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Dear Sir/Madam,

**Sub: Transcript of Analyst Conference Call**

Please find attached the transcript of the Analyst Conference Call held on August 04, 2023, on the financial results for the quarter ended on June 30, 2023.

We request you take this on record.

Thanking you,

Yours truly,  
For V.S.T Tillers Tractors Ltd.,

Chinmaya Khatua  
Company Secretary  
M No: 21759



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# “VST Tillers Tractors Limited Q1FY'24 Earnings Conference Call”

**August 09, 2023**



**MANAGEMENT: MR. V. T. RAVINDRA – MANAGING DIRECTOR, VST  
TILLERS TRACTORS LIMITED.  
MR. ANTONY CHERUKARA – CHIEF EXECUTIVE  
OFFICER, VST TILLERS TRACTORS LIMITED.  
MR. NITIN AGRAWAL – CHIEF FINANCIAL OFFICER,  
VST TILLERS TRACTORS LIMITED.**

**MODERATOR: MR. ANNAMALAI JAYARAJ – BATLIWALA & KARANI  
SECURITIES.**

**Annamalai Jayaraj:** Ladies and gentlemen, good day and welcome to VST Tiller Tractors Limited, 1Q FY'24 Post Result Conference Call hosted by B&K Securities.

From VST Tillers Management we have with us today Mr. V. T. Ravindra – Managing Director; Mr. Antony Cherukara – Chief Executive Officer; Mr. Nitin Agrawal – Chief Financial Officer.

At this point all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the management's presentation and opening remarks. Also, may I remind you of Safe Harbor, the company may be making some forward-looking statements that have to be understood in conjunction with the uncertainty and the risk that the company faces. Over to you, sir.

**Nitin Agrawal:** Good evening, welcome you all to the Q1 Result meeting. I am Nitin Agrawal.

So, this is the confidentiality statement about the forward-looking statement. I will first talk about the company and the network which we have and glimpse of certain awards which we won during the quarter. And then will talk about the financials, the sales volume and then the results.

#### **Company Outlook**

So, VST has a strong network across India. We have three manufacturing plants and 15 plus sales offices across India. And we also have strong dealer and distributor network for our tractors and SFM both the businesses. This is our global presence we have reach in more than 40 plus countries.

#### **Recognition/Awards**

During the year I am happy to announce that we have won Indian Tractor of the Year Award for our 18 HP Tractors and 16 HP Power Tiller. We have also received the Best Supplier Award from Mitsubishi in the criteria of New Part Development.

#### **Financials**

So, I am happy to tell you that this quarter has been great for us. The company has clocked revenue of Rs. 246.14 crore which is the highest ever for any Quarter 1 revenue for the company. Strong numbers, which has led to the PBT growth of more than three times when compared with last quarter same year. Correspondingly the increase in PAT and also earning per share, more than 3x.

#### **Sales**

The next slide is about sales volume. And we have given the quarter-on-quarter comparison with respect to last year. So, in Power Tiller, in this quarter we have sold 9,125 Nos; Tractors 1,471Nos, Power Weeder 869 Nos and Reaper 67 Nos.

#### **P&L Statement**

So, revenue from operation is Rs. 246.14 crore. In terms of EBITDA the current quarter EBITDA is 18.86%, which is very strong compared to the last year same quarter EBITDA. At an operational EBITDA level, it is 12.88%, which is again a very good EBITDA when compared to last year. PBT of Rs. 42.59 crore in the current quarter and PAT of Rs. 32.99 crore.

These are some of the pictures for our product and the customers using. Thank you. We are now open for any question and answers.

**Annamalai Jayaraj:**

Thank you. We will now begin the question-and-answer session. The first question is from Mr. Rajagopal, you can unmute and ask your question.

**Rajagopal:**

I have two questions, one is with respect to your guidance that you had given, in fact you had given a couple of years back about more than doubling your turnover, if I am not mistaken probably reaching a turnover of around Rs. 3,000 crore, and correct me if I am wrong there, or rather profitability of Rs. 300 crore, I am not 100% sure about what it was.

But given where you are, would that mean that you would need to significantly ramp up your presence in tractor space. And looking at what you have been clocking in the past year or so what gives you the confidence that you would be able to move closer to your guidance?

The second question which is more specific to this quarter, you seem to have made significant increase in other income which is around Rs. 18 crore as against the previous year number of around Rs. 2 crore. So, it would be good to know what has driven that.

