



REF: VTTL/SE/2024-25

May 16, 2024

The General Manager – Listing,
National Stock Exchange of India Ltd
Plot No. C/1, G Block,
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051

The Manager Listing,
BSE Ltd.,
Floor 25, P.J. Towers,
Dalal Street,
Mumbai – 400 001

Dear Sir/Madam,

Sub: Transcript of investors' call

This is to inform you that the transcript of the investors' call held on May 09, 2024, on the financial results for the quarter and year ended March 31, 2024 is attached herewith and same will be available in our website i.e. www.vsttractors.com

We request you take this on record.

Thanking you,

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

Chinmaya Khatua
Company Secretary
M.No -A21759



V.S.T. TILLERS TRACTORS LIMITED CIN-L34101KA1967PLC001706
Plot No.1 Dyavasandra Indl. Layout, Whitefield Road, Mahadevapura Post, Bengaluru-560048, India
Phone: 91-80-67141111 Toll Free: 1-800-4190136 Email: vstgen@vsttractors.com
www.vsttractors.com

Grow with us



“VST Tillers Tractors Limited Q4 FY 2024 Earnings Conference Call”

May 09, 2024



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



Moderator: So, ladies and gentlemen, good day and welcome to VST Tillers Tractors Limited 4Q FY '23-'24 Post Results Conference Call hosted by B&K Securities. Apologies for the delay in starting the call.

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

At this point of time, all participants' lines were between the listen-only mode. And there will be an opportunity for you to ask questions after the Management Presentation and Opening Remarks.

Also, may I remind you of the Safe Harbor, the Company may be making some forward-looking statements that has to be understood in conjunction with the uncertainty and the risk that the Company faces.

Over to you, sir.

Nitin Agarwal: Good evening everyone. My name is Nitin Agarwal. And I welcome you to this call. First, I will present the Performance of the Company with the slide, and then we will open for question and answers.

On Financials, first, I will talk about the highlights for the Financial Year '24:

For this year, our net profit is at Rs. 121.51 crores, which is one of the highest ever net profit. The EPS basic is at Rs. 140.64 per share, which is also the highest ever. Cash flow from operation is Rs. 48.61 crores, which is better than the cash flow from operation over the previous year. Also, the exports of tractors had been good for us, there has been growth of around 16% over last year.

On this slide, I am covering the sales volume for our SFM as well as tractor businesses for Quarter 4. I will also cover the annualized volumes later. So, in Quarter 4, for power tiller, 11,566 units have been sold, for tractor it is 960 nos, power weeders 1,385, and reapers, 115 nos.

In terms of profit and loss statement for Q4, the revenue for this year, revenue from operations is Rs. 273.44 crores versus Rs. 322.61 crores over last year. Our EBITDA for the current quarter is 17.69%. Operational EBITDA, which is basically we exclude the other income completely and only cover the revenue from operation and related expenses, so it is Rs. 39.83 crores, as a percentage it is 14.57%. PBT percentage is 15.16%. And PAT is at Rs. 35.12 crores for the quarter.

This slide talks about the annualized volume for FY'24 when compared with the previous year FY'23. So, for power tiller, in the current financial year we have sold 36,480 power tillers. Tractors are at 5,388, power weeder and reaper at 4,567 and 1,964, respectively.

Coming to the profit and loss statement for the entire year:

The revenue from operations in FY'24 is Rs. 968.05 crores. And as an EBITDA percentage, annualized is 17.96% compared to 14.75% in the previous year. Operational EBITA, as I mentioned earlier, after excluding other income completely, we are at 12.83%, which is better than the last year of 12.64%. At PAT level we are at Rs. 121.51 crores for the financial year.

Apart from financials, we have a few other updates as well in terms of businesses, first is about the product launch of VST Zetor, which is the joint venture between VST Tillers Tractors Limited and HTC Investments, which is the owner of the brand Zetor. So, on 6th May 2024, we did the product launch where the three models of the Company namely 5011, 4511 and 4211 were launched. In terms of house power these are within the segment of 41 to 50 horsepower segment.

