BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 4,054 | ▼ 15%

VST TILLERS TRACTORS | Automobiles | 16 May 2026

Q4 steady; heading for a challenging phase; retain SELL

- **Volume growth slow at ~9% YoY on sustained mechanisation, rural liquidity and improving financing penetration**
- **Cost discipline aid gross margin expansion to 32.2% (+155bps YoY), however, commodity inflation hit to continue; price hikes partially help**
- **Cut FY28 earnings estimates, FY27 penned down sharper; TP revised to Rs 4,054 (Rs 4,617), valuing VSTT at 20x P/E Mar 2028. Maintain SELL**

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Compact tractor and SFM sustain with gradual export recovery: VSTT revenue growth was slow at ~9%/5% YoY/QoQ to ~Rs3.3bn in Q4FY26. Overall volumes grew ~10%/3% YoY/QoQ, helped by traction in power weeders, domestic tractors and financing-led rural demand. ASPs fell ~1% YoY (up 1.5% QoQ), further, price hikes were taken in April to partially pass on the cost hike. VSTT pointed that the demand in Q1FY27 is steady, aided by rural liquidity and deeper retail financing penetration.

Cost discipline drives gross margin; overheads dampen: RM cost remained under control with RM-to-sales improving sharply to ~67.8% vs ~69.9% YoY, aiding gross margin expansion to ~32.2% (vs ~30.7%/30.9% YoY/QoQ). However, the elevated employee and overhead expenses, which increased ~17%/34% YoY, respectively offset the gains. Consequently, EBITDA grew ~4% YoY to ~Rs468mn, with EBITDA margin contracting by ~74bps YoY to ~14.3%.

Higher HP tractors and global expansion remain key: Management reiterated aggressive product expansion plans, mainly in Zetor series to tap into higher HP segment. Electric tillers and weeders are currently under final stages and are targeted for launch from Q2FY27. Export recovery is expected to improve further with the upcoming Netherlands base, while US market entry plans have resumed with commercial launch targeted by CY27 end.

Maintain SELL: We cut our FY27/FY28 EBITDA/EPS estimates downwards, factoring in FY26 performance, despite benefits of GST rate cut. We introduce FY29E earnings estimates and model 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 4,054 (from Rs 4,617), rolling forward to March 2028. We note VSTT's show following the government push towards the farm sector, and the GST push has been improving as well. However, the inconsistency is owing to the reliance on monsoon and remains below par on gross margins and exports, despite focus on the equipment business, healthy contribution from non-farm business and regional diversification. Additionally, FY27 commodity cost challenges and slower infra boost could 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 4,774
Market cap	US$ 439.6mn
Free float	45%
3M ADV	US$ 1.0mn
52wk high/low	Rs 6,374/Rs 3,580
Promoter/FPI/DII	55%/5%/15%

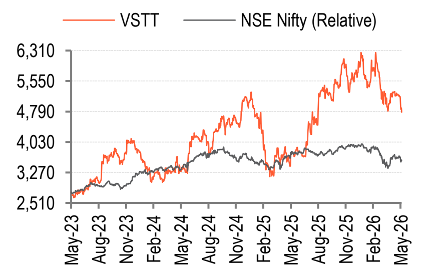
Source: NSE | Price as of 15 May 2026

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
Consensus EPS (Rs)	130.3	188.0	216.0
Adj. ROAE (%)	10.3	11.4	12.6
Adj. P/E (x)	36.6	30.1	24.1
EV/EBITDA (x)	25.4	22.6	18.5
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	Q4FY26	Q3FY26	Our view
Volumes	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).	Power tillers: 9MFY26 volumes at 37.4k units (+55% YoY) vs 24.1k last year, indicating leadership in small & marginal farmer segments (SFM); key drivers were normal monsoon, affordability and rising financing penetration (~13%). 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 & FENTM). Export tractors: Exports at ~320 units (vs 382 YoY); decline moderated vs Q1/Q2, with management indicating stabilisation and gradual recovery from Q4FY26. 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. Power reapers: Seasonal softness in Q3FY26 (~1.0k units vs 1.6k YoY); 9M volumes still up 47% YoY at ~3.3k units.	Performance since H2FY26 stayed steady on above-normal monsoon, better crop yields and better reservoir levels could help favorable demand. The GST rate cut only contributed to better affordability and hence, further buoyancy in demand. However, FY27 challenging business environment will mean VSTT volume, especially in the core business of tillers and tractors, may have an impact.
Topline guidance	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.	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. Europe remains ~90% of export mix; Africa 5% & ROW ~5%. European slowdown persists due to logistics issues but should subside once EU base is setup (expected by Q1FY27). US market entry targeted for CY2027, feasibility post US FTA; product development already underway.	Unfavourable regional mix in the domestic market is addressed, but will yield results gradually. Exports, however, may take more time to get a boost. Drastic change in business environment and climatic warnings will impact the business considerably in FY27.
Margins	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	Q3 EBITDAM at 12.9% excl. Rs16.6mn labour-code impact at 13.5%. Management is confident of maintaining blended gross margin in 30-35% range, though certain new products will have marginal pressure. 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.	Targeting new regions will be with challenges and marking footprint in these markets will be impacting margins in the transitionary phase. Performance will be keenly watched, as the base gains momentum. Cost inflation can be pinching and impacting margins in the medium term.

