

VSTL/SE/2025-26

May 20, 2025

The General Manager – Listing,
National Stock Exchange of India Ltd.
Plot No. C/1, G Block,
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The Manager Listing,
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Floor 25, P.J. Towers,
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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 Investors/ Analysts Con-call held on May 14, 2025.

We request you to take this on record.

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

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

Encl: a/a



“VST Tillers Tractors Limited 4Q FY '25 Post Results Conference Call”

May 14, 2025



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: **MR. ANNAMALAI JAYARAJ – B&K SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to VST Tillers Limited 4Q FY '25 Post Results Conference Call hosted by B&K Securities.

From VST Tillers management, we have with us today, Mr. V. T. Ravindra, Managing Director; Mr. Antony Cherukara, Chief Executive Officer; Mr. Nitin Agrawal, Chief Financial Officer.

At this point, all participants' lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the management presentation and the 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.

Antony Cherukara: Good morning, everyone. I am Antony Cherukara and CEO of VST Tillers Tractors Limited. I will be doing the presentation today. Welcome once again to all of you to the call for FY '25 results and the Q4 results.

The presentation includes macro economy, key highlights, we will also talk about the volumes, financial performance and a brief on the FY '26 outlook, especially on Q1, and the product pipeline.

So, in terms of the macro economy:

Monsoon looks to be favorable. All the departments have forecasted a normal monsoon beginning on time. Hopefully, the temporal and spatial distribution is going to be good, which will favor the farm mechanization industry as a whole in the Kharif season.

There was an effect of General Elections last year in FY '25, and there have been challenges in terms of international trade in the last year. But in FY '26, we don't see any effect of elections except for a couple of states later in the year. And in terms of international trade, the uncertainties seem to continue, especially in terms of logistic challenges, which will continue to pose challenges in terms of availability, costs and timely dispatches to these destinations.

Some of the key highlights of last year's performance:

We have been able to grow the Power Weeder business the way we had evinced that it will grow, growth of 63%. Similarly, the Power Reaper business which we started has also grown 22%. The Precision Component division started focusing on external business from last year and it has grown by about 71%, which is good for the first year of growth.

Tractor, we are back onto the growth path in tractor domestic. And it was driven by the new products that was launched under Power Series, namely 932 and 939 models specifically in the domestic market, the sales have jumped by 180%. So, this gives us confidence in terms of growing in the tractor industry going forward.

In international business, while we expanded geographically, there were challenges in terms of the demand in the European market towards Q4, which affected our business, but we entered new geographies. We entered Cyprus, Czech Republic, Russia, Angola. Also, we have taken first steps into Turkey and Mali.

Distribution business, we have appointed new distributors, and it's up by almost 56% in terms of our distribution capability.

Coming to the sales volume for last year:

In Q4, the Power Tiller business grew by 14.8%. We did 13,278 tillers against the last year Q4 of 11,566 nos. And in the full year, while we were lagging till Q3 end, we were able to reverse the situation and get down to the growth path in Q4, and we ended with a 2.24% growth at 37,297 nos vis-à-vis last year of 36,480.

On the Power Reaper business for the full year, we have done 2,403 nos against 1,964 . And the Power Weeder business, which is a new business we have started, and which has just got into the third year, we have done 7,458 nos of power weeders against 4,567 the previous year. Every quarter we have continued to grow in power weeder. It's continued in Q4 as well. So, we expect this business to continue to grow going forward.

Tractor business domestic, we did 1,030 tractors in Q4, FY '25 against 960 the previous year, getting onto the growth path, and we had a growth of 4.53% annually in the tractor domestic business.

In tractor exports, while we were at par till Q3, we had a drop in terms of our dispatches into the export market due to lower demand compared to the previous year. So, we did 260 tractors in Q4, FY '25 vis-a-vis 525 the previous year. Hence, the shortfall in Q4 resulted in 1,411 tractors in FY '25 vis-a-vis 1,680 previous year. So, the only business which has dropped last year compared to the previous year is the tractor exports due to the uncertainties in the European market.