. The Company on 25th of April 2024, has incorporated a wholly owned subsidiary in the name of VST Americas Inc. in the United States to assist the Company in augmenting the growth opportunities by catering to the needs of the US market in tractor and farm machinery segment. Also, we have incorporated a subsidiary of the wholly owned subsidiary (Step-down subsidiary to VTTL), which is basically an LLC, the name of the LLC is VST Fieldtrac LLC, this is also in the United States.

So, with this, we move to the question-and-answer segment.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question is from Keshav Garg. Please unmute your line and ask your questions.

Keshav Garg: Sir, we did all time high tractor volumes of 11,367 units in FY'18, which have now less than half to 5,388. And sir if we see, it is less than what we did 10 years back, which was 7,500 roughly. Sir, whereas if we see that during this period the tractor industry possibly would have doubled in India. Sir, so basically when will we accept that probably things are not working out and maybe we can think on the lines of hiving off our tractor division into a joint venture with some foreign big player, sir like what Escorts has done with Kubota? Sir, because clearly we are struggling since more than a decade and sir sometimes we have to face the reality that we are unable to succeed in this part of the business. Sir, so is it not better to induct some global partner which can help us scale up this business?

Anthony Cherukara: Yes, it is a very good question and a very interesting one. I am Anthony Cherukara, CEO of VST Tillers Tractors Limited. See, we have explained that the fact is that we are operating only in the compact tractor segment, and we have not operating in the higher HP segment. And what we are seeing is our growth in tractors, we have said, is first focus is in terms of capacity utilization. And apart from making tractors for the domestic market, we are looking at supplying drive trains to the US market, which we have begun successfully. We have also launched the VST Zetor higher HP from the same manufacturing facility. So, the key focus is in terms of driving profitability in the tractor business, which we have improved even in this financial year.

With the entry into the US market, which is the largest compact tractor segment market, which is 3x of the Indian compact tractor market, or less than 30 HP segment, which is almost 300,000 is the industry size of compact tractors in the US market. We are hopeful that we will be able to create volumes over the next five years in the US market after launch in FY'26. Plus, we are also scaling up the higher HP business, which we have not been in, number one.

Number two, the drop last year has to be seen from the context of compact tractor market, wherein the compact tractor industry has dropped in Maharashtra and Gujarat. While the tractor industry overall would have dropped only 7% to 8%, the compact tractor industry has dropped more than 30% to 40%, and that drop is in line. But with the monsoon picking up, we are expecting that the volumes will pick up and we will be able to increase the volumes to earlier year levels. So, two aspects to this, geographical spread going geographically to across compact tractors industry. Second, look at utilization with various joint ventures which we are already in. Third, drive profitability in the tractor business. On all these three fronts, we are progressing as per plan. Looking only at the volume and concluding that things are not progressing at all in the tractor business of VST Tillers Tractors Limited may not be the correct conclusion.

Keshav Garg:

Sir, so if we see then again in April, the announcement that you have made, sir on a already low base of last year again in April tractor volumes have halved.

Anthony Cherukara:

We work only on consumption. We do not push bill inventory into the market. We expect with the monsoons, the industry will pick up. April definitely the monsoon hasn't come. You will see, except for three or four players, nobody else has registered growth in April. And we all know very well from channel check what exactly is happening in the industry.

Keshav Garg:

Sure, sir. Sir, even our agreement with Monarch Tractors US, sir even they are getting their tractors manufactured by, I understand, Foxconn, instead of we VST. So, why aren't we even able to contract manufacture for others?

Anthony Cherukara:

We are supplying the power trains. I think we do not have complete information when we are coming to conclusions. We supply the power train to Monarch. And apart from the drive train there is the power train that needs to go in, which is being assembled at the Foxconn facility by Monarch. So, the drive train essentially includes, except the power bank that is the battery and the motor, everything else. Practically, I have said this before in an earlier analyst call, value wise it is almost equivalent to a tractor unit that we sell in India. So, we expect that business to grow in future. So, that contract manufacturing is continuing, and we expect to continue to supply. Of course we are exploring other opportunities also for contract manufacturing.

Keshav Garg:

Sure, sir. And lastly, sir, in your best judgment for the current Financial Year FY'25, sir, what kind of volumes do you expect in tillers as well as tractors?