**VST Management:**

So, coming back to the guidance first so the vision statement that we had made in FY'20 is in the next five years we will get to Rs. 3,000 crore, after which we were hit by COVID and then we recalibrated and we said we will be able to catch up Rs. 3,000 crore by FY'26, so there could be a one-year delay. So, that is correcting the statement. So, we never gave guidance on profitability or the profit number, that's one.

Second point is, achieving that vision statement works on very clear strategic direction which does not involve tractor business alone. So, one is growing our small farm mechanization business, which is Power Tillers and which has been considerably growing at 25% plus CAGR in the last three years. And in fact in the last three years, we have doubled our business already from Rs. 544 crore in FY'20 to FY'23 we have done Rs. 1,006 plus crore. So, in a way we have achieved certain milestones that we had set out to achieve.

So, coming back to what I was saying in terms of the strategic directions, growing our small farm mechanization business was one. Working on our global compact leadership is another one where we continue to clock very good growth in our international business.

Third is, we are looking at capacity utilization of our Hosur plant where we are working with supplying to electric manufacturers in the U.S. and also some other aggregate supplies that we are doing to manufacturers, that was the third piece.

Fourth, we started working on our Rural Distribution business, wherein I am very happy to say from where it was at Rs. 40 crore, we have grown in the last three to four years to over Rs. 100 crore. And we will continue to grow that. We entered into the pumps business and distribution as well.

Then we said implements business, precision implements we want to get into and grow that business. We have made initial beginnings in that business. We should be able to scale up in the next two to three years in that business as well. And also at technology opportunities, electric, and all of that which we are again working on.

So, the whole vision of achieving Rs. 3,000 was the trigger for the company to start growing aggressively. So, if you look at achieving a close to 20% CAGR in the last three to four years. And then now getting into the exponential phase of growth while the Quarter 1 growth definitely is only 4% or 5%, but we all know the monsoon wasn't great, or it got delayed completely but there has been a total recovery in July as you can see from our close to 30% growth of the numbers that we have already declared in July. So, we are in line with the plans that we have set out for ourselves. So, that is answering your first questions on the guidance.

Second question, there is definitely Rs. 18 crore other income, most of it is coming from the mark-to-market valuations of our investment that we have done.

**Rajagopal:** So, I get what you are saying, but you have a capacity of roughly 30,000 tractors that you have already created, am I right?

**VST Management:** Yes.

**Rajagopal:** And so currently even if I were not to assume your current quarter numbers as your achievement. I am saying that you are very confident that you should still be able to hit close to 60% plus capacity utilization in the next couple of years or so.

**VST Management:** I said capacity utilization need not be done only by selling Tractors in the Indian market, it's also done by selling electric drive trains, power trains to various companies around the world. So, capacity utilization is what we are focusing on, we will be completely utilizing the capacity to get to the vision that we have set for ourselves. So, it necessarily need not reflect in the tractor numbers alone. And in the tractor numbers definitely we will try and grow and that is something

for which the effort is continuously on, but we will not build channel inventory and we will not bill for the sake of billing which we have stated earlier as well.

**Annamalai Jayaraj:** I will go through some questions in the Chat box sir. Can you please share the revenue for 1Q FY'24 for Tractors, Tillers and Spare parts?

**VST Management:** Revenue figures for Q1, FY'24 for small farm mechanization the revenue is Rs. 138.80 crores, tractors is Rs. 69 crore and spare parts is about Rs. 26 crores.

**Annamalai Jayaraj:** What is the outlook for 2H FY'24 for the tillers and tractors for the industry and for the company?

**VST Management:** The tiller business we have a market share of 70% so we are looking to grow our business at the rate of close to 15% to 20% which I have said before. And in the tractor business we should be at about 10% to 15% growth with the new launches that we will be doing in Quarter 2 and Quarter 3 so that is also a number that I have said before.

**Annamalai Jayaraj:** What is the progress on supplies to Monarch, as Monarch have also given the guidance of 1000 tractors to be produced in 2023?

**VST Management:** So, the supplies to Monarch are happening smoothly and we should be able to meet the guidance that Monarch has given.

**Annamalai Jayaraj:** Can you please share your thoughts on exports? Do you expect the same to improve in 2H FY'24?

**VST Management:** Yes, we will continue to grow in exports last financial year despite the Ukraine war we were able to grow the international business. This year we are expecting to accelerate the growth of our international business. And we expect to consolidate in Europe as well as enter new markets where we were not present in Europe and in markets like Mexico.

