



**VSTL/SE/2024-25**

**November 11, 2024**

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National Stock Exchange of India Ltd.  
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The Manager Listing,  
BSE Ltd.  
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Dalal Street,  
MUMBAI – 400 001

Dear Sir/Madam,

**Sub: Disclosure of Transcript of the Investor’s Con-call under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.**

In pursuance of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, please find attached herewith, the Transcript of the Investor’s Con-call with investors/analysts held on November 04, 2024.

We request you take this on record.

Thank you,  
Yours truly,  
**for V.S.T. Tillers Tractors Ltd,**

**Chinmaya Khatua**  
**Company Secretary & Compliance Officer**  
**M. No. A21759**



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## “VST Tillers Tractors Limited Q2 FY 2025 Post Results Conference Call”

**November 04, 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 2Q FY '25 Post Results Conference Call.

From the Management side, we have with us today, Mr. V. T. Ravindra – Managing Director; Mr. Antony Cherukara – Chief Executive Officer; and Mr. Nitin Agrawal – Chief Financial Officer.

At this point, all participants' lines will be in the listen-only mode, and there will be an opportunity to ask questions after the Management presentation and opening remarks. Over to you, sir.

**Nitin Agrawal:** Good afternoon, everyone. My name is Nitin Agrawal. I am Chief Financial Officer. We will start the discussion with a “Brief Presentation” and then open up for the question-and-answer session.

This is the safe harbor statement. In terms of content for today's discussion, we will be covering first the sales volume for this quarter and Financial Result for the Quarter. Then, I will also give you a view on H1 sales volumes, and how the H1 results have been and then update on the monthly number.

The first slide is about sales volume for SFM, which is the Smart Form Machining Division, which is basically tillers as well as tractors:

So, in terms of power tillers, in Q2 Financial Year, we have sold 11,236 tillers, which was 10,729 in the same quarter last year. So, there is a growth of 5%. Tractor industry, we have sold 1,306 tractors this quarter.

Power weeder segment is giving a good growth I would say, 1,779 power weeders we have sold in this quarter compared to 1,337 in last quarter, also 598 on Reapers.

The next slide is P&L for Q2. So, in the current quarter we have revenue of 283 crores, which was 278 crores in the same quarter last year at EBITDA of 64.55 crores. As a percentage, EBITDA is 20.81%. But in the EBITDA number, there is a major portion of other income also. So, for operational tracking and operational performance perspective, what we track is operational EBITDA, which is calculated by excluding the other income completely. So, at an operational EBITDA level, we are at 13.33%. Profit before tax for the quarter is 57 crores, which is as a percentage to sales is 18.5%.

Moving on to the H1 volumes:

So, for the Power Tiller segment for the current half year, we have sold 17,325 units as against 19,854 units in the last half year. Tractors are around 2599 tractors. Power weeder 3,490 compared to 2206 in the last quarter. Also, 632 numbers of Reaper.



The next slide is about profit and loss statement for half a year. So, for half year, for this current H1, revenue from operation is around Rs.474 crore and EBITDA of Rs.99.25 crore, which translates into 19% of EBITDA. At an operational EBITDA level, we have Rs. 51 crore and in terms of percentage, it is 10.8%. PBT is Rs.85 crore for the quarter, which translates into as a percentage 16%.

October numbers have been encouraging for both power tiller as well as tractors. In the month of October, we have sold 1,783 tillers as against to 1,200 in October 2023. Similarly, for tractors, we have sold in the month 680 tractors, which in October '23 it was 289.

So, this is the brief overview presentation. Now, we open the floor for questions and answers.

**Moderator:** Thank you, sir. We will now begin the question-and-answer session. The first question is from Mr. Ashish.

**Ashish:** So, sir, if you could kind of update us on the several initiatives that we have been taking over the last two, three years on the tractor side and the certain guidance on the path to achieving a certain growth that you had given for the next two, three years. So, where are we, the softer aspects of it on the market development and acceptance of these tractors and how you have fared till now, larger picture like going ahead?

**Antony Cherukara:** Good afternoon, Ashish. This is Antony. I'm happy to share the details. So, in tractor specifically, we had taken 2 to 3 initiatives. The number one being our entry into higher horsepower tractors with VST Zetor JV where we launched the products in May of this year, May 2024. Very happy to state that the scale up is happening, and it is going as per plan. This year I had indicated we should be doing around 1,000 numbers.

