



VSTL/SE/2024-25

February 18, 2025

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The Manager Listing,
BSE Ltd.
Floor 25, P.J. Towers,
Dalal Street,
MUMBAI – 400 001

Dear Sir/Madam,

Sub: Disclosure of Transcript of the Investor’s Con-call under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.

In pursuance of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, please find attached herewith, the Transcript of the Investor’s Con-call with investors/analysts held on February 11, 2025.

We request you take this on record.

Thank you,
Yours truly,
for V.S.T. Tillers Tractors Ltd,

Chinmaya Khatua
Company Secretary & Compliance Officer
M. No. A21759



V.S.T. TILLERS TRACTORS LIMITED CIN-L34101KA1967PLC001706

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“V.S.T. Tillers Tractors Limited
Q3 FY25 Post Results Conference Call”

February 11, 2025



**MANAGEMENT: MR. ANTONY CHERUKARA– CHIEF EXECUTIVE
OFFICER – V.S.T. TILLERS TRACTORS LIMITED
MR. NITIN AGRAWAL – CHIEF FINANCIAL OFFICER –
V.S.T. TILLERS TRACTORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to V.S.T. Tillers Tractors Limited 3Q FY '25 Post Results Conference Call, hosted by B&K Securities. From V.S.T. Tillers Tractors Limited management, we have with us today, 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 presentation and the opening remarks.

Also, may I remind you of the safe harbour. 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.

Antony Cherukara: Yes, good morning, everyone. Thank you for being here to attend the Q3 FY '25 Earnings Call. I would request our CFO, Mr. Nitin Agrawal, to take you through the financial results, after which we will have a question/answer session, and we will be here to answer all of that.

Nitin Agrawal: Good morning, everyone. Nitin Agarwal here, Chief Financial Officer. I will take you through the financial result for the quarter and also the nine months performance. Some key highlights of the quarter. Then, I will touch upon the sales volume, both for the quarter and nine month.. And we also have some analysis on the PAT because this quarter we have mark-to-market gain and losses both in the previous period. So, analysis around that and then we will open up for questions and answers.

So, some of the highlights for the quarter. This quarter has been exceptionally very good for us. We have achieved 29% growth in revenue compared to the same period same quarter in last year. Also, the operational EBITDA is also very good. There is a jump of around 105% to INR19.55 crores from INR9.53 crores of the previous quarter. Also, despite the challenges faced in quarter 1 because of monsoon, lower reservoir level, also the general election, the company has recovered in quarter 2 and quarter 3.

Moving on to the sales volume. So, for the current quarter, power tiller there has been growth of 32% from 5,060 numbers in Q3 of last year. We are 6,694 numbers in Q3 FY25. Tractors, 43% growth in current quarter. On nine-month basis, there is a 2% growth. Power weeder good growth of 69% and also on nine-month basis we have crossed the 5,000 number of weeder mark.

Moving on to the income statement for the quarter. There are three broad blocks. One is revenue, operational EBITDA and PAT. Revenue, there is a growth of 29% from INR169.96 crores to INR219.1 crores. while calculating operational EBITDA, we exclude all other income as well as the fair value gain or losses and that's how we have been calculating our operational EBITDA quarter-on- quarter and reporting. So, there is an increase from INR9.53 crores to INR19.55 crores.

At a PAT level, however, from INR16.95 crores of Q3 FY '24, we are at INR1.7 crores in Q3 FY25. This is mainly because of the mark-to-market loss in the current quarter of INR11.04 crores. In the last period, there was a gain of INR15 crores. So, I'll come back to this in the analysis, what happens if we exclude from both period.

On a 9 monthly basis, these slides talk about the performance for 9 months overall. So, on our revenue, we are at INR693.12 crores for 9 months year-to-date. At an operational EBITDA level, INR84.36 crores versus INR70.73 crores because of the some of the strategic investment in the manpower, I would say to fuel the future growth, which we may be covering in the Q&A session.

Also at a PAT level, we are at INR69.49 crores PAT. Again, here also, there's a mark-to-market impact. On a YTD basis in the current year, it is INR28.54 crores, which was INR41.15 crores in the last year same period. Moving on to the next slide, the PAT analysis, which I just referred a few minutes back. So, if we exclude the mark-to-market impact on our PAT, both for quarter as well as 9 months this is how it looks like. We can now open up for questions and answers.

Moderator: Thank you sir. We will now begin the question-and-answer session. First question is from Mr. Arjun Khanna. Please unmute and ask your question.

Arjun Khanna: Sir, the first question is just in terms of our volumes. So just wanted to understand how do we see the fourth quarter. If we looked at the volumes in the month of Jan, numbers were down both in tractors and tillers. Generally, fourth quarter is a strong quarter for us and combined with the fact that with a good monsoon, we were expecting growth to come in.