**Annamalai Jayaraj:** You have recently highlighted on 20% growth for the tractors in FY'24, peers on the other hand are highlighting a single digit growth. What makes us so aggressive on this target?

**VST Management:** 15% to 20% is what we have spoken for the tiller business and 10% to 15% is what we have spoken on the tractor business. One thing that differentiates us is that we don't build channel inventory, so we purely focus on retail. And we expect the retail growth to minimum be at about 10% this year compared to last year. So, we don't have any channel inventory that we have to worry about so it will all be driven by retails. So, this retail is expected because of the favorable demand drivers and also because of the product launches that we are doing in this quarter as well as in the next quarter.

**Annamalai Jayaraj:** What is the internal margin target for FY'27? And what are the drivers for the same?

**VST Management:** FY'27, we don't have a margin guidance yet for FY'27.

- Annamalai Jayaraj:** But generally, what will be the drivers for the margin in the future?
- VST Management:** So, margin in the future will be driven by the competitive advantage that we will have in the market, based on innovation of products that we are doing, based on the pull the brand can create for itself, but these are all theoretical answers that I am giving, but I don't have a guidance for FY'27 yet.
- Annamalai Jayaraj:** Next in the queue is Mukesh Saraf, you can unmute your line and ask questions.
- Mukesh Saraf:** So, on the tractor business like you had mentioned that you are having product launches coming in, so if you could give some more details on what HP category we will be launching now? And what will be the pricing that we are looking at for these products? And probably which states are we going to start off first with?
- VST Management:** So, the first range of launches that we are doing for the VST 9 Series tractors will happen on August 9<sup>th</sup>, which is only few days from now. This will be in the compact range starting from 18 HP, going all the way up to 39 HP. So, it will be a new series of compact tractors which has been our forte in the tractor business. So, we will be launching a full range of compact tractors. It will be followed by the VST-Zetor launches that will happen in September.
- Mukesh Saraf:** So, I was wanting to check on the Zetor side of it, if you could give some more color on what HP are we starting off with and which state are we going to be supplying first in?
- VST Management:** So, we are looking at 42 HP, 45 HP and 49 HP to begin with the VST-Zetor which will be followed by future launches with various drive options. This will begin in Maharashtra and it will also be foraying into the northern markets.
- Mukesh Saraf:** And should we also assume that we will immediately also start exports of Zetor branded products for global Zetor requirements?
- Nitin Agrawal:** That will take some time with the launch of the various drive options like four-wheel drive, we are expecting the exports to increase. However, we have already started supplying our compact tractors to be sold through the Zetor channel in Europe and the rest of the world.
- Mukesh Saraf:** Any timelines on this the new launch the 42 HP, 45 HP, 49 HP any timelines for that exports, so will it be next year or say even further down maybe not even next year?
- VST Management:** No, it will be definitely next year.
- Mukesh Saraf:** And secondly on the tiller side of it, last few, I mean last year or so we have been mentioning about how we are now selling a lot of tillers without the subsidy angle and farmers are willing

to buy it. So, any more color there on what proportion of sales now we are selling without a subsidy, any improvement there at all?

**VST Management:** Yes I will repeat what I had said before that every single farmer applies for subsidy, but they do not wait for subsidy for their buying decision. So, if you see it that way almost 90% of the market has shifted to not waiting for subsidy to come to buy. So, definitely that shift has happened. That is why you are seeing the figures even in the month of July with the rainfall coming in, we could register more than 30% growth.

**Mukesh Saraf:** And on that the Pubert tie-up that we had any updates there on how that is going to kind of develop?

**VST Management:** So, the power weeder business is definitely growing so like I have said before this year we should see again doubling of that business from the previous year's numbers. And we will be manufacturing power weeders, by next year we should be able to launch power weeders which are manufactured from VST.

**Annamalai Jayaraj:** I will read some questions from the chat box. When it comes to technology, how are we placed, is there any area that we think we need a partner? What are the plans for the same?

**VST Management:** When we look at technology there are two areas that we are looking at, immediately. One is the area of emission norms which is moving in the coming years to Stage-V so there is no definitive declaration from the government in terms of when exactly it will happen. But we are definitely ready for that up to 27 HP our tractors are already Stage-V compliant. And upwards of 27 HP we are already getting our 30 HP tractor compliant for Stage-V which will be sold in Europe very soon.

Then we have the higher range tractors which is the 42 HP, 45 HP, 49 HP tractors we would be launching. And we will be ready well in time for Stage-V norms for that engine because we had already started that base design of those engines keeping in mind that Stage-V will have to be implemented. That is one techno shift that is happening and we are very much ready for that.