Anthony Cherukara:

We do not give any forward guidance of volumes, but we expect to grow in both the segments with a normal monsoon happening. We will continue to follow our rigor in terms of following a

consumption model. We expect the tractor business to grow by 10% to 15%, and the tiller business to grow 15% to 20%.

Keshav Garg: Sure, sir. And sir, lastly, we used to mention in our investor presentation about Rs. 3,000 crores revenue target by FY'25. But in the latest presentation, I do not think there is any mention whatsoever. So, that target has been postponed to which year?

Anthony Cherukara: In no investor presentation we have given any guidance on Vision 2025. I have said earlier that we are targeting 2026, that is FY 2026 for Vision 2025. We have not changed that milestone. We are working on it with the normal monsoon. And all the projects that we have put in place, each and every one of them is coming into monetization. And we are expecting with tight controls, better profitability, better earnings per share, this Company will give growth and more returns to the stakeholders.

Keshav Garg: Sir, I just wanted to highlight that our EBITDA is the same, more or less, in the past 10 years, that around last year we did Rs. 130 crores approx., and in FY'14 we did approx Rs. 120 crores. So, we are not even able to keep pace with inflation. In real terms, our EBITDA in FY'24 is probably a third of what it was 10 years back. So, I hope that going forward, sir, things change, and your efforts bear fruits. Sir, thank you very much.

Anthony Cherukara: I think your statement is wrong. EBITDA is not one-third of what it was 10 years back. So, I would request that the right statement is kindly looked at.

Keshav Garg: Sir, the EBITDA is flat since 10 years in nominal terms. So, adjusted for inflation in real terms, the EBITDA would be like one-third only. If you see in the past 10 years if something is flat, that means in real terms it is down to something like 35%, 40%.

Moderator: Thank you, Mr. Keshav Garg. Next, Mr. Neil Joshi. You can unmute and ask your questions.

Neil Joshi: First question I had on basically with the elections coming in and there has been some temporary stoppage on cash spending, do you see this kind of a temporary hiccup impacting your tractor or even the small farm machinery volumes in FY'25?

Anthony Cherukara: In FY'25, due to elections, I do not think there is any impact, because we do not see any elections in the near future after quarter one. There is definitely, in the last quarter of the last financial year we were expecting certain schemes in states like Assam which did not come through due to the Model Code of Conduct. But we do not see such events happening in FY'25.

Neil Joshi: my question is on exports for VST tractors. I wanted to know basically what kind of geographies we are exporting these kind of tractors. And going forward also, I mean, what would be the change in mix, how can we see our realizations jump up because we are eventually going into higher HP tractors.

Anthony Cherukara: So, let me make one thing clear, this higher HP strategy is very clear. It is separate from the compact tractor segment, like I spoke to the earlier analyst who had spoken. The compact tractor is mainly sold in the Europe market, and now we are planning to sell that in the US market as well. The compact tractor sales predominantly happen in France, Germany, Netherlands, Spain, Portugal, Belgium, and France and Italy for us. Also, we have entered the UK in the last year, so typically Western Europe. And we also expect to enter the US market in FY'26.

Moderator: Thank you. Next is Mr. Pranoy, you can unmute your line and ask questions.

Pranoy: Sir, I had a couple of questions, and my question is pertaining to the product of power tiller. And when I say power tiller within the SFM division, I am not talking about weeders or threshers, specifically the tiller, which has been your core product. So, there was a press release by VST back in March 2023 where there was a statement mentioning that the tiller industry is expected to grow from 60,000 to 1 lakh by 2026. From what I understand, this statement was in reference to only this tiller product and not the other farm machines. So, can you help me understand what are the key assumptions or key triggers that will drive this growth? Or is it still valid?

Anthony Cherukara: Yes, it is definitely valid because what we are seeing is specific markets growing considerably. For example, Odisha in the last three years has moved from, for example, our sale has moved from about 3,000 numbers in Odisha to over 11,500 numbers. We are seeing that pickup happening in several states. We expect this growth to continue in the Northern market as well because there is lot of emphasis for growth in the Northern market with power tillers now where we were not present earlier. We can see growth happening in northeast markets as well. So, last year was an exception in terms of rainfall and the customers were unable to buy, there was an effect of demand due to the rainfall, so there is a slight degrowth. So, we are pretty confident that this power tiller industry will continue to grow.