If we look at industry data, tractors are back to growth, but we continue to decline in spite of new launches. So, if you could give some colour on this aspect, sir?

Antony Cherukara: As you see on a 9-month basis, we have grown in tractors as well, although in single-digit. We expect to be on the growth path in tractors while we close this year. We expect February and March to be very strong. January, we found issues on cash flow. Orders are there. However, the cash flow did not happen. And hence, we did not do the billing. We expect those orders to materialize in February and March. So, you can expect a strong quarter of Q4.

Arjun Khanna: And on the tiller side, sir?

Antony Cherukara: Both tillers and tractors.

Arjun Khanna: Sure.

Antony Cherukara: As I said earlier, on the tiller side, I was expecting 10% to 15%, but I would say higher single digit will be the growth when we close this year. And on tractor, we should be in the 10% to 15% range while we close this year.

Arjun Khanna: Sure. Thank you. That's good to hear. Sir on the second question, we have launched the Zetor range. Could you give us some update how is the market acceptance? I know it's early days. If you could just run us through in terms of dealers, etcetera, how we are scaling up on that front?

Antony Cherukara: Yes. We are currently in the launch and build up phase for VST Zetor Tractors. Quarter-on-quarter, the number has been continuously going up. Very happy to say that last quarter, we sold more than 100 tractors in various markets. These are all seeding tractors. So, as we get into each market as you know we have to go through the RTO registration process, the financial tie-ups that we need to do, establishment of the dealers. So, this is happening.

And we expect to grow considerably this year as close to our plans of the VST Zetor Tractors should be achieved this year. And we should be able to grow exponentially in the coming financial year as well. So, this is a very large industry in the 40 to 50 HP segment is 500,000. And our initial first 2 years numbers are in the tune of 1500, 1,000. So, we should be able to do that.

Also, we will be launching range of tractors going forward in the higher HP 40 to 50. So, from VST Zetor brand, we are expecting to launch another range of tractors in the coming quarters. In the Q1 and Q2 quarters, we'll be launching this range. That also should give us the volume. And as I said, we are keeping the numbers low at this point. We are getting the market corrected. This is a very competitively intensive segment. We realize that and we will build it slowly and steadily.

Arjun Khanna: Sir, just to close out this and I'll come back for questions later. So, you mentioned roughly 1,500 is the milestone for Zetor for FY '26. Did I hear that correctly, sir?

Antony Cherukara: Correct.

Arjun Khanna: And in terms of our base business, on the tractor side, could you talk about exports and the impact of tariffs do you potentially see, because we are looking at US in a big way?

Antony Cherukara: Yes. So, US has become completely unpredictable at this point in time. So, at this point, there is no tariff. We are not expecting tariffs to come soon our way,. But there is something on the commodity side that was spoken about two days back. All of us know that, on steel and aluminium and stuff. So yes, it is a totally unpredictable situation right now.

So, our product development plans are going full speed, but our operational strategy will have to be aligned to the situation at that point in time. Hence, we are not committing any investment in terms of infrastructure or manpower at this point in time in the US market. The original plan was to do that in FY '26. But for us, it is a wait and watch. So, we are getting the products ready. We will keep watching.

We have registered our company but the investment in terms of infrastructure and in terms of other fixed expenses, we will hold on as long as required so that we launch at the appropriate time and the company doesn't have any kind of cash loss given the situation is unpredictable.

Arjun Khanna: So, in 9 months, you wouldn't have exported much to the US apart from our chassis business?

Antony Cherukara: US we have not exported. We are in the process of complete product development. There are three platforms that are being readied for the global market, which will also include the US market. So, we might launch those global platforms sometime in next financial year to begin with Europe. The plan was to launch both in US and Europe, but we will begin with Europe. But if the conditions are more predictable, we will go ahead with the US plan as well.

Arjun Khanna: Sure. Thank you and wishing you all the best. I will get back in the queue.

Moderator: Thanks Arjun. Next question is from Mr. Khush Nashat.

