

**SELL****TP: Rs 4,617 | ▽ 21%****VST TILLERS TRACTORS**

Automobiles

| 09 February 2026

**GST cut helps a healthy show; valuations expensive; Retain SELL**

- Revenue grew by 44%/18% YoY/QoQ to Rs3.1bn, driven by sharp volume gains of ~76% to ~14.0K units, on a weak base
- Gross margins were flat at 30.9% YoY, driven by commodity inflation and lower export realisations, offset by better product mix and leverage
- Revise FY26/FY27/FY28 EBITDA/PAT estimates upwards; revise TP to Rs4,617 (Rs 3,947); value VSTT at 20x P/E 1YF. Retain SELL

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**Domestic demand drives growth, export weakness persists:** VSTT's revenue rose ~44%/18% YoY/QoQ to Rs3.1bn in Q3FY26, led by strong domestic demand (SFM products and tractors). Volumes jumped 76% YoY, with SFM segment driving growth, while tractor exports remained soft (-16% YoY) on weak demand and logistics-related disruptions. Domestic tractor volumes grew ~32% YoY impacted by new product launches. Realisations (average) were under pressure (-18% YoY).

**Healthy EBITDA expansion despite cost inflation:** Raw material (RM) cost inflated by 43% YoY (flat QoQ), but gross margins were flat at 30.9% YoY, aided by better product mix and operating leverage. Staff costs and other expenses spiked 18%/19% respectively. EBITDA surged 108% YoY to Rs407mn, with margin jumping to 12.9% (vs 8.9% in Q3FY25). Excluding the one-time expenses of Rs16.6mn, it was at 13.5% and APAT grew to Rs253mn (vs Rs238mn in Q3FY25).

**Strategic move to higher HP and global products:** The FENTM series rollout progressing well (launched in Gujarat, Maharashtra is next, and then a pan India rollout). Zetor revamp is set for full-scale launch from Mar'26. Electric power weeders and tillers seeding will commence in Mar'26. Over 20 new products are planned in the next 8 quarters, including global platforms for India, Europe & US. Export recovery depends on the upcoming European base (targeted Q1FY27). Early entry into marine engines (inboard compact engines) has also begun.

**Maintain SELL:** We revise our FY26/FY27/FY28 EBITDA/EPS estimates upwards by, factoring in the 9MFY26 performance on a lower base and benefits of GST rate cut. We model in revenue/EBITDA/PAT CAGR of 20%/28%/29% over FY25-FY28E. We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 4,617 (from Rs 3,947), rolling forward to Dec'27. We note VSTT's performance has seen market improvement, following the government push towards the farm sector, as also the GST push. However, it is also inconsistent relying on the monsoon and continues to be below par on gross margins and exports despite its focus on the equipment business, healthy contribution from non-farm business and regional diversification. Factoring the we feel valuations have run-up is steep and much ahead of earnings. Maintain SELL.

**Key changes**

	Target	Rating
	▲	◀ ▶

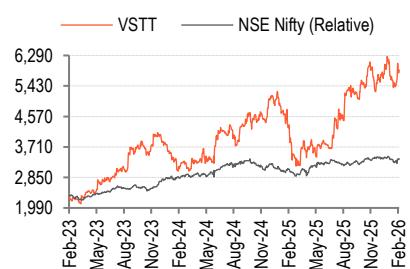
Ticker/Price	VSTT IN/Rs 5,882
Market cap	US\$ 563.9mn
Free float	45%
3M ADV	US\$ 1.2mn
52wk high/low	Rs 6,374/Rs 3,082
Promoter/FPI/DII	55%/5%/15%

Source: NSE | Price as of 9 Feb 2026

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	9,946	12,301	14,637
EBITDA (Rs mn)	1,111	1,645	1,959
Adj. net profit (Rs mn)	945	1,417	1,715
Adj. EPS (Rs)	109.3	164.0	198.5
Consensus EPS (Rs)	109.3	175.8	211.8
Adj. ROAE (%)	9.4	12.6	13.4
Adj. P/E (x)	53.8	35.9	29.6
EV/EBITDA (x)	46.8	31.5	26.5
Adj. EPS growth (%)	(22.3)	50.0	21.0