Coming to the financials performance:

The total revenue in Q4 grew by 10% to Rs. 301.43 crores against Rs. 273.44 crores. The operational EBITDA, while the absolute number has grown by 1% from Rs. 39.83 crores to Rs. 40.37 crores, on a percentage basis, we are at 13.39% in Q4. And all full year revenue apart from other income remains at Rs. 994.55 crores against Rs. 968.05 crores the previous year, registering a growth.

We have got onto the growth path again and the percentage in terms of operational EBITDA is at Rs. 111.09 crores against Rs. 124.19 crores the previous year. And in terms of percentage, it is at 11.17% vis-a-vis 12.83%, which shows a decline of roughly about 20%.

The operational EBITDA, which is dropped by about Rs. 13 crores primarily, due to the increased expense on resourcing for the future, which is where we have incurred these additional expenses in terms of our R&D capacity and product development capacity which we have invested in last year.

If we look at PAT, PAT for the quarter is excluding the impact of the fair value change on investment loss of Rs. 3.85 crore in Q4. So, FY '25 compared to gain in Rs. 7.65 crore in Q4, FY '24. So, if you remove the fair value changes, the current year is on a rise of about Rs. 1 crore. It's roughly about a 5% rise, from Rs. 28 crores to Rs. 29 crores. And in FY '25 as a whole, despite the increased investments into R&D and our product development capabilities, both on OpEx and CAPEX side, the PAT effect is only about Rs. 5 crores, current year at about Rs. 70 crores and previous year was Rs. 75 crores.

So, this is without the fair value change. This year it is comparatively lower compared to the previous year. The gain this year is at Rs. 24.69 crore vis-a-vis the last year, the gain was Rs. 46.41 crore in fair value.

Coming to a brief outlook on FY '26:

Like I said before, the agencies have predicted normal or above normal monsoon. Hopefully, the spatial and the timely arrival of monsoon is also critical. Hopefully, that will play out normal.

So, we expect a healthy demand during the Kharif season. We foresee growth for small farm machines in key states. We also expect growth in the tractor industry. However, given our limited presence in the higher horsepower space, we will have growth but may not be at the same rate as the industry growth.

Global geopolitical challenges continue. And I don't think that change is seen in the near future. So, the logistics challenges continue, and that will create a dent in terms of the time taken and the rotation of inventory that happens in the European market.

Overall guidance is positive for the year. This year we would look at a quarter-on-quarter guidance rather than the whole year because what we have seen in the last two years is too many variables playing out on the results. Last year, for example, in Q3, Q4, the guidance given was not completely kind of adhered to because of certain payment changes like SPARSH that has happened.

So, we will look at quarter-to-quarter guidance this year. We expect anywhere between 20% to 30% growth in Q1. We have already had good growth in April that continues into May and hopefully we will end up with a very strong quarter in Q1.

The operational EBITDA will continue to be in the range of 11% to 13%, which we have adhered to in the last 3-4 years. The guidance is in the same range this year as well. Continued thrust on

geographical and product expansion is continuing, and I will share a couple of more details in the coming slides.

In FY '25, we were able to get onto the growth path in the domestic market by the introduction of various variants of our existing tractors. So, we had a Classic Refresh – Narrow Track introduction. We had the Power Series with large tire introduced. We introduced for the first time a 30 HP Stage-V tractor in the European market. Also, we had the Narrow Track in the EGT range. We launched the VST Zetor with RPTO. We launched the VST Zetor tractors in May '24. And we have also introduced the Cabin tractors in the European market.

Similarly, on small farm machines, we have brought the India-made weeder, 100% India-made weeders front rotary, which was launched in the market. The rear rotary is in the seeding phase last year, and we will be launching it soon in the market. And Power Reaper, especially for maize crop, is another product that we have launched, which has given us good traction. And we believe that it will give us continuous growth going forward as well.

In the coming year, we expect a range of launches. The tractor, the investment into R&D and sourcing that we have done will help us launch several upgrades this year on both the classic models, upgrades in terms of engines, transmission, all developed in-house on both the Classic and Series 9 in FY '26.

The product development for the global market, which includes India, Europe and the U.S. continues, and it is going on as per plan. And we expect to launch these products, not this financial year, but in FY '27. It will be three platforms with eight models with 16 variants, both gear as well as hydro static transmission.

So, there will be a slew of launches of tractors that will happen from the company in this year and the next year.