- Khush Nashat:** Thank you for the opportunity. Sir, first question was could you tell us how much Zetor Tractors have you sold in the first 9 months and what is the guidance?
- Antony Cherukara:** Yes, we are not giving out that number, as I've said in the previous call also, for competitive reasons. It is very early days for us. And probably once we build a certain volume in certain markets and build up the dealership infrastructure, we will be in a more comfortable situation to give out those numbers. But I can say that it is going as per plan.
- Khush Nashat:** Sir, so just related question. So, could you elaborate then on what's our right to win? Like, why customers are choosing our tractors over others in terms of the Zetor Tractor range?
- Antony Cherukara:** Zetor Tractors always been known for ruggedness, power and durability. And we have built the platforms on the same parameters while keeping all the premium offerings, which would be expected from a premium tractor.
- Khush Nashat:** And could you also tell us the Monarch range revenue for 9 months and your guidance on that?
- Antony Cherukara:** Yes. So, we don't give any guidance on the Monarch revenue or supply, because we are bound by the non-disclosure agreement with Monarch. That is where it stands. But again, I can only say this, there is unpredictable situations in the US market as Monarch also depends on imports from India, China and Mexico. So, there is some unpredictable situation currently in the US market with regards to Monarch.
- Khush Nashat:** And just one clarification I wanted. Do we include the Zetor numbers in our monthly updates that you give?
- Antony Cherukara:** Cumulative numbers are given, but we don't separately give out VST Zetor. But let me assure you, like I said earlier, couple of years from now, we'll start declaring VST Zetor separately. Given the competitive scenario we are in, we are not giving at this point in time.
- Khush Nashat:** And then just one last question, bookkeeping question. I think our employee expenses were up 24% in the quarter, while other expenses were a bit flat. So, any particular reason for that?
- Antony Cherukara:** No. the employee expenses cost has not gone up to 24%. I can tell you how the increase of employee expenses has happened. One is we have increased the hiring into R&D and supply chain management. This is for future projects that we are working on. That is one. There has also been a grant of ESOPs that we have done. So, these are the two reasons why the employee expenses have gone up.
- Khush Nashat:** And, sir, majorly other expense will be flattish due to the operating leverage or any particular reason?
- Antony Cherukara:** yes, you can say operating leverage.
- Khush Nashat:** All right, sir. Thank you.
- Moderator:** Next in the line will be Mr. Naushad of Birla. You can unmute and ask your line.

Naushad: A couple of questions, sir. Firstly, from a direct versus subsidy-led revenue mix, if you can share how much was in this quarter direct revenue?

Antony Cherukara: As I said earlier, we never split between direct and subsidy. But again, the subsidy dependency is continuously coming down. I would say this is a qualified statement because it depends on state to state. For example, in a state like Tamil Nadu or Karnataka, the government does not allow purchase and claim the subsidy later So hence, the farmers wait for the subsidy to be declared, but if you look at other states, for example, like Odisha or Maharashtra and some other states as well, there, they can purchase the power tillers and then claim the subsidy later. So, in those markets, the subsidy dependency has considerably come down. But if you look at in Tamil Nadu and Karnataka, for example, the subsidy leads to a spike in sales during those months.

Naushad: What was the financing net revenue share, sir?

Antony Cherukara: Retail finance has moved up to about 8% of total now. It used to be 4% a couple of years back.

Naushad: And what was this number last quarter?

Antony Cherukara: What was the retail finance number last quarter? It is around 7% to 8%.

Naushad: So, is it moving as per our expectation?

Antony Cherukara: Yes. For example, last year, we did only about 3% to 4% in retail finance. This year we are at about 7% to 8% and next year we expect to be at 15% to 20%.

Naushad: And what would lead to this exponential jump from 8% to 15% next year?

Antony Cherukara: We are doing several tie-ups. We have just concluded with a NBFC. We are also in talks with some nationalized banks for tie-ups exclusively for power tillers.

Naushad: This we have been doing from last couple of quarters, why it is taking so much time?

Antony Cherukara: So, it is a new product for them. Unlike the tractor, which is a registered product, the already existing product is a tractor, but they don't have the similarities in terms of power tiller, where the power tiller asset is not registered. So, the bankers have to create a completely new scheme for this category, and that is why it is taking time. And then they have to get their own boards approving it, and these are the reasons.

Naushad: And at what stage of approval they would be today. Because I'm sure we would have been working with them from very long?

Antony Cherukara: I'm hopeful this one or two should get closed this quarter, but like I said it's not in my hands, but we are following up continuously with them.

Naushad: And secondly on -- we were also working on some new category which you had, I think, earlier indicated?

Antony Cherukara: Yes, we are working on it. We are very soon to launch it. In the next two quarters, we should be able to launch that in the market.

Naushad: Anything on the inorganic side as well to speed up?

Antony Cherukara: At this point, we have a couple of prospects, but nothing concrete as yet.

Naushad: Are the weeder in-house manufacturing, which was expected to start, I think in...

Antony Cherukara: It has started. The seeding volume has gone out into the market. We will be ramping up in Q1FY26.

Naushad: So, plants and everything...

Antony Cherukara: We'll get good response for that.

Naushad: And from your side, plants and everything is stabilized, no teething issue, or all the problems would have been gone by this quarter, right?