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Earnings call highlights**

Parameter	Q3FY26	Q2FY26	Our view
Volumes	<p>Power tillers: 9MFY26 volumes at 37.4k units (+55% YoY) vs 24.1k last year, indicating leadership in small &amp; marginal farmer segments (SFM); key drivers were normal monsoon, affordability and rising financing penetration (~13%).</p> <p>Domestic tractors: Volumes at 1.3k units (+32% YoY), 9M growth at 18%; turnaround sustained with continued traction in the 30-50 HP segment. Management expects momentum to persist as new products scale up (ZETOR &amp; FENTM).</p> <p>Export tractors: Exports at ~320 units (vs 382 YoY); decline moderated vs Q1/Q2, with management indicating stabilisation and gradual recovery from Q4FY26.</p> <p>Power weeders: Q3FY26 volumes doubled YoY to ~3.4k units; 9M volumes at ~8.4k units (+63% YoY), reflecting accelerating adoption and improving distribution reach.</p> <p>Power reapers: Seasonal softness in Q3FY26 (~1.0k units vs 1.6k YoY); 9M volumes still up 47% YoY at ~3.3k units.</p>	<p>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).</p> <p>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).</p> <p>Power weeders: ~2.6K units, up 47% YoY (vs. 1.8K); H1 total: ~5K units, up 42.4% YoY (vs. 3.5K).</p> <p>Power reapers: ~1.4K units, up 140% YoY (vs. 598, seasonal Q2/Q3 product); H1 total: 1.5K units, up 139% YoY (vs. 632).</p> <p>Retail financing penetration stable at ~10%, with continued support from partners. October enquiries remain high for tillers, weeders, and reapers (reaper season ends Nov).</p>	Performance since Q2 stayed buoyant on above-normal monsoon, better crop yields and better reservoir levels could help favorable demand, challenging business environment will mean revival for VSTT volume. In Q3, this was fueled with the GST rate cut that only contributed to better affordability and hence, further buoyancy in demand.
Topline guidance	<p>FY26 tractor volumes guided at 6–6.5k units, with management confident of crossing 6k units in FY26. Q4 should sustain the growth momentum at around 30%, ending FY26 at 25–30%. Growth beyond FY26 is expected to continue with domestic demand and exports stabilising.</p> <p>Europe remains ~90% of export mix; Africa 5% &amp; ROW ~5%. European slowdown persists due to logistics issues but should subside once EU base is setup (expected by Q1FY27).</p> <p>US market entry targeted for CY2027, feasibility post US FTA; product development already underway.</p>	<p>Management hopeful of achieving ~7k unit sales of tractors in FY26 reaching 10-12k units in next 2 years.</p> <p>Export growth is targeted via new product platforms and upcoming European operations, though logistics delays remain a near-term constraint. Work is under way for new base in Europe that will ease logistics timeline (currently 60-90 days) and can be used for US entry post tariff easing.</p> <p>The company apart from the above buoyancy refrain any revenue estimates for FY29–30.</p>	Unfavourable regional mix in the domestic market is addressed but will yield results gradually. Current buoyancy is likely to continue, helped by government support and healthy monsoons. However, exports will take time.
Margins	<p>Q3 EBITDAM at 12.9% excl. Rs16.6mn labour-code impact at 13.5%.</p> <p>Management is confident of maintaining blended gross margin in 30-35% range, though certain new products will have marginal pressure.</p> <p>Ferrous metals haven't witnessed much inflation; but copper has seen sharp increase. Only one model uses copper radiator, while the rest using aluminium. So, the inflation impact hasn't been significant.</p>	<p>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).</p> <p>H1FY26 EBITDA: 13.2% (up from 10.8% YoY), at Rs 787mn (vs. Rs 512mn); ex-MTM PAT: Rs 485mn (up from Rs 282mn).</p> <p>Management highlighted that core margins are trending upward and remain stable.</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. Cost inflation can be pinching and impacting margins in the medium term.

