SELL
TP: Rs 3,804 | ⮟ 6%

VST TILLERS TRACTORS | Automobiles | 06 November 2026

Weak quarter; headwinds to persist; Maintain SELL

- **Revenue growth muted at ~2% YoY impacted by ~5% decline in realisations as drought and export weakness impacted product mix**
- **Higher operating overheads contracts EBITDAM by ~200bps YoY, two price hikes implemented to with further under consideration**
- **Cut FY27E/FY28E/FY29E earnings estimates; TP revised to Rs 3,804 (Rs 4,189), valuing VSTT at 20x on rollover Sep 2028 P/E. Maintain SELL**

Milind Raginwar
Research Analyst

Ayush Dugar
Research Associate
research@bobcaps.in

Topline remains muted despite resilient volume: VSTT revenue grew ~2% YoY to ~Rs3.2bn in Q2FY27, as volume growth of ~7.5% YoY to 15.5k units was largely offset by a ~5% decline in blended realisations to ~Rs207k. Growth was primarily supported by power tillers. Domestic tractors remained subdued due to drought conditions in Maharashtra and Northern Karnataka, which together constitute ~40% of the compact tractor business. VSTT, however, expects double-digit growth in SFM, aided by a strong government order pipeline and new product launches, while domestic tractor volumes are expected to remain broadly flat.

Higher operating expenses weigh on profitability: Raw material inflation remained relatively contained at ~3% YoY, although gross margin contracted ~47bps YoY. Higher employee and other expenses, both increasing ~11% YoY, further weighed on operating leverage, resulting in EBITDA margin contracting ~200bps YoY to ~10.9%. Consequently, APAT declined ~7% YoY to ~Rs228mn. VSTT has taken two price hikes across its tiller and tractor portfolio till date in FY27 to offset cost inflation and is evaluating further increases.

New product launches for medium term growth: VSTT is expanding its SFM portfolio through the SCOR platform, a middle ground for power tiller and tractor for small and marginal farmers. Rear rotary power weeders, higher-HP 4WD tractor and a new global platform are targeted for launch in Q4FY27.

Maintain SELL: We cut our FY27E/FY28E/FY29E EBITDA/EPS, factoring in weak H1FY27 performance. Despite the government's push towards the farm sector and the GST rate rationalization benefits, VSTT's performance has shown relatively weaker signs of revival the gross margins have continued to 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. The revision in earnings to factor in the same challenges. We pen in EBITDA/PAT CAGR of 15%/16% over FY26-FY29E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 3,804 (from Rs 4,189), rolling forward to Sep 2028. Maintain SELL.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VSTT IN/Rs 4,042
Market cap	US$ 370.4mn
Free float	45%
3M ADV	US$ 0.5mn
52wk high/low	Rs 6,374/Rs 3,809
Promoter/FPI/DII	55%/5%/15%

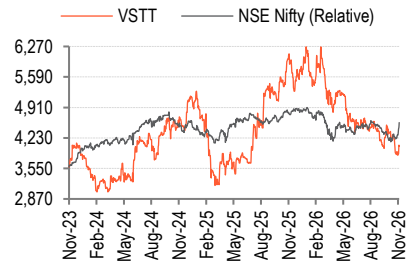
Source: NSE | Price as of 5 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	12,404	13,583	16,303
EBITDA (Rs mn)	1,659	1,364	1,921
Adj. net profit (Rs mn)	1,128	1,006	1,444
Adj. EPS (Rs)	130.3	116.3	166.8
Consensus EPS (Rs)	130.3	158.0	190.0
Adj. ROAE (%)	10.3	8.5	11.1
Adj. P/E (x)	31.0	34.8	24.2
EV/EBITDA (x)	21.6	25.9	18.5
Adj. EPS growth (%)	19.3	(10.8)	43.5

