SELL
TP: Rs 4,189 | ∀ 9%

VST TILLERS TRACTORS | Automobiles | 13 August 2026

Steady quarter; headwinds persist; Maintain SELL

- **Overall volume growth of ~24% YoY driven by tillers (~18% YoY), 11% revenue growth sustained despite average selling price slide of 11%**
- **EBITDA grew ~7% YoY but EBITDAM contracted 42bps YoY as RM cost to sales surged by 100bps YoY; Rs262mn fair value gains in Q1FY27**
- **Retain FY27E/FY28E/FY29E earnings estimates; TP revised to Rs 4,189 (Rs 4,054), valuing VSTT at 20x on rollover Jun 2028 P/E. Maintain SELL**

Milind Raginwar
Research Analyst
Ayush Dugar
Research Associate
research@bobcaps.in

Small farm machinery momentum sustains despite export drag: VSTT revenue grew ~11% YoY to ~Rs3.1bn in Q1FY27, supported by steady overall volume growth of ~24% YoY, led by power tillers (+18%) and power weeders (+57%). Tractor exports remained a drag (-12% YoY) amid logistics disruptions, while ASP fell 10.5% YoY despite price hikes taken in April to partially offset cost inflation. Management remains positive on domestic demand, with financing penetration (~9% vs 10% YoY) and mechanisation supporting the SFM segment.

Cost inflation weighs on margins: RM cost-to-sales increased ~100bps YoY to ~68.6%, with RM costs rising ~12.6% YoY, exerting pressure on profitability. EBITDA grew ~7.4% YoY to ~Rs403mn, while EBITDA margin contracted ~42bps YoY to ~12.9%. VSTT also recorded fair value gains of ~Rs262mn during Q1FY27 supporting reported profitability.

Tractor portfolio expansion and exports are key to growth: Management remains focused on expanding its tractor portfolio, with 30+ variants planned over the next three years. The FENTM tractor series rollout is progressing beyond Gujarat, while a new intermediate product targeting small/marginal farmers will be launched in Q2FY26. Export growth remains a key opportunity, as logistics infrastructure in Europe is likely to improve by Q3FY27 and North Africa emerging as a promising higher-HP market.

Maintain SELL: We retain our FY27E/FY28E/FY29E EBITDA/EPS, factoring in Q1FY27 performance aided by GST rate cut benefits. We pen in EBITDA/PAT CAGR of 16% each over FY26-FY29E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 4,189 (from Rs 4,054), rolling forward to June 2028. Though VSTT's performance following the government push towards the farm sector and the GST push has shown signs of revival the gross margins stay below par. Exports resurgence is also awaited. This is despite focus on the equipment business, healthy contribution from non-farm business and regional diversification. Additionally, FY27 commodity cost challenges will hit the performance. Factoring the same we feel valuations are much ahead of earnings. Maintain SELL.

Key changes

Target	Rating
▲	◄►

Ticker/Price	VSTT IN/Rs 4,601
Market cap	US$ 421.6mn
Free float	45%
3M ADV	US$ 0.5mn
52wk high/low	Rs 6,374/Rs 4,275
Promoter/FPI/DII	55%/5%/15%

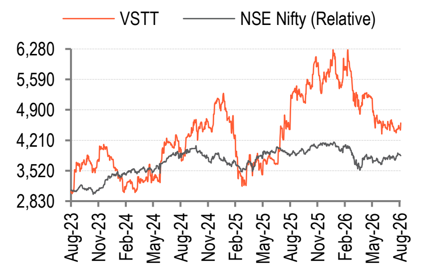
Source: NSE | Price as of 13 Aug 2026

Key financials

Y/E 31 Mar	FY26P	FY27E	FY28E
Total revenue (Rs mn)	12,404	14,109	16,734
EBITDA (Rs mn)	1,659	1,854	2,266
Adj. net profit (Rs mn)	1,128	1,374	1,716
Adj. EPS (Rs)	130.3	158.7	198.3
Adj. ROAE (%)	10.3	11.4	12.6
Adj. P/E (x)	35.3	29.0	23.2
EV/EBITDA (x)	24.5	21.8	17.8
Adj. EPS growth (%)	19.3	21.8	24.9