Antony Cherukara: Absolutely. as CFO shared with you, we have grown in power weeder segment to 5,000 plus. Whole of last year, we had done 4,000 something. So, we have gone beyond last year already. We are expecting close to 100% growth in power weeders this year.

Naushad: And what do you expect in FY '26, sir?

Antony Cherukara: That growth will continue.

Naushad: And this quarter, the contribution from in-house manufacturing would be how much?

Antony Cherukara: This quarter will be very limited because it is seeding phase. Like I said, the ramp-up will happen in quarter 1 onwards.

Naushad: And how this will benefit to your P&L, sir?

Antony Cherukara: Two things. One is the average revenue per weeder is going up compared to earlier that we were selling, because it is a much feature rich product and versions which are higher in revenue is being launched. And the bottom line is also equal. So overall, it is accretive to the company.

Naushad: But shouldn't this be a problem, sir, if your average ASP of weeder goes up then we are again back to square one, the problem which we face in the tiller because ticket size is high, financing is the issue. If your weeder prices also goes up, we are again...

Antony Cherukara: No, not in that sense. From the offering. See, we are giving 8 horsepower, 9 horsepower weeders which competitive. We are not higher priced compared to competition in that segment.

Naushad: So, competition is not a problem, financial is the major problem, right?

Antony Cherukara: I'll give you a little bit of explanation. See, typically, 3 to 5 horsepower weeders come in the range of anywhere between INR30,000 to INR55,000 to the customer. We will continue to have

offerings in that segment. The India made weeders will be higher at 8 horsepower and 9 horsepower kind of weeders where the offering is much higher, and we didn't have a proper offering earlier in that segment, wherein the typical pricing is anywhere between INR60,000 to INR90,000.

- Naushad:** Okay. Any financing facility on weeder as well, sir?
- Antony Cherukara:** Yes. The same financials are willing to finance weeders as well.
- Naushad:** Okay. All the best for the future sir. I will come back in the queue.
- Moderator:** Thanks, Naushad. Mr. Arkav you can unmute and ask your question.
- Arkav:** Just wanted to give so in your one of a participant's question you said that you are expecting power tillers high single-digit growth, so that means Feb and March looks to be very high on growth, right?
- Antony Cherukara:** Feb and March, yes, we are looking at very high growth.
- Arkav:** And so, what was the issue you faced -- the one cash flow issue? So, can you elaborate there on more?
- Antony Cherukara:** Yes. So, the markets where in money was expected from the government has not come through. And February and March, before the financial year ending is done, that money will be spent by the respective governments. I specifically mentioned about Tamil Nadu, Karnataka, Assam, Orissa, these governments are all have launched schemes in February and March. So, we are expecting that to come through.
- Arkav:** So far 10 days, have you seen little uptick or something whatever, I am sure.
- Antony Cherukara:** Definitely.
- Arkav:** And in terms of the next 2 years, how is the growth looking like in whatever terms, quantitative, qualitative if you like to say? How is FY '26-'27 ramping up?
- Antony Cherukara:** So, we will continue to chase after our vision, which I said earlier that we lost 2 years due to COVID, and we will try and cover it by FY '27. So, we have not given up on that, and we are continuing to chase it while execution has been a challenge for us on various product categories, but things are falling into place.
- So next year, I would say we are looking at about 25% to 30% growth. And we should be able to scale up after that in FY '27 with the launch of US market, EU market and India also the new platforms being launched where we would get a considerable jump in revenue.
- Arkav:** And one question on the non-operational front. You said there was INR11 crores to M2M loss. So, can you quantify this, so where is this? So how much of our -- I believe around INR400 crores of cash is there on the balance sheet, so what is the breakup of the amount invested? So

how much is in direct equities or maybe in the bank or debt or whatever? Can you give a breakup?

Antony Cherukara: So right now, we will -- maybe we'll contact you later and give you the details. But there is some exposure to equity, that is what you see in the mark-to-market loss that we have experienced, which is to the tune of about INR11 crores for this quarter.

Arkav: Typically, how do you recognize it? Does this happen on a quarterly basis, half-yearly, how do you...

Antony Cherukara: Yes. as you know, it is a notional loss. It is not a cash loss. It is minus INR11 crores, a notional mark-to-market loss that we have taken. But it's not a cash loss, because as you know, it is not after a sale of a particular equity that we have realized the loss. So, it is notional.

Arkav: And so, what now -- the cash balance is increasing, so what is the thought process in terms of utilizing it, I mean, in terms of dividend payouts or buyback or maybe investing for the business? So how are we looking at that?

Antony Cherukara: Definitely, we are going to invest on business. Like I said, we are looking at in the next 2 years, we expect some inorganic opportunities also to materialize. So, we are keeping that reserve for growth, and you will see that happening in the next 2 years.

Arkav: And any thoughts also on the land parcel, which was also in pipeline?

