

VSTL/SE/2025-26

February 13, 2026

The General Manager – Listing,
National Stock Exchange of India Ltd.
Plot No. C/1, G Block,
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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 Investors / Analysts Con-call held on February 09, 2026.

We request you to take this on record.

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

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

Encl: a/a



“V.S.T. Tillers Tractors Limited
3Q FY '26 Post Results Conference Call”

February 09, 2026



MANAGEMENT: **MR. V.T. RAVINDRA – MANAGING DIRECTOR – V.S.T. TILLERS TRACTORS LIMITED**
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: **MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI SECURITIES INDIA PRIVATE LIMITED.**



Annamalai Jayaraj: Ladies and gentlemen, good day, and welcome to VST Tillers Tractors Limited 3Q FY '26 Post Results Conference Call hosted by B&K Securities.

From VST Tillers Tractors' Limited 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 resolution mode and there will be an opportunity to ask questions after the management presentation and opening remarks. Over to you, sir.

Antony Cherukara: Good morning, everyone, and happy to take you through the details of our performance for the last quarter and 9 months so far.

Kind of the Safe Harbor statement. Moving forward, I will be sharing with you the key highlights, sales volumes, financial performance and awards and recognition. Some of the details of the awards and recognition that we've received in the past 9 months and that last quarter.

Key highlights of our performance, we've had the highest ever turnover for 9 months, achieved INR912 crores against INR693 crores in the corresponding last year 9 months. Highest power tiller sales in 9 months, 55% growth over the last year 9 months. A 63% growth has been achieved power weeder sales as well at 8,399 weeders against last year of 5,142 numbers.

We have turned around the domestic tractor business with 18% growth. I'll share more about it in the coming slides. We've had improved cash generation of INR108 crores this year. And as I said, for the 9 months, we had the highest turnover. Also, for quarter 3, we have achieved INR314 crores vis-a-vis INR219 crores of previous year's quarter 3.

Moving on, coming to the 9 months sales volume, power tiller we've grown by 55.1%, 37,374 power tillers against 24,100 power tillers the previous year. Tractor domestic, 3,352 against 2,846 of the previous year with the 17.8% growth. Export has been down at 886 against previous year of 1,151 with a minus 23%. Power weeder 8,399 against 5,142 of last year. So it is registering continued high growth at 63.3%. Power Reaper 3,305 against 2,246 of last year with a 47.2% growth.

Moving on to the sales volume of quarter 3. Power tiller was at 12,545 against 6,775, of course, that was a lower base last year with the SPARSH issues causing cash flow problems in the SFM business.

Tractor domestic, again a 32% growth, has shown good growth. And like I said, some more details here. We are in the process of launching new products. In fact, in Q3, we had not yet launched all the new products, and also, revamping the VST ZETOR tractors. So this growth is without those volumes having been plugged in yet. So going forward, we should be able to register growth in this segment continuously.

Tractor export, we kind of reduced the negativity which we saw in Q1 and Q2 and Q3. And Q4, we expect to catch up further. Tractor export was at 320 against previous year of 382. Power weeder, we have again doubled the volumes in quarter 3 at 3,429 against 1,652. And Power

reapers, it's a seasonal business, of course, in quarter 3 typically tapers down. We did 1,793 against 1,614 Nos for the previous year quarter.

Coming to revenues, 9 months performance on revenue, we are at a 32% growth at INR912 crores vis-a-vis INR693 crores last year. On Operational EBITDA, which is inclusive of the provisioning we have done for the New Labour Code is at 13.1% vis-a-vis last year of 10.2%. And now with that Our PAT stands at INR 100.7 crores compared to INR 69.5 crores last year.

Coming to Q3 performance, the revenue has grown by 44% at INR314 crores against last year of INR219 crores. Operational EBITDA at 12.9% against 8.9% of the previous year and PAT at INR30.7 crores against a lower base of INR1.7 crores, wherein the previous year we had some mark-to-market losses in the said quarter.

Some of the awards and recognition, happy to share that we have won Design Excellence Award. We would like to elaborate a bit here. This shows the strength of the R&D that we have been working on over the last 4, 5 years, the competency that we have developed and we have won - - winning awards now on the new range of tractors, which is coming in from the VST stable with a completely newly designed engine, which is fuel efficient and torque max that is FENTM, Fuel Efficient and Torque Max.

