

SELL**TP: Rs 3,422 | ▼ 29%****VST TILLERS TRACTORS** | Automobiles

| 12 August 2025

Strong one-off show, sustainability is the key; maintain SELL

- Q1FY26 revenue grew by 48% YoY (on a lower base) to Rs2.8bn, driven by volume gains of ~76% to ~13k units (general elections in Q1FY25)
- Gross margins range-bound, EBITDA margin gains steeply given the strong revenue recovery, sustainability is the key
- Revise FY26/FY27 EBITDA estimates upward by 6%/1%, introduce FY28E, revise TP to Rs3,422 (Rs 3,340), value VSTT at 20x P/E 1YF. Retain SELL

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Revenue growth YoY on a very weak base: In Q1FY26, revenue grew by 48% YoY (on a lower base YoY) to Rs2.8bn, driven by robust volume gains of ~76% to ~13k units on a lower base, due to general elections in Q1FY25. However, average realisation per vehicle fell steeply by ~16% YoY, pressuring growth. Volume was down by 2.4% QoQ, leading to a fall in revenue by 6.3%. Exports dipped by 20% on logistics and economic challenges in key markets like Europe. Sales momentum has been strong in Q2 but may taper off in September.

Healthy EBITDA/EBITDA margin gain, gross margins range-bound: Raw material, as a percentage of sales, improved by 50bps/173bps YoY/QoQ to 67.6% in Q1FY26; while RM cost (adjusted for inventory) rose by 47% YoY to ~Rs 2bn. Gross margin held steady, up 50bps YoY to 32.4%, driven by the newly launched high-priced products and price hikes in Q1FY26. EBITDA grew ~180% YoY to ~Rs375mn and EBITDA margin rose to 13.3% vs 7% YoY. PAT grew ~95% to Rs446mn (including exceptional treasury gains). APAT fell 9%/45% YoY/QoQ to Rs208mn.

Focus on Compact continues: VSTT intensified focus in the 18.5-29hp segment it is developing higher HP models (FENTM Plus, Zetor revamp for Diwali) and global platforms for India, Europe, and the US (planned for FY27). Exports faced challenges in Europe (20% YoY tractor volume decline) due to logistics issues, but VSTT plans to open a European operations base by FY26-end to address the same.

Maintain SELL: We revise our FY26/FY27 EBITDA EPS estimates upward by 6%/1%, factoring in the Q1FY26 performance on a lower base. We also introduce FY28 earnings and model in revenue/EBITDA/PAT CAGR of 13%/17%/20% over FY25-FY28E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at a new TP of Rs 3,422 (from Rs 3,360) rolling forward. We believe the valuations run-up on a one-off show is knee jerk and steep and remain decoupled from earnings; hence unjustified. VSTT's performance is below mark on gross margins and exports despite its focus on the high-end farm equipment business, healthy contribution from non-farm business and regional diversification. Hence, we maintain a SELL rating on VSTT expecting normalcy in earning to return in the medium term.

Key changes

Target	Rating
▲	◀ ▶

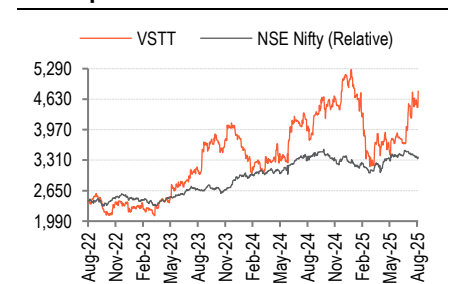
Ticker/Price	VSTT IN/Rs 4,806
Market cap	US\$ 477.0mn
Free float	45%
3M ADV	US\$ 1.2mn
52wk high/low	Rs 5,430/Rs 3,082
Promoter/FPI/DII	55%/5%/15%