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

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY27	Q4FY26	Our view
Volumes	Power tillers: Q1FY27 volumes grew ~18% YoY, with management reiterating sustained 16–20% growth trajectory despite a high base; July weakness was attributed to a strong base in July 25, with no demand-side concerns. Domestic tractors: Volumes grew ~4.5% YoY to 985 units; production ramp-up constrained supply in Q1FY27, with stronger growth expected from Q2FY27 onwards. Export tractors: Exports declined ~12% YoY due to continued uncertainty on logistics front, while Europe remains a key growth market. Power weeders: Volumes grew strongly by ~57% YoY. Management expects the high growth trend to continue. Power Reapers: Seasonally weak (-65% YoY) in Q1FY27. Volumes are expected to pick up in Q2FY27 during the harvesting season.	Power tillers: FY26 volumes crossed 50.3k units (+35% YoY) sales, driven by healthy rural demand, financing penetration and strong traction in the SFM segment. Q4 volumes stood at ~13k units (-2.4% YoY). Domestic tractors: Q4 volumes rose to 1.2k units (+20% YoY) and FY26 volumes grew 18.6% YoY to 4.6k units, aided by continued traction in compact tractors and improving response to Fentm series. Export tractors: Q4 exports recovered strongly to 430 units (+65% YoY), driven by normalization in Europe. Power weeders: Q4 volumes grew 27% YoY to ~2.9k units; FY26 volumes expanded sharply to 11.3k units (+52% YoY). Power reapers: FY26 volumes grew 44% YoY to 3.46k units, though Q4 remained seasonally soft (1.3% YoY).	FY27 challenging business environment will mean VSTT earnings may be impacted despite relatively better volume show. The core tractor and tiller performance hinges on healthy monsoon while weeders and Reapers are seasonal shows. Export challenges continue for VSTT as progression from lower end (20-30HP) tractors to higher end (50HP) tractors is steady. The GST rate cut only contributed to better affordability and hence, further buoyancy in demand.
Topline guidance	Management expects the demand outlook to remain positive till September as sowing has been in line with last year. However, growth trajectory for full year FY27 is not yet definitive Management expects power tiller growth of 15–20% and power weeder growth of 50–60% to sustain.	Management iterated that demand in April and May have sustained despite April being a weaker month. However, VSTT conforms with the industry views of flattish growth due to high base and expectation of 92% of long-term average monsoon.	The yields of improving regional mix in the domestic market will be gradually. Exports, however, may take more time to get a boost. Drastic change in business environment and climatic warnings may impact the business considerably in FY27.
Margins	Operational EBITDA stood at 12.85% vs 13.3% YoY, declining ~42bps due to raw-material inflation. Management highlighted inflation across steel, forging, casting, aluminium, copper and natural rubber, along with elevated crude/freight costs.	Q4FY26 EBITDA margin improved to 14.2% vs 13.4% YoY, aided by operating leverage, disciplined inventory management and supply-chain efficiencies. FY26 EBITDA margin expanded sharply by 220bps YoY to 13.4%. Management increased their medium-term EBITDA margin guidance to 12–14% (11-13% earlier), with operational efficiency initiatives helping offset inflationary pressures. Commodity inflation sustains and remains key monitorable. Though, VSTT has taken price hike across portfolio in April to pass on partial cost increase.	Cost inflation can be pinching and impacting margins in the medium term. Targeting new regions will be with challenges and marking footprint in these markets will be impacting margins in the transitionary phase. Additionally, maintaining pace traction will be keenly watched, as the base gains momentum.
Launches	30+ tractor variants are planned over the next three years. FENTM rollout is expanding to Maharashtra and subsequently other states. A new tiller-tractor intermediary product is ready for rollout from August, with substantial volumes expected in Q3/Q4; product pricing is expected to be close to tillers but functionality closer to tractors. New geared tillers and electric tillers/weeder products are also under development. VSTT has announced three	Management aims to launch electric power tillers and weeders by Q2FY27 targeting small and marginal farmers. VSTT intends to launch couple of more variants in Zetor range including 4WD model to tap into high growth higher HP segment.	Focus on the 41-50 HP segment continues to yield limited success as reflected in performance. A meaningful global presence awaited. New launch programme is aggressive and will yield results gradually. The response to the new launches and variants will be keenly watched