Antony Cherukara: As I have said this before, land parcel is here and we will use it when we need to raise fund or raise cash or raise debt, we will use it appropriately. But at this point in time, there is no decision on that.

Arkav: So, in next couple of years, maybe an acquisition plus use of this land parcel and the cash on balance sheet, everything can take place?

Antony Cherukara: In the next 2 years, definitely, you can be sure of one inorganic opportunity that we'll try and close.

Arkav: Thanks a lot and wish you the best.

Moderator: Thanks. Next, Mr. Devanshu. Please unmute and ask your question.

Devanshu: So, I have three questions. One is on possibly looking at financing through the group itself. What are your thoughts? Is this something that has been discussed internally? Is that something that we're exploring?

Antony Cherukara: Yes, we have discussed about it, but we have decided to focus on the core, which is ensuring that we look at agri value chain for growth. So, we are continuing to do that. We see there is a lot of opportunities in the mechanization space itself. Organically, we have been investing quite a bit into new product development, our research capability, the global tech center. So, in the last 4 to 5 years, cumulatively, we have invested INR100 crores to INR150 crores on that.

In the next 5 years, we will continue to do that, probably upwards of what we have done so far. So organically, we are looking at it. In terms of getting into a non-core business, we have deliberated on that. And we have said, first, we need to exploit and explore tie-ups with both NBFCs and nationalized banks.

We are able to get result out of there. In certain cases, we have had to work with them on a certain delinquency fund to build the confidence in the new category, especially in the power tillers that they are coming into. So, we have worked on that, and we are seeing results. So, at this point in time, no intention of looking at floating in NBFC.

Devanshu: Sir, just a second part of this question. So does the V.S.T. Group also have a financing arm, which may be done for the other businesses that are there, that are part of the group or is that the case?

Antony Cherukara: Yes, V.S.T. does have a financing arm, but that is not a listed entity. They are more into passenger vehicle financing.

Devanshu: The tie-up with them is not something that we're exploring?

Antony Cherukara: They are in completely different segments. The business model is very different and very regionally focused.

Devanshu: Second question is on our team building efforts and investments into R&D and the team. So, on our journey of that, are we sort of done with the hiring and investments or that will continue over here in terms of the manpower side, especially?

Antony Cherukara: I would say R&D and SCM, we have built a team, which I would say there is no need to expand in the near term. And on the sales front, as we explore newer markets, especially in the northern market, we will continue to expand. But you will not see the same higher recruitment that we did this year because we had to actually expand our research and development capabilities.

So, we had to bring in experts which we did. And I'm very happy that we were able to get good engine experts, transmission expert, the best people who have headed in other much larger tractor companies, we have been able to bring them. And I think that will be in good stead for us for the future.

Devanshu: And last question, when it comes to our acquisitions that we're looking at, are we looking at something which will be from a brand side? Are we looking at something which will help us with better products, new products on the tech platforms or on the distribution side? So, what is the thought process over here when it comes to our M&A strategy?

Antony Cherukara: So clearly, in the new markets, we are looking at the distribution model as well because we don't intend to look at asset purchases outside of India. So that is definitely a no-no for us so we are more on the IP and the distribution side, the prospect we are looking at. And as far as the brand is concerned, if you look at it organically -- I mean, organically as in Indian market, we are not seeing any opportunity at this point in time in the power tiller or the tractor space, but we are looking at adjacencies in agriculture.

- Devanshu:** Sure, sir. Wishing you and the team all the very best.
- Moderator:** Thanks Devanshu. Mr. Naushad you can unmute and ask your question.
- Naushad:** Thanks for the follow up. Some clarification. 4Q '25, you're expecting it to be strong, strong as against current quarter or on a year-on-year basis, sir?
- Antony Cherukara:** Current quarter is pretty small, isn't it, comparatively. Quarter 4 is much higher. So, it is more on quarter-on-quarter compared of the previous year, which I don't have the exact figures of quarter 4 of last year. I think it is in the tune of about INR260 crores to INR270 crores, which we will be much above that this quarter.
- Naushad:** Secondly, just clarifying my understanding, sir, I was looking at the raw material prices, especially steel, I'm assuming would be one of the major raw material for us. And there has been a softness from last two, three quarters. Why it is not reflecting in our gross margin expansion, sir?
- Antony Cherukara:** On the material side, you're right, you would have seen a slight increase on the material cost. It's mainly because of the product mix change that has happened in tractors, wherein we have launched the new products. That has definitely influenced the material cost at this point. But I would say in the next two quarters, you will see it normalizing.
- Naushad:** No, my question was, the steel prices are in our favor. It is, I think, declining from last two, three quarters on a Y-o-Y basis, shouldn't this reflect on the gross margin?
- Antony Cherukara:** It will reflect.
- Naushad:** Okay. And can you touch upon the specific area or pocket where we are thinking of having inorganic?
- Antony Cherukara:** So, like I explained to the previous caller, two opportunities that we are looking at. One is internationally, we are looking at the brand and the network, not so much of any asset buy. And secondly, in India, we are looking at adjacencies in agriculture for growth, not necessarily in tractors and tillers.
- Naushad:** Okay. All right. Thank you so much.
- Moderator:** Thanks, Naushad. Arjun Khanna, you can unmute and ask your question.
- Arjun Khanna:** Sir, can you give us the revenues for tillers, tractors, small farm machinery and distribution for the quarter?
- Antony Cherukara:** For the quarter small farm machinery, it is INR124.99 crores, tractors it's INR64.23 crores. Distribution, it is about INR26.42 crores and others is about INR3.5 crores. So previous quarter FY '24, Q3 SFM was INR90.32 crores, tractor was INR50.86 crores, distribution was 22.05 crores. So, you have seen growth in all segments.
- Arjun Khanna:** I'm sorry, what did you say for distribution, sir?