The second one is the shift to electric, like I have briefed before, we are already in the forefront of it, we are already supplying to the world's first electric autonomous tractor company in the U.S. We supplied a drivetrain to them. And we are also working with another manufacturer for developing of electric tractors who is placed outside India. I will not be able to mention the name now, because the deal is still a work in progress. So, that is definitely happening.

And we are also exhibiting our first electric tractor in Hanover, Germany which will be the AGRITECHNICA Exhibition that happens in Hanover in November. So, VST is fully ready in terms of electric tractors and electric technology in farm mechanization. So, these are the two shifts that we expect to see in the coming future and we are fully ready for that.



**Annamalai Jayaraj:** Thank you. Next call will be from Arjun Khanna, you can unmute and ask your question, Arjun Khanna

**Arjun Khanna:** A few questions from my side, first just on the power weeder side of it, I did hear where you mentioned that potentially we could double for this year. But in the first quarter we are actually down. So, is there A) any seasonality to this business and B) anything that impacted us for this quarter?

**VST Management:** Power weeders and power tillers are a bit down in the first quarter of the month primarily due to delayed monsoon and the rainfall definitely did not happen. And definitely from July onwards these numbers have picked up. We expect to double the business of power weeders that we did last year, which was close to 3000 numbers, we should be able to cross those numbers this year and grow much faster. And the power tiller business also has seen growth in the month of July we expect that to continue unless and otherwise there is something very detrimental like total stoppage of rainfall, which we do not expect to happen.

**Arjun Khanna:** And what is the capacity of the power weeders that we are developing for next year?

**VST Management:** So, we can go up to 6000 power weeders that is what we are looking at right now. But we should be able to double that volume if required, because it's about building capacity through our suppliers which means it's basically tooling that we will have to look at, so which can be done in a very short time.

**Arjun Khanna:** But we would start with 6000 capacity for power weeders?

**Nitin Agrawal:** Correct.

**Arjun Khanna:** The second question is in terms of Zetor, we were expecting it to come probably in the first half of FY'23. Has there been a delay the fact that you are saying it will come in first half of FY'24, it seems to be coming now in second half of FY'24, is there a delay?

**VST Management:** No, we are launching in September so yes there has been a month's delay we were expecting to do it in August, but it has moved to September. So, the launch will happen definitely in the first half itself. The volume ramp up will happen in the second half.

**Arjun Khanna:** And in terms of Monarch when we supply them kits, do we accrue it as a volume for tractor or it comes in our spare parts business or the distribution piece, where do you accrue the revenues?

**VST Management:** The previous gentlemen who asked me about capacity utilization, so this entire drivetrain is assembled in our Hosur tractor facility.

**Arjun Khanna:** Right, just in terms of communication on a monthly update so when we supply a kit to Monarch where we are potentially supplying maybe 1000 units in a period of time. Would it be accrued as tractor or is it just we don't include it in the monthly business declaration?

- VST Management:** We are not including it in the monthly business declaration.
- Annamalai Jayaraj:** Thanks Arjun. Our next will be Marshal, you can unmute and ask your question.
- Marshal:** My first question is there like I remember there in sometime last time you mentioned that this geographical coverage within India. So, are we now fully covered within India or like still we have to, some states we have to cover or maybe some like deep district or like the village level we have to cover?
- VST Management:** We have a long way to cover the gaps in our coverage especially in the northern part of the country. So, with the launch of Zetor, we expect to go ahead and appoint many more dealers in the northern part of the country. In the small farm mechanization segment also, we are at about 680 dealers right now. We should be able to increase that in the northern market. So, in the next two years we expect to be more than 1000 dealerships in small farm mechanization which is the power tiller, power weeder business. And in the tractor business we will be more than 500 to 600 dealers in the next one year or so.
- Marshal:** So, like what is the target for this year for the small farm equipment?
- VST Management:** We should be close to 750 to 800 dealers this year in the small farm mechanization. And in the tractor we should be close to about 450 to 500 dealers.
- Marshal:** Within this year and like by next year means by FY'25?
- VST Management:** Close to 600 dealers.
- Marshal:** And like currently how much we have?
- VST Management:** 370 odd.
- Marshal:** And I missed this first, your explanation regarding CAPEX utilization, so what is our capacity for the tiller and the tractor? And how much we are currently --?
- VST Management:** Currently our installed capacity for tillers is about 60,000 units, for which we will be last year we did close to 40,000 manufacturing. This year we will be very close to our installed capacity. And in the tractor business we are at about 30,000 tractors installed capacity. But this will include our work with Zetor, this will include our work with the supplies to electric manufacturers. This will also include our higher HP entry. So, all these put together we should be able to in the next two to three years close the utilization gap in tractor as well.
- Marshal:** And current year, how much is the target for the tractor?