Small farm machines, we are introducing more variants in the Power Weeder segment, both 5 horsepower and 8 horsepower variants. We had announced a product between tiller and tractors which we will be launching soon in the Indian market which is going to be called SCORE. And we will also be entering the Power Tiller and Power Weeder both on electric platforms which will also be launched in FY '26.

So, these are some of the product launches that we have lined up in the current financial year for small farm machines.

Thank you so much. And with this, we will go on to the question-and-answer session.

Moderator:

Thanks sir. Thanks for the detailed representation. Now we can move to the question-and-answer session.

- Antony Cherukara:** And Mr. Jayaraj, before we start, I would also like to mention that we have posted this presentation on our website. So, the numbers are visible there. This is www.vsttractors.com.
- Moderator:** Thanks, sir. The first question is from Mr. Nowshad. Nowshad you can unmute and ask your question.
- Nowshad:** Thank you, sir. First one on the, just wanted to check in the last 1.5-2 years, we are trying to get into Northern market. How is that panning out for us, especially on tiller side? What is so far our experience there? Is the tiller market exists there or market is not at all accepting as we had anticipated earlier?
- Antony Cherukara:** I will give you a detailed answer, Nowshadji. And good morning. We are experiencing good growth and we call it as the one VST market, which is the northern market, wherein we sell all products under one umbrella. So, there is no separate dealership for tractors and tillers. It's all under one dealer to ensure the dealer's viability.
- So, to give you the gist of what we have done, we have seen tremendous growth in terms of our Northern market sale. I will just read out the numbers. Just a second. Yes, so in Power Tiller, from about 200 power tillers in FY '24, in the last year we have sold close to 900 power tillers.
- So, it's just the first year of the northern market. So, we are getting tremendous response. So, we will continue to build on it. And this gives us a lot of encouragement, to answer your question. And this we have seen both in Power Tiller, we have seen in Power Weeder, which is again close to 1,000 numbers in terms of Power Weeder. Previously, we had done just about 200 numbers.
- Nowshad:** Interesting. And how do you see this shaping up in next two years, two, three years?
- Antony Cherukara:** We will continue to see exponential growth in this market. So, the market is accepting, the small and marginal farmers are accepting the solution. So, there is a lot of ground work, a lot of feet on the street work that is happening. We have to demonstrate the machine because awareness of these machines are low in these markets.
- So, we are creating awareness, making it available, making it accessible, tying up with retail finance for creating affordability and also training programs to enhance the confidence and ability to use these machines. So, this five-pronged approach we are doing in the one VST market. So, it is going to be uphill, but it will be continuously growth is what we see going forward.
- Nowshad:** And here in the North, especially, what would be the mix of the financing-led business, especially in the Northern market?
- Antony Cherukara:** See, financing is almost 70% to 80% because the subsidy doesn't exist much and 70% to 80% is financed one way or the other. And typically 15% to 20% is cash.

- Nowshad:** So, if the North has converted 70%-80% through finance, why it is not happening in our core market? When and how long do you think it would take to reach to these kind of size?
- Antony Cherukara:** Yes, so since subsidy is not available in the North, so there is no other avenue for the farmer. But in the Southern markets or the other markets, while the dependency of subsidy to purchase has gone down, but still there is a spike when subsidy is announced because they are encouraged to take it. But slowly that shift is happening. We can see from zero in the last two years, we are at almost close to 10% of retail finance now. We expect that to grow every year. This year we are expecting it to take to anywhere between 15% to 20%. So, I think that trend will continue.
- Nowshad:** And second question on the, in last previous call, as you had indicated and the key raw material steel prices and all were going down, and we were expecting some improvement on the gross margin side. But this quarter we have seen a decline in the gross margin. The raw material benefit is not coming. How should we look at it?
- Antony Cherukara:** Yes, it is primarily because of the product mix. We have got the benefit of commodity movement. That definitely has come in, but the product mix has changed and also the geographical distribution. To be specific, the sales in the Northeast and Assam and Orissa was higher in Q4 compared to sales in the South, which kind of impacted the pricing and hence the overall contribution. It's not to do with the commodity movement.
- Nowshad:** But your incremental growth is also coming from those untapped market. So, does that mean if the new geographies grow faster, you would have pressure on the gross margin?
- Antony Cherukara:** No, Assam in Northeast is not a new market. UP, Bihar, Jharkhand, , Rajasthan, MP, those are new markets. So, I am talking about, see there is a price difference between the Southern states and the Eastern states, because we have discussed this before, the power tiller pricing to some extent is controlled by the subsidy pricing, because we have to get approvals from the state government. So, we have a slightly lower pricing in the northeast, which in fact has been corrected in Quarter 1. But unfortunately, last year it is not so, and hence the impact on the overall contribution.
- Nowshad:** All right, sir. I will come back in the queue.
- Moderator:** Thanks, Nowshad. Mr. Arjun Khanna, you can unmute your line and ask the question.
- Arjun Khanna:** Regarding the tariffs on India by the U.S. So, given that we were exporting the chassis for Monarch tractors, could you comment on what is the impact for the same for us? Did we have any sales currently in the month of April? And what is our outlook on this going forward?
- Antony Cherukara:** Yes, we had sales in Quarter 4 with Monarch. However, definitely there is a tariff effect because that will play out as we can see that it is not Monarch not only imports from India, but it also imports from China as well as Mexico. So, they may have more impact due to China and Mexico rather than India. So, I think it didn't get sorted out as we see that the Chinese tariff is under