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

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q2FY27	Q1FY27	Our view
Volumes	Power tillers: Q2 FY27 volumes reached 13.4k units (~2% YoY growth), bringing H1FY27 volumes to 27.2k units (+9% YoY). Management expects sustained growth momentum in H2 driven by a strong government order pipeline Domestic tractors: Q2 FY27 volumes came at 940 units (H1FY27 down ~4% YoY to 1.9k units). Growth was impacted by severe drought conditions in Maharashtra (which accounts for ~40% of the compact tractor business) and Northern Karnataka. Full-year domestic tractor volumes are expected to remain broadly flat, supported by 40–50% YoY growth in the VST Zetor range and new launches. Export tractors: Q2FY27 exports were 226 units (H1FY27 at 501 units). Full-year export growth is expected to recover to flat territory as the new Netherlands warehouse becomes operational. Power weeders: Q2 FY27 volumes were 2.4k units (H1FY27 volumes grew 22% YoY to 6.1k units). Management expects H2 growth to accelerate to ~40% for the full year, boosted by new product launches Power Reapers: Q2FY27 volumes stood at 1.1k units. Delayed monsoons pushed the harvesting season into Q3, with volume recovery expected in H2	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.	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. Given all the challenges VSTT may continue to face tough scenario and impact on earnings.
Topline guidance	Q2 FY27 Revenue from operations reached Rs3.2bn vs Rs3.15nb YoY (~2.1% YoY); H1FY27 revenue grew 6.4% YoY to 6.4bn. VSTT expects double digit growth in SFM segment for FY27. Overall tractor volumes are expected to be flat for full year while distribution business es expected to grow >20%	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.	Drastic change in business environment and climatic warnings may impact the business considerably in FY27 and also spill over in H1FY28. The yields of improving regional mix in the domestic market will be gradual. Exports, however, may take more time to get a boost.
Margins	EBITDA margin declined by ~200bps due to raw material commodity inflation over the last two quarters. H1 EBITDA margin was at 12% down 100bps YoY. VSTT has taken two price hikes in FY27 so far across tillers and tractors and is evaluating further price hikes.	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.	Maintaining pace and traction will be keenly watched, as the base gains momentum Cost inflation will continue to pinch and impact the 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.
Launches	SCOR Platform is positioned as a bridge product between a power tiller and a tractor (tiller pricing/functionality with tractor comfort)	30+ tractor variants are planned over the next three years. FENTM rollout is expanding to Maharashtra and	Focus on the 41-50 HP segment continues to yield limited success as reflected in performance. A meaningful

Parameter	Q2FY27	Q1FY27	Our view
	aimed at small/marginal farmers in dryland crops (sugarcane/orchards). Commercial rollout in Nov/Dec with ~500 units planned for H2 FY27, before scaling in FY28. Launching rear rotary power weeders to capture high domestic demand and drive segment growth. Developing a 4WD higher-HP tractor and a new global platform for India, Europe, and US markets, both scheduled for launch in Q4FY27	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 global tractor platforms (Platform A, B, and C) which will be launched sequentially over the next 12 to 36 months	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
Capex and R&D spend	Logistics warehouse in the Netherlands should be fully operational from Q4 reducing lead times for European distributors from 60-90days to ~2 weeks. Initial shipments start in Q3.	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.	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. The export initiatives are commendable and will help mitigate the domestic weakness.
Other key points	Dealership network expanded to >800 dealers; retail touchpoints crossed >1,000, with a target of >2,000 counters by year-end. Omnichannel digital lead generation is being scaled up Heavy drought in Solapur/Maharashtra impacted compact tractor sales, whereas Eastern and Southern paddy belts (Odisha, Assam, Tamil Nadu, Andhra Pradesh) performed strongly for tillers and weeders due to favorable rainfall Financing penetration improved to 11–12% in Q2, with VSTT targeting ~15% by year-end across NBFC and banking partners.	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%.	Other initiatives are on the right track; however, regulatory headwinds pose serious challenges for the company's margin profile. Improving financing penetration will only benefit.

