

SELL

TP: Rs 3,947 | ▼ 33%

VST TILLERS TRACTORS | Automobiles

07 November 2025

Healthy show; GST cut to help; valuations steep, Retain SELL

- Q2FY26 revenue grew by 11%/12% YoY/QoQ to Rs3.2bn, driven by volume gains of ~15% to ~14.5k units
- Gross margin contracted 110bps YoY to 30.8%, driven by commodity inflation and lower export realisations. EBITDA stays flat at 13%
- Revise FY26/FY27 EBITDA estimates upward by 7%/5%, revise TP to Rs3,947 (Rs 3, 422), value VSTT at 20x P/E 1YF. Retain SELL

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Revenue growth on domestic demand; export headwinds persist: VSTT's revenue jumped by ~11%/12% YoY/QoQ to Rs 3.2bn in Q2FY26, as domestic demand was offset by export weakness. Overall volume growth was robust at ~15% YoY to ~14.5k units. Average realisation/vehicle fell ~4% YoY (flat QoQ), pressured by discounts, rate cut and export pricing. Domestic tractors grew 16% YoY, while exports fell 33% YoY on soft demand from the European region and logistics delays.

EBITDA stable despite gross margin pressure: Raw material (RM) cost as a percentage of sales rose 110bps YoY to 69.2%. Adjusted RM cost leapt to ~Rs 2.2bn (up ~13% YoY). Gross margin contracted 110bps YoY to 30.8%, driven by commodity inflation and lower export realisations. Staff costs climbed up 9% YoY to ~Rs 277mn, while other expenses jumped 5% YoY to Rs 285mn. EBITDA stayed flattish YoY at 13%. Reported PAT declined 43% YoY to Rs 254mn (vs. Rs 449mn) due to MTM loss of ~Rs 23mn (vs. gain YoY); ex-MTM PAT up ~10% YoY to Rs 277mn.

Focus on higher HP and global platform: VSTT deepened its push into 30-50 HP via Zetor, with 3.22L engine. Over 20 products are planned in the next 2 years, including electric platforms (5-7hr runtime). Export recovery hinges on European base (year-end). MoU with Tamil Nadu Agri University to expand into other states. In the compact segment (<30 HP), the company has taken multiple measures including 18-22 HP/27 HP with 1.2L Torque Max engine replacing 0.9L; FENTM series ramp-up in H2FY26; 1.6L Stage V engine for 29 HP (global platform for India/Europe/US).

Maintain SELL: We revise our FY26/FY27 EBITDA EPS estimates upward by 7%/5%, factoring in the H1FY26 performance on a lower base and benefits of GST rate cut. However, we keep FY28e unchanged. We 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 3,947 (from Rs 3,422) rolling forward. We maintain VSTT's performance is below par on gross margins and exports despite its focus on the high-end farm equipment business, healthy contribution from non-farm business and regional diversification. Effectively, the valuations run-up is steep and remain decoupled from earnings and hence unjustified. Maintain SELL.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VSTT IN/Rs 5,892
Market cap	US\$ 578.4mn
Free float	45%
3M ADV	US\$ 2.0mn
52wk high/low	Rs 6,149/Rs 3,082
Promoter/FPI/DII	55%/5%/15%