One is it is due to non-labor availability. Second is due to various product innovations that is happening in terms of creating more convenience for the farmer to operate these machines. New product launches that is happening in the segment which is happening from our side, which we have also said that we will be looking at even electric tillers, first to start with complete electric power tillers, and then eventually in this financial year we will be looking at electric tillers also in India. So, this segment is definitely set to grow, and we are still confident that FY '25, '26 we will see 1 lakh industry happening or close to 1 lakh happening. That is our kind of call on this industry. And we expect that to happen.

Moderator: Next caller I will call Mr. Arjun Khanna, you can unmute your line and ask the question.

Arjun Khanna: Question is on VST Zetor. We have seen the notification where the Company has launched three tractors. Going forward, given that we seem to be heading towards a normal monsoon, what is the outlook for this JV? I know we do not talk about the exact volumes, but given that this is a new segment for us, and we are entering into the core of the market over a 4 lakh, 5 lakh target segment, how do we see market shares?

- Anthony Cherukara:** Market shares is significantly small considering, like you rightly said, we are entering a segment 40 to 50 HP which is almost 5,50,000. But the key for us is to, in the next three years, get to about 5,000 volume in the next two years, and in the next three years to about 8,000 tractors.
- Arjun Khanna:** This is under VST Zetor?
- Anthony Cherukara:** Correct.
- Arjun Khanna:** So, 5,000 would be 1%, 8,000 probably 1.5%?
- Anthony Cherukara:** Yes.
- Arjun Khanna:** In terms of regions where we sell, so I understand that we are looking at the North, currently UP etc. Could you just talk about what would our strategy be for selling these tractors? And would there be commonality between our compact tractors and the VST Zetor brand in dealerships, etc.?
- Anthony Cherukara:** There is no commonality between the compact tractor and the VST Zetor higher HP tractors.
- Arjun Khanna:** In terms of dealers?
- Anthony Cherukara:** Dealers, definitely there is commonality. That's what we are doing to enter into the Northern markets, because compact tractor was not in usage in the Northern markets. With the launch of higher horsepower, we are able to enter into the Northern markets. Commonality definitely is there.
- Arjun Khanna:** Sure. But since we were not present there, have we appointed newer dealers in the Northern markets? And how many have we appointed?
- Anthony Cherukara:** Yes, in UP alone, we have about 20 plus dealers currently. We will be expanding them to about 50 dealers this year. And the idea is to consolidate and grow in each crop cluster segment. So, we have identified crops and clusters in which we will be focusing. Because we are very clear, we are one of the late entrants into the higher HP segment, so we are focusing crop wise and cluster wise.
- Arjun Khanna:** Sure. So, in terms of milestones, you have given us maybe 5,000 units at the end of two years, we have just launched and 8,000 at the end of three years. In terms of profitability do you have milestones in mind? Would this be generating say 10% EBITDA margin?
- Anthony Cherukara:** Definitely. That's what we are looking at. Just one point, Arjun. Like I said earlier also that our focus in the tractor business is to become a profitable tractor business. So, that will not be compromised.
- Arjun Khanna:** Right, sir. No, the reason I asked this is because initially there would be a lot of startup cost given that we would be subscale. So, I was just curious in terms of what margin profile the business would have. I assume that on stability, obviously, margins would move north.