- Antony Cherukara:** Distribution was INR22.05 crores, last year. So, in all segments, we have grown.
- Arjun Khanna:** Sir, just a query. I don't know, maybe seasonality has an issue here. If you look at power weeders, the market potentially can be very large. Yet we see sequentially volumes have fallen from second quarter to third quarter on power weeders. While you did mention for the year, we should possibly be double of the previous year. But is there seasonality in power weeders also like we see in tractors?
- Antony Cherukara:** There is a small fluctuation. What you rightly said in such numbers of 7,000, 8,000 that we are planning to do this year, I wouldn't say that seasonality would really matter. But there has been a little -- I don't know whether Q2, Q3 is -- the number is not large, definitely, but you will see 100% growth almost in this financial year. Because what you rightly said, the size of the industry is pretty large, although unorganized, but it's pretty large, and we expect that to continue to grow exponentially.
- Arjun Khanna:** The next question is in terms of exports to Europe, given Europe is seeing a sort of slowdown. So how has it been for 9 months of FY '25 in terms of our export volumes? And what is the outlook going forward?
- Antony Cherukara:** Yes. This year is going to be flat flattish. We might see a very small single-digit growth, but I would say it would be flattish. The economic turmoil continues in Europe. So, we expect growth next year because we are launching new platforms.
- Arjun Khanna:** And lastly, in terms of our portfolio per se in terms of our investment book, like you mentioned, if we look at as of March 31, 2024, balance sheet, it's almost INR480-odd crores, but that includes certain investments in our entities such as Zetor, the engine entity, etcetera.
- So, in terms of the book, is there a thought process that incrementally decrease our equity exposure and increase more in fixed income or we are okay with the volatility that investment in equity brings with it?
- Antony Cherukara:** See, the last 3 years, it has been a continuous climb, and things have kind of reversed in the last one or two quarters. Definitely, there will be actions taken to minimize volatility on equity investments as well.
- Arjun Khanna:** And if we look at the size of the book itself, it continues to grow because the company has very strong cash flow generation. So, in terms of dividend distribution, is there a thought process that above a certain amount maybe it doesn't make sense to hold it? I know you talked of M&A going forward. But in terms of the size of the M&A, are we looking at a very large ticket?
- Antony Cherukara:** No, we are not looking at a very large ticket, but definitely, we are looking at the right opportunity. We won't be saying no to a very good opportunity even if the size is not something we are absolutely comfortable with. But then I think the opportunity is what is more significant.
- Today, I think we have a bandwidth to manage that compared to, let's say, 4 years or 3 years back. Today, we have built the leadership team, we have the bandwidth. So, we should be looking at ticket sizes, which are in the tune of INR150 crores to INR200 crores typically. But

if there is something which is a good opportunity and we have to take it up to something like INR400 crores or INR450 crores, we will not be saying no to that.

Arjun Khanna: So essentially, we are not looking at leveraging the balance sheet per se?

Antony Cherukara: Not -- yes, you can say that.

Arjun Khanna: Sure. Thank you and wishing you all the best.

Moderator: Thanks Arjun. Mr. Romil Jain, you can unmute and ask your question.

Romil Jain: Sir, one question was, I think, about a year back, we had outlined a vision in FY '26 and '27. So just want to understand where do we stand to reach that vision and whether exports as well as acquisitions would be an integral part of achieving this?

Antony Cherukara: Exports, definitely, is a part of achieving it. Acquisition, we have not considered in our original plan. But as I said earlier, we lost 2 years to COVID, so we will need that 2 extra years. We expect we will chase it down, okay. Plus, or minus 1 year might happen, but definitely, we are chasing it down.