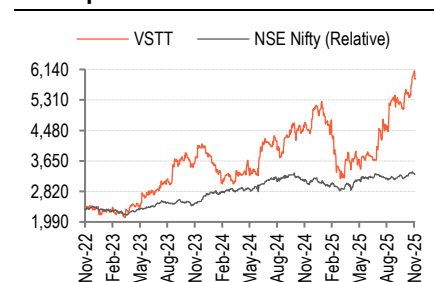
Source: NSE | Price as of 7 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	9,946	11,963	13,207
EBITDA (Rs mn)	1,111	1,459	1,673
Adj. net profit (Rs mn)	945	1,260	1,515
Adj. EPS (Rs)	109.3	145.9	175.3
Consensus EPS (Rs)	109.3	147.7	176.4
Adj. ROAE (%)	9.4	11.3	12.2
Adj. P/E (x)	53.9	40.4	33.6
EV/EBITDA (x)	46.9	35.6	31.0
Adj. EPS growth (%)	(22.3)	33.4	20.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q2FY26	Q1FY26	Our view
Volumes	Power tillers: ~13.1k units, up 16.8% YoY (vs. ~11.2k in Q2FY25), H1 total: ~24.9 units, up 43.3% YoY (vs. ~17.3k). Domestic tractors: ~1.1k units, up 16% YoY (vs. 924), reversing prior downward cycle and aligning with industry growth; H1 total: ~2k units (up from 1.8k). Export tractors at 254 units, down 33% YoY (vs. 382), due to persistent European economic softening and logistics delays; H1 total: 566 units (down from 776). Power weedeers: ~2.6K units, up 47% YoY (vs. 1.8K); H1 total: ~5K units, up 42.4% YoY (vs. 3.5K). Power reapers: ~1.4K units, up 140% YoY (vs. 598, seasonal Q2/Q3 product); H1 total: 1.5K units, up 139% YoY (vs. 632). Retail financing penetration stable at ~10%, with continued support from partners; October enquiries remain high for tillers, weedeers, and reapers (reaper season ends Nov).	Power Tillers at 11.7k units, up 92% YoY, driven by a strong demand from small/marginal farmers, improved financing, and the northern market. Power weedeers at 2.3k units, up 63% YoY; tractor domestic sales at 943 units, up 5% YoY. Tractor exports were down 20% YoY, on European economy softening and logistics delays (25-30 days extended to 60-90 days). Retail financing rose to ~10% (from 6-7% YoY) with new partners like Cholamandalam, Bajaj Finserv, and nationalised banks; no delinquencies in the last 6-8 months. July sales have been strong, while August looks promising. September may taper due to seasonality.	Performance in Q2 was buoyant on above-normal monsoon, better crop yields and better reservoir levels, which could aid demand. A Challenging business environment will mean revival for VSTT volume. The GST rate cut only contributes to the heightened affordability, hence the further buoyancy in demand.
Topline guidance	Management is hopeful of achieving ~7k unit sales of tractors in FY26 reaching 10-12k units in next 2 years. Export growth is targeted through new product platforms and upcoming European operations, though logistics delays remain a near-term constraint. Work is under way for the new base in Europe, which will ease logistics timeline (currently 60-90 days) and can be used for US entry post tariff easing. The company refrain any revenue estimates for FY29–30.	Segment breakdown: SFM segment ~Rs1.9bn, Tractors ~Rs 0.6bn, Distribution ~Rs 340mn, and the balance from other segments. Outlook for Q2FY26 positive, based on July sales, with 16-17% growth expected to continue for the full year. Weeder market size estimated at Rs 250-300bn, with VSTT targeting leadership via exponential growth. Export challenges persist due to logistics issues. US entry targeted for early 2027, contingent on tariff stabilisation (25% manageable, 50% not feasible).	Unfavourable regional mix in the domestic market is addressed but will yield results gradually. Management has revised aggressive guidance number postponed FY26-FY27 and thereafter.
Margins	Q2 operational EBITDA: 13.1% (flattish YoY from 13.3%), reflecting volume leverage offset by seasonal reaper mix; PAT: Rs 254mn (down YoY from Rs449mn due to MTM loss vs. gain); ex-MTM PAT: Rs 277mn (up from Rs 244mn). H1FY26 EBITDA: 13.2% (up from 10.8% YoY), at Rs 787mn (vs. Rs 512mn); ex-MTM PAT: Rs 485mn (up from Rs 282mn). Management highlighted that core margins are trending upward and stay stable despite product launches and GST-related price adjustments.	Operational EBITDA came in at 13.3% from 7% YoY. FY26 EBITDA will likely 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.	Targeting new regions will be with challenge and marking footprint in these markets will be impacting margins in the transitional phase. Performance will be keenly watched as the base widens. The uncertainty due to treasury operations on the net income is expected to be addressed by the management.