- Anthony Cherukara:** Absolutely.
- Arjun Khanna:** Sir the second question in terms of manufacturing capacity, so VST Zetor, while we have talked of 36,000 and 60,000, I just wanted to understand what's our capacity for VST Zetor?
- Anthony Cherukara:** VST Zetor, with the current installation installed capacity, we can meet our three-to-five-year plans.
- Arjun Khanna:** And this is aside from the 36,000 which we talked about for compact tractors?
- Anthony Cherukara:** Correct.
- Arjun Khanna:** We have mentioned in the previous con calls that we were setting up manufacturing facilities for power weeders, maybe 6,000-unit capacity. How is that coming along, sir?
- Anthony Cherukara:** This will be launched this financial year.
- Arjun Khanna:** So, the construction will probably be on then?
- Anthony Cherukara:** Installation capacity is on. There is no new civil construction.
- Arjun Khanna:** Okay. It's an older shed?
- Anthony Cherukara:** Yes.
- Arjun Khanna:** And lastly, sir, just on the previous question, we talked of Indian market going to maybe 1 lakh units. We have 60,000 capacity though we have done this year some 40,000. Are we looking at augmenting capacities of power tillers?
- Anthony Cherukara:** I will be augmenting capacity for power tillers in FY'26.
- Arjun Khanna:** Sure. So, '25 not much, in '26 we assume we would be closer to that 60,000?
- Anthony Cherukara:** Yes, we will let us start working towards augmenting capacity, because we are looking at newer models, newer products, export markets, including Bangladesh.
- Arjun Khanna:** Sure, sounds good. Wishing you all the best.
- Moderator:** I will ask some questions from the question chatbox. One question is, despite higher cash flows and excessive cash, why have we reduced the dividend?
- Anthony Cherukara:** Last year was a special dividend of Rs. 25 per share. This year we are at Rs. 20 per share, which has been the previous years before last year dividend. And it is in line with what we have discussed in the board.
- Moderator:** How much have you invested; capital employed in the higher HP segment so far?

Anthony Cherukara: The CAPEX investment in terms of VST Zetor is a sharing between VST and Zetor. I won't be able to get into the details of that. But I can say one thing is that VST Tillers Tractors Limited focuses and works on a frugal approach in terms of CAPEX. So, we are considerably much lower. And we are also in a position to utilize the Zetor testing facilities and the development facilities which is quite modern and most advanced, which is based out of Czech Republic. We have been able to use it freely, so that kind of creates a lot of cost-effective development of these tractors.

Moderator: Another question is, what are the share of financing in power tiller sales? Why hasn't this taken off? The financing availability was the issue earlier.

Anthony Cherukara: Three to four years back, it was at 0%. Now we have entered several tie ups. Today it stands at about 4% to 5%. We expect that to continuously grow. We are tying up with various banks and various NBFCs and this will definitely go up. We are expecting to take it up to 8% to 10% this year, and higher in the coming years.

Moderator: There are some more questions, I will come back in that, sir. Next I have unmuted Pranoy, you can ask your questions.

Pranoy: Firstly apologies, I had asked the question on tillers going from 60,000 to 1 lakh, and I had muted while you were answering but I was not allowed to unmute again for some reason. So, I will just continue from where I left off. So, point taken on the points you mentioned around Odisha growth and product launches.

So, I did some work around this power tillers industry. So, back in 2005, I think the industry of power tillers was 17,000 in India. And over the course of ten years, 2005 to 2014, it reached 55,000. This is from the annual report of the government department. So, this was quite a healthy double-digit growth. And in this time the government had a very simple subsidy scheme at that point of time, it was like a direct subsidy. After that, in 2014 or '15, it got replaced by the submission for agricultural mechanization, SMAM scheme, which along with the subsidy there were other aspects also for increasing awareness, demonstrations, agri machinery banks, hiring centers and whatnot.

Since this has happened, the volume of the industry is still at 50,000 to 55,000 in FY '23 basis the official data from the annual report. Now in this period also we saw the reliance of subsidy coming down because of the DBT, and you also mentioned, right, the farmers are not waiting for the subsidiary any more, but still the volumes are flat. Now if you pick out any one year in the last 10 years when the volume is stagnant, there could be different reasons by which the market is not grown, right, ranging from monsoons, subsidy issues and etc.

But if I look point to point right from a period of amazing growth of 2014 to 2024, what do you think the key challenge has been in this decade versus the preceding decade of growth? Which seems to be changing now, right, because you said that you want to enhance capacity as well

and the market will go up rather, how up is not the question, the question well rather is, if the market is going to go up bases this context, then what really is change right now.