The second big project that we have undertaken is consolidating our presence in Europe through the launch of new products in tractors. That is also going out as per plan, and we are further launching products in the coming week in IMA Italy where we are launching a Stage 5, 30 HP tractor for the first time in Europe, and which will be very soon followed by a 35 HP project. These were two projects that we had planned for this financial year for Europe, and that is being launched as per plan, and this should give us the volume plan growth in Europe by the end of March, this financial year.

The third project was the long-term plan which we had announced in terms of entering into the U.S. market for tractors. That is going as per plan. The company has already been registered as already informed to you. Product development, which is a completely new platform, wherein we are launching 6 models and almost 16 variants, which we will be launching in the next 2 to 3 years, all in the compact tractor space. This should give us the volume growth and the plan of achieving the aspirational financial figures that we had announced. So, all the plans are as per plan. Execution and monetization is happening with full fervor. And that is a brief.



And just one more addition I would like to make that we have made our entry into the northern markets. This is something in terms of the new markets that we are entering. So, in the northern markets, very happy to say that in the first half of this year, we have been able to appoint 56 dealers and majority of the sale of VST Zetor as per plan is happening, as per seeding plan and progress is happening in the Northern markets.

**Ashish:**

Good to hear that, sir. So, the distribution recruitment for Zetor products, there's been, I mean, we have spoken, I think last year, we have spoken on the calls. So, what is the expectation? I mean, given the numbers that you had shared on the number of dealers and stuff, even if one were to do certain basic calculations, the numbers that would be required for sales would be much higher than probably the thousand numbers that we are achieving this year. So, anything to suggest the path of how this is going, given you have the feelers now of how those acceptance by the customers or the farmers is happening? So, some qualitative aspects would help us to appraise the progress more so that if you would share on that, it will be helpful.

**Antony Cherukara:**

So, like I said, we unveiled the tractor in the last financial year. So, we took a lot of feedback from farmers, giving them a few tractors for usage in various markets to test and kind of finish the tractor based on the customer requirements. So, based on which we launched the product in May of this year, and since then we are in the process of ramping up volumes. We started with very little production, 10 numbers in the first month. Second month we increased it to 15, 20 then.

So, we wanted to take it step by step because as you know, it's a very competitive segment, and we intended to ensure that every single customer of ours is satisfied, and very happy to say that the performance of the product has been absolutely splendid and the feedback that we are getting is tremendous. We are having repeat purchase. One or two issues that we had in terms of the product has been rectified during the seeding phase.

So, that kinds of gives us the confidence to now ramp up production and increase the number of dealerships that we will be serving. So, right now we are at 56 dealers, which are doing VST Zetor in the North. By the end of this year, we want to consolidate that at about 75 to 80 numbers. We will consolidate that figures, ensure that these dealers are able to perform with a certain unique number of volumes so that they are profitable, and hence from then on, we will then scale up in the next financial year.

So, the plan is build, consolidate, and then build again. So, that is the approach that we are taking. And I hope that clarifies your question.

**Ashish:**

Yes. So, sir, I mean, given the competitive nature of this industry, how would you put our right to win the customer versus what already is? So, how does that work? Because I just wanted to understand that.