And also with the range of electric weeders, which is also in the process of launch in various markets, and you will see those figures coming in, Q4 slightly and mainly in the next financial year.

We've won several awards on the design front at the Global Design Summit. We also are working on several productivity improvement measures wherein we also won the Jury Challenger, winner in The Challengers Trophy competition organized by CII and several other awards as well. Happy to share that I was also awarded as ET India's Impactful Turnaround CEO

Thank you so much, and we'll move on to answering the queries from your end.

Annamalai Jayaraj:

Yes, thanks sir. We will now begin the question-and-answer session. For participants who wish to ask a question, I request you to please raise your hands. Alternately, you can also type your questions in the chat box. We will wait for a moment while the question queue assembles. The first question is from Shreyas Dattani. Please unmute and ask your question.

Shreyas Dattani:

I had a few questions. So the first one was if you could comment on the marine engine entry that we saw, what is the plan there? And what kind of market we are targeting? If you could just give us some color on that?

Antony Cherukara:

Yes. Quite frankly, it's very initial days in that segment. We wanted to take an exposure. We believe there is an opportunity there in terms of providing our compact engines, especially on fishing trawlers and the small boats, not necessarily as an outboard engine, but an inboard engine which occupies lesser space.

this was our first kind of exhibition that we participated in to kind of make our presence felt in the market. It's very initial days. So we don't have any numbers as yet, but we feel this is a good opportunity we will pursue going into the future.

Shreyas Dattani: Got it. So just trying to understand what the size of the market is, in terms of numbers what target market we are looking at?

Antony Cherukara: The segments are very varied, so I won't be able to give you a size. the segments are very different from large fishing trawlers to very small fishing boats, luxury boats, yachts to very small power boats. So we are learning more of it, and you will hear from us more about it in the coming quarters.

Shreyas Dattani: Got it. Okay. So my second question was on the new launch of products. So the FENTM series, I believe, we've already launched in the quarter that went by, right? Or was that not the case?

Antony Cherukara: We have just launched in one state, which is Gujarat, so now we'll be launching in Maharashtra which is the next place we will be launching at Gudi Padwa, coming next month. And then, go on for launches in all the other states in the next financial year.

Shreyas Dattani: Okay. And that will be the same for the ZETOR series also?

Antony Cherukara: Yes. ZETOR is a complete revamped series now we'll be launching, because we've been seeding in the last 1 year or so. And now we have a complete revamped product, so that process of relaunch is happening in Q4 to begin with in March and then going forward into the next financial year.

Shreyas Dattani: Got it. Sir, my last question is on the commodity prices. So are we taking any price corrections with the rise in the steel prices that we've seen?

Antony Cherukara: On ferrous metal the fluctuation has not been very high or the increase has not been very high, so nothing is happening on that front. But on the copper, it has been pretty steep. And in some of the areas, especially radiator, on a particular model that we use our copper radiator, otherwise it's aluminium, only on that front. So it has not been material at this point in time.

Shreyas Dattani: Okay. And on the electric tiller and the hybrid product, if you could give some color where we are on that?

Antony Cherukara: Yes. So like we said in the last quarter, we are introducing electric power weeders and electric power tiller. So we would be starting to seed them in this quarter. In March, we should be able to start seeding them in the market and scaling up steadily based on the response from the market in the next financial year. So it is going as per plan.

Annamalai Jayaraj: Yes. Reminder to participants if anybody wants to ask a question, please raise your hand. In the meantime, I'll just go through some questions in the chat box. Sir, tillers, sir, we are seeing some good traction. So what is driving this and is expected to sustain?

Antony Cherukara: So like I've always said, the largest segment of farmers is small and marginal farmers in this country. And we have had a normal year this year. There has nothing significantly happened that

these volumes -- so it is not that some extra order, special order or some government order came in for this volume growth. It has been a normal year with normal rainfall, normal everything and hence, this growth, which we always said will happen in this segment, and we expect this to continue.

However, as I said, this is a very sensitive segment. If there is issues in rainfall, if there is issues in liquidity, which we saw the last financial year, wherein the SPARSH scheme kind of stopped everything, that will definitely affect. But the potential doesn't go away. This continues to be a great market, great potential and 80% of Indian farmers are in this segment.. In fact, 80% farmers are looking for small and affordable solutions and that is what I have been always saying that this is a segment to watch out.