Parameter	Q2FY26	Q1FY26	Our view
Launches	Higher HP (Zetor): 3.22L engine in production (with higher torque response); 16+4 transmission combo in Q3/Q4; target 1k units by FY26 end. Compact (<30 HP): Multiple platforms (18-22 HP, 27 HP) with 1.2L Torque Max engine replacing 0.9L; FENTM series ramp-up in Q3FY26/Q4FY26; 1.6L Stage V engine for 29 HP (global platform for India/Europe/US). Upcoming: Electric platforms (5-7hr runtime), hydrostatic transmission, 3 global bases (8 models, 16 variants by FY27); >20 products in 24 months.	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. 3 new platforms under development, meant for global market, which will be launched between this year and the next. Zetor revamp is planned for a launch during Diwali.	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 awaited. New launch programme is aggressive and will yield results gradually.
Capex and R&D spend	Management is looking for inorganic growth opportunities, but no prospects identified yet. MoU with Tamil Nadu Agriculture Univ for SFM demos via Krishi Vigyan Kendra (expand to other states).	European base is planned to open by year-end to address logistics issues. Inorganic growth team formed with Chief Growth Officer, but management hasn't identified any prospects yet.	Initiatives to ramp-up regional focus augurs well for the company.
Other key points	Cash generation: Operating cash flow improved to Rs 625mn in H1FY26 (vs outflow Rs 521mn YoY), driven by improved working capital management. Balance sheet has no long-term debt and cash of Rs 6.7bn. Zetor: Strong market response; higher HP focus (40-50 HP) with superior torque. Reaper season ends Nov, but overall enquiries remain high.	Zetor seeding year is complete, and scaling will commence in FY26. 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.	Other initiatives are on the right track, but with improving macroeconomic conditions the lead time to a positive market response should narrow. Regulatory headwinds (cost increase) pose serious challenges for the company's margin profile, which is only recovering. Changing dynamics of the export markets, particularly USA, only add to concerns.

Source: Company, BOBCAPS Research | HP: Horse power

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volume (nos)	14,450	12,542	15.2	12,955	11.5	14,450	0.0
Avg. Realisation per Vehicle (Rs)	2,18,097	2,25,985	(3.5)	2,18,024	0.0	2,07,123	(5.0)
Net Revenues	3,152	2,834	11.2	2,825	11.6	2,993	(5.0)
Total Income (A)	3,152	2,834	11.2	2,825	11.6	2,993	(5.0)
Operating Expenses							
Raw materials consumed	2,180	1,930	13.0	1,909	14.2	2,025	(7.1)
Employee Expenses	277	255	8.9	265	4.7	270	(2.6)
Other Expenses	285	272	4.7	276	3.3	288	1.0
Total Expenditure (B)	2,743	2,456	11.6	2,450	12.0	2,584	(5.8)
EBITDA (A-B)	409	378	8.2	375	9.1	409	0.1
Other Income	49	62	(20.6)	21	133.8	141	187.2
Depreciation	65	65	0.0	64	0.8	67	3.7
EBIT	394	375	4.9	332	18.6	483	22.8
Finance Costs	6	6	1.8	4	50.0	5	(12.3)
PBT after excep items	365	575	(36.5)	566	(35.5)	478	31.0
Tax expense	120	126	(4.4)	120	0.0	98	(18.6)
Reported PAT	245	449	(45.5)	446	(45.1)	380	55.4
Adjusted PAT	267	244	9.8	208	28.7	380	42.2
EPS (Rs)	30.9	52.0	(40.5)	24.0	28.7	44.0	42.2
Key Ratios (%)			(bps)		(bps)		(bps)
Gross Margin	30.8	31.9	(110)	32	(160)	32.3	(306)
EBITDA Margin	13.0	13.3	(36)	13	(30)	13.7	(281)
EBIT Margin	12.5	13.2	(75)	12	74	16.1	(479)
PBT Margin	12.3	13.0	(73)	12	69	16.0	(477)
Tax Rate	33.0	21.9	1,108	21	1171	20.5	780
Adj PAT Margin	8.5	8.6	(11)	7	113	12.7	(375)

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY26/FY27 EBITDA EPS estimates upward by 7%/5%, factoring in the H1FY26 performance on a lower base and benefits of GST rate cut; though keep FY28e unchanged. We model in revenue/EBITDA/PAT CAGR of 13%/17%/20% over FY25-FY28E.

We maintain that VSTT's performance is below par on gross margins and exports, despite its focus on the high-end farm equipment business, healthy contribution from the non-farm business and regional diversification. Effectively, valuations run-up is steep and remain decoupled from the earnings and hence, unjustified. Maintain SELL.