- Antony Cherukara:** See, I will tell you very plainly that in terms of product differentiation, we are focusing on a rough, tough, and reliable product, point number one. Point number two is we are looking at how the customer can benefit in terms of productivity. But having said that, what we know very clearly in the market that there is very little that differentiates one product from the other. So, that is where the importance of the dealership and the network comes in where we believe that a profitable dealership will be able to service and value the customer much more. And hence, we said that we will not push inventory to the dealers. We will ensure the dealer's profitability. Hence, we are saying that we will build, consolidate, build. So, we believe that the dealer's win is what can be converted to the brand or the product win in the marketplace. Because as you and in the industry knows, product differentiation is very little in the segment.
- Ashish:** So, sir, at what numbers a dealer becomes profitable with your product?
- Antony Cherukara:** At around 30 to 40 units.
- Ashish:** And as of now, across India, how much numbers would it be? I mean, you said North is around 56.
- Antony Cherukara:** Yes, 56 dealers to 60 dealers is what we have now. And we are consolidating now and getting them to four to five units per month so that they can get to about 40 to 50 numbers per annum. So, that is the work going on. And after that, we will build further.
- Ashish:** And sir, lastly, on the numbers that we shared, some targets of 3,000 crores and maybe '27, FY '27. So, that's still a long way to go till then. So, we are at about 1,000. So, you see that with all these three engines that we have started on the tractor side, that still looks somewhere achievable.
- Antony Cherukara:** See, tractor is only one piece of that big strategy. So, one is tractors. Second, I have spoken about the small farm machines, how we are growing that small farm machines. The launch of the products are yet to happen in the small farm machines. You will find some disruptive products coming from the small farm machine segment in the coming quarters. I had spoken about it earlier. It's too early to give the specifics of it, but I think we will see that happening in the next coming two quarters.
- Ashish:** So, what I asked those numbers that you target, that still remains across and is it 2000 crores of sales?
- Antony Cherukara:** Absolutely. See, we lost two years to COVID. The effort of the company has been to ensure that we don't give further two years try and do it in FY '26, that is one year. But then we currently have like in the last quarter, I shared with you that we have a visibility of around 2,000. That looks very much there. So, to get to that 3,000 number, it looks like we will have to move to FY '27, but definitely that milestone is not something we will give up on, and we will definitely chase it down.
- Moderator:** Next in the line is Mr. Shreyans. Please unmute and ask your question.



- Shreyans:** I just want to understand why the receivables have increased to 70 days and payables reduced, like what are you doing with your working capital? Can you explain that.
- Nitin Agrawal:** So, payables, I mean, so receivables have gone up purely because of the government orders we have received and the supply which is in process. So, I would say that by the end of Q3, it would normalize and come back to the normal levels of around 45 to 50 days of receivables. Payables is purely a function of when the payment is due, especially we are focused on clearing MSMEs on time, and it has got nothing to do with a particular management strategy to control payables or shorten the cycle of payments.
- Shreyans:** And can you share a few bookkeeping questions? Can you share volume of Zetor tractors in Q2 and October?
- Nitin Agrawal:** See, we don't share specific tractor volumes of Zetor, but what I can tell you, it is going as per plan, but eventually once we discuss with our JV partner in the next financial year probably we will start sharing the numbers on Zetor separately.
- Shreyans:** And the revenue break-up between tractors, SFM, distribution?
- Nitin Agrawal:** That's for Q2 or H1?
- Shreyans:** For Q2.
- Nitin Agrawal:** Yes, Q2 the SFM is at 185 crores, tractor is at 74 crores, distribution is at 26 crores.
- Shreyans:** And can you give the same for H1 as well?
- Nitin Agrawal:** We don't have that right now.
- Antony Cherukara:** No. Maybe you can reach out to us on email. We will share you those.
- Nitin Agrawal:** Yes.
- Shreyans:** One last question. We have taken a short-term debt of 7 crores. So, why is that?
- Nitin Agrawal:** Yes, better capital management, better working capital management. We had looked at, see, how to use some debt when it is usable instead of looking at kind of taking funds from our treasury.
- Shreyans:** Just one question. Can you share, like, what is the, okay power tillers you are saying that new launches will lead to growth and current product is just leading to stagnant growth for the past two, three years. So, all the growth will come from new products. That's correct ,right?
- Nitin Agrawal:** Not really. There is expansion of market also happening. Only if you see two years back, we were at 38,000. Last year there was a drop, 36,000, but before we did 38K, we were at about

32K. So, last year was a abnormal year with the monsoon playing kind of problems with the farming segment itself, and we saw industry dropping all across. But I strongly believe that this year with the rainfall monsoon, and the spatial and timely distribution of the rainfall, it is all looking favorable, and I expect a strong growth this year in the power tiller business because H2 of last year was abysmally low, and this year you will find that completely the opposite.

**Moderator:** Next question is from Romil Jain. Please unmute and ask your question. He's not able to ask the question, sir. I will go to the next guy. Next, Mr. Saket Kapoor, you can unmute and ask your question.