This is the bottom of pyramid potential that is available to us. And I think that is the reason why you see power tiller has been growing. And also more significantly, I've said this before, the power weeder segment will continue to grow and even grow faster than this going forward, because that is even more affordable for the small farmer. The price points are much lower than even the power tiller and hence, it will continue to grow. And I don't see this growth stopping anytime soon.

Annamalai Jayaraj:

Next, Mr. Arjun Khanna, you can unmute and ask your question.

Arjun Khanna:

Sir, I would like to just start with extending my heartfelt condolences on the passing away of Mr. V.K. Surendra. So we all have had a privilege of meeting him in AGMs and in office. And obviously, his dedication, integrity, soft-spokenness and the values he's embodied have left a lasting impression on everyone. So I just wanted to start with this.

Coming to the questions on the company, sir, given that the international tractor business, we have seen slight weakness and India has signed a few international trade deals, especially with Europe and U.S. How do you see this pan out in the year ahead? Is there scope for revival out here? Obviously, Europe will probably take a year for it to fructify. But are there any advantages from these deals accruing to us?

Antony Cherukara:

Thank you, Arjun. And definitely, I'll convey to our current Chairman, Mr. Arun Surendra, and he's not in the meeting today, but I'll definitely convey it to him.

Yes, going forward, I think Europe has tremendous potential. We have always believed in it. And that is the reason a couple of quarters back, we said that we are now working towards establishing a base in Europe with our ground operations starting in Europe. So far, we have been trading or rather exporting from India to our distributors in Europe. That had its own challenges with all the conflicts going around and the logistics cost and the time required for logistics varying through the year and creating complexities for the distributors in terms of cash flow, in terms of working capital involved in the business and the rotation of the same.

So first is, we are establishing our base in Europe. Hopefully, first quarter of next year, that should be up and running. Second is, we are studying the EU FTA. All the details are not out. It should benefit us in some ways. The taxation difference is not much because the tractors aren't taxed much in the European market. But there could be other benefits in terms of putting our

people on the ground in terms of easier visas, employment possibilities, which will help us scale up our operations in Europe faster. So we are working on it.

Arjun Khanna: Sure. Sir, we were planning on launching platforms for the U.S. So is that on stream? Or had we delayed it given uncertainty on the U.S. deal?

Antony Cherukara: Like I've said in the previous meets or talks that we have had, the product development was never stopped. So it continues, because we believe that the tariff will go away one day. However, today, it is considerably reduced and it's feasible now for us to enter the U.S. market. So like I have said before, in 2027, we will enter the U.S. market. But all of us know it is a very volatile situation, and things change every other day, so we are hoping things now are stable going forward.

Arjun Khanna: Sir, my next question is on the power weeder business. So we were setting up manufacturing capacity. You had mentioned we have now assembly operations of 10,000. Given that we are scaling up, are we looking at more launches, increasing the size of manufacturing for us?

Antony Cherukara: Definitely, yes. The answer is definitely, yes. We will be scaling up the power weeder business considerably. We are almost close to doubling the business from last year. And this growth will continue because the base is pretty large, like I have been saying all the while. And we will definitely look at options because we will have to look at new manufacturing as our capacities are slowly getting completely utilized.

Arjun Khanna: Final question, sir, what's the capex for next year? How much do you envisage spending in FY '27, both on R&D and on physical capex?

Antony Cherukara: See, the cash outflow on capex, we expect next year to be around INR60 crores. And the commitment, it will be even larger because we will be looking at some long-term projects. The technology projects continue to happen in VST.

We are becoming an end-to-end enabled on becoming an internal supplier of engines and also looking at opportunities outside. One of the opportunities we were looking at is marine. And going forward, we look at the opportunity of becoming an aggregate supplier in a big way. So that investment will continue. So the commitments will be much larger, but the cash outflow on capex will be around INR60 crores.

Arjun Khanna: Sure. And this includes our product development R&D, that's over and above?

Antony Cherukara: Yes, this will be -- some amount of it will go into the global tech center that we are developing.

Arjun Khanna: Right.

Antony Cherukara: Major portion of it will go into product development also.