Parameter	Q1FY27	Q4FY26	Our view
	global tractor platforms (Platform A, B, and C) which will be launched sequentially over the next 12 to 36 months	Additionally work for US has restarted and product launches are planned by 2027 end.	
Capex and R&D spend	Capital deployment over the next 18–24 months remains under evaluation. VSTT is investing in capacity, people and R&D capabilities. New production facility is likely in next 2 years.	Management intends to use healthy balance sheet position to continue to invest in technology development, global expansion (US launch and Netherlands operations by June-July) and inorganic growth opportunity. VSTT is keenly looking for inorganic growth opportunities in adjacent businesses.	Initiatives to ramp up the regional focus augurs well. VSTT has limited capacity constraints and is ready for the demand uptick in the medium-to-long term.
Other key points	Targeting 50–60 new dealers this year (focus North India). Added >500 new counters in SFM segment in last 3 months; target ~2k by year-end. Europe remains key export market (~1,400–1,500 units currently); US plans remain uncertain due to potential tariffs. Africa emerging as longer-term opportunity with 75hp tractors seeded in the market. Retail financing gained traction, with ~2k tractors financed through Bajaj Finance in Q1 vs ~400 YoY; penetration currently stands at ~8–9%, with management targeting 15–20%.	FY26 operating cash flow improved sharply to ~Rs1.32bn vs Rs760mn YoY, aided by tighter working capital management. Inventory days remained disciplined at ~36 days, while receivable days reduced to ~51 days from ~75 days in FY25. Retail financing penetration increased to ~10% and management targets ~20% penetration in FY27, reducing subsidy dependence.	Other initiatives are on the right track; however, regulatory headwinds pose serious challenges for the company's margin profile. Changing dynamics of the export markets, particularly USA, only adds to concerns.

Source: Company, BOBCAPS Research | HP: Horsepower

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Deviation (%)
Volume (nos)	16,062	12,955	24.0	14,626	9.8	16,062	0.0
Avg. Realisation per Vehicle (Rs)	1,95,119	2,18,024	(10.5)	2,24,573	(13.1)	2,27,941	(14.4)
Net Revenues	3,134	2,825	11.0	3,285	(4.6)	3,661	(14.4)
Total Income (A)	**3,134**	**2,825**	**11.0**	**3,285**	**(4.6)**	**3,661**	**(14.4)**
Operating Expenses							
Raw materials consumed	**2,150**	**1,909**	**12.6**	**2,226**	**(3.4)**	**2,562**	**(16.1)**
Employee Expenses	298	265	12.6	287	3.8	297	0.4
Other Expenses	283	276	2.6	304	(6.8)	381	(25.7)
Total Expenditure (B)	**2,731**	**2,450**	**11.5**	**2,816**	**(3.0)**	**3,240**	**(15.7)**
EBITDA (A-B)	**403**	**375**	**7.4**	**468**	**(13.9)**	**422**	**(4.4)**
Other Income	19	21	(8.6)	26	(24.7)	23	(16.5)
Depreciation	54	64	(15.3)	63	(13.3)	64	(15.2)
EBIT	368	332	10.8	431	(14.7)	**381**	(3.3)
Finance Costs	4	4	15.8	5	(2.2)	7	(32.3)
PBT after excep items	625	566	10.4	89	601.3	**374**	67.1
Tax expense	138	120	14.3	101	36.1	90	53.3
Reported PAT	**487**	**446**	**9.4**	**(12)**	**(4160.8)**	**284**	**71.4**
Adjusted PAT	**226**	**208**	**8.7**	**326**	**(30.6)**	**284**	**(20.6)**
EPS (Rs)	56.4	51.6	9.4	(1.4)	(4160.8)	**32.9**	71.4
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	31.4	32.4	(102)	32.2	(84)	30.0	137
EBITDA Margin	12.9	13.3	(42)	14.3	(140)	11.5	134
EBIT Margin	11.7	11.8	(1)	13.1	(139)	10.4	134
PBT Margin	11.6	11.6	(2)	13.0	(139)	10.2	138
Tax Rate	22.0	21.3	75	113.5	(9145)	24.0	(198)
Adj PAT Margin	7.2	7.4	(15)	9.9	(271)	7.8	(56)