**Saket Kapoor:** Sir, when we look at your presentation part, as you yourself alluded to the fact that the H2 was very big for power tillers last year. So, what are our expectation for the current year? I missed your comment on the same. Since H1, we are lagging by 13% in the power tiller segment. What should be the expected number?

**Antony Cherukara:** So, this year, like I have said in last time we spoke, Saketji, we are looking at a 20% minimum growth in the small farm machine space.

**Saket Kapoor:** And sir, when we say small farm, you are including all the 3-power tiller, power weeder and reaper, all combined.

**Antony Cherukara:** Correct.

**Saket Kapoor:** Because the power weeder segment will grow more rapidly. Power reaper is a seasonal business. It will grow, especially in the Q3, Q4 space. And power tiller growth will be seen more in the second half of this year, because Q1 was down, Q2 has picked up, and we see from the October trends that Q3 is going to be pretty big.

**Saket Kapoor:** And sir, if you could give the reasons why power weeder have outperformed, so on a base of 2,000, when the numbers are 3,500 for H1, so what are the factors that has led to this increase? And what are we eyeing in terms of the number of units? And also, the top line breakup, if you could provide us for the small farm equipment break up between power tiller, reaper and power weeders?

**Antony Cherukara:** Saketji, we will not be able to give you a breakup in this. Particular reason is simple, that it is very strategic to us. What I can tell you is power weeder typically sells a unit up to about, let's say, 60,000 units, Rs. 60,000, okay, to a unit, roughly, power weeder. And the reason why it has been growing is the base is large.

Like I have said before, we have been late entrants to the segment. We are growing rapidly in this segment this year. We should be upwards of 8,000 numbers this year within just 2 years. And we expect in the next 2 years, we should be 3x that volume, minimum.



The good news I can share with you, which I had announced earlier also, we will be manufacturing power weeders in India. With the scale up of volumes that has happened, we are rolling out the first power weeders this month onwards.

- Saket Kapoor:** And sir, which category of the crop are we addressing through this power weeders?
- Antony Cherukara:** More than category of crop, it is the farmer segment, which is less than 2 acres of farm.
- Saket Kapoor:** Small players, yes, that that is what small...
- Antony Cherukara:** Small and marginal farmer, yes.
- Saket Kapoor:** And sir, if you could give us split between this payer business, what we have done, and also we were also inclined to do some trading with pumps, electric pumps. So, where are we in terms of the inroads we have covered in that?
- Antony Cherukara:** So, we should be, last year, we had 10 crores of business in electric pumps. This year we are growing that business. Now, the interesting part about electric pump business is when the rainfall is extremely good, the pump is rarely used. So, you will find a bit of a slowdown in the electric pump industry as a whole, especially for the agri segment.
- The domestic segment is very different, but in the agri segment, you will find that the pump usage reduces and hence the sale reduces, but we expect growth because our base is very small. Last year, we had done 10 crores. We should be able to do upwards of 15 crores this year. That is what we are looking at. And we are operating in only 6 states at the moment. And we will consolidate that as we move forward. And the distribution business also is expected to grow at about 20% this year. Last year we added about, we had done about 100 crores of distribution business.
- Saket Kapoor:** Distribution means the spare part, spare business.
- Antony Cherukara:** Spare parts, oil.
- Saket Kapoor:** Oil, okay. And sir, about our, I think the Precision unit at Mysuru, what is the contribution there from that particular?
- Antony Cherukara:** So, I had spoken earlier about the Precision distribution business. Looking at the China Plus One opportunity, very happy to share that we have garnered a few customers. In the railway segment also, Precision component supply to Metro rail kind of projects, also Precision component supplies to few engine manufacturers. So, we can see good growth, but I wouldn't want to share the numbers at this moment until we scale up. But I think it is working out to our strategy.
- Saket Kapoor:** So, sir, a ballpark number of what we did H1 at 474 crore, what should be the condition from the Precision part in terms of, I think, the alignment?



**Antony Cherukara:** See, Precision Component division has both businesses, which is internal supplies to VTTL and also the external business. Currently, the external business is very small. That is why it is too early for us to give out any numbers. But as we grow, I will definitely share with you. Probably end of this financial year, I will start sharing the numbers.