Parameter	Q3FY26	Q2FY26	Our view
		despite product launches and GST-related price adjustments.	
Launches	<p>FENTM series initially launched in Gujarat, Maharashtra launch scheduled on Gudi Padwa next month and then pan India rollout should begin.</p> <p>ZETOR revamp is complete with seeding phase over. Relaunch to begin in Q4FY26 from March 26.</p> <p>Electric Power tillers and Weeder's seeding will start from March 26.</p> <p>Marine engines is in initial phase targeting inboard compact engines for small boats.</p>	<p>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 (&lt;30 HP): Multiple platforms (18-22 HP, 27 HP) with 1.2L TorqueMax 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).</p> <p>Upcoming: Electric platforms (5-7hr runtime), hydrostatic transmission, 3 global bases (8 models, 16 variants by FY27); &gt;20 products in 24 months.</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 awaited. New launch programme aggressive and will yield results gradually.</p>
Capex and R&D spend	<p>FY27 cash outflow planned at ~Rs600mn; commitments higher (global tech center, engine supply, external aggregates).</p> <p>Evaluating northern/western region for capacity expansion (Malur SFM plant near full capacity ~70k units; 3rd shift potential of ~1 lakh units).</p>	<p>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).</p>	<p>Initiatives to ramp up regional focus augurs well for the company. VSTT has limited capacity constraints and is ready for the demand uptick in the medium-to-long term.</p>
Other key points	<p>Operating cash flow for 9MFY26 stood at ~Rs1.1bn.</p> <p>Pricing premium is in the range of 15-20% vs Chinese competitors. VSTT iterated that not much threat has been there based on key differentiators of 2yr warranty and local service edge.</p> <p>SFM segment currently has 10 distributors, 300 retailers and 650 dealers. These are a separate channel from tractors.</p>	<p>Cash generation: Operating cash flow improved to Rs 625mn in H1FY26 (vs. outflow Rs 521mn YoY), driven by improved working capital management. The balance sheet has no long-term debt and cash of Rs 6.7bn</p> <p>Zetor: Strong market response; higher HP focus (40-50 HP) with superior torque. Reaper season ends Nov, but overall enquiries remain high.</p>	<p>Other initiatives are on the right track, but with improving macroeconomic conditions the lead time to a positive market response should narrow. Regulatory headwinds 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.</p>

Source: Company, BOBCAPS Research | HP: Horse power

**Fig 2 – Quarterly performance (standalone)**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volume (nos)	14,206	8,086	75.7	14,450	(1.7)	14,206	0.0
Avg. Realisation per Vehicle (Rs)	2,21,245	2,70,962	(18.3)	2,18,097	1.4	2,07,192	(6.4)
Net Revenues	3,143	2,191	43.5	3,152	(0.3)	2,943	(6.4)
<b>Total Income (A)</b>	<b>3,143</b>	<b>2,191</b>	<b>43.5</b>	<b>3,152</b>	<b>(0.3)</b>	<b>2,943</b>	<b>(6.4)</b>
<b>Operating Expenses</b>							
Raw materials consumed	2,171	1,518	43.0	2,180	(0.4)	1,989	(8.4)
Employee Expenses	299	254	17.5	277	7.8	283	(5.3)
Other Expenses	266	223	19.3	285	(6.7)	280	5.1
<b>Total Expenditure (B)</b>	<b>2,736</b>	<b>1,996</b>	<b>37.1</b>	<b>2,743</b>	<b>(0.2)</b>	<b>2,552</b>	<b>(6.7)</b>
<b>EBITDA (A-B)</b>	<b>407</b>	<b>196</b>	<b>108.2</b>	<b>409</b>	<b>(0.5)</b>	<b>392</b>	<b>(3.8)</b>
Other Income	16	132	(88.1)	49	(68.0)	51	224.8
Depreciation	64	64	0.0	65	(1.2)	69	8.2
EBIT	359	264	35.9	394	(8.8)	374	4.1
Finance Costs	5	5	6.3	6	(10.5)	7	37.3
PBT after excep items	408	149	174.4	365	11.8	367	(10.2)
Tax expense	101	21	372.4	120	(16.0)	95	(5.7)
<b>Reported PAT</b>	<b>307</b>	<b>127</b>	<b>141.1</b>	<b>245</b>	<b>25.5</b>	<b>271</b>	<b>(11.7)</b>
<b>Adjusted PAT</b>	<b>253</b>	<b>238</b>	<b>6.3</b>	<b>267</b>	<b>(5.5)</b>	<b>271</b>	<b>7.3</b>
EPS (Rs)	29.2	14.7	98.4	30.9	(5.5)	31.4	7.3
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>		<b>(bps)</b>
Gross Margin	30.9	30.7	22	31	10	32.4	(265)
EBITDA Margin	12.9	8.9	403	13	(3)	13.3	(143)
EBIT Margin	11.4	12.0	(63)	12	(107)	12.7	(507)
PBT Margin	11.3	11.8	(57)	12	(105)	12.5	(504)
Tax Rate	24.8	14.4	1,038	33	(822)	26.0	471
Adj PAT Margin	8.0	10.9	(281)	8	(44)	9.2	(497)