Source: NSE | Price as of 11 Aug 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	9,946	11,400	12,749
EBITDA (Rs mn)	1,111	1,344	1,582
Adj. net profit (Rs mn)	945	1,175	1,446
Adj. EPS (Rs)	109.3	136.0	167.4
Consensus EPS (Rs)	109.3	138.0	168.0
Adj. ROAE (%)	9.4	10.6	11.7
Adj. P/E (x)	44.0	35.3	28.7
EV/EBITDA (x)	37.3	30.5	26.0
Adj. EPS growth (%)	(22.3)	24.4	23.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance

Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Volumes	<p>Power Tillers at 11.7k units, up 92% YoY, driven by a strong demand from small/marginal farmers, improved financing, and the northern market.</p> <p>Power weeders at 2.3k units, up 63% YoY; tractor domestic sales at 943 units, up 5% YoY.</p> <p>Tractor exports down 20% YoY, on European economy softening and logistics delays (25-30 days extended to 60-90 days).</p> <p>Retail financing rose to ~10% (from 6-7% YoY) with new partners like Chola Mandalam, Bajaj Finserv, and nationalised banks; no delinquencies in the last 6-8 months.</p> <p>July sales have been strong, while August looks promising. September may taper due to seasonality.</p>	<p>VSTT domestic volume growth was fuelled by the launch of new products in the Power Series tractors, as well as a fully India-made weeder.</p> <p>The company's "One VST" strategy has been effective in northern India, where power tillers are gaining acceptance among small and marginal farmers.</p> <p>On exports, VST expanded into several new export markets, including Cyprus, Czech Republic, Russia, Angola, Turkey, and Mali. However, demand in Europe softened during Q4 due to ongoing geopolitical tensions and logistical challenges, which impacted overall export performance.</p>	<p>The performance in Q1 was on a lower base as Q1FY25 was of elections that held back subsidies and impacted severely tractor and infrastructure driven demand severely. Though above-normal monsoon, better crop yields and better reservoir levels could help favorable demand, challenging business environment will mean revival for VSTT volume will be steady barring the steep jump on a lower base in Q1.</p>
Topline guidance	<p>Segment breakdown: SFM segment ~Rs1.9bn, Tractors ~Rs 0.6bn, Distribution ~Rs 340mn, and the balance from other segments.</p> <p>Q2FY26 outlook positive based on July sales, with 16-17% growth expected to continue for the full year.</p> <p>Weeder market size estimated at Rs 250-300bn, with VSTT targeting leadership via exponential growth.</p> <p>Export challenges persist due to logistics issues. US entry targeted for early 2027, contingent on tariff stabilisation (25% manageable, 50% not feasible).</p>	<p>Management anticipates a strong start to FY26, projecting a 20–30% growth in Q1Y26; driven by strong sales momentum in April and May, along with a favourable monsoon forecast likely to further boost rural demand and overall market sentiment.</p> <p>VSTT expects export business to continue growing, supported by the introduction of new product offerings, particularly in the 30–35 HP tractor segment.</p> <p>While uncertainties around U.S. tariffs remain a concern, the overall export outlook remains positive due to product diversification and strategic market entry initiatives.</p>	<p>Unfavourable regional mix in the domestic market is addressed but will yield results gradually. Management has revised aggressive guidance number postponed for FY29-30 earlier from FY26-FY27.</p>
Margins	<p>Operational EBITDA came in at 13.3% from 7% YoY. FY26 EBITDA is expected to be in the 11-13% range. FENTM series is priced slightly higher but competitive, balancing features and affordability. Distribution business delivers above-average margins with minimal working capital.</p>	<p>Gross margin declined in Q4FY25 due to a shift in product mix and higher sales in the lower-priced eastern states (e.g., Northeast, Assam, Odisha).</p> <p>To address regional pricing disparities, the company implemented pricing corrections in Q1FY26. Despite these challenges, VSTT has maintained operational EBITDA guidance for FY26 at 11–13%, with only a limited impact expected from commodity inflation.</p>	<p>Targeting new regions will be with challenges and marking footprint in these markets will be impacting margins in the transitional phase. Performance will be keenly watched as the base gains momentum.</p>