**Saket Kapoor:** Sir, two small points. Last year, as you mentioned, H2 was a small quarter, and it was very bleak, last year H2. So, this year we are starting on a very low base. So, what should we anticipate in terms of H2, in terms of the revenue profile? And also, sir, for the Treasury book, what steps are we taking to further invest money in our business and lower our Treasury component?

**Antony Cherukara:** So, two parts to the question what one is you are asking, how would be the outlook of Q3 and Q4, which is H2. I think H2 should be like, given the good monsoon, given the good situation in terms of reservoir water availability and the crops, I think H2 should be pretty big this time. And interestingly, last year, the H1 was pretty big. And H2 was very bad. This year, I would say, H1 was kind of flattish, except for the Q1 drop that we had about 30-40 crores. But if you see Q2, we have caught up. And, in fact, we have got slight growth and in Q3 and Q4, we should be able to grow at the rates we always wanted to grow at about 20% to 30% kind of growth we should be able to achieve.

**Saket Kapoor:** And lastly, sir, on the margin part. I think so earlier you did allude to the fact that in order to grow the business, we will be sacrificing margins, pressing more needs on marketing, and on the R&D part to develop more products and be more relevant in the market. So, where are we in that journey, sir?

**Antony Cherukara:** Thank you for that question. Very important question that you have asked in terms of the long-term perspective. See, the margins have been maintained as I said that 13.33% on an operational level, and I had said, we will always be on the higher side of 11% to 13%. We will be closer to 13%. So, that is where we are. And, of course, the money that is being spent is on product development. We have spruced up our R&D further and we have enhanced the number of people working in our R&D. Today, we are a 80-90 strong R&D personnel.

We are working on multiple platforms including our entry into the U.S. market, developing platforms of various kinds of engine. We are talking about developing disruptive products in small farm machine segment, and in the next two to three years, you will continuously hear from us about the launch of products in various segments and various markets.

So, the extremely important step that we have taken in terms of investing our money, which is the money that the company has managed to accrue in terms of organic growth and in terms of using our treasury money, we are also looking at good opportunities that may come up in the inorganic growth opportunity as well.

**Saket Kapoor:** But there is nothing in the anvil, sir, which we are working currently.

**Antony Cherukara:** We have a couple of things are on the anvil, but nothing to announce at this moment in time.

- Saket Kapoor:** And lastly, sir, what investors are always been looking for the land value, when can we expect that unlocking, sir? Do we find a case currently for that to be realized or we can continue to hold on and ride on the same?
- Antony Cherukara:** See, we won't, like I have said this before, we will not sell the land just for selling the land purpose. What we are looking at is the appropriate opportunity for which we will need to generate cash. At that opportune time, we will look at the best resource of raising funds. If that, the option, the better option, if it is to sell the land at that point, we will look at selling the land. Otherwise, we will monetize that. So, the Board has not taken a decision on that yet. So, I think there is nothing to announce at this point in time.
- Saket Kapoor:** And sir, this time in your opening commentary, I missed your point about how is the raw material basket behaving. I think the prices for some of the engineered products, especially for the steel prices have gone up. So, how well are our margins protected or if you could give us some color, what is the RM basket currently shaped up?
- Antony Cherukara:** So, the RM has not been influenced through commodity pricing in Q2, but it has more to do with our product mix. As our higher horsepower volumes are growing and especially when it is a new product, there is a bit of a margin pressure when the product is new for a few months before it normalizes and hence the material cost is looking up at a percentage or so at the company level. Other than that, there has not been any commodity pressure to say in Q2, but looking forward to Q3, it is hard to predict, but all around the demand doesn't seem to be growing, and hence I don't see any commodity pressure in terms of pricing or the cost to go up in Q3 as well. That is what everybody says, but you guys should know more than me as you are talking to many, right?
- Saket Kapoor:** But sir, can you provide the mix? Then it will help us out better. What are the key components of RM?
- Antony Cherukara:** Yes, so steel, you have your castings, your forgings, your sheet metal, your rubber. These are the larger items. And in steel, you have cold rolled, hot rolled, CR, HR.
- Saket Kapoor:** So, the prices there have moved up.
- Antony Cherukara:** Slightly in Q2, quarterly settlements, it hasn't played much of a role. That's what I was trying to tell you.
- Saket Kapoor:** And lastly, sir, I'll join the queue. For the pump parts, where are we sourcing those pump? And what is the range, hot pump?
- Antony Cherukara:** So, we are sourcing up to 10 horsepower, both domestic, centrifugal and borewell. We are sourcing mostly from Coimbatore and Ahmedabad.
- Saket Kapoor:** Any branded concern or we are co-developing only for us?