Parameter	Q4FY26	Q3FY26	Our view
	hike across portfolio in April to pass on partial cost increase.		
Launches	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. Additionally work for US has restarted and product launches are planned by 2027 end.	FENTM series initially launched in Gujrat, Maharashtra launch scheduled on Gudi Padwa next month and then pan India rollout should begin. ZETOR revamp is complete with seeding phase over. Relaunch to begin in Q4FY26 from March 26. Electric Power tillers and Weeder's seeding will start from March 26. Marine engines are in initial phase, targeting the inboard compact engines for small boats.	Focus on the 41-50 HP segment continues to yield limited success as reflected in performance. Hence, focus is on 20-40 HP segment. A meaningful global presence awaited. New launch programme aggressive and will yield results gradually.
Capex and R&D spend	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.	FY27 cash outflow planned at ~Rs600mn; commitments higher (global tech center, engine supply, external aggregates). Evaluating northern/western region for capacity expansion (Malur SFM plant near full capacity ~70k units; 3rd shift potential of ~1 lakh units).	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	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.	Operating cash flow for 9MFY26 stood at ~Rs1.1bn. 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. SFM segment currently has 10 distributors, 300 retailers and 650 dealers. These are a separate channel from tractors.	Other initiatives are on the right track, but with unfavorable macroeconomic conditions the lead time to a positive market response will only elongate. Regulatory headwinds pose serious challenges for the company's margin profile, which is only recovering. Changing dynamics of the export markets, particularly USA, only adds to concerns.

Source: Company, BOBCAPS Research | HP: Horse power

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Deviation (%)
Volume (nos)	14,626	13,278	10.2	14,206	3.0	14,626	0.0
Avg. Realisation per Vehicle (Rs)	2,24,573	2,27,015	(1.1)	2,21,245	1.5	2,21,245	1.5
Net Revenues	3,285	3,014	9.0	3,143	4.5	3,236	1.5
Total Income (A)	**3,285**	**3,014**	**9.0**	**3,143**	**4.5**	**3,236**	**1.5**
Operating Expenses							
Raw materials consumed	**2,226**	**2,089**	**6.5**	**2,171**	**2.5**	**2,252**	**(1.2)**
Employee Expenses	287	246	16.8	299	(3.9)	301	(4.6)
Other Expenses	304	228	33.5	266	14.1	279	8.8
Total Expenditure (B)	2,816	2,562	9.9	2,736	2.9	**2,832**	(0.5)
EBITDA (A-B)	**468**	**452**	**3.6**	**407**	**15.0**	**404**	**15.8**
Other Income	26	68	(62.4)	16	62.4	21	21.4
Depreciation	63	64	(2.0)	64	(1.9)	67	(6.6)
EBIT	431	456	(5.4)	359	20.1	**358**	20.3
Finance Costs	5	4	9.8	5	(11.8)	6	(25.0)
PBT after excep items	89	413	(78.4)	408	(78.2)	389	(77.1)
Tax expense	101	77	31.8	101	0.0	93	8.2
Reported PAT	**(12)**	**337**	**(103.6)**	**307**	**(103.9)**	**296**	**(104.1)**
Adjusted PAT	**326**	**375**	**(13.2)**	**253**	**28.8**	**259**	**25.8**
EPS (Rs)	(1.4)	38.9	(103.6)	35.6	(103.9)	34.2	(104.1)
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	32.2	30.7	154	30.9	132	30.4	182
EBITDA Margin	14.3	15.0	(74)	12.9	130	12.5	176
EBIT Margin	13.1	15.1	(200)	11.4	171	11.1	205
PBT Margin	13.0	15.0	(200)	11.3	173	10.9	210
Tax Rate	113.5	18.6	9491	24.8	8871	24.0	8947
Adj PAT Margin	9.9	12.4	(253)	8.0	187	8.0	191

Source: Company, BOBCAPS Research

Valuation Methodology

We cut our FY27/FY28 EBITDA/EPS estimates downwards, factoring in FY26 performance, despite the benefits of GST rate cut. We introduce FY29E earnings estimates and model in Revenue/EBITDA/PAT CAGR of 16% each over FY26-FY29E.