Parameter	Q1FY26	Q4FY25	Our view
Launches	<p>VSTT has planned 20 new products over next 24 months. A new Electric platform is being developed with a 5-7hr run-time. FENTM series (18.5hp-29hp) launched, targeting compactness and efficiency. FENTM plus series is under development that will offer better economics.</p> <p>3 new platforms under development, meant for global market, which will be launched between this year and the next.</p> <p>Zetor revamp is planned for a launch during Diwali.</p>	<p>Key launches in the tractor segment included the Classic Refresh, Narrow Track, Power Series, EU Stage V-compliant models, Zetor tractors with Reverse PTO (RPTO), and cabin-equipped variants.</p> <p>For FY26, the product pipeline includes upgrades to the Classic and Series 9 tractor ranges, new variants of power weeders in the 5HP and 8HP segments. VSTT also plans to launch electric tillers and weeders, aligning with its sustainability goals.</p> <p>For FY27, VSTT is developing a global platform comprising 3 base platforms, 8 models, and 16 variants (including gear and hydrostatic transmission options), tailored for markets in India, Europe, and the United States.</p>	<p>Focus on the 41-50 HP segment continues to yield limited success as reflected in performance; hence management's focus on 20-40 HP segment. Meaningful global presence is awaited. The new launch programme is aggressive and will yield results gradually.</p>
Capex and R&D spend	<p>European base is planned to open by year-end to address logistics issues.</p> <p>Inorganic growth team formed with Chief Growth Officer, but management hasn't identified any prospects yet.</p>	<p>VSTT is actively ramping up its in-house manufacturing capabilities for weeders, with a strategic goal of achieving 100% India-made production within the next 2 years.</p>	<p>No aggressive capex augurs well for VSTT as the focus has to be on capacity utilisation ramp-up.</p>
Other key points	<p>Zetor seeding year is complete, and scaling will commence in FY26.</p> <p>Supply chain not a major issue being largely India-based with hardly any chip required only for Stage V tractors, which are minimal in volumes as only exports are Stage V.</p>	<p>VSTT has paused investment plans in the U.S. due to increased tariff volatility, with import duties rising to a minimum of 10% from the earlier 2%.</p> <p>JV with Kobashi has been dropped due to the venture's inability to achieve the scale required to align with VSTT's long-term strategic ambitions.</p> <p>Demand for smaller hp tractors (under 30 hp) is currently stagnating, with a noticeable shift in customer preference toward the 40–50 hp segment. Management expects that the introduction of stage 5 norms could revive demand in lower hp segment.</p> <p>Additionally, VSTT's planned entry into the Bangladesh market has been delayed on ongoing political instability. Despite the market's sizeable potential estimated at around 70k units, it remains heavily dominated by Chinese manufacturers.</p>	<p>Other initiatives are on the right track, but with improving macroeconomic conditions the lead time to a positive market response should narrow.</p> <p>Regulatory headwinds pose serious challenges for the company's margin profile, which is already weak.</p> <p>Changing dynamics of the export markets, particularly USA, only add to concerns.</p>

Source: Company, BOBCAPS Research | HP: Horse power

Fig 2 – Quarterly performance (standalone)