- Antony Cherukara:** They are not really branded players, but what I can tell you is they are supplying to various brands.
- Moderator:** Next is a follow up question from Mr. Shreyas. Please unmute and ask your question.
- Romil Jain:** This is Romil Jain here. Unfortunately, I think there was some disconnection. So, sir, first question from my side is just to understand, in October month, we have seen a very sharp recovery in the volumes, right, on the tractor and tiller side. So, just want to understand whether it is more related to our distribution network and the acceptance of the products and all, or it is more prevalent in the industry, but industry also has picked up well. So, a little sense on that.
- Antony Cherukara:** So, definitely the industry growth has helped. I wouldn't deny that, but the effect is also so pronounced for us because we have been working consistently on growing the network, growing the number of products that we have in the offering and also our entry into the new horsepower, higher horsepower segment. So, as I said, as we increase the amount of high horsepower production and ramp up, you will see the sales figures growing for us. So, that is one segment that we have never been present seriously, which we are now and you will see as we ramp up the volume, sales volume also increasing.
- Romil Jain:** And sir, so far this year, I think on the volume side now, we are much more flattish in terms of tillers and tractors. I think tillers would be down by 8-9%. So, what kind of growth do we see for the whole year in both of these segments?
- Antony Cherukara:** So, tillers, I would expect at least 20% plus growth by the end of the year.
- Romil Jain:** For the full year?
- Antony Cherukara:** Yes, and tractors, I think we should do much, much better growth than because considerable low base we have from last year.
- Romil Jain:** This is excluding the Zetor. I just wanted to understand.
- Antony Cherukara:** It will be including Zetor because see, larger horsepower segment will play a larger role in terms of increasing our volume. Because as we can see in Q1 and Q2, if you see the less than 30 HP segment, it has not grown across the industry.
- Romil Jain:** So, this number that we have given also includes Zetor, right, the tractor?
- Antony Cherukara:** Yes, whatever we have given includes Zetor, but in Q1 and Q2, the volumes are low comparatively.
- Romil Jain:** Just on the tillers side, I think we are expecting very strong growth. So, market share earlier was about 65-70%. Is it going to remain so, or maybe increase from here, or you are seeing



competitive intensity increasing in tillers as well as overall SFM space for the weeders and everything?

**Antony Cherukara:** Definitely more and more players are entering that segment, but we don't see too much of effect in the power tiller space, but you can see larger competition in power weeder segment. But what we feel is the market share is not the key here because once you are at 70%, what we are looking at is how do you gain more volumes, how do you create the industry and that is what we are doing. So, that is why we are saying Q3, Q4 should be much higher than last year and hence we will end up at around 20% growth.

**Romil Jain:** How much would be the penetration of finance in this tiller product? Tillers?

**Antony Cherukara:** Penetration overall currently is upwards of 4-5%, which was zero two years back or rather one year back.

**Romil Jain:** So, that is also helping the growth of the tillers?

**Antony Cherukara:** Yes, definitely in some markets, it is definitely helping in, I have seen dealers who are doing retail finance up to 30% of their volumes now, which was never the case earlier.

**Romil Jain:** And the reliance on subsidy, as you have earlier also alluded to, is no more very important element.

**Antony Cherukara:** See, subsidy will always play a role. Like I have said, I don't deny that that subsidy will not play a role. What I have said always is subsidy becoming the key factor for decision making to buy power tiller will not play a role because, if some government declares subsidy, every farmer wants it. Right? But that doesn't, earlier what was happening was only when subsidy was declared, people would come to buy. Now that has changed completely with DBT happening.

**Romil Jain:** Just one macro question to understand your growth trajectory over the next two, three years and reach the targets that we have given. So, broadly, I think we have four segments of tractors, tillers, SFM and the distribution part of the business.