Source: Company, BOBCAPS Research

## Valuation Methodology

We revise our FY26/FY27/FY28 EBITDA/EPS estimates upwards by, factoring in the 9MFY26 performance on a lower base and benefits of GST rate cut. We model in revenue/EBITDA/PAT CAGR of 20%/28%/29% over FY25-FY28E.

We note that VSTT's performance has seen market improvement, following the government's push towards the farm sector, as also the GST push. However, it is also inconsistent relying on the monsoon and continues to be below par on gross margins and exports despite its focus on the equipment business, healthy contribution from non-farm business and regional diversification. Factoring the same we feel valuations have run-up is steep and much ahead of earnings. Competitive intensity, both domestic and imports, can prove to be major headwinds for the company.

We continue to value VSTT at 20x P/E 1YF earnings and arrive at TP of Rs 4,617 (from Rs 3,947) rolling forward our valuation to Dec'27., Maintain SELL.

**Fig 3 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	12,301	14,637	17,193	11,963	13,207	14,280	2.8	10.8	20.4
EBITDA	1,645	1,959	2,354	1,459	1,673	1,793	12.8	17.1	31.3
Adj PAT	1,417	1,715	2,030	1,260	1,515	1,656	12.5	13.2	22.6
Adj EPS (Rs)	164.0	198.5	235.0	146	175	192	12.4	13.2	22.6