negotiation and is kind of getting into a deal situation. So, I can't say for sure whether it will happen in Q1 or Q2, but as it stands today, I don't see the business happening in Q1.

Arjun Khanna: Sir, for the newer platforms that you mentioned, which we are launching now in FY '27, U.S. was a key market where in an earlier call you mentioned almost 2 lakh compact tractors size of the market versus India 50,000. Given this tariff situation, earlier we were hit with very low tariffs, I think around 2% odd. Now, the minimum is expected to be 10. So, does that change any of our plans in terms of the U.S. market?

Antony Cherukara: No change in plans. We are continuing with the plan. The full effort is on its own time and we will be launching in FY '27.

Arjun Khanna: Sure. Sir, my second question is regarding the Zetor brand. You did talk about the one VST market in the North. But just in terms of volumes, you may not quantify the exact sales in FY '25, but qualitatively, how things are performing with this product? And what is our outlook going forward?

Antony Cherukara: So, in the Financial Year FY '25, the focus was to seed VST Zetor tractors in various markets. We have got good reports, certain higher expectations from the customers as well in terms of the features, the variants that they need. So, those corrections are being done, and we will be going, and it's continuing. It's not that the sale is stopped. It's continuing. Very positive response. And we will be launching the upgrades in H2 to meet the higher expectations of the customers based on feedback from the seeding.

Arjun Khanna: Sure. In an earlier Con Call, we had mentioned we were looking at maybe 1,500 units of the higher HP 40 to 50 on Zetor. Do we maintain the same or has there been some correction to our expectations?

Antony Cherukara: We will be close to that number. We don't give numbers on VST Zetor for obvious reasons. But we are around that number only. We are not changing that.

Arjun Khanna: Sir, my last question before I enter the queue again. Could you just run us through our current capacities for each of the segments? So, in tractors, power tillers, power weeders, what capacities do we have at this point in time?

Antony Cherukara: Tractors with the one shift operation, we can go up to 36,000 to 40,000 tractors. On power tiller, we can go up to 60,000 to 70,000 tillers without increasing shift. And with shift, we can go up to 1 lakh. On power weeders, currently we have set up a capacity to do about making India weeders up to about 10,000. We will have to look at new capacity once we cross that number.

Arjun Khanna: And sir, the power weeder capacity is fungible with power tiller, so this is over and above?