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Q1FY26E	Deviation (%)
Volume (nos)	12,955	7,375	75.7	13,278	(2.4)	12,955	0.0
Avg. Realisation per Vehicle (Rs)	2,18,024	2,58,427	(15.6)	2,27,015	(4.0)	2,24,744	3.1
Net Revenues	2,825	1,906	48.2	3,014	(6.3)	2,912	3.1
Total Income (A)	2,825	1,906	48.2	3,014	(6.3)	2,912	3.1
Operating Expenses							
Raw materials consumed	1,909	1,297	47.1	2,089	(8.6)	2,034	6.6
Employee Expenses	265	253	4.7	246	7.7	283	6.8
Other Expenses	276	221	24.8	228	21.3	277	0.2
Total Expenditure (B)	2,450	1,772	38.3	2,562	(4.4)	2,593	5.9
EBITDA (A-B)	375	134	179.2	452	(17.0)	772	(15.1)
Other Income	21	213	(90.2)	68	(69.0)	61	191.0
Depreciation	64	63	2.6	64	0.3	67	4.5
EBIT	332	285	16.5	456	(27.2)	312	(5.8)
Finance Costs	4	5	(25.5)	4	(7.3)	5	31.6
PBT after excep items	566	280	102.2	413	37.0	307	(45.7)
Tax expense	120	51	136.5	77	57.0	63	(47.6)
Reported PAT	446	229	94.6	337	32.4	244	(45.1)
Adjusted PAT	208	229	(9.3)	375	(44.6)	244	17.7
EPS (Rs)	24.0	26.5	(9.3)	43.4	(44.6)	28.3	17.7
Key Ratios (%)			(bps)		(bps)		(bps)
Gross Margin	32.4	31.9	50	31	173	30.1	(259)
EBITDA Margin	13.3	7.0	623	15	(172)	10.9	(97)
EBIT Margin	11.8	15.0	(320)	15	(337)	10.7	(604)
PBT Margin	11.6	14.7	(307)	15	(337)	10.6	(599)
Tax Rate	21.3	18.2	309	19	271	20.5	242
Adj PAT Margin	7.4	12.0	(466)	12	(509)	8.4	(568)

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY26/FY27 EBITDA EPS estimates upwards by 6%/1%, factoring in the Q1FY26 performance on a lower base. The volume CAGR over Q1FY24-Q1FY26 is in mid-teens. We also introduce FY28 earnings and model in revenue/EBITDA/PAT CAGR of 13%/17%/20% over FY25-FY28E.

We believe the valuations run-up on a one-off show is knee jerk and steep and remain decoupled from earnings; hence unjustified. VSTT's performance is below the mark on gross margins and exports, despite its focus on the high-end farm equipment business, healthy contribution from non-farm business and regional diversification.

We continue to value VSTT at 20x P/E 1YF earnings and arrive at a new TP of Rs 3,422 (from Rs 3,360) rolling forward. Hence, we maintain SELL on VSTT, expecting the normalcy in earnings to return in the medium term.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	11,400	12,749	14,236	11,033	12,660		3.3	0.7	
EBITDA	1,344	1,582	1,785	1,269	1,564		5.9	1.1	
Adj PAT	1,175	1,446	1,650	1,177	1,443		(0.2)	0.2	
Adj EPS (Rs)	136.0	167.4	191.0	136	167		(0.1)	0.3	

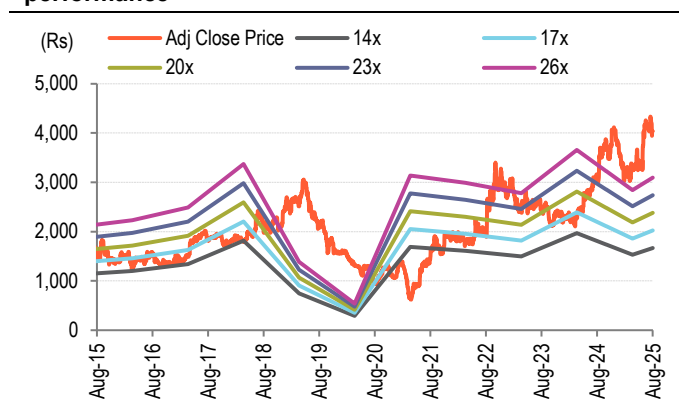
Source: Company, BOBCAPS Research, *FY28 earnings newly introduced

Fig 4 – Key assumptions

	FY25P	FY26E	FY27E	FY28E
Tractor volume (nos)	5,618	4,213	4,255	4,383
Tillers volume (nos)	30,784	49,254	54,180	59,598
Revenue (Rs mn)	9,668	11,400	12,749	14,236
Avg realisation (Rs)	265,584	213,208	218,170	222,501
EBITDA (Rs mn)	1,111	1,344	1,582	1,785
EBITDA margin (%)	11.2	11.8	12.4	12.5
Adj. PAT (Rs mn)	945	1,175	1,446	1,650
EPS (Rs)	109.3	136.0	167.4	191.0