Annamalai Jayaraj: Thanks, Arjun Khanna. Anybody has a question, please raise your hand or type in your questions in the chat box. Mr. Shubham, you can unmute, and you can ask your question.

Shubham: Congratulations on a good set of results. My first question is on small farm machinery. I just want to understand when you say there's a big headroom for you on growth in power weeders and power tillers. I just want to understand on market size. How big is the small farm machinery market when you compare that with tractors and tractor implements? And where do we see this market to grow in the next 5 years?

Antony Cherukara: See, we have to talk about potential here, because from the industry since if you look at it won't be very substantial at this point in time. The tractor industry today is at about 1 million. The number of households involved in farming in India is about 15 crores.

And now if I take all the tractors get hired to 5 farmers at least, which is not the case, because many of the tractors run on commercial use. But even if I say that every tractor gets hired, it's about 5 crores that or 5 crores households that will get served. Still there is about 10 crores households which won't have any sorts of mechanization. And with the large amount of small farm holdings, this 10 crores households occupy, which will all need mechanization because the labor costs are considerably high compared to the previous years. So that is the kind of potential.

It's the bottom of pyramid potential, which is there, which is continuing to be high. Why is it growing now? Many reasons. One is the penetration of internet and information, point number one. Point number two, the availability of retail finance, which used to be 0, for example, for power tillers couple of years back. I'm very happy to say today, almost 12% to 13% of our business is retail finance for power tillers, which will continue to grow and kind of create capital enough for people to buy small farm machines.

Third is government intervention and focus on small farm mechanization other than tractors. Government through its agri universities and Krishi Vigyan Kendras are driving mechanization in a big way, especially for small and marginal farmers. So multiple reasons why this segment will continue to grow.

And that's the need of the hour, because if agriculture has to grow above 4% in India, the largest segment of farmers, which is a small and marginal farmer, their growth has to happen and the government is completely focused on it. And We are right at the center of this segment, and we expect that this segment to grow aggressively going forward as well.

Shubham: Sure. And with that, would you be seeing any competition from Chinese imports or any other import from lower-cost territories or something?

Antony Cherukara: Power weeders, for example, I'll take that's it. let me tell about power tillers first. So power tiller, no Chinese imports are allowed. So we don't expect that to happen at all.

Now coming to the power weeder segment, today, there is still large imports of Chinese equipment. But what we are seeing is with the manufacturing of power weeders in India and better-quality products reaching the small and marginal farmers, they are adapting it faster.

And with more trust on the brands like VST, they are coming forward, because we offer a 2-year warranty on these machines, which the Chinese do not offer. These things are creating trust on the brand. And hence, we believe going forward, based on reach and coverage, if we can

reach to every small farmer in terms of establishing a counter in every Taluka, we will be able to penetrate this market and the growth will continue. So the Chinese influence will diminish over a period of time.

Shubham: Sure. And there are a few global brands, right, which are still there in India and a bit on a bigger scale in small farm machineries. So how do you see that competition laying out for you?

Antony Cherukara: There are 3 significant players, if I can name them. There is a German player, a Japanese player. But most of them are still importing from China as well. So I don't see them able to offer the same trust and the warranty and all that we are talking today and -- which we are offering today to the farmers. And that is why you see 107% growth in quarter 3, for example.

And I don't think this is accidental, or like I said in the beginning during my presentation, I said, it is not an accident. It's not as if the government suddenly gave some special scheme. Nothing has happened. It is normal growth, it is regular growth. As we penetrate more and more into the market and make products available at taluka level. I think that is the key point.

If we can reach -- because for these products, the farmers are not going to travel to the district headquarters. They will go to the nearest counter and buy. And that is where VST is focusing; how to get to his village, how to get to his buying point and deliver the product to him with a 2-year warranty with the service available and the spare parts available.

And the third point, which I said, spare parts availability, that is one big point against the Chinese players because the support and service is not available for those products.

Shubham: Sure. I just have one last question before I come back in queue. Just want to understand more from your distribution perspective. When you say you want to be on the last mile for a farmer, right, just to get to his service on spare parts and a bit more nearer to him. So how do you want to expand your distribution? Would it be timing...

Antony Cherukara: Yes, good question. So we have been depending only on our dealer network so far, but a couple of quarters back, we started working on a distributor retail network also for this segment, that is a power weeder, brush cutter, chainsaw, that segment, we have started working on a distribution retailer network.