Source: Company, BOBCAPS Research

Valuation Methodology

We retain our FY27E/FY28E/FY29E EBITDA/EPS, factoring in Q1FY27 performance aided by GST rate cut benefits. We pen in EBITDA/PAT CAGR of 16% each over FY26-FY29E.

Though VSTT's performance following the government push towards the farm sector and the GST push has shown signs of revival the gross margins stay below par. Exports resurgence is also awaited. This is despite focus on the equipment business, healthy contribution from non-farm business and regional diversification. Additionally, FY27 commodity cost challenges will hit the performance.

Exports initiatives will yield results with a lag though Europe and African markets are showing affirmative signs. However, the key North American market stays a concern. Within domestic markets shift towards regions and mix will be gradual. Factoring the same we feel valuations are much ahead of earnings.

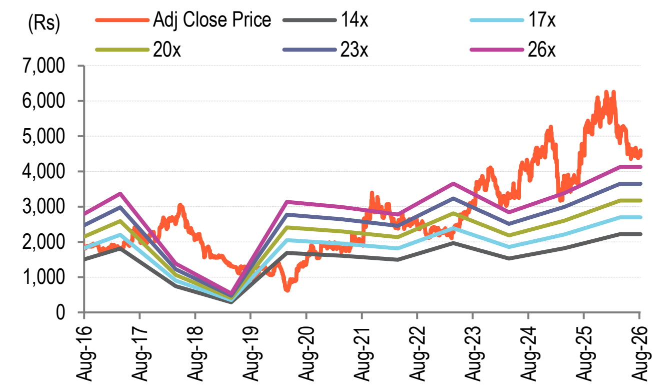
We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 4,189 (from Rs 4,054), rolling forward to June 2028. Maintain SELL.

Fig 3 – Key assumptions

	FY26P	FY27E	FY28E	FY29E
Tractor volume (nos)	6,067	6,128	6,373	6,564
Growth (%)	8.0	1.0	4.0	3.0
Tillers volume (nos)	50,178	57,704	69,245	81,709
Growth (%)	63.0	15.0	20.0	18.0
Revenue (Rs mn)	12,404	14,109	16,734	19,477
Growth (%)	24.7	13.7	18.6	16.4
Avg realisation (Rs)	2,18,698	2,21,041	2,21,298	2,20,639
Growth (%)	(17.7)	1.1	0.1	(0.3)
EBITDA (Rs mn)	1,659	1,854	2,266	2,589
Growth (%)	49.3	11.8	22.2	14.3
EBITDA margin (%)	13.4	13.1	13.5	13.3
Adj. PAT (Rs mn)	1,128	1,374	1,716	1,945
Growth (%)	19.4	21.8	24.9	13.3
EPS (Rs)	122.5	158.7	198.3	224.8
Growth (%)	12.1	29.6	25.0	13.4