Source: Company, BOBCAPS Research | HP: Horsepower

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Q2FY27E	Deviation
Volume (nos)	15,527	14,450	7.5	16,062	(3.3)	15,527	0.0
Avg. Realisation per Vehicle (Rs)	2,07,155	2,18,097	(5.0)	1,95,119	6.2	1,95,119	6.2
Net Revenues	3,217	3,152	2.1	3,134	2.6	3,030	6.2
Total Income (A)	**3,217**	**3,152**	**2.1**	**3,134**	**2.6**	**3,030**	6.2
Operating Expenses							
Raw materials consumed	2,240	2,180	2.8	2,150	4.2	2,138	4.8
Employee Expenses	308	277	11.2	298	3.4	299	3.1
Other Expenses	317	285	11.0	283	11.8	311	1.8
Total Expenditure (B)	**2,865**	**2,743**	**4.5**	**2,731**	**4.9**	**2,748**	4.3
EBITDA (A-B)	**351**	**409**	**(14.1)**	**403**	**(12.8)**	**282**	24.7
Other Income	27	49	(46.0)	19	38.0	15	76.7
Depreciation	56	65	(13.3)	54	3.1	45	24.4
EBIT	**322**	**394**	**(18.2)**	**368**	**(12.5)**	**252**	27.8
Finance Costs	5	6	(15.8)	4	9.1	3	60.0
PBT after excep items	**290**	**365**	**(20.6)**	**625**	**(53.6)**	**249**	16.5
Tax expense	62	120	(48.3)	138	(54.7)	55	13.8
Reported PAT	**228**	**245**	**(6.9)**	**487**	**(53.3)**	**194**	17.3
Adjusted PAT	**255**	**267**	**(4.7)**	**226**	**12.8**	**194**	31.3
EPS (Rs)	**26.4**	**28.3**	**(6.9)**	**56.4**	**(53.3)**	**22.5**	17.3
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	30.4%	30.8%	(47)	31.4%	(105)	29.4%	92
EBITDA Margin	10.9%	13.0%	(205)	12.9%	(193)	9.3%	162
EBIT Margin	10.0%	12.5%	(248)	11.7%	(173)	8.3%	170
PBT Margin	9.9%	12.3%	(245)	11.6%	(174)	8.2%	165
Tax Rate	21.5%	33.0%	(1149)	22.0%	(54)	22.0%	(52)
Adj PAT Margin	7.9%	8.5%	(56)	7.2%	72	6.4%	152

Source: Company, BOBCAPS Research

Valuation Methodology

We cut our FY27E/FY28E/FY29E EBITDA/EPS by 26%/15%/3% respectively, factoring in weak H1FY27 performance. We pen in EBITDA/PAT CAGR of 15%/16% over FY26-FY29E.

Despite the government's push towards the farm sector and the GST rate rationalization benefits, VSTT's performance has shown relatively weaker signs of revival the gross margins have continued to 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. The revision in earnings to factor in the same challenges. We pen in EBITDA/PAT CAGR of 15%/16% over FY26-FY29E.

Exports initiatives will yield results with a lag though Europe and African markets are showing affirmative signs. The Netherland exports are welcome step. 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 the current valuations are much ahead of earnings.

We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 3,804 (from Rs 4,189), rolling forward to Sep 2028. Maintain SELL.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	13,583	16,303	19,073	14,109	16,734	19,477	(3.7)	(2.6)	(2.1)
EBITDA	1,364	1,921	2,515	1,854	2,266	2,589	(26.4)	(15.2)	(2.9)
Adj PAT	1,006	1,444	1,869	1,374	1,716	1,945	(26.8)	(15.9)	(3.9)
Adj EPS (Rs)	116.3	166.8	216	159	198	224.8	(26.9)	(15.8)	(3.9)