That is why the projects of various platforms, getting into new category products, getting into markets, both in Scandinavia, in Africa and US as a major project has been launched. So, all of these projects will help us to get to that number that we have planned. So definitely, we are chasing that down.

There will be ups and downs because of unpredictability. For example, the current scenario in U.S. is unclear to us. So, we might delay putting in any fixed expense or any infrastructure into the US market simply because we don't have to have a cash loss on our books. So, we don't want to do that. So, we'll hold on. But all the preparation on the ground is happening to chase down that vision and entry into these markets.

Romil Jain: Just in terms of headwinds, so apart from the domestic competition, what kind of headwinds do we see in each part of the business that we are into? And any major risk arising from that?

Antony Cherukara: Yes. So, I will go segment-by-segment. Like if you look at our small farm machines, competitive headwinds are low, but regulatory headwinds are high. In the sense, I told you about how subsidy influences in various states. So, we are trying to beat that through retail financing, by lowering cost of some of our tiller offerings. That is also working. So, we are able to climb and we are at about 72% market share.

We also supply to various OEMs in the power tiller space. So, if you consider that, as a manufacturing market share, we are almost at 80% plus. So that is the situation on the SFM. So, it is all about creating industry. And what we believe in that segment, the power weeder segment, will grow and hence, we have started making in "Make in India" as well.

So, right now, we are the only player with 100% Make in India power weeder products. We will see the ramp-up happening next year onwards. We see that as a main growth driver going forward as well, number one. Number two, if you go to the tractor segment, the competitive

scenario is different in both the segments that we are operating. Earlier, we used to operate in only the Compact Tractor segment.

The compact 4-wheel drive typical industry is only 40,000 to 50,000 nos, while the tractor industry is 10 lakhs. The 40,000 to 50,000 4-wheel drive compact tractor industry is something that we were existing in, and we were not able to grow in it because the industry itself was not growing. And that is why we decided to move into the higher HP segment, which is the 40 to 50 HP.

Here in the competitive scenario is pretty intensive. So, that is why we did the JV. We wanted to go with a player who is already in the big tractor space, which is Zetor and known as a brand in the big tractor space. So, we are working on that JV. New offerings are coming. It is going as per plan. So, in the next 4 to 5 years, we feel a large chunk of our revenues will come from that. That is on the tractor segment.

Now if I talk about the international business, international, we have consolidated in Europe. We are expanding further in Europe to Scandinavian countries. There the competition is in the given positioning, it is between Indian players. Now all the Indian players are aiming to move up the value chain and compete with the Japanese tractors on offer in the market.

That is also the same case with us. So that is why we are launching the new platforms, A, B and C that we will be launching in Europe and the US market. So those products will be equal or better than some of the offerings from the Japanese manufacturers. That is on the international market per se.

And of course, US, is when we launch, we will have those new platforms, which is as good as any other offering in the market. And the interesting aspect is the compact tractor in the U.S. is 200,000 against 50,000, which is in India. So, we expect to make a good headway in the U.S. market. However, we are not in a hurry. We know it's a very complex market. So, we will go state by state.

We have identified 6 states in the U.S., 6 states that we will operate in. We will consolidate in the 6 states and then further spread to 15 states in Phase 2 and then only cover the entire U.S. market over a period of 6 to 7 years. So, it is going to be a long haul for us in the U.S. market, but we expect to tap into those markets very soon.

Then there is the distribution business. Like I've said, in distribution, the whole concept is about using our rural infrastructure of distributors and retailers we have to get products into the rural market. Rural markets are for the first time, experiencing availability of electricity. And the demand for consumer goods durables are growing. For example, electric pump industry is growing, fans, coolers, these kind of segments are growing very fast in the rural India.

And with our digital rural distribution reach that we have built, we are seeing signs of growth, and we will expect that business also to grow in the next 4 to 5 years to a sizable business. Today, it's at around INR100 crores to INR120 crores, which used to be 3 years back only at about INR40 crores. So today it's at about INR100 crores, and we expect that to grow exponentially as well with the new business model that we have created.

So, every segment is a different scenario. We have built the businesses as verticals now. Every vertical has a profit center head who has been brought in from the respective industries with considerable experience in operating in those industries. And yes, that is the overall scenario, I would put it that way.

Romil Jain: Thanks for the elaborate answer. Just a clarification, I think last quarter as well, you mentioned that broadly the tractor and the tillers should grow between, I think 15% to 20%, right, in terms of volumes?

Antony Cherukara: Yes. What I had said was 15% to 20% for tractors and 10% to 15% for tillers. I expect by the end of this year, tractors, we should be around 10% to 15% and tillers, we will be in the higher single-digit.