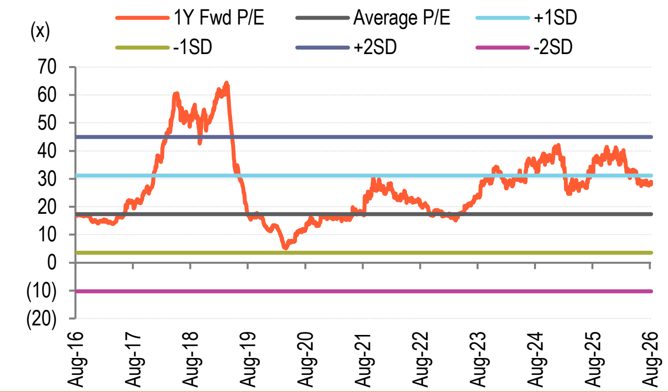
Source: Company, BOBCAPS Research

Fig 4 – P/E band: Valuations following trends of weak performance



Source: Company, Bloomberg, BOBCAPS Research

Fig 5 – 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)	FY25A	FY26P	FY27E	FY28E	FY29E
Total revenue	**9,945**	**12,404**	**14,109**	**16,734**	**19,477**
EBITDA	1,111	1,659	1,854	2,266	2,589
Depreciation	246	255	297	319	346
EBIT	1,239	1,515	1,858	2,285	2,622
Net interest inc./(exp.)	(20)	(19)	(27)	(27)	(29)
Other inc./(exp.)	383	111	301	338	380
Exceptional items	0	(68)	0	0	0
EBT	1,220	1,428	1,831	2,258	2,593
Income taxes	275	369	458	542	648
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	1	1	1	1
Reported net profit	**945**	**1,060**	**1,374**	**1,716**	**1,945**
Adjustments	0	68	0	0	0
Adjusted net profit	**945**	**1,128**	**1,374**	**1,716**	**1,945**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Accounts payables	1,911	2,268	1,597	1,866	2,199
Other current liabilities	513	0	1,398	1,690	1,963
Provisions	124	170	120	132	145
Debt funds	0	0	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	86	87	87	87	87
Reserves & surplus	9,952	10,887	12,014	13,511	15,208
Shareholders' fund	10,038	10,973	12,100	13,597	15,294
Total liab. and equities	**12,586**	**13,412**	**15,215**	**17,284**	**19,601**
Cash and cash eq.	747	505	493	366	726
Accounts receivables	2,056	1,717	1,276	1,513	1,761
Inventories	1,007	1,233	1,778	2,109	2,455
Other current assets	1,106	1,196	1,237	1,467	1,708
Investments	5,252	6,335	7,054	7,975	8,898
Net fixed assets	2,402	2,646	2,850	3,031	3,185
CWIP	101	(151)	600	900	950
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(85)	(70)	(73)	(77)	(81)
Other assets	0	0	0	0	0
Total assets	**12,586**	**13,412**	**15,215**	**17,284**	**19,601**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Cash flow from operations	**614**	**1,167**	**1,873**	**1,444**	**1,668**
Capital expenditures	(205)	(248)	(1,251)	(800)	(550)
Change in investments	(408)	(1,083)	(719)	(921)	(923)
Other investing cash flows	383	111	301	338	380
Cash flow from investing	**(230)**	**(1,220)**	**(1,669)**	**(1,383)**	**(1,093)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(20)	(19)	(27)	(27)	(29)
Dividends paid	(173)	(265)	(175)	(219)	(248)
Other financing cash flows	41	57	(68)	4	4
Cash flow from financing	**(151)**	**(227)**	**(270)**	**(242)**	**(273)**
Chg in cash & cash eq.	**232**	**(281)**	**(66)**	**(181)**	**302**
Closing cash & cash eq.	**747**	**505**	**493**	**366**	**726**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26P	FY27E	FY28E	FY29E
Reported EPS	109.3	130.3	158.7	198.3	224.8
Adjusted EPS	109.3	130.3	158.7	198.3	224.8
Dividend per share	20.0	30.6	20.2	25.3	28.7
Book value per share	1,161.4	1,268.2	1,398.4	1,571.5	1,767.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26P	FY27E	FY28E	FY29E
EV/Sales	4.1	3.3	2.9	2.4	2.1
EV/EBITDA	36.7	24.5	21.8	17.8	15.7
Adjusted P/E	42.1	35.3	29.0	23.2	20.5
P/BV	4.0	3.6	3.3	2.9	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26P	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	77.5	78.9	75.0	76.0	75.0
Interest burden (PBT/EBIT)	98.4	94.3	98.5	98.8	98.9
EBIT margin (EBIT/Revenue)	12.5	12.2	13.2	13.7	13.5
Asset turnover (Rev./Avg TA)	103.2	118.1	122.3	130.2	134.8
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	9.8	10.7	11.9	13.4	13.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26P	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	2.7	24.7	13.8	18.6	16.4
EBITDA	(10.5)	49.4	11.7	22.2	14.3
Adjusted EPS	(22.3)	19.3	21.8	24.9	13.3
Profitability & Return ratios (%)					
EBITDA margin	11.2	13.4	13.1	13.5	13.3
EBIT margin	12.5	12.2	13.2	13.7	13.5
Adjusted profit margin	9.5	9.1	9.7	10.3	10.0
Adjusted ROAE	9.4	10.3	11.4	12.6	12.7
ROCE	10.0	10.7	12.1	13.5	13.6
Working capital days (days)					
Receivables	66	56	39	30	31
Inventory	40	33	39	42	43
Payables	98	90	73	55	55
Ratios (x)					
Gross asset turnover	0.5	0.4	0.4	0.4	0.3
Current ratio	1.9	1.9	1.5	1.5	1.5
Net interest coverage ratio	63.2	79.3	68.8	84.6	90.4
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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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