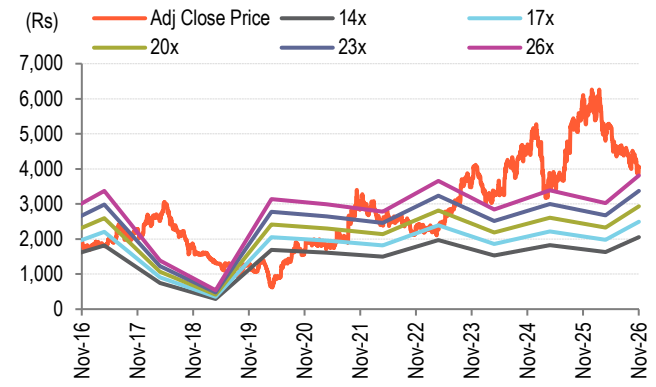
Source: Company, BOBCAPS Research

Fig 4 – Key assumptions

	FY27E	FY28E	FY29E
Tractor volume (nos)	4,854	5,339	5,606
Growth (%)	(20.0)	10.0	5.0
Tillers volume (nos)	57,704	69,245	81,709
Growth (%)	15.0	20.0	18.0
Revenue (Rs mn)	13,583	16,303	19,073
Growth (%)	9.5	20.0	17.0
Avg realisation (Rs)	2,17,132	2,18,585	2,18,438
Growth (%)	(0.7)	0.7	(0.1)
EBITDA (Rs mn)	1,364	1,921	2,515
Growth (%)	(17.8)	40.8	30.9
EBITDA margin (%)	10.0	11.8	13.2
Adj. PAT (Rs mn)	1,006	1,444	1,869
Growth (%)	(10.8)	43.5	29.4
EPS (Rs)	116.3	166.8	216
Growth (%)	(5.1)	43.4	29.5