We continue to value VSTT at 20x P/E 1YF earnings and arrive at a new TP of Rs 3,947 (from Rs 3,422), rolling forward to September 2027.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	11,963	13,207	14,280	11,400	12,749	14,236	4.9	3.6	0.3
EBITDA	1,459	1,673	1,793	1,344	1,582	1,785	8.6	5.8	0.5
Adj PAT	1,260	1,515	1,656	1,175	1,446	1,650	7.3	4.8	0.4
Adj EPS (Rs)	145.9	175.3	191.7	136.0	167.4	191.0	7.3	4.7	0.4

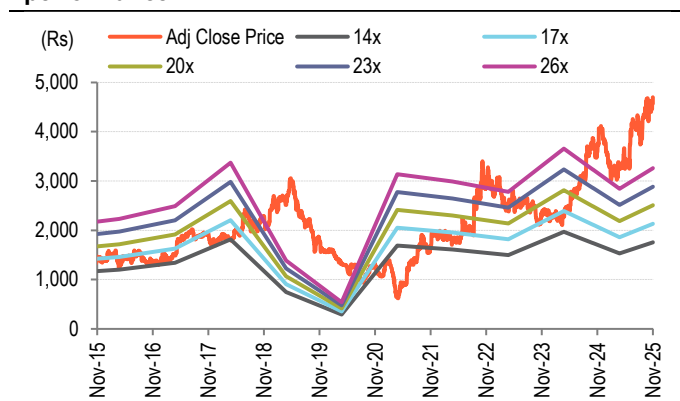
Source: Company, BOBCAPS Research, *FY28 earnings newly introduced

Fig 4 – Key assumptions

	FY25P	FY26E	FY27E	FY28E
Tractor volume (nos)	5,618	5,618	5,786	5,844
Tillers volume (nos)	30,784	49,254	53,194	57,450
Revenue (Rs mn)	9,946	11,963	13,207	14,280
Avg realisation (Rs)	265,584	218,013	223,922	225,619
EBITDA (Rs mn)	1,111	1,459	1,673	1,793
EBITDA margin (%)	11.2	12.2	12.7	12.6
Adj. PAT (Rs mn)	945	1,260	1,515	1,656
EPS (Rs)	109.3	145.9	175.3	191.7

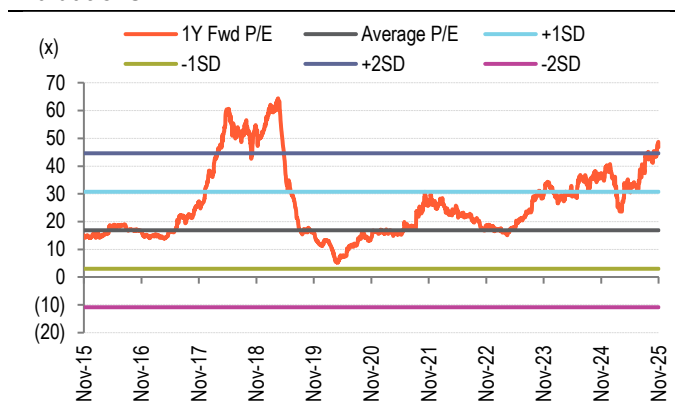
Source: Company, BOBCAPS Research

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	FY25A	FY26E	FY27E	FY28E
Total revenue	9,681	9,946	11,963	13,207	14,280
EBITDA	1,242	1,111	1,459	1,673	1,793
Depreciation	270	255	296	324	352
EBIT	1,578	1,239	1,730	2,060	2,235
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	1,703	2,033	2,208
Income taxes	341	275	443	518	552
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	1	1	1	1
Reported net profit	1,215	945	1,260	1,515	1,656
Adjustments	0	0	0	0	0
Adjusted net profit	1,215	945	1,260	1,515	1,656

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,419	1,570	1,324	1,522	1,660
Other current liabilities	850	854	1,239	1,307	1,414
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	11,046	12,368	13,813
Shareholders' fund	9,241	10,038	11,133	12,454	13,899
Total liab. and equities	11,604	12,586	13,789	15,387	17,087
Cash and cash eq.	467	747	544	740	1,214
Accounts receivables	1,552	2,056	1,082	1,194	1,291
Inventories	1,178	1,007	1,508	1,664	1,800
Other current assets	1,080	1,106	1,049	1,158	1,252
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	13,789	15,387	17,087