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BUY – Expected return >+15%

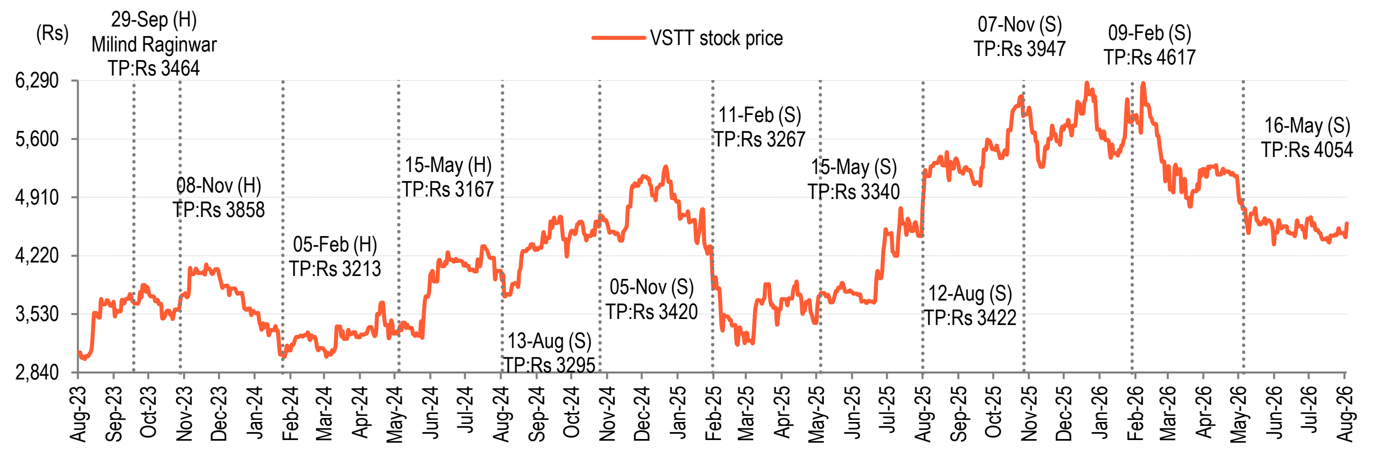
HOLD – Expected return from -6% to +15%

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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