- VST Management:** We don't give out target numbers, but definitely we are looking at 10% to 15% growth in the tractor business.
- Marshal:** And like you mentioned about power tiller, you mentioned to cover the entire capacity or what, this year?
- VST Management:** Not this year we should be getting close to that. We are looking at tractors 10% to 15% growth and tillers 15% to 20% growth.
- Marshal:** Because tiller like in the last four months we did 14,146 so if I extrapolate this, this comes around 43,500 capacity 60,000 so this is almost 70% we are utilizing so how much you aim 90% to 95%?
- VST Management:** Yes we are working on it, I can't give you a specific number at the moment.
- Marshal:** And regarding this Monarch means what is the target for the Monarch to supply this year?
- VST Management:** The Monarch I believe has given a guidance which I have not seen it, but I believe they have given a guidance of 1000. So, we definitely will be meeting the requirement that Monarch raises with us.
- Marshal:** That means 1000 this year?
- VST Management:** Yes.
- Marshal:** And you mention implements, that's the very good thing and I again congratulate that you are adding new verticals to grow the turnover of the company and to grow the business that's very good. So, in this line like what is the target like how much we have done for the implements last year and how much turnover we are targeting for the farm implement for this year?
- VST Management:** You see in the last few years; it is not very significant it is close to around Rs. 4 crore to Rs. 5 crore only. But in the next five years we want to do a business of about Rs. 100 crore in implements. And we are very focused on precision implements, supplying to our international dealers and our dealer network to begin with.
- Marshal:** Since you have diversified it into different verticals so why don't we consider starting the business of distribution of pesticide also, because it goes hand to hand the way for example cement companies are now diversifying in paint, because the same dealer is selling the cement can also sell the paint Grasim everybody is going into paint. So, what I am saying, since you have gone very deep in this farm supply maybe we can also add pesticide of some renowned brand or some other brand as a distribution?
- VST Management:** We will take your input and definitely study about it.

- Marshal:** We don't present any presentation, because I didn't find presentation in the VST announcement as well as in the website also.
- VST Management:** We had a very simple presentation today and we will post it on our website immediately.
- Marshal:** So, we can't see it before the conference?
- VST Management:** You want us to post it before the conference next time we will look into that.
- Marshal:** So, in that case we may be like knowing more and we will not ask many questions to you which are already available there.
- VST Management:** Definitely we will look into it.
- Marshal:** What is the lifecycle of this power tiller?
- VST Management:** It is definitely between 5 to 7 years, depending on usage. Depending on usage if it is rice, paddy growing area it will be slightly lesser. If it is pure horticulture application it will be 5 to 7 years. So, it depends on the application.
- Marshal:** So, are we recycling it or not?
- Nitin Agrawal:** Right now, we are not recycling it, but we are selling engines to the farmers who wants to repower their tillers.
- Marshal:** No that's okay, but what I am saying, suppose like since we are the market leader 70% say, very pleased to know about this one. So, what I am saying, since we are market leader and having this lion share so if we can also have this backward integration of just buying like for example their used tiller at a throw away price and then we just refurbished or maybe like a cannibalize the parts so and so which can also have some cost reduction.
- VST Management:** Definitely it's a good idea, we will study there.
- Marshal:** And like you have been always very kind to give reply in detail, and all the questions of the investors, analyst not limited to two question, so hats off to you, thank you so much.
- Annamalai Jayaraj:** Thanks Marshal. Next is Kush you can unmute and ask your question.
- Kush:** So, my first question is on CAPEX, what is our CAPEX plan for FY'24 and FY'25?
- VST Management:** FY'24 we have a CAPEX plan of about Rs. 50 crore. And in FY'25 also we will have in the similar line. And most of it will go into two areas, which is setting up our Global Tech Centre, which is a global R&D center that we are developing and also into product development.
- Kush:** And you don't have any CAPEX for tiller segment in the next two years?