- Antony Cherukara:** It is over and above because slight difference in the assembly line. And I would say that power weeder, we have to be very cost competitive. And hence, logistics matter. So, we will have to look at the distributed manufacturing rather than single location manufacturing.
- Arjun Khanna:** Sure. Thank you very much.
- Moderator:** Thanks, Arjun. Mr. Pankaj Tibrewal, you can unmute and ask your question.
- Pankaj Tibrewal:** Antony, on the power tiller side, can you give us some sense on when you talk about geography expansion, you might have done an extremely good job in Odisha, for example, where you have ramped up the volumes. Which are the other states where you think whatever you have done in Orissa can be replicated? That's the first question.
- Antony Cherukara:** Yes, so Orissa was a pilot for us, and it has succeeded. So, this work has now started in Tamil Nadu and in Maharashtra, Gujarat and in Karnataka. So, these are the key power tiller estates. So, these core markets we will increase the presence into the Taluka level and the work that we did in Orissa will be replicated. So, to begin with, first state is Tamil Nadu. Second is Maharashtra. Third will be Karnataka. And fourth will be Gujarat, in this order. So, that work is on and yes.
- Pankaj Tibrewal:** That's great, that's great. The second question is on the SPARSH scheme. Last year, second half, there was a lot of disturbance in the way the mechanism used to work. And January and February, we saw that impact on our volumes. Is that now settled down and incrementally, is there any other hiccups we are seeing from the scheme as you move ahead, or it's normalized now and things should be okay?
- Antony Cherukara:** In three states, it is completed. In Tamil Nadu, it is completed. In Karnataka, it is completed. And in Orissa, more or less, it is completed. In the Northeast, it is still not done. So, there is a bit of uncertainty in the Northeast.
- Pankaj Tibrewal:** But Northeast will be a small portion of our volumes, right?
- Antony Cherukara:** Assam is slightly big.
- Pankaj Tibrewal:** Assam is slightly big. Okay. Otherwise, most of the other big states have...
- Antony Cherukara:** Yes.
- Pankaj Tibrewal:** And last, in terms of overall growth for this year, I know you mentioned that we are going on quarterly, but last year we ended with marginal growth on tillers and a slight bit of flattish growth on tractors. The way things are spanning out, what will be your estimate? I mean, 15%-20% growth, is it possible for the whole year, the way things are looking like?

- Antony Cherukara:** Definitely possible, Pankaj, from a possibility perspective. But moreover, I would like to say that we are at an inflection point. But the key is that we deliver this year. So, we will look at it quarter-on-quarter, and we will ensure that we deliver on a quarter-on-quarter basis.
- Pankaj Tibrewal:** But the broad guidance which we thought about moving to say, doubling of our revenues over a period of time, that remains intact, right?
- Antony Cherukara:** That definitely remains intact, and we will be after that.
- Pankaj Tibrewal:** That's all from me.
- Moderator:** Thank you, Mr. Pankaj. The next in the line will be Mr. Shreyans. You can unmute and ask your question.
- Shreyans:** Hi, good afternoon, sir. So, my question is on the higher horsepower segment, mainly Zetor. So, in terms of features, from what we understood from one of the dealers, the features are very similar to the competition, mainly the bigger ones like TAFE, Mahindra, Sonalika, those guys. So, what are we facing challenges in terms of penetrating them because they are actually gaining some shares? So, given our low base, you also mentioned that we will be growing slower than the market. So, with the low base, shouldn't it be growing faster as such? So, that's my first question.
- Antony Cherukara:** Yes, two things. See, we are talking about VST which is establishing dealer by dealer in the North Indian market and setting up the VST Zetor business and getting it right, dealer by dealer. So, ensure viability, sustainability of the dealer. That is the reason I said we could be slower than the particular market in the current scenario. Will it be the same going forward? I don't think so. Once we are able to multiply our channel, increase our variants, increase our offerings to the customers, we will be at par or faster than the market.
- Shreyans:** So, in terms of the brand recognition and penetration, you don't see an issue there. It's just about adding the dealership is causing the slower pace.
- Antony Cherukara:** In fact, the strategy of the company to tie up with Zetor has worked favorably because the brand Zetor is well recognized in the Northern market, several of the Northern markets compared to brand VST. Brand VST is quite strong in the Southeast and West, but not in the North. Brand Zetor is known. That is helping us.
- Shreyans:** Understood. And so just trying to understand the European market. So, you mentioned that there is a lot of uncertainty also. The market is smaller compared to India in terms of volumes, I believe. So, why are we focusing so much on trying to launch so many products geared towards Europe versus the Indian market with 30 to 50 horsepower like itself is like 5 lakh tractors in that sense? Just trying to understand what is the strategy.

Antony Cherukara: Yes, so two aspects to this question. One is the core strength of the company VST is in compact tractors and the European market size on compact tractors is similar to India. It is not smaller than India in terms of the compact tractors alone.