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	346	622	1,603	999	1,116
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)	(161)	(193)	(211)
Other financing cash flows	8	57	(14)	4	4
Cash flow from financing	(196)	(151)	(202)	(216)	(234)
Chg in cash & cash eq.	143	240	(257)	142	420
Closing cash & cash eq.	467	747	544	740	1,214

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	140.6	109.3	145.9	175.3	191.7
Adjusted EPS	140.6	109.3	145.9	175.3	191.7
Dividend per share	21.1	21.9	18.6	22.4	24.4
Book value per share	1,069.6	1,161.9	1,288.6	1,441.5	1,608.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.3	5.2	4.3	3.9	3.7
EV/EBITDA	41.6	46.9	35.6	31.0	29.3
Adjusted P/E	41.9	53.9	40.4	33.6	30.7
P/BV	5.5	5.1	4.6	4.1	3.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	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	98.4	98.7	98.8
EBIT margin (EBIT/Revenue)	16.3	12.5	14.5	15.6	15.7
Asset turnover (Rev./Avg TA)	110.7	103.2	113.0	112.0	108.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	13.9	9.8	11.9	12.8	12.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(3.8)	2.7	20.3	10.4	8.1
EBITDA	(2.4)	(10.6)	31.4	14.7	7.2
Adjusted EPS	31.6	(22.3)	33.4	20.2	9.3

Profitability & Return ratios (%)

EBITDA margin	12.8	11.2	12.2	12.7	12.6
EBIT margin	16.3	12.5	14.5	15.6	15.7
Adjusted profit margin	12.6	9.5	10.5	11.5	11.6
Adjusted ROAE	13.1	9.4	11.3	12.2	11.9
ROCE	14.1	10.0	12.1	13.0	12.7

Working capital days (days)

Receivables	57	66	48	31	32
Inventory	43	40	38	44	44
Payables	88	80	64	57	59

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	64.1	76.3	82.8
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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BUY – Expected return >+15%

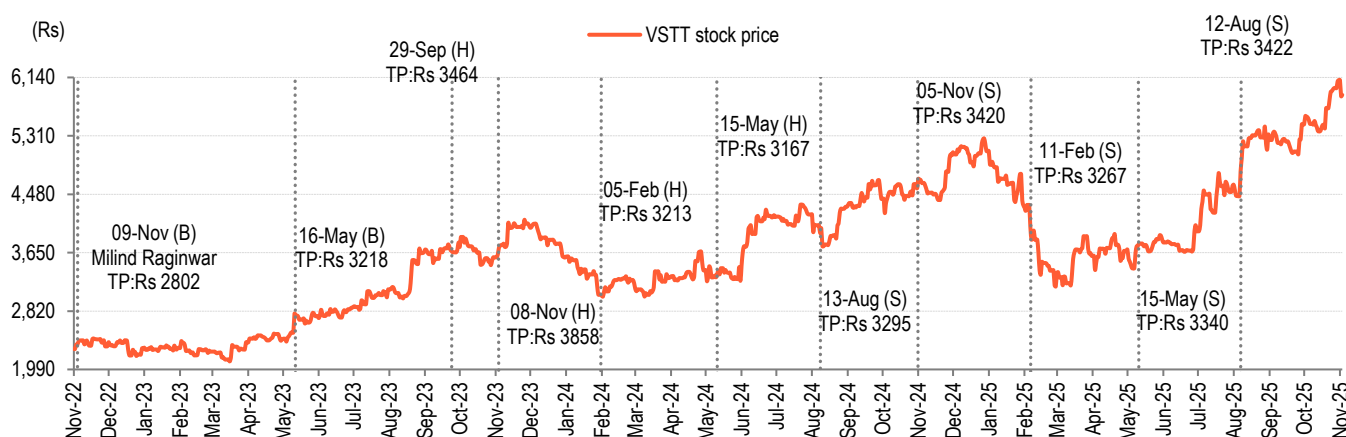
HOLD – Expected return from -6% to +15%

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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