Romil Jain: And what about '26, the same guidance, if you can help us with?

Antony Cherukara: '26, see, the situation we are in today in FY '25, quarter 1 hit us badly because quarter 1, we lost due to elections and the monsoon. Monsoon, as in the reservoirs were not full, while the monsoon this year was good. But the previous hangover of poor monsoons was there in quarter 1. And that affected us in quarter 1. But quarter 2 was strong, quarter 3 was strong, and I expect quarter 4 also to be very good.

And I would say that the reservoirs and all the demand drivers are looking favorable for going into next financial year. So Q1 will be strong. And with all the launches that will happen in Q1, Q2, we expect that Q2, Q3 also will be strong for us. That is why I said that we are expecting that 20% to 25% growth to continue in next financial year also.

Romil Jain: And just lastly, a clarification on the earlier question, I think on the equity investments where we saw the M2M. What is the thought process there? I mean, can we slowly start shifting out of the equity book and go more on the debt funds, liquid funds where the volatility would not be there too much and probably, we don't see much bothering from the M2M part. Of course, I agree last 2 years have been good, and we have seen a positive impact. But of course, there are both sides to it. So just some thoughts on that?

Antony Cherukara: Yes. Just to clarify, I mean, I have the figures now. The earlier speaker also had asked me for what is the exposure to equity and liquid funds and stuff. So, equity, both mutual funds and stocks, the total exposure is roughly about INR80 crores to INR100 crores. Liquid funds, mutual funds are almost INR300 crores plus and other investments in JVs and Monarch, et cetera, are in the tune of about INR30 crores to INR35 crores. So, this is broadly it.

So, equity, as you see, is limited. But compared to the previous financial year and this particular quarter, comparing quarter-on-quarter, the loss was there. So, we will, I think, keep equities at a lower share of the total investments that we are doing.

Romil Jain: Okay, sir. Great. Thank you so much and wish you good luck.

Moderator: Thanks, Romil Jain. Naushad, I think you have follow-up question. You can unmute and ask your question.

- Naushad:** Just one, on our consolidated revenue size of INR1,000 crores, we are putting, I think, so much time, effort and energy on the international market. And does this mean the India market, India addressable market for us is mature and not offering much growth? How should we read this thing, sir?
- Antony Cherukara:** No, two aspects to international market. There is no defocus on India and more focus on international. That is not the impression I wanted to create. Definitely not. But what I'm trying to emphasize is, whatever platforms we are developing today is not only meant for India, but also the international market.
- So, the platform that we are developing for the U.S. market will be launched first in India, in Europe and in the US. So previously, we would have approached the product with the launch plan only for India. The shift that has happened is we will be launching globally. So, it is not a defocus on India. So, I hope I've clarified.
- Naushad:** And the guidance for '26, which we are giving, do you think international market would be the major support to that number?
- Antony Cherukara:** No, not at all. The Indian market, power tiller segment and all will continue to grow. The VST Zetor on the higher HP will continue to grow. The Compact Tractor segment is limited by the industry growth itself because it's a niche application area. So, we see the higher horsepower tractors continuing to grow.
- We are creating new category of products between power tiller and tractor, which I have announced earlier. That is specifically meant only for the Indian market, that will continue to grow. We are looking at the northern market where V.S.T. has never been present, which is U.P., M.P., Rajasthan. We have made considerable presence this year with about 64 dealers now. We will continue to grow that market. So, the India focus will continue.
- Naushad:** And what are the import duties on power tillers, sir?
- Antony Cherukara:** There is no import possible for power tillers.
- Naushad:** Okay. All right, sir. Thank you so much.
- Moderator:** Thanks, Naushad. Due to lack of time, we'll take the last question from Mr. Umesh. Please unmute and ask your question.
- Umesh:** How many dealers have you added in Q3? And how has been your experience in North India with regards to tractors?
- Antony Cherukara:** Yes. In Q3, in small farm machines, we have added 35 dealers and in tractors, we have added 26 dealers. We are in the initial phase of establishing these dealers in North India with the offerings of higher horsepower tractors. We have 8 to 10 dealers in U.P., around 8 to 10 dealers in Rajasthan and 8 to 10 dealers in Madhya Pradesh.

So, these are the initial set of dealers that we have started. And also in Bihar, also in Punjab, I think one dealer. So, we have a set of dealers. We are consolidating those set of dealers. We are establishing the product. The experience so far has been good.

Moderator: I think that was only his question, sir.

Antony Cherukara: Thank you so much, everyone, for being here and hearing us out and look forward to meeting you again in the next quarter. Thank you so much.

Moderator: On behalf of B&K Securities, we thank all the participants for joining the call and special thanks to V.S.T. management for taking time out for the call. Have a good day.

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