So, there we have a strong play, point number one. And also we are looking at it globally, eventually in the U.S. market as well, which is much, much larger in size as an industry than the Indian market. So, that is our core, which is the compact tractors. And one reason is that. Second is the margins are much better in the international market compared to the Indian market.

Shreyans: But even in the European market, like you mentioned that, okay, we are just exporting like around 250 a quarter, like at least this quarter. So, if it's that small of a base, and the market size is as big as India, then why are we facing challenges in terms of export sales is like, I am just trying to understand, where are we not able to penetrate the market? Is it a product profile or?

Antony Cherukara: No, let us understand completely. Four years back, we were at 300-400. Now we are consistently above 1,400-1,500 kind of numbers for the last 2-3 years. The key aspects to grow further will be further entry into European markets, namely Nordic countries and more of Eastern Europe.

Second is product offerings, right? So, we had offerings only in the 20 to 25 horsepower space. So, typically, or rather 18 horsepower. So, we had an 18 horsepower, 22 horsepower and a 24 horsepower offering. That is the only offering that we had in the European market. Now we have a 30-horsepower offering, which we have introduced end of March. Now we have a 35-horsepower offering. So, 30, 35 horsepower offering. And with the global platform coming in, we will have almost seven more nodes of offering that we will be able to give the European market.

So, to answer your question, we were working with these three nodes, three models 18, 22 and 24. We have introduced in the end of March one more model which is a 30 HP Stage-V. We are introducing the 35 HP also this year. So, we will have two more models and going forward, we will have with the global platform furthermore models which will give us growth. So, distribution as well as product availability, to answer your question.

Shreyans: Perfect. That's very helpful. So just last question, on the smaller horsepower, so should we think through like our penetration in the smaller horsepower segment in India, like have we almost saturated that like we should expect industry level growth or we should be able to penetrate that more, or how do you think about the Indian markets on that?

Antony Cherukara: In the compact tractor segment last several years the industry has not grown, the smaller horsepower. So, the growth is seen between 30 to 50 horsepower. So, 30 to 40 and 40 to 50. 40 to 50 has grown faster than 30 to 40 also. But the smaller horsepower has not grown.

Shreyans: So, do we see like that as a structural shift in the preferences or is that you know...

Antony Cherukara: We anticipate a structural shift with the coming of Stage-V.

- Shreyans:** So, we should see the higher horsepower selling more eventually then.
- Antony Cherukara:** Higher horsepower will continue to sell, but Stage-V creates a higher cost. Almost 25% to 30% cost is what is being estimated, which will go up. So, the higher horsepower tractors will become very expensive. We anticipate a shift towards lower HP four-wheel drive tractors to meet the same applications.
- Shreyans:** Oh, okay. All right. Understood. Thank you so much. That's all I had from my end.
- Moderator:** Thank you, Mr. Shreyans. Next in the line will be Mr. Kush Nahar. You can unmute and ask your question.
- Kush Nahar:** A couple of questions. So, first, if you can elaborate more on the SPARSH scheme, like, for tillers, how they have helped us and changed the dynamics of the industry in terms of maybe number of states which are pending and what is the scheme about?
- Secondly, sir, on the precision segment, so since we have had a very strong growth this year also, so going ahead, how do we see this shaping up in the next, say, two to three years? And lastly, if you could help us with some Zetor numbers that we have sold in terms of volume in FY '25, and going ahead, what do we expect?
- Antony Cherukara:** So, I will start with the last question first. So, like I have said before, we don't give out the Zetor numbers. I can say it is going as per plan, and we are growing. We will continue to grow the Zetor business because that is where the higher growth segment is in practice. However, we will have to build the network and give more product offerings in the market. That work is on. So, it's a long-term work.
- Coming to your second question, which is the precision component business, we have a precision components factory based out of Mysore, which used to focus only on internal business, internal requirements of VST, where we have state-of-the-art machining setup, machining centers. So, this last year onwards, we have started focusing on external business. So, the first year we have got good business. We will continue to grow and explore the China plus One opportunity that is emerging. We expect this business to continue to grow.
- And coming to the SPARSH scheme, the details of the SPARSH scheme, this is not a VST scheme. It's a government scheme, which definitely will help in the long term, wherein the government has created a payment mechanism of subsidy where the center and state governments will work in tandem. So, as the state governments process the payment of subsidy of farmer, the process flow includes the central government automatically and hence separate utilization report is not required in the future.
- So, this implementation took some time, and it cost the payment flow to stop for all the subsidy schemes. This affected the cash flow for all the companies, especially us, because we are almost 75% to 80% of the tiller market. This affected us badly in the month of January and February.