- VST Management:** In the next two years no, but beyond that definitely yes.
- Kush:** And this global R&D center, when do you expect this to come in?
- VST Management:** By next year it will be ready.
- Kush:** And what would be our percentage of exports as a percentage of sales in FY'23 and Q1?
- VST Management:** So, FY'23 our exports in total was about 5% to 6%. I don't have the exact Q1 figure in terms of percentage.
- Kush:** Another question would be in terms of your Rs. 3,000 crore target. So, this is a very steep target considering the industry we are inside because being a monsoon dependent industry growing at a such a fast pace is always difficult. So, can you just help us more in detail of what would be the product mix in your mind say by FY'26? So, what can be the growth from export, farm equipment; tiller I think we have grown very decently over the last three years, but considering our past history, the growth generally tapers also. So, what kind of growth do you expect from each of the segments? Which will be the growth drivers or products mix or if any other details you can share for that?
- VST Management:** So, FY'22/ FY'23 as you see we have doubled the business from Rs. 500 odd crore to Rs. 1,000 plus crore. And this was considering we had in between two years of COVID where a lot of physical activity could not be done while the majority industry would not have dropped so much, but lot of physical activity could not be done. So, wherever growth projects were evinced and envisaged we could not get it executed, that is why there is a delay that's why I said 2025 might get delayed to 2026 in terms of achieving the Rs. 3,000 crore that is No 1.
- No 2 I have said before and I will reiterate, we are looking at six clear strategic directions, one is growing our small farm mechanization business and rapidly growing. And we expect that growth to continue in this for at least next five years; simple reason being 70% to 80% of farmers in India are small and marginal which is two to three acres, and only affordable mechanization they have is a power weeder or a power tiller so it will continue to grow. And it is very unlikely that it will taper off if conditions are normal. But if there is a drought or if there is no rain at all it's a very different situation. But otherwise for given normal situation I expect the growth to continue.
- No 3 Is growing our compact tractor business which I have reiterated before that we are looking at a global play with our compact tractors we are getting good success in Europe, which the business was about 500 to 600 tractors, we are over 1400, 1500 tractors last year. We expect the growth to continue. And so, the compact tractor business is as per our strategic direction.
- No4 Is capacity utilization of the Hosur plant using supplies to electric tractor companies, using it for our higher horsepower, using it for our international business, so that is definitely in progress. Building the rural distribution business, I have already spoke about.

No 5 We are looking at pumps business that has also started growing, we have digitized the entire business that is giving us results.

No 6 Then we are looking at the implements business that I spoke about. Then we are looking at technology innovations which is getting ready for Stage-V emission norms, getting ready for electric, getting ready for the opportunities that will come up in terms of technology with our Global Tech Centre.

So, all of these six strategies that I spoke about are what will drive the growth. And what we have seen in the last three years is it is yielding result.

**Kush:** And with respect to our Zetor launch so you mentioned it got delayed by one month or so, are we on track to maintain our volume guidance which was earlier I think around 1500 to 2000 tractors, if I remember correctly, so do we maintain that?

**VST Management:** So, the first full year operation we will be able to meet our guidance, but if you look at the financial year, we might not be able to do that 1500 number, but if we take a 12-month period, we will definitely hit that 1500 numbers.

**Annamalai Jayaraj:** Thank you Kush. The next I have unmuted Devanshu; you can unmute and ask your question.

**Devanshu:** Just a clarification I wanted, you mentioned that we did around 3000 power weeders last year which you are looking to double in FY'24, right?

**VST Management:** Yes.

**Devanshu:** And the capacity you mentioned is how much that we can manufacture?

**VST Management:** We are setting up a capacity of 6000.

**Devanshu:** So, that will be 6000 total after the expansion or 6000 plus what we have right now?

**VST Management:** No the 6000 is a manufacturing capacity we will set up. We will also be looking at trading some models. So, going forward beyond next year we will be selling more than 6000.

**Devanshu:** And so when you say this tie-up with Pubert, is that for domestic only?

**VST Management:** Yes it is currently for domestic only.

**Devanshu:** And there have been chats in the past about possibly manufacturing for them in Europe, right so any developments on that yet?