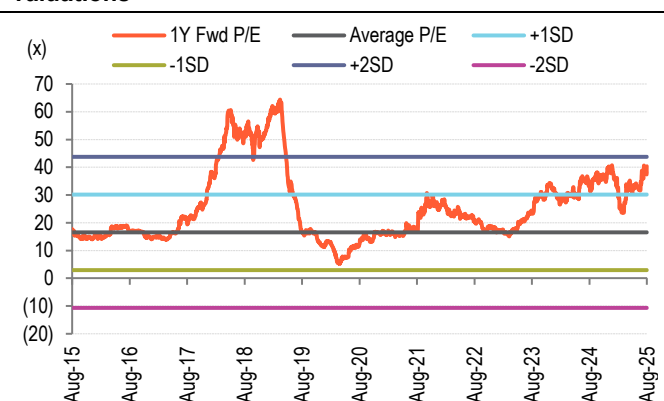
Source: Company, BOBCAPS Research

Fig 5 – P/E band: Valuations decoupled from a weak performance



Source: Company, Bloomberg, BOBCAPS Research

Fig 6 – P/E 1YF: We expect the stock to revert to mean valuations



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates:

- above-expected volume growth, faster yields to export and regional diversification
- faster-than-expected product launches
- below-expected input cost inflation

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Total revenue	9,681	9,946	11,400	12,749	14,236
EBITDA	1,242	1,111	1,344	1,582	1,785
Depreciation	270	255	296	324	352
EBIT	1,578	1,239	1,615	1,969	2,227
Net interest inc./(exp.)	(22)	(20)	(27)	(27)	(27)
Other inc./(exp.)	606	383	567	711	794
Exceptional items	0	0	0	0	0
EBT	1,556	1,220	1,588	1,942	2,200
Income taxes	341	275	413	495	550
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	1	1	1	1
Reported net profit	1,215	945	1,175	1,446	1,650
Adjustments	0	0	0	0	0
Adjusted net profit	1,215	945	1,175	1,446	1,650

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Accounts payables	1,419	1,570	1,290	1,460	1,629
Other current liabilities	850	854	1,160	1,277	1,436
Provisions	94	124	93	103	113
Debt funds	0	0	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	86	86	86	86	86
Reserves & surplus	9,155	9,952	10,972	12,234	13,673
Shareholders' fund	9,241	10,038	11,058	12,320	13,760
Total liab. and equities	11,604	12,586	13,602	15,160	16,938
Cash and cash eq.	467	747	528	653	1,079
Accounts receivables	1,552	2,056	1,031	1,153	1,287
Inventories	1,178	1,007	1,437	1,607	1,794
Other current assets	1,080	1,106	999	1,118	1,248
Investments	4,844	5,252	6,091	6,842	7,598
Net fixed assets	2,744	2,889	3,093	3,269	3,416
CWIP	300	400	500	600	600
Intangible assets	(492)	(787)	0	0	0
Deferred tax assets, net	(70)	(85)	(76)	(80)	(84)
Other assets	0	0	0	0	0
Total assets	11,604	12,586	13,602	15,160	16,938

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25P	FY26E	FY27E	FY28E
Cash flow from operations	346	622	1,576	919	1,067
Capital expenditures	(67)	(205)	(1,387)	(600)	(500)
Change in investments	(546)	(408)	(838)	(751)	(756)
Other investing cash flows	606	383	567	711	794
Cash flow from investing	(7)	(230)	(1,658)	(640)	(462)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(22)	(20)	(27)	(27)	(27)
Dividends paid	(182)	(189)	(150)	(184)	(210)
Other financing cash flows	8	57	(14)	4	4
Cash flow from financing	(196)	(151)	(191)	(208)	(233)
Chg in cash & cash eq.	143	240	(273)	71	371
Closing cash & cash eq.	467	747	528	653	1,079