Anthony Cherukara:

Very good question. I will answer it in two parts. First I will say, what happened between 2014 till now where it kind of remained flat. Apart from one thing that you already said, which is the subsidy to direct benefit transfer, that is one big structural change that happened. Second thing that happened, which is quite big, is a complete ban of Chinese imports. So, a large amount of imports were happening, almost 20% to 30% of industry was Chinese imports. Local level regional players with local network were able to penetrate and supply. So, this stopped all of a sudden. So, in the last four to five years what we have seen is a flattish industry. So, these are the main two reasons.

Now what we are saying is this is picking up. Several states have shown very positive indications and that we expect to continue. Two big changes we see, one is the labor demand, there is no labor available in the market and the demand for available labor has gone up. So, that definitely is driving people towards mechanization.

Secondly, the price of tractors is continuously going up. So, number one is, the prices which is commodity inflation, design horsepower wise it's going up. The second thing is, in April '26 there is going to be Stage 5 implementation on tractors upwards of 25 horsepower or which will increase cost level 20% to 30% for each tractor from current prices. Which will drive towards alternate modes of mechanization in various parts of the country which we expect also to aid the tractor industry.

Third, what I feel is with more people looking for machines to operate, they are looking at machines with less fatigue and more comfort. And with our development of these kinds of machines, which is electric start, which is seat, which is with less fatigue, which can be turned around 360 degrees, various engine options, various horsepower options, multiple applications, all these four, five factors is what makes me confident that we will be able to grow this industry.

Pranoy:

So, just one quick follow-up. That makes a whole lot of sense, just one follow-up on the initial point you made on the Chinese guys suddenly going away, who obviously had one-third of the market. And from some of the data that I am seeing, they have probably low single digit right now. So, I am just trying to think, right, suddenly Chinese tractors, which are obviously the cheaper options, going away. Did that actually lead to people not buying tractors? Because that, from a very theoretical point of view, does not explain why the industry will not grow, right? So, is it that the domestic players, right, us and the other guy from South, Kamco, they were not able to expand the dealerships to that extent that quickly, so you can you know sort of, one, like-for-like replace those guys, and also grow incrementally. So, I am just trying to understand that.

Anthony Cherukara:

Yes, it took time to fill the gap definitely, because the network, the coverage and reaching every single nook and corner. Like I have said before, we used to be at, in 2020 we were at about 175 dealerships for small farm machines. Today, we are 750-plus for small farm machines. So, that

explains the amount of work that has gone into building the network. And it will continue to grow, the network will continue to grow. So, that is one definite reason what you rightly said.

Second, I said is, the customers are looking for comfort. Five years back the customers would view it slightly differently because it used to come to them with a subsidy, and they were hardly paying for it. And they would just get the machine and then they work with it. Today, I am not depending on subsidy, and I am going buying, paying cash of 1.8 lakhs to 2 lakhs, or 2.25 lakhs, depending upon the variant, then definitely I want comfort. So, these are the shifts that is happening in the industry.

Moderator: I will read one or two questions from the chatbox, sir. Is there any update on the Kobashi joint venture? What kind of additional revenues can we expect from this JV? Any growth targets or guidance for precision components?

Anthony Cherukara: So, the Kobashi business is going as per plan and we expect to begin manufacturing the blades in India in 2026. With one information that the JV is not yet signed, so once the JV is signed, typically we are expecting that to happen in the next one- or two-months' time. And from then it takes typically about 9 to 10 months to start production. So, we are looking at FY '26 to start full scale production of VST Kobashi. And I do not have a guidance figure for revenues now at this point in time.

Secondly, on the precision component division, I am very happy to say that the Company is looking at enhancing component supply to various manufacturers. And there is a plan drawn out to make advantage of the China plus one opportunity that exists for us in India. And we have made considerable progress. And once things are getting more certain and finalized and signed off, I will be making those announcements in the coming quarters.

Moderator: Thanks sir. Next question is from Mr. Romil, please unmute and ask your question.

Romil: Sir, one question is, the revenues for the full year that we did, Rs. 968 crores. Can you give a odd breakup between, so we obviously will know that tractors and tillers, but we just wanted a little bit more update on what would be the revenues on rural distribution business, the Monarch JV that we have, and probably a little bit on the weeders and the reapers. If you can give some data on that.