**Antony Cherukara:** Tillers is part of SFM. So, we have three segments. Tiller, SFM and distribution.

**Romil Jain:** And distribution. So, can you just give us a sense of the growth trajectory in each of them, where do we see over the next two years, three years, which one should grow faster, and some sense, and how much would these segments contribute in terms of overall top line?

**Antony Cherukara:** So, I have said this before also, these are very different and very unique industries. Tractor serves a segment of customers which are more affluent who can afford 5 lakhs to 10 lakhs, 12 lakhs of investment, whereas the tiller segment is a marginal farmer who is less than 2 acres of land or 1, 1.5, who can definitely not afford a tractor. And distribution is all about getting closer to the

customer irrespective what segment you are operating in. So, these are very three distinct segments.

The bases are different. For example, the distribution base, it is at 100 crore base. The SFM base, it's at 600-700 crore base and tractor is it around 300 crore base. So, you will find and necessarily the tractor will grow based on how you can expand more into the northern markets with the higher horsepower and the compact tractors into Europe and the U.S. market in the long term.

And SFM you will find growing based on competing against non-consumption that is making first time buyers or introducing people to mechanization for the first time. So, that is a very different way of working, very different way of converting the customer.

And the third aspect is distribution, which I have already shared. The number of counters you open and how closer you are to the customer will ensure your growth. So, there is no uniformity in this. So, there is no particular percentage I can attribute to each one of them. But what I can tell you is all the three are getting significant importance. There is no particular segment that we will focus more or less.

**Romil Jain:** And lastly, sir, just exports is also a part of our strategy. So, to reach the 2,000 crore and then subsequently 3,000 crore kind of top line, how much would the exports' contribution be embedded in this?

**Antony Cherukara:** Absolutely, thank you for that question. So, two years back or three years back, we were at about 3% of international business. Last year we closed at about 13% of international business. We are going to take it to about 25% to 30% of our business.

**Romil Jain:** In the next two years?

**Antony Cherukara:** Next two to three years, yes.

**Romil Jain:** And that would be largely at a similar ROCE levels?

**Antony Cherukara:** Yes, the ROCE should be good. The profitability is good because the pricing opportunity in the international market is better.

**Moderator:** Next in the line is Mr. Arjun Khanna. Please unmute and ask your question.

**Arjun Khanna:** So, the first question is in terms of the facility for power weeders, you mentioned we have started manufacturing. So, this is the 6,000-unit facility that you are referring to, sir?

**Antony Cherukara:** Yes, so we have the power tiller facility where we have installed capacity of about 72,000 tillers that we can do in a year, which we can take it up to 1 lakh power tillers. Using that same facility, we are looking to produce the power weeders as well. So, initially, it will be limited production. This year we are looking at, let us say, 100 to 200 units from the plant per month, very little

numbers. But in the next two to three years, we expect the plan to do at least 1,000 to 2,000 weeders per month.

**Arjun Khanna:** So, effectively, so power tillers, we used to understand it was 60,000 units. Effectively, you are saying through de-bottlenecking, it's 72 and with further de-bottlenecking, you think that can be 1 lakh units, which is fungible between power weeders and power tillers.

**Antony Cherukara:** No, the third, 1 lakh will go through an extra shift. 72 through de-bottlenecking and 1 lakh through a third shift.

**Arjun Khanna:** This is helpful. Sir, we also talked about earlier that potentially signing a JV with a Japanese blade manufacturers Kobashi. Is there any update on the same, sir?

**Antony Cherukara:** Yes, so what they can tell you is that project is on hold right now. It is not dropped, but because a JV partner Kobashi is taking more time in terms of moving certain technologies in certain products which we wanted in the JV, that decision is not yet made and unless those products are moved to India, we don't believe that we have a real scale-up model with blades alone, and hence that project is on hold.

**Arjun Khanna:** Sir, just on the Zetor joint venture, could you help us understand in terms of the international bit, so while you talk about the domestic bit where you see us reach maybe 1,000 units for this year and maybe 1-2% of the market over the next couple of years, what is the international agreement with them? Are we allowed to export the production that we make in India?

**Antony Cherukara:** Yes, we are allowed to export. So, we are allowed to export to the VST channel as VST brand or rather VST Fieldtrac, that is a brand we use abroad and as Zetor brand through the Zetor channel. So, the VST Zetor joint brand will be only for India.