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25P	FY26E	FY27E	FY28E
Reported EPS	140.6	109.3	136.0	167.4	191.0
Adjusted EPS	140.6	109.3	136.0	167.4	191.0
Dividend per share	21.1	21.9	17.3	21.3	24.3
Book value per share	1,069.6	1,161.9	1,279.9	1,426.0	1,592.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25P	FY26E	FY27E	FY28E
EV/Sales	4.3	4.2	3.6	3.2	2.9
EV/EBITDA	33.5	37.3	30.5	26.0	23.2
Adjusted P/E	34.2	44.0	35.3	28.7	25.2
P/BV	4.5	4.1	3.8	3.4	3.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25P	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	78.1	77.4	74.0	74.5	75.0
Interest burden (PBT/EBIT)	98.6	98.4	98.3	98.6	98.8
EBIT margin (EBIT/Revenue)	16.3	12.5	14.2	15.4	15.6
Asset turnover (Rev./Avg TA)	110.7	103.2	108.1	109.1	109.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	13.9	9.8	11.1	12.4	12.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25P	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(3.8)	2.7	14.6	11.8	11.7
EBITDA	(2.4)	(10.6)	21.0	17.7	12.8
Adjusted EPS	31.6	(22.3)	24.4	23.1	14.1

Profitability & Return ratios (%)

EBITDA margin	12.8	11.2	11.8	12.4	12.5
EBIT margin	16.3	12.5	14.2	15.4	15.6
Adjusted profit margin	12.6	9.5	10.3	11.3	11.6
Adjusted ROAE	13.1	9.4	10.6	11.7	12.0
ROCE	14.1	10.0	11.3	12.5	12.8

Working capital days (days)

Receivables	57	66	49	31	31
Inventory	43	40	39	44	44
Payables	88	80	66	57	57

Ratios (x)

Gross asset turnover	0.5	0.5	0.5	0.5	0.5
Current ratio	1.8	1.9	1.6	1.6	1.7
Net interest coverage ratio	73.4	63.2	59.8	72.9	82.5
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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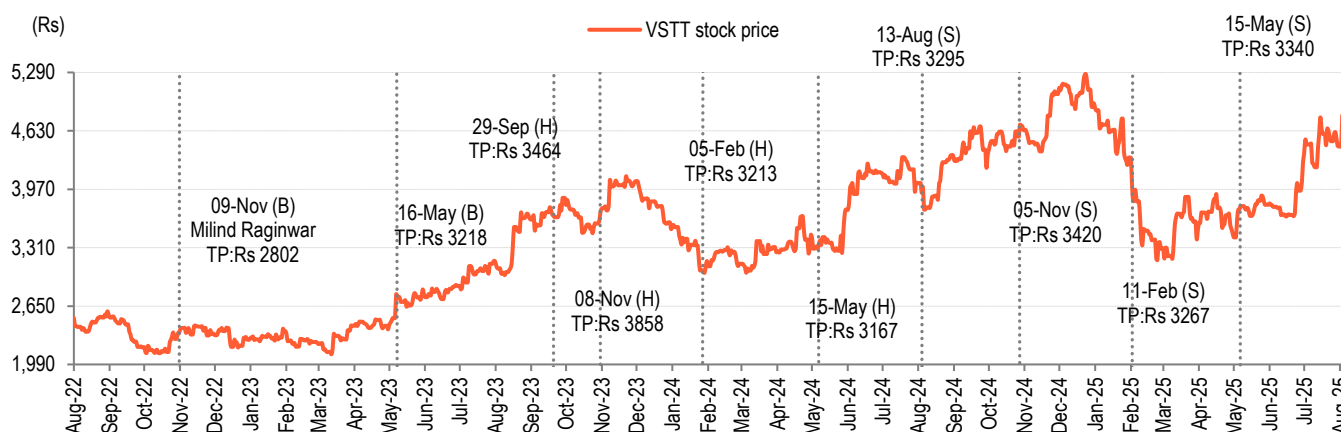
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): VST TILLERS TRACTORS (VSTT IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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