Today, we have about 10 distributor -- it was a pilot phase for us. We have about 10 distributors and about 300 retailers at this point in time, but we want to significantly scale it in the next few years.

Shubham: And how many dealers do you have?

Antony Cherukara: Today, in SFM, we have about 650 dealers.

Shubham: And this would be different from what you have for tractors, right? Because, again, ticket size are bit different.

Antony Cherukara: Yes. Yes, which is a separate channel.

- Annamalai Jayaraj:** Thanks, Shubham. Next question is from Mr. Krish. Please unmute and ask your question.
- Krish:** I have three questions basically. So I wanted to understand from a farmer perspective, you with your SFM you are targeting the marginal farmers. So I wanted to understand from the farmer's perspective, what is the advantage of buying a small farm machine rather than renting a tractor?
- And like, also the second question is, why enter the marine engineering market when you are specialized in the agri industry and have opportunities to cross-sell there?
- Antony Cherukara:** Okay. So I'll answer the first question first. The small and marginal farmer needs a small machine instead of renting a tractor primarily because the cropping season is limited. It's a few weeks for sowing, it's a few weeks for harvesting. Hence, when he needs a tractor, he necessarily doesn't get a tractor.
- Like I said in the previous question that if assuming there is every single tractor gets hired also, you get to cover only about 5 crores households, but there are 15 crores households, which is in farming and around 10 crores households do not have any mechanism to address with the labor cost going up.
- Today also, they're relying on labourer. But from INR150, INR200, most of the places, the labor cost has become INR500 or INR600. And in some of the southern states, it's about INR800, INR900 as well. So with that kind of labour cost, it has become unaffordable for a 1.5 acre, 2-acre farmer to hire labourer, and he doesn't get the mechanization of the tractor on time.
- And the third reality is, there is unfortunately a caste system in India. We all know that. And some of the people do not get the machinery due to these circumstances as well, even though there are custom hiring centers. So all these realities put together, there is a huge demand coming up for small farm mechanization.
- And coming to the second point on marine engines, it's an adjacency for us. We have compact engines. There is no need for any separate capex required. We see this as an opportunity, and we are exploring it. Like I said to the previous caller, it's very initial days. We will see how it goes. And probably in the coming quarters, we will see how exactly this could be a future for us. And the entire marinization is through a third-party, so it is not that we are getting a capex commitment on this.
- Krish:** Okay. So if I could just squeeze in a last question. Coming to the tractor industry, so VST, it's 50 HP and below tractors is what we primarily sell. So I wanted to understand what is the trajectory of the Indian market right now? What are the farmers preferring above 50 HP or below 50 HP? And what are your expectations of volume growth in the future?
- Antony Cherukara:** Yes. So I'll just give you a color of the industry first and then talk specifically about VST's role in this. So tractor segment typically is divided into up to 20 HP, 20 to 30 HP, 30 to 40 HP and 40 to 50 HP. And above 50 HP is very small in terms of the industry size. And up to 30 HP is also only about 50,000 to 60,000 Nos. And compact tractors and total industry size up to 30 HP is about 1 lakh out of the 1 million, right?

So the largest segment, which is almost 8 lakhs plus or close to 9 lakhs, it is between the 30 to 50 HP. And among these 2 segments, 30 to 40 and 40 to 50, the larger growth is coming in the 40 to 50 HP segment. So till recently, VST was playing only up to 30 HP. Now we have some compact tractors that we have launched in the 30 to 40 HP. And the larger segment, which is the growth segment, which is 40 to 50 HP segment, where we are working with ZETOR and VST ZETOR products are coming in.

Typically, 1% market share in this industry is about INR500 crores. We are less than 1% market share today. But we strongly believe that in the next 5 years, we can definitely claim 2% to 3% market share. That is definitely possible in the next 4 to 5 years. And that is why we are confident that there is a good runway for growth for VST in the tractor segment.

Annamalai Jayaraj: I will read a few questions from the chat box, sir. Sir, on the subsidy -- releasing of subsidy, what is the current status? Is there any challenges? Or now it's fairly better?