Nitin Agarwal: Yes. In terms of breakup of distribution business, it will be around Rs. 100 crores, roughly, out of the overall mix. And in the case of SFM, we do not segregate between tillers, weeders and rippers. All put together, Rs. 575 crores is the SFM revenue.

Romil: This does not include the tillers, right?

Nitin Agarwal: This includes tillers, weeders, beepers all put together, Rs. 575 crores. Distribution is around Rs. 100 crores. So, the balance is tractors.

- Romil:** And any sense you can give on the Monarch JV Sir, roughly how much we should expect in terms of revenue?
- Anthony Cherukara:** So, there is no JV with Monarch. We have an investment in Zimeno Inc., and we are suppliers of the drive train, as I explained earlier. I can't divulge numbers because there is a non-disclosure agreement that I have signed with the Company, with Zimeno Inc. But I can say it is going as performance plan.
- Romil:** So, in terms of the rural distribution business and the SFM business, if we were to take separately, what kind of growth outlook can we see in the next two years in order to reach the FY'26 target that we have? I am just trying to understand more on the drivers side, what will drive.
- Anthony Cherukara:** So, like I said, Rs. 3,000 crores is the plan that we have created for FY'26. The visibility currently is at about Rs. 2,000 plus crores. There are other projects that we are working on, like I said on the precision component division, on the distribution scale up, on the VST Zetor which is just launched on May 6th, the scale up will happen. Similarly, several new categories of product, the US entry, the growth in the Nordic countries in Europe apart from Western Europe. So, multiple projects are in place for which team leadership, etc. is established and progressing. So, current visibility for FY'26 is Rs. 2,000 plus crores. We expect, as we progress through this year, we will be able to add on and monetize several of these projects and be able to make progress. Of course, with the caveat that the monsoon etc. in core markets should be normal.
- Romil:** Sir, I just missed the earlier participant when you answered on the higher HP or Zetor JV. The 5,000 and 8,000 number that you gave, what was that exactly, sir?
- Anthony Cherukara:** So, in the next three years we are looking at about 5,000 numbers is what I said, and in the next five years about 8,000 numbers.
- Romil:** When are we going to start manufacturing on the weeders and the reaper side, any sense on that? And whether we are planning more products, like cutters and so many other products are there in the farm mechanization space?
- Anthony Cherukara:** Yes, in the small farm machine space, we are manufacturing weeders from this financial year. There are multiple new products that will be launched throughout this year in small farm machines.
- Romil:** So, this will all lead to a better margin profile, maybe two to three years down the line, if you can give some idea on that?
- Anthony Cherukara:** On the margins, I have said before, we are sticking to a guidance of 11% to 13% and we have maintained the guidance figures in the last three, four years continuously. We are looking at the growth there is, as you would appreciate that there is considerable OPEX involved in entering new geographies, and also in terms of product development, apart from capital expenditure in terms of testing etc. So, there is a considerable amount of money that the Company is spending

to make these things happen. Hence we are saying that we will maintain that 11% to 13%. And one thing I would like to highlight to you for this financial year is, despite the fact that revenue has dropped by about 3%, we have been able to better our profitability from 12.6% to 12.8%. This I am purely talking from operational EBITA. So, the Company is running a very tight ship. And at the same time, focusing on investment for growth.

Romil: Yes. Sir, this quarter I think we did roughly 14% plus margins, on the EBITDA side, in spite, as you rightly mentioned, in spite of a not so great year on the tractor side, right? So, I am just trying to understand in next two years when assuming the markets are good, your growth trajectory --

Anthony Cherukara: I can just answer you in one sentence i.e. , even with this low volume of tractors, our contribution is better than last year.

Romil: So, why there is not much of a confidence on the margins? I mean, I am just trying to understand.

Anthony Cherukara: Yes, that's what I am saying. But we are investing for growth. So, there is lot of OPEX coming in. That is why I am still continuing to give you a guidance of 11% to 13% very confidently.

Moderator: Due to lack of time, we will take the last caller from Saket Kapoor. You restrict yourself to one or two questions, sir. You can unmute and ask her questions.