**VST Management:** No conclusive development has happened but we are in talks with multiple players.

- Devanshu:** And secondly I have a question around your dealership for the higher horsepower, as you mentioned we plan to go little slow as compared to our original envisaged plan and we want to go on a cluster-based approach. I think if I am not mistaken you said the first state we are targeting is Rajasthan, right?
- VST Management:** We are starting Maharashtra, Rajasthan, Gujarat, Karnataka these are the first wave states that we will be looking at.
- Devanshu:** So, how many dealers have we appointed so far for the higher horse powers?
- VST Management:** So, the first launch will happen at 25 dealership, so we are not appointing separate dealers for this. We have currently about 380 dealers of our tractors we will be using the same channel. And in the north we will be appointing new dealers. Rajasthan we already have a network where we are launching first. And in the other markets we will launch phase by phase.
- Devanshu:** So, is this number much lower than what you had envisaged earlier, if I am not mistaken?
- VST Management:** No, there is no change in plans on the higher horsepower launch, eventually the higher horsepower will get launched in every dealership.
- Devanshu:** And just to clarify this, are we looking at also exporting this higher horsepower or it will be domestic focused initially?
- VST Management:** Initially it will be domestic focused with certain variants that we will be building in the future in terms of drives, two-wheel drive, four-wheel drive so we will be looking at those variants for exports internationally. So, we just, it should be happening within the next one year.
- Devanshu:** And just a final question, of course the cash build up that we have, we have been talking about this for a while and you always mention that the Board will take a decision now. But clearly from the cashflows that we do, if I take a normal cashflow we are generating healthy amount of cash which will keep accumulating. And if your CAPEX plans are Rs. 100 crore for the next two years, is there a concrete plan in terms of using this because it becomes the sizable number of your balance sheet now. So, is there any clarity of what can we expected about this cash usage?
- VST Management:** So, we are looking at strategic inorganic opportunities. So, we are evaluating a few opportunities that is coming our way, we will be definitely utilizing the cash in the next two to three years.
- Annamalai Jayaraj:** Thanks Devanshu. Next call will be Saket, you can unmute and ask your question, Saket Kapoor.
- Saket Kapoor:** Firstly if you could give the revenue breakup, I missed your earlier comment, the revenue breakup between power tiller, tractors, spares and the trading part?

- VST Management:** Yes the small farm mechanization revenue is Rs. 139 crore, Rs. 138.8 to be precise, tractors is Rs. 69 crore, the spare part business is about Rs. 26 crore.
- Saket Kapoor:** And for the farm businesses that we had, that trading, what is now the size?
- VST Management:** The business roughly is around Rs. 3 crore.
- Saket Kapoor:** And the other income component is it the treasury part only that gets accumulated here, Rs. 18 crore.
- VST Management:** Yes.
- Saket Kapoor:** We discussed earlier that it would be routed through the OCI route so when can we expect that to be a below the PBT line item? Is that feasible, under the other comprehensive income?
- VST Management:** I don't think that is feasible at the moment, yes.
- Saket Kapoor:** Because that gives a clear picture on how the operational numbers look like, because other income is now also a significant portion.
- VST Management:** But if you see it at the presentation that we are loading on our website, the operational income is very clearly given. And the operational EBITDA is separately given.
- Saket Kapoor:** Now coming to raw material basket and I missed your earlier commentary, last year we did Rs. 1,000 crore revenue and this year I think Quarter 1 has been a big quarter in terms of revenue also and definitely the profitability. So, taking into account what should be the likelihood trajectory if we are hitting 3000 revenue for FY'26, where should the ball stop for this year in the ballpark number?
- VST Management:** So, we are looking at 15% to 20% growth in our power tiller business and 10% to 15% growth in our tractor business. We also have other businesses which like I have said that we are supplying to other manufacturers and all of that. So, we are looking at exponential growth this year, last three years we grew at a CAGR of close to 20%. We should be able to exceed that percentage this year.
- Saket Kapoor:** And I think so about the Mysuru plant also, the precision one, you did mentioned, I missed your comment on the same, how is that aligning to our current setup --?
- VST Management:** Definitely the Mysuru business is supplying 5C components to our business currently. And especially during the COVID period it was a big advantage so it will continue to be within our system. We are also looking at growing the business externally using our Mysuru precision manufacturing factory, looking at supplying precision components to other players.
- Saket Kapoor:** What is the current dependence, what kind of intersegment sale or interplant sale is there from the revenue from this unit?



**VST Management:** So, we don't count as a revenue from this unit in declaring our revenue because in this internal stock transfer, but external sale that we do roughly is about Rs. 5 crore a year.

**Saket Kapoor:** And what is our target there, what should be anticipated, depending upon the capacity and also the market, what can we aim going ahead from Mysuru unit?