**Arjun Khanna:** This is very helpful. Sir, my final question is just in terms of growth for this year, so while we are forecasting a very strong second half, is it related to the release of some subsidy or is it just the market growing? What are the key drivers for this very strong forecast for the second half of FY '25?

**Antony Cherukara:** So, subsidy I don't think will increase. I mean, last year also it has not increased. Year before also it was almost the same. Last year what really happened was that demand went down because the rainfall affected agriculture as a whole. So, it was nothing to do with subsidy. Again, this year, I don't see the subsidy amounts increasing. So, subsidy playing a role in terms of growth is very minimal now.

But having said that, like I said to the earlier person who was raising the same question, if a subsidy is announced, there is no farmer who says no, I don't want it. Everybody wants it, but the question, the real reason that remains is that the purchase decision of buying a machine is no more dependent on subsidy. So, subsidy really doesn't play a role in terms of increasing or decreasing demand per se. Number one.



Number two, why second half will be buoyant is because of the same fact that I told you that acreage has gone up, monsoon has been great, reservoirs are full, minimum support prices are better. So, in every sense of the word, it looks positive. And that is seen in October. And we hope that that same sentiment continues through to November and December.

**Moderator:** Next in the queue will be one of the Analyst . Please unmute and ask your question.

**Participant:** As you spoke on the demand front and how things are playing out with the new product launches and all, so everything as per the new product, the demand is, the response has been so far good or as per expectations. The monsoon is coming in our favor. So, what one thing is which according to you would be running or you would be seeing? Any one thing which should be a rather or a cause of a concern maybe which you are looking at?

**Antony Cherukara:** So, the one concern that I have is on the bottom line. So, while I am saying to the earlier caller that the commodity prices shouldn't come under pressure in the coming quarter, which doesn't look like because demand is slowed down almost across markets. I hope that doesn't reverse itself and the commodity prices shoot up because of an extended war or the Gulf War or whatever reason. I hope that doesn't happen.

The second aspect that I would say is, which is not a worry, I would say, but I would put it as a challenge in front of us to accelerate our execution. So, that is something that keeps us up all night and every day. So, we have to accelerate our executions. Our projects are all in monetization phase. We have to consolidate the dealerships that we are opening in the Northern markets. We have to consolidate the products that we are launching in the European markets. We have to accelerate on the product development for the American markets. So, this is something of a challenge, I would say, or rather which entuses us to come to work every day.

**Moderator:** Next in the line will be Mr. Siddhartha. Please unmute and ask your questions.

**Siddhartha:** Sir, could you give us the bifurcations of revenue for tillers, tractors and spare parts. Sorry if I missed it out earlier.

**Antony Cherukara:** Just for information, I will definitely give you the revenues, but just for information, it is all uploaded on our website as well, just in case anybody wants to take a look at it later on as well. While I will just give you the H1 revenue figures as well, somebody had asked for H1 and after that I will give you Q2. So, H1 tractors is at 130 crores, small farm machines is at 274 crores, parts is at 53 crores and then others is about 17-18 crores. Q2 small farm machines is at 185 crores, tractors is at 74 crores, distribution at 26 crores and others at 4 crores.

**Siddhartha:** Sir, and just one more thing on the tillers part particularly, I mean, any sort of discounting or something you are seeing or it's at same realization levels what we saw earlier?

**Antony Cherukara:** I mean, are you asking that we push volumes through discounting? The answer is no.



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- Siddhartha:** So, there is enough demand that can be observed without any sort of...
- Antony Cherukara:** The issue in tillers is not pricing or what clearly is, like I said, creating first time buyers. It's an industry creation. So, we are taking these machines to first time mechanization users.
- Moderator:** That was the last question, and do you want to make any closing comments, sir?
- Antony Cherukara:** So, thank you so much, and wish all of you a very Happy Diwali. I should have done this in the beginning. Happy Diwali season, greetings to every one of you. Thanks to have taken the call and look forward to being in touch in the next quarter as well. Thank you.
- Moderator:** Thanks. On behalf of B&K Securities, we thank all the participants for joining the call and thanks to the management for taking time out for the call. Have a good day.

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