from the Zetor this one like JV so much, from Kobashi so much, from Europe so much. At least the shareholders and the and the analysts and they basically will have some solid number to look upon and then in future we can also make a comparison okay, that like where do we need to put more effort, like where are you doing good and so on.

Anthony Cherukara: Sure.

Masal: My second question that while going through the list of your non-credit investments, I don't want to go in the specific script, but you can see that there are certain shares which we are holding a sizeable amount which are not moving quite significantly. So, I think there is a solid need to churn the portfolio because currently we can see that all PSU banks are doing fantastically. PSU banks return has given in last six months almost 80-100% return it has given, whereas we are

holding about Hindustan Lever. We are holding about Kotak Mahindra Bank. We are holding about like HDFC. We are holding about, for example, another Company Infosys. They are all stagnant. So, I think if you can churn the portfolio towards those emerging sectors, emerging sector currently is the PSU banks because they have just come out from the COVID phase, they have just like all the bad book and all the bad apples of the bank has been completely eradicated, and all PSU banks are in profit now. So, we need to put some amount of our investment in the PSU bank, number one.

Then the second is, for example, currently this railway sector, we don't have a single share in railway. Then the third is, for example, this Company like this renewable, all this, for example, this solar power and all those things, we don't have a single holding. We are just carrying our whole legacy, this thing whatever small dividend we are getting, whatever small appreciation we are getting, we are booking in our P&L. So, my humble suggestion that please churn your portfolio. Please churning like all those shares which are not doing good, please shuffle to those sunrise industry of the current time, number one.

Number two, we have put a lot of amount in mutual fund also, which also you can consider to redeem and directly put in those investments in those particular Company which have gone three times. For example, Company SJBN Limited, its share was Rs. 30 about a year ago. Now it is almost 130. In one year, four times. See, for example, our portfolio is about Rs. 100 crore portfolio. Even if you put Rs. 25 crore in those Company, you could have made another Rs. 25 crore, which is not even a full Company profit. Our full Company profit is what is only 20 crore. We could have made another Rs. 20 crore profit from those companies. There are certain other listed companies in our India, which are doing this kind of thing. So, they are making good amount of like, you know, they themselves are a sort of mutual fund for example, like it is all the money they are like investing their self by having a team of 2-3 analysts and who are doing all this research and then they are putting those investments, which is really faring very well. So, our Company is very small size. Please do something about it.

Anthony Cherukara: I got your point and definitely we will take your inputs, but the primary responsibility ours has been to protect the shareholders' money. However, we are taking all the inputs that you have given. Thank you.

Masal: And my next question, we have been hearing that for last few conference calls that you are going to have this, like we are going to have a lot of JV and all those things, but we don't see the real impact coming, like positive impact coming in our revenue from all those JVs. So, can you please spell out that where do we stand or how much revenue are we getting from Monarch or the Zetor and how much revenue we are projecting from this Kobashi JV?

Anthony Cherukara: So, what we are looking at is JVs and as you would know, setting up a factory, productionizing, designing a product, launching it in the market is a time-consuming process. We are going through the process and as per plan it is progressing. Of course, like I said before, COVID did play a spoilsport in terms of delaying some of the projects, but all of those projects are falling in

place. Monarch has already started bringing in revenues. VST Zetor has started bringing in revenues. The larger revenue will come in the next financial year and the Kobashi has just been announced. It will be one year down the line. We will be able to look at revenues from that project as well.

Masal: Sir, my humble suggestion, kindly also put a specific slide in our PPT covering all the progress in that JV so that your shareholder who are very long shareholder of your Company will be having much more information from the PPT itself.

Moderator: We have the next question in line from Mr. Shreyas Jain. Please unmute your line and go ahead.

Shreyas Jain: I just have a question on like, can you give us what is the exports revenue and what impacted the margins? You said like you were incurring some additional costs investing in something. So, like what has impacted the margins? Like what will be the sustainable margins going ahead?