This more or less now is implemented in most states, except some critical states like Assam and Northeast, which hopefully will also get implemented very soon. Hope I have answered your question.

Moderator: Hope your questions are answered, Mr. Kush. We will move to the next caller. Next will be a follow-up question from Mr. Nowshad. Please unmute and ask your question.

Nowshad: Hi, a couple of follow-up, sir. First on, you indicated that you believe the company is at inflection point. Can you highlight what are the key factors that makes you believe that we are at inflection point?

Antony Cherukara: So, we have a sacred strategy of working on various verticals. Small farm machines move from power tiller becoming a full range player in small farm mechanization space. We have started that. We have progressed on that. Now the scale-up is to happen in the next few years. That is point number one.

Point number two, in the tractor space, from a company with just one platform of classic model, we have in the last four years developed our R&D and sourcing capability and built multiple platforms to grow globally in the compact tractor space. And the results of that is coming out, like I said to the previous speaker, the new nodes that we are operating in 30 HP, 35 HP in the European market. Going forward, our ability to launch another six nodes in the Indian, European and the U.S. market in the compact tractor space. So, that gives me the confidence in the tractor segment along with the VST Zetor work which is happening on HHP.

The distribution business, which was started two years back, which is completely digital based on distribution, got into electric pumps. We are at around 10 crores to 15 crores kind of business currently, which will also scale up, which is scaling up with the addition of new distributors, new distribution.

Number four is the precision component business that we spoke about, where we are not only focusing on internal business today, but also focusing on external business, which we see a good opportunity with the China plus One opportunity that is emerging. So, on several fronts, on all projects that we launched three years back, we are more or less at the monetization stage. So, with the product expansion and the geographical expansion that we are doing, we made the statement or rather I made the statement that we are at an inflection point.

Nowshad: Interesting, sir. Second, on the inorganic opportunity, I think few quarters back also we have indicated that we...

Antony Cherukara: I hope I have answered your question because I can't hear you. I hope the previous question was audible, and it was answered to the satisfaction of the...

Nowshad: Hi, thanks for unmuting me. So, second one was on the inorganic opportunity we have been indicating and that we are evaluating inorganic or we were working on some new allied products

which you might announce in Second Half '25. So, just wanted to check what is the status there and what exactly we are evaluating. If you can...

Antony Cherukara: Nowshad, there is nothing concrete yet to announce. So, I am not able to say, but definitely we are looking at opportunities.

Nowshad: And we were also evaluating to go to, I think, Bangladesh market, if I am not wrong. So, what is the status there? What is the size of that market? And what will be the largest player size there? Just wanted to understand from a scale point of view.

Antony Cherukara: Power tiller market is roughly about 70,000 tillers per annum in Bangladesh, predominantly dominated by the Chinese products. Because of the political situation, we had a setback last year. We are working even now, but there are some hurdles. Still the political scenario is not in our favor. Hopefully, we should be able to get a breakthrough this year. We are trying.

Nowshad: And last, on our in-house weeder manufacturing capacity, do you think '26 we will see the full ramp up?

Antony Cherukara: See, yes, weeder we will continue to grow at a faster pace, like I have said before. So, last year it was close to 8,000 weeders. Now we expect to continue growth this year as well. One aspect will be to increase the production in India, the ramp up. It will not be 100% India-made weeder this year. But in the next two years, it will become 100% India-made weeder. So, until then, we will have some partial capacity still available. And once that is done, maybe going forward, we will have to look at additional capacity.

Nowshad: And does in-house manufacturing offer a better margin or exactly in what business parameter it helps us in terms of importing versus making it in-house?

Antony Cherukara: If you consider the total cost to the company in terms of the purchase price, the transportation, the inventory stocking, if you consider the total cost and then the India-made product, I would say it is at par. So, the margins will more or less be the same.