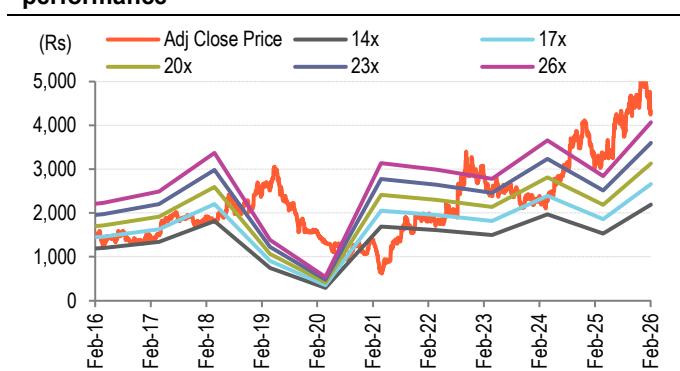
Source: Company, BOBCAPS Research,

**Fig 4 – Key assumptions**

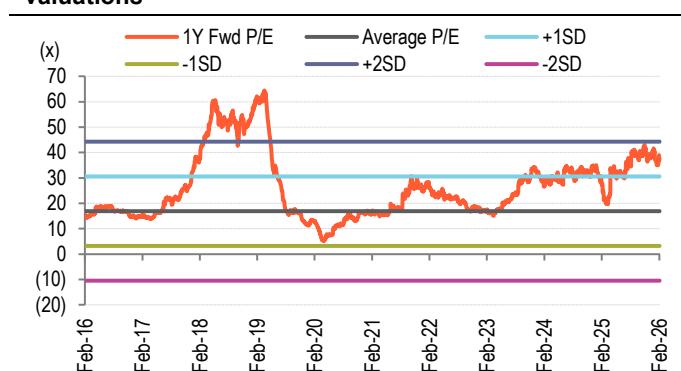
	FY25P	FY26E	FY27E	FY28E
Tractor volume (nos)	5,618	6,067	6,249	6,437
Tillers volume (nos)	30,784	50,178	60,213	72,256
Revenue (Rs mn)	12,301	14,637	17,193	12,301
Avg realisation (Rs)	265,584	218,698	220,228	218,479
EBITDA (Rs mn)	1,111	1,645	1,959	2,354
EBITDA margin (%)	11.2	13.4	13.4	13.7
Adj. PAT (Rs mn)	945	1,417	1,715	2,030
EPS (Rs)	109.3	164.0	198.5	235.0

Source: Company, BOBCAPS Research

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



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



## 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
<b>Total revenue</b>	<b>9,681</b>	<b>9,946</b>	<b>12,301</b>	<b>14,637</b>	<b>17,193</b>
EBITDA	1,242	1,111	1,645	1,959	2,354
Depreciation	270	255	296	324	352
EBIT	1,578	1,239	1,916	2,314	2,734
Net interest inc./exp.)	(22)	(20)	(27)	(27)	(27)
Other inc./exp.)	606	383	567	679	732
Exceptional items	0	0	0	0	0
EBT	1,556	1,220	1,889	2,287	2,707
Income taxes	341	275	472	572	677
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1	1	1	1	1
<b>Reported net profit</b>	<b>1,215</b>	<b>945</b>	<b>1,417</b>	<b>1,715</b>	<b>2,030</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,215</b>	<b>945</b>	<b>1,417</b>	<b>1,715</b>	<b>2,030</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,419	1,570	1,345	1,630	1,926
Other current liabilities	850	854	1,257	1,488	1,741
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	11,183	12,679	14,451
Shareholders' fund	9,241	10,038	11,269	12,766	14,537
<b>Total liab. and equities</b>	<b>11,604</b>	<b>12,586</b>	<b>13,964</b>	<b>15,987</b>	<b>18,317</b>
Cash and cash eq.	467	747	616	905	1,059
Accounts receivables	1,552	2,056	1,112	1,323	1,554
Inventories	1,178	1,007	1,550	1,845	2,167
Other current assets	1,080	1,106	1,078	1,283	1,507
Investments	4,844	5,252	6,091	6,842	7,798
Net fixed assets	2,744	2,889	3,093	3,269	3,416
CWIP	300	400	500	600	900
Intangible assets	(492)	(787)	0	0	0
Deferred tax assets, net	(70)	(85)	(76)	(80)	(84)
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>11,604</b>	<b>12,586</b>	<b>13,964</b>	<b>15,987</b>	<b>18,317</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>346</b>	<b>622</b>	<b>1,695</b>	<b>1,149</b>	<b>1,405</b>
Capital expenditures	(67)	(205)	(1,387)	(600)	(800)
Change in investments	(546)	(408)	(838)	(751)	(956)
Other investing cash flows	606	383	567	679	732
<b>Cash flow from investing</b>	<b>(7)</b>	<b>(230)</b>	<b>(1,658)</b>	<b>(672)</b>	<b>(1,024)</b>
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)	(181)	(219)	(259)
Other financing cash flows	8	57	(14)	4	4
<b>Cash flow from financing</b>	<b>(196)</b>	<b>(151)</b>	<b>(222)</b>	<b>(242)</b>	<b>(282)</b>
Chg in cash & cash eq.	143	240	(185)	235	99
<b>Closing cash &amp; cash eq.</b>	<b>467</b>	<b>747</b>	<b>616</b>	<b>905</b>	<b>1,059</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	140.6	109.3	164.0	198.5	235.0
Adjusted EPS	140.6	109.3	164.0	198.5	235.0
Dividend per share	21.1	21.9	20.9	25.3	30.0
Book value per share	1,069.6	1,161.9	1,304.4	1,477.6	1,682.6