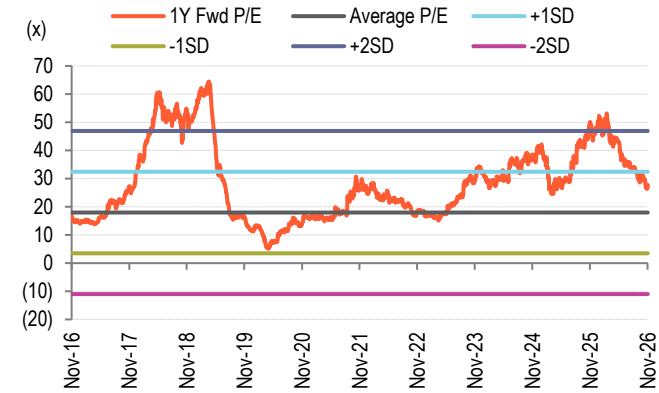
Source: Company, BOBCAPS Research

Fig 5 – P/E band: Valuations following trends of weak performance



Source: Company, Bloomberg, BOBCAPS Research

Fig 6 – P/E 1YF: We expect the stock to continue reverting to the mean



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	FY26A	FY27E	FY28E	FY29E
Total revenue	**9,945**	**12,404**	**13,583**	**16,303**	**19,073**
EBITDA	1,111	1,659	1,364	1,921	2,515
Depreciation	246	255	297	319	346
EBIT	1,239	1,515	1,369	1,927	2,521
Net interest inc./(exp.)	(20)	(19)	(27)	(27)	(29)
Other inc./(exp.)	383	111	301	325	353
Exceptional items	0	(68)	0	0	0
EBT	1,220	1,428	1,342	1,900	2,492
Income taxes	275	369	335	456	623
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	1	1	1	1
Reported net profit	**945**	**1,060**	**1,006**	**1,444**	**1,869**
Adjustments	0	68	0	0	0
Adjusted net profit	**945**	**1,128**	**1,006**	**1,444**	**1,869**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	1,911	2,268	1,598	1,864	2,171
Other current liabilities	513	0	1,337	1,645	1,908
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	11,693	12,953	14,584
Shareholders' fund	10,038	10,973	11,780	13,039	14,670
Total liab. and equities	**12,586**	**13,412**	**14,834**	**16,680**	**18,894**
Cash and cash eq.	747	505	273	492	742
Accounts receivables	2,056	1,717	1,228	1,474	1,724
Inventories	1,007	1,233	1,712	2,055	2,404
Other current assets	1,106	1,196	1,191	1,429	1,672
Investments	5,252	6,335	7,054	7,375	8,298
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**	**14,834**	**16,680**	**18,894**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**614**	**1,167**	**1,606**	**1,169**	**1,575**
Capital expenditures	(205)	(248)	(1,251)	(800)	(550)
Change in investments	(408)	(1,083)	(719)	(321)	(923)
Other investing cash flows	383	111	301	325	353
Cash flow from investing	**(230)**	**(1,220)**	**(1,669)**	**(796)**	**(1,120)**
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)	(128)	(184)	(238)
Other financing cash flows	41	57	(68)	4	4
Cash flow from financing	**(151)**	**(227)**	**(223)**	**(207)**	**(263)**
Chg in cash & cash eq.	**232**	**(281)**	**(286)**	**166**	**191**
Closing cash & cash eq.	**747**	**505**	**273**	**492**	**742**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	109.3	130.3	116.3	166.8	216.0
Adjusted EPS	109.3	130.3	116.3	166.8	216.0
Dividend per share	20.0	30.6	14.8	21.3	27.5
Book value per share	1,161.4	1,268.2	1,361.4	1,507.0	1,695.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.6	2.9	2.6	2.2	1.9
EV/EBITDA	32.4	21.6	25.9	18.5	14.3
Adjusted P/E	37.0	31.0	34.8	24.2	18.7
P/BV	3.5	3.2	3.0	2.7	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	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	98.0	98.6	98.8
EBIT margin (EBIT/Revenue)	12.5	12.2	10.1	11.8	13.2
Asset turnover (Rev./Avg TA)	103.2	118.1	119.4	131.4	137.7
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	9.8	10.7	8.8	11.6	13.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	2.7	24.7	9.5	20.0	17.0
EBITDA	(10.5)	49.4	(17.8)	40.8	30.9
Adjusted EPS	(22.3)	19.3	(10.8)	43.5	29.5
Profitability & Return ratios (%)					
EBITDA margin	11.2	13.4	10.0	11.8	13.2
EBIT margin	12.5	12.2	10.1	11.8	13.2
Adjusted profit margin	9.5	9.1	7.4	8.9	9.8
Adjusted ROAE	9.4	10.3	8.5	11.1	12.7
ROCE	10.0	10.7	9.0	11.8	13.6
Working capital days (days)					
Receivables	66	56	40	30	31
Inventory	40	33	40	42	43
Payables	98	90	72	55	56
Ratios (x)					
Gross asset turnover	0.5	0.4	0.4	0.4	0.3
Current ratio	1.9	1.9	1.4	1.5	1.5
Net interest coverage ratio	63.2	79.3	50.7	71.4	86.9
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

Brand Name: **BOBCAPS**
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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

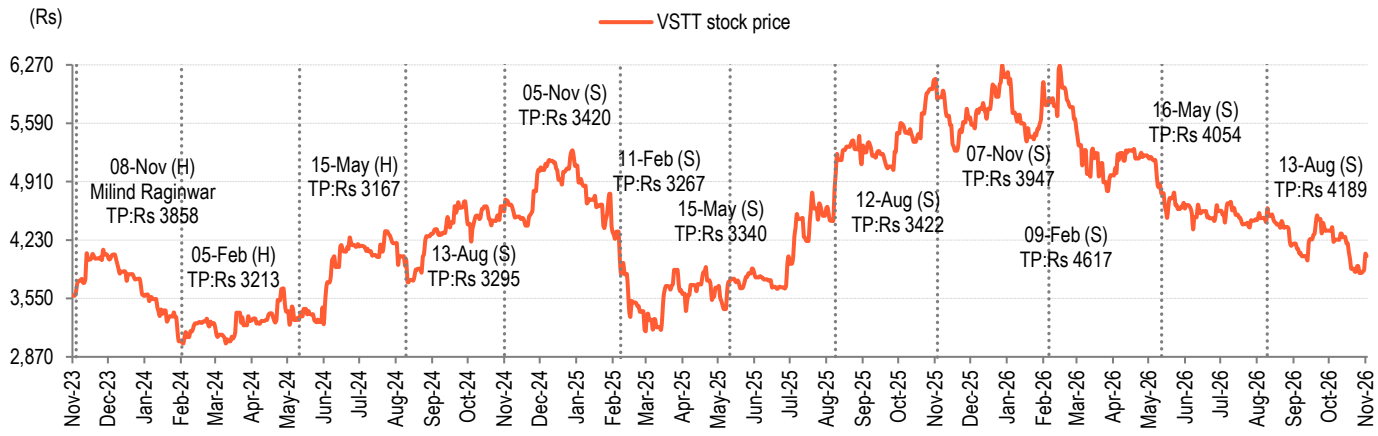
HOLD – Expected return from -6% to +15%

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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