The advantage is we eliminate all the uncertainties of shipping from China, uncertainties in terms of quality consistency from China, uncertainties in terms of the various geopolitical situations that arise on and off with China. So, we kind of want to eliminate that completely.

Also, we want to become the hub for small farm machines, which we have said before, and start eventually exporting these products. That is where the electric tiller, electric weeder, completely electric platforms are coming in this year. So, we are looking at not only selling in India, but also exporting these products eventually into European and the other markets.

Nowshad: Is there any global benchmark company which you, you know, aspire or see just from a scale point of view, if you can visualize how others have done in this small farm?

- Antony Cherukara:** In small farm mechanization, there are several companies in Europe, family-owned enterprises. There is some Japanese companies, some Taiwanese companies. But no real benchmarks, I would say, unlike the tractor industry. So, it is mostly family owned, but large size compared to decently sized companies.
- Moderator:** Thanks, Nowshad. There is a follow-up question from Mr. Arjun Khanna. Please unmute and ask your question.
- Arjun Khanna:** Thank you, sir. My first question is on receivables. So, if I look at a balance sheet, I see the number of receivables up significantly year-on-year. Now, is this regarding that we had very good sales in March and that's the reason and it should come down possibly by next March or is there something else one needs to read into this?
- Antony Cherukara:** Arjun, we had 59 days outstanding the previous year. We are at currently 75 days. But if you look at Quarter 3, we were at 81 days and in Quarter 2, I think we were at around 88 days. So, from 88, we have brought it down to 75.
- So, why we had to do this, I have explained earlier. We had to support the dealers to tide over the SPARSH situation when the cash flow was not happening. Because I have explained that before what was happening and hence we had to support the dealers and hence increase the receivables. We have been able to bring it down to 76 days.
- That journey downwards will continue. We will have to balance between supporting the dealers, gaining volume growth and as well as bringing more efficiency into our retail. But definitely the graph is downward on receivables.
- Arjun Khanna:** So, if I look at, say, FY '22, we were at just 30 days. And I get that '23, '24 were around 50 odd days, currently, which you mentioned at 70.
- Antony Cherukara:** We will be around that. We will be around that.
- Arjun Khanna:** Around 60? Is that the right understanding?
- Antony Cherukara:** Yes, around 50 to 60, we will be around there.
- Arjun Khanna:** Sir, the second question is in terms of the SCOREs you mentioned, we are launching a new platform on the small farm segment side. So, do we need new capacity for this? Our current capacity is fungible. And what kind of numbers would one look at it in terms of the total addressable market?
- Antony Cherukara:** Current capacity is fungible. It's a new category. There is no existing, you know, except one player who has a similar product in the market. But I think it's a new category creation between tillers and tractors. One advantage that we have is we operate in the tiller space and we operate in the tractor space. So, understand both the segments of market. And we believe that we will be

able to address what the farmer wants. So, that gives us the confidence, but I think we will wait until we get there, right, in terms of because it's a new category creation, to give you an exact number at this point is difficult also.

Arjun Khanna: Fair enough. Sir, just to understand this point on the small farm mechanization, because we had announced a joint venture with Kobashi for blades, nothing we have seen on the other announcements.

Antony Cherukara: Kobashi, we were contemplating a JV. We didn't announce it in terms of a JV. We may drop that JV plan because we didn't see the scale-up happening to the extent that VST's growth ambitions are in this particular segment. So, we did a lot of work, and finally we may decide to drop that project.

Arjun Khanna: Given that cash continues to accumulate on our balance sheet, so any M&A activity etc., on the Anvil?

Antony Cherukara: Lot of work happening on that front. Hopefully in the next two years, like I have said before, in the last quarter also I said, next two years we should be able to do at least one deal.

Arjun Khanna: Sure. Wishing you all the best, sir.

Antony Cherukara: Thank you.

Moderator: Due to lack of time, that will be the last question. Sir, do you want to make any closing comments, sir?

Antony Cherukara: Thank you, everyone, for being present today and look forward to meeting you in the next quarter. Thank you so much.

Moderator: On behalf of B&K Securities, we thank all the participants for joining the call. 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. You can now disconnect your lines.

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