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.3	5.2	4.2	3.5	3.0
EV/EBITDA	41.5	46.8	31.5	26.5	22.2
Adjusted P/E	41.8	53.8	35.9	29.6	25.0
P/BV	5.5	5.1	4.5	4.0	3.5

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	78.1	77.4	75.0	75.0	75.0
Interest burden (PBT/EBIT)	98.6	98.4	98.6	98.8	99.0
EBIT margin (EBIT/Revenue)	16.3	12.5	15.6	15.8	15.9
Asset turnover (Rev./Avg TA)	110.7	103.2	115.5	121.8	125.9
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	13.9	9.8	13.3	14.3	14.9

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	(3.8)	2.7	23.7	19.0	17.5
EBITDA	(2.4)	(10.6)	48.1	19.1	20.2
Adjusted EPS	31.6	(22.3)	50.0	21.0	18.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	12.8	11.2	13.4	13.4	13.7
EBIT margin	16.3	12.5	15.6	15.8	15.9
Adjusted profit margin	12.6	9.5	11.5	11.7	11.8
Adjusted ROAE	13.1	9.4	12.6	13.4	14.0
ROCE	14.1	10.0	13.5	14.4	15.0
<b>Working capital days (days)</b>					
Receivables	57	66	47	30	31
Inventory	43	40	38	42	43
Payables	88	80	63	54	55
<b>Ratios (x)</b>					
Gross asset turnover	0.5	0.5	0.5	0.4	0.4
Current ratio	1.8	1.9	1.6	1.7	1.7
Net interest coverage ratio	73.4	63.2	71.0	85.7	101.2
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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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

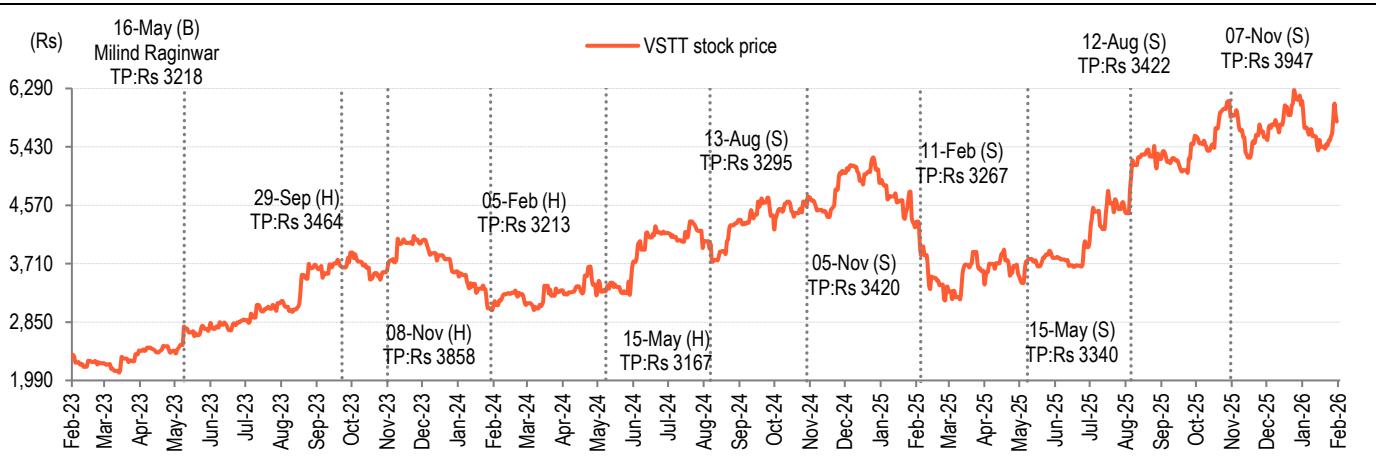
**HOLD** – Expected return from -6% to +15%

**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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