We note VSTT's performance following the government's push towards the farm sector, with the GST push also improving. However, the inconsistency is owing to the monsoon; it stays below par on gross margins and exports, despite its focus on the equipment business, healthy contribution from non-farm business and regional diversification. Additionally, FY27 commodity cost challenges and slower infra boost could weigh on the performance. 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 4,054 (from Rs 4,617), rolling forward to March 2028. Maintain SELL.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	14,109	16,734	19,477	14,637	17,193		(3.6)	(2.7)	
EBITDA	1,854	2,266	2,589	1,959	2,354		(5.4)	(3.8)	
Adj PAT	1,374	1,716	1,945	1,715	2,030		(19.9)	(15.5)	
Adj EPS (Rs)	158.7	198.3	224.8	198.5	235.0		(20.0)	(15.6)	

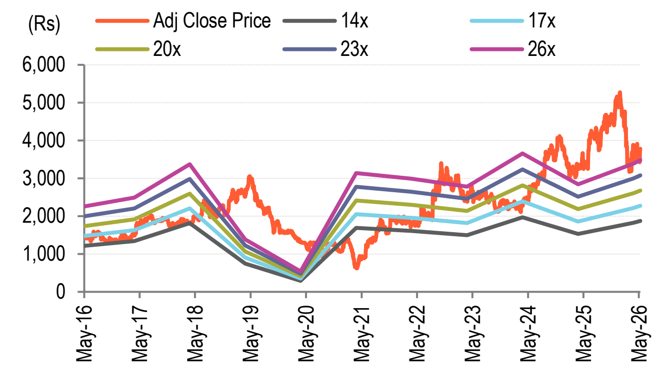
Source: Company, BOBCAPS Research, FY29 estimates newly introduced

Fig 4 – 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
EBITDA (Rs mn)	1,659	1,854	2,266	2,589
EBITDA margin (%)	13.4	13.1	13.5	13.3
Adj. PAT (Rs mn)	1,128	1,374	1,716	1,945
EPS (Rs)	122.5	158.7	198.3	224.8

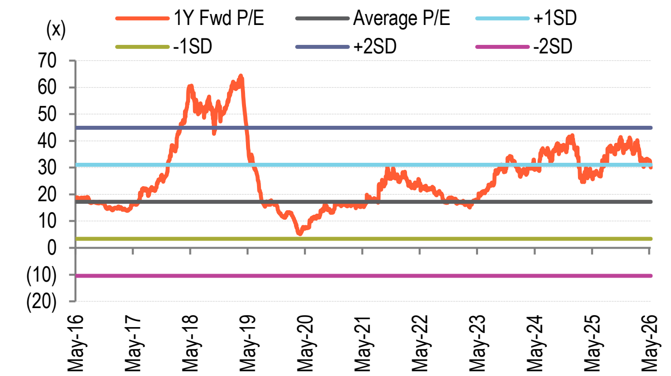
Source: Company, BOBCAPS Research, FY29 estimates newly introduced

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 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	4.3	3.4	3.0	2.5	2.2
EV/EBITDA	38.1	25.4	22.6	18.5	16.3
Adjusted P/E	43.7	36.6	30.1	24.1	21.2
P/BV	4.1	3.8	3.4	3.0	2.7

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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

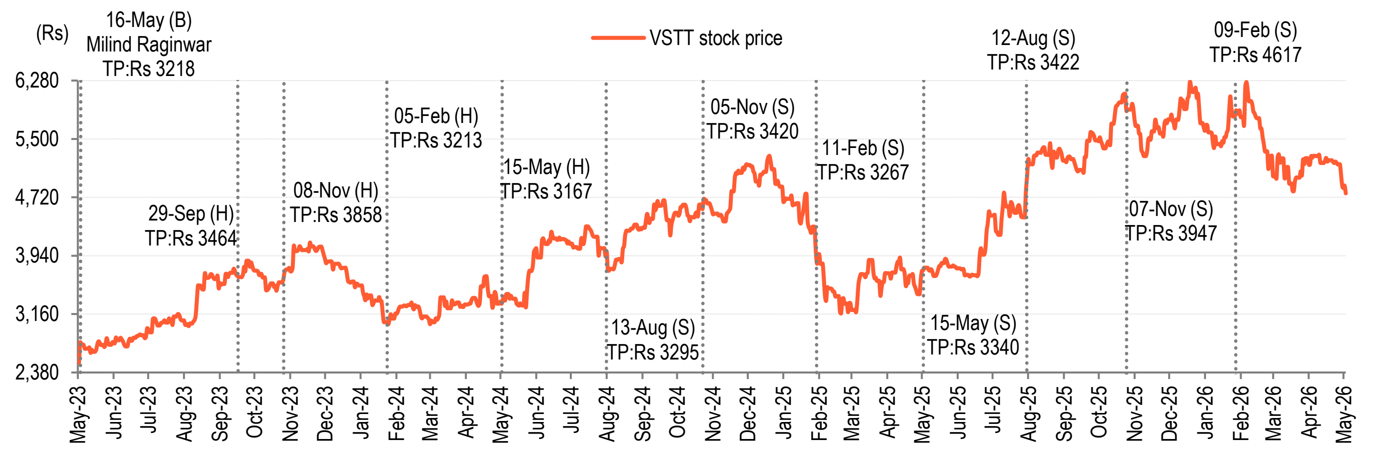
HOLD – Expected return from -6% to +15%

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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