**VST Management:** So, in the next five years we should be upwards of Rs. 30 crore to Rs. 40 crore from Mysore.

**Saket Kapoor:** So, that is not a big potential, it will be more aligned to our internal requirements?

**VST Management:** Exactly.

**Saket Kapoor:** In your press release you mentioned about in the domestic market VST has launched 929 EGT models in this quarter. If you could elaborate what are the differentiation and you also mentioned about receiving good response so what will --?

**VST Management:** So, I will talk about it, August 9<sup>th</sup> we are launching the entire 9 Series, 929 is part of this 9 series that we are launching. So, 918, 922, 927, 929, 932, 939 and so these many models we are launching on the 9<sup>th</sup> of August. So, specifically talking about 929 Tractor, this is a fully ergonomically designed tractor which is very comfortable at the same time maintaining the very low turning radius of 2.1 meter, which is expected from a compact tractor so excellent hydraulics. It will also have an optional feature of electro hydraulics in this tractor. So, it comes with electrohydraulic which comes with extra space for the operator, at the same time maintaining the same turning radius. So, it makes it one of the most advanced compact tractors meant for grape farmers in this country.

So, similarly there are various models and we will be sharing more in the coming days. The launch is going to happen on the 9<sup>th</sup> of August. You are all welcome to kindly register to the launch, the link is mailed out to all of you. And I will also post it on my LinkedIn and on the VST webpage as well. You are all welcome to please attend the launch which is going to be the most advanced compact range of tractors that will be launched in this country.

**Saket Kapoor:** And what should be the horsepower range for this, it will vary from which range?

**VST Management:** 18 HP going all the way up to 35 HP, 35, 36 HP.

**Saket Kapoor:** And two more points, firstly in the change in inventory part, with the inventory built up for this quarter. If you could explain how is this going to liquidate and what is the reason for inventory built up here? And how are the raw materials baskets behaving and what kind of price changes have we done for the first quarter and are anticipated going ahead?

**VST Management:** So, the commodity prices have cool down and there definitely has been an advantage in terms of the cost coming down in the first quarter. And I think it will continue in the second quarter as

well. If we look at the inventory buildup, we have used the supply chain methodology of Theory of Constraints to control our inventory and as well as our supply chain.

The last few years we had lost sale during the June/July peak season for our power tillers which we didn't want to repeat. So, we increased the norms of inventory for June and July and the norms are controlled as I said through TOC methodology which will be reduced and automatically the inventory comes down.

**Saket Kapoor:** So, the demand is anticipated whatever you have anticipated in the demand that is happening for the month of July, I think so numbers are there for the volume numbers?

**VST Management:** Yes you saw the numbers of July, we have grown almost 30% in the month of July.

**Saket Kapoor:** But June versus July what was the percentage gain, month on month?

**VST Management:** I don't have mathematics right now, but definitely we have gained very well from June to July.

**Saket Kapoor:** And last very small point, also this medium of Webex is a good to communicate, but in many cases our bandwidth does not support the connectivity. So, if the teleconferencing is continued I think so that provides us greater connectivity and the call-drops are also lower, so kindly --

**VST Management:** So, this time we actually tried to better ourselves by giving a presentation in the beginning, although a very simple one. So, the idea was to make the presentation available, because most of you demanded it earlier. So, we wanted to meet that expectation. And this presentation also will be loaded on the website.

**Saket Kapoor:** No, I was looking for --

**VST Management:** I got your point but do you want us to go back to telecall because most of you wanted us to do the presentation.

**Saket Kapoor:** Presentation, if you upload before the con-call as our earlier participant mentioned, it delivers more merits so that we can go through the same. And that is made available to --

**VST Management:** So, we will look into it.

**Saket Kapoor:** Put it on stock exchanges along with your results.

**VST Management:** We will look into it.

**Saket Kapoor:** So, Q-on-Q also we can look forward for the growth momentum to continue, if we don't have any seasonality impact for the second quarter?

**VST Management:** See things will be normal, we should be able to grow, but all of us know that there is talk about El Niño rainfall, I mean the business depends of course on rainfall. So, these challenges are in front of us, but things being normal, definitely you will see a Q-on-Q growth.

**Saket Kapoor:** But the flood situation has been affected our line of business in any way, the floods have been across many parts of the country, especially I think the northern part we are not very well present there. So, how is that --

**VST Management:** So, it has not affected us much, only little bit in Gujarat it has affected us.

**Annamalai Jayaraj:** Thanks Saket. Due to time constraint that was the last call. On behalf of B&K Securities, we thank all the participants for joining the call. And thanks to VST Tillers Management for taking time out for the call and giving us the opportunity to host the call. Have a good day.

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