Anthony Cherukara: So, we have given a margin range of 11 to 13% for the year and we would be tending towards the 13% than the 11%. So, that doesn't change.

Moderator: Thank you, Mr. Shreyas. We have the next question in line from Mr. Dhanan Bagrodia. Please can you unmute your line and go ahead.

Dhanan Bagrodia: So, I just wanted to understand how is the competitive intensity happening right now in terms of are we able to gain market share? How is the pricing going and how are we seeing that for the next few years?

Anthony Cherukara: So, the competitive intensity in the tractor market, as you know, is very high. And there is definitely all kinds of competitive forces playing out there, which includes pricing. That is where we see that the niche compact tractors is a clear segment that is emerging, wherein we are strong players. And I think that segment will continue to grow and that will give us reasonable profits, not only in India, but geographically across Europe and the other markets as well. And the small farm machine space is also growing at a faster pace and that we expect to continue. And here, the competitive intensity is much lower. And we feel that that helps companies to generate profit margins if you are frugal and efficient because that is critical because it is a price-sensitive segment.

Dhanan Bagrodia: How are we seeing our market share then play out with competition being severe? How are we seeing that?

Anthony Cherukara: Like I have clarified before, we are not in the market share game. We are looking at utilization of capacity. That is where the growth of tractor business, the Monarch business, the VST Zetor business, all these businesses will help us increase capacity utilization. And I think that complete play out will happen by the next financial year. And we will be able to increase capacity utilization of our Hosur plant in a big way.

- Moderator:** We will take some questions from the chat box. This is a question coming in from Ms. Laxmi Narayan. In the Zetor JV, the profit share is in line with the equity capital. So, any royalty and technology transfer charges are being paid currently?
- Anthony Cherukara:** No, there is no technology or royalty charges to be paid.
- Moderator:** We have one more question in line from Mr. Benai. He is asking, do we plan to export weeders and reapers as well? And if so, what is the rough overall size of this market in terms of volume?
- Anthony Cherukara:** Right now, we have not started exporting because India itself is a huge market, but we definitely have plans with our manufacturing starting in this year. In this coming financial year, we will be looking at export markets outside India as well. The market size is in couple of hundred thousand across the globe.
- Moderator:** The next question we have is from Mr. Naveen Dubey. He is asking in this quarter, margins has seen a steep fall, EBITDA margin. So, what could be the reason behind the possible fall and what could be the sustainable margin range?
- Anthony Cherukara:** Definitely the top line has affected the margins. However, if you look at what the CFO, while he made his presentation, also he made a statement that we are doing some expenses, which is towards our long-term growth, especially towards entering new markets like the U.S. market and building our brand, etc. So, those expenses have not stopped.
- We continue to believe in the strategy that we have set for ourselves and the belief that the goal can be achieved if we sustain on the path. So, that has definitely affected this quarter. If you remove those onetime expenses, our margin should have been about 7 odd plus percent and the rest of it has been affected primarily because of the top line de-growth. The expenses, if you see, has been maintained relatively. Considering that the top line has fallen sharply, there is an effect on profitability.
- Moderator:** What is the status of VST supplies to Zetor, which was expected to start in November? And also, if you could elaborate on the supplies on Monarch?
- Anthony Cherukara:** So, VST Zetor is a JV wherein we are working and selling those tractors in India. Also, we supply compact tractors to Zetor Europe, which we have started some small volumes, some two batches have gone to them, and we should be able to slowly build on that in the coming years.
- Moderator:** Thank you, sir. In the event of time constraint, we will have one last question. We have one question from Mr. Shreyas Jain. Please unmute your line and go ahead.
- Shreyas Jain:** Can you just share the export revenue for nine months and 3Q?
- Anthony Cherukara:** So, the export revenue for nine months is roughly about 90 crores.



*VST Tillers Tractors Limited
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Moderator: Thank you, sir. On behalf of B&K Securities, we thank all participants for joining the call and special thanks to VST Tillers Limited management for taking out the time and giving us the opportunity to host the call. Have a good day. You may now disconnect your lines. Thank you.

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.