Saket Kapoor: Sir, when we look at the raw material to our revenue, I think it is lower at 53%, 54% for the quarter, whereas for the year it is closer to 60%, 64%. Correct me if I am wrong on that number. So, what should be the raw material to revenue mix going ahead? And how are the raw material prices falling? And then sir, if you could give the detail of the other income, the other income has shot up from last year comparable number of Rs. 25 crores closer to Rs. 61 crores. So, if we eliminate the Rs. 40 crores gap, rather Rs. 35 crores, then our profit before tax would be rather flat for this year. So, if you could comment on the same. And then I have a small follow up and then I will join the queue, please.

Nitin Agarwal: So, first on the question of other income. For the full financial year, the other income total is Rs. 60 crores. As you can read in the note, around Rs. 46 crores is the unrealized gain. So, the rest Rs. 14 crores is all realized gain, maybe from investment, but more from the operations as well. As far as operational EBITDA is concerned, you must have seen on the slide which we hosted on BSE and our website a while ago, when we say operational limit, I am completely ignoring that Rs. 60 crores of other income, not even taking a rupees from there. And still our operational EBITDA is 12.8%, which clearly indicates the profitability of the business, ignoring the other income completely. Coming back to your first question on the raw material consumption, for the full financial year, we are close to 68%. And that's the number which is down about 2% from the full financial year last year. So, there is a drop in the raw material cost for the year.

Saket Kapoor: For this quarter it is at 54%, so just wanted to understand what led to this significant reduction? And for the year, what number should we pencil in? And also, sir, I think you have alluded to some electric pumps distribution work earlier. Does this Rs. 100 crores distribution income or

the turnover is from that or what does this Rs. 100 crores number which you gave is about? And also, if you could give some number about the spare business, how much we have done on the spare part business?

Anthony Cherukara: Yes. So, the distribution business overall is Rs. 100 crores, and the electric pump business is just in the second year, and we are operating only in six states, and we have crossed Rs. 10 crores.

Saket Kapoor: And what includes the distribution income, sir, Rs. 100 crores, if you could define?

Anthony Cherukara: It includes parts, lubes, electric pumps.

Saket Kapoor: So, deducting Rs. 10 crores, then Rs. 90 crores business is from this spare?

Anthony Cherukara: Rs. 90 crores from parts and lubes.

Saket Kapoor: And that is a higher profitable business margin business than the Rs. 12.8 crores which we have done?

Anthony Cherukara: Correct.

Saket Kapoor: And for the raw material, sir, if you could give a number, we have a benefit of 54% of raw material consumption to turnover for this quarter. So, what should be the likely number as our overall we should look for the year?

Anthony Cherukara: So, Saket, on the quarterly raw material consumption, I think you are only taking a select line of cost of metal consumed. You need to consider purchase of stock and trade, which is the second line item, and also change in inventory in finished goods and others. So, all three lines put together will be raw material consumption, which is at 67.4%, which is in line with our annualized number as well. So, there's no drop of RM in the current quarter.

Saket Kapoor: And last point is on the Mysuru precision plant also and the Bengaluru land parcel, sir, what are the updates? I think the Mysuru precision plant, we were planning some CAPEX and I think you did allude to that fact earlier also that the precision unit is contributing to the top and bottom line. So, what has been the contribution from it? And also, for the land parcel at Bengaluru, what is the thought process? Where are we and if any monetization we can expect going ahead?

Anthony Cherukara: Yes. So, let me answer the Mysuru part, then I will hand it over to the Managing Director to talk about the land parcel. In Mysuru, precision component division, as I said, we are working on the opportunity that is generated through the China plus one that is happening. And there will be some announcements that will happen from our end in the coming quarters. The CAPEX had happened two years back and we are able to benefit out of it, and it will be announced in the coming quarters. And I will hand it over to Mr. Ravindra to answer on the land parcel.

V. T. Ravindra: Yes. Good afternoon. On the Bengaluru land parcel, as of now we do not have any plans. We are continuing to use it for our corporate office and warehousing. As and when the Board takes



*VST Tillers Tractors Limited
May 09, 2024*

a decision, we will definitely be looking at monetizing it at some time. But we do not have a timeline as of now.

Moderator:

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

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.