Antony Cherukara: Subsidy is normal, continuing, regular. With the SPARSH scheme last year where they introduced a new mechanism of paying the state governments the central portion, so all those things have been streamlined. So it's been regular this year, but not increased. It has been the same subsidy amount overall that has been coming. It has not been increased. So the subsidy allocation has been the same, but it's been more regular because it's become systematic.

I don't see going forward anything happening to it because the new budget also has not changed the allocations. It has neither increased nor reduced the allocation. So I expect normalcy to continue. But in the first quarter of this year, we had some elections -- state government elections, which could slow down a bit in the first half of the financial year, especially in terms of subsidy flow. Whenever an election happens, we have seen that trend is, flows have stopped for a few months. So I think then it will regularize. But I don't see, at this point, anything which should hamper that, unless there is a new surprise that comes up.

Annamalai Jayaraj: Mr. Shubham, you can unmute and ask your question.

Shubham: So just my first question, again, would be, is there any subsidy on SFM side from government, which is pushing more on SFM versus tractors?

Antony Cherukara: There is no extra subsidy on SFM. That's the answer that I was trying to give in the previous question as well. There is no extra subsidy on SFM. It's a regular subsidy. It's become systematic, and it is happening on a regular basis. The focus definitely is of the government, as before even today, they focus more on the small and marginal farm.

Shubham: Right. This question comes because we are present in both sides, right, the tractors as well as SFM. Just want to understand our positioning where do we want to...

Antony Cherukara: There is no extra subsidy on SFM, nothing extra.

Shubham: No, no, not from the subsidy perspective, but from the growth. Like we are present in tractors vis-a-vis SFM, right? Both would be contradicted simultaneously.

Antony Cherukara: Yes. So like I said, I gave you 2 answers. One is SFM is based on potential, and we are continuing to explore that potential. And like I have said in all the previous quarters, that this potential is large, and we are still scratching on the surface. We have more to do, a lot of work to do on the ground, and that is what we are continuing to do.

We will have to get to every taluka. That is about 6,000 counters is what we are looking at to begin with. We are roughly at around 1,000 counters at this point. So we have to increase the number of counters 6x of today to really penetrate into this possibility and exploring it fully. That is SFM.

But tractors, there is a runway. There is an industry size. We are looking at how to get to 2% to 3% -- 2% market share in the next 3, 4 years. And I think that is something which we can definitely do.

Shubham: One question is on manufacturing. You mentioned right, the Japanese and German players are still importing from China, whereas we have laid our capacities in India. So do you want to expand it going forward? How do you want to source your products?

Antony Cherukara: Yes, we will have to expand it, because our small farm machine factory based in Malur is running to almost full capacity now. So we are evaluating various options.

Shubham: What's the size of this capacity?

Antony Cherukara: We are at about 70,000 in terms of installed capacity. But if you do a third shift, we can go up to 1 lakh of power tillers, plus weeders, plus reapers, plus new products that are coming up, electric weeder, electric tiller and all of that. So all of that put together, we feel that we will have to add capacity.

We are evaluating whether it is putting all eggs in one basket or diversifying. We have never had a manufacturing facility in any other part of the country other than the South. We believe that it is time that we should look at having a factory somewhere in the North, somewhere in the West. So we are looking at options and -- but it's too early. I'm sure in the next few quarters, we will finalize on that.

Shubham: Yes. And are we able to achieve the cost parity with the Chinese imports, assuming in weeders, we are allowed to import, then are we at parity with them?

Antony Cherukara: See, if you want -- let me be very frank with you. We won't be able to achieve parity with Chinese costs. That is very clear. But what we can definitely do is more -- create more value for the buyer to buy from us, provide him warranty, provide him service and provide him parts when he needs it. And I think that is what the customer value is, and that's why he's buying from us.

Shubham: So just want to quantify, how much are we expensive than Chinese? Would it be in the range of 10%, 15%?

Antony Cherukara: It depends on machine-to-machine, but roughly, I can say we would be expensive by 15% to 20% roughly.

- Shubham:** Sure. Just one last question.
- Antony Cherukara:** I'm comparing with the quality Chinese product. There are throwaway Chinese products as well. I'm not comparing with them.
- Shubham:** Understood. And one last question is on SMAM, that's Sub-Mission on Agricultural Mechanization, when government is saying to develop custom hiring centers. So would that be a threat for us when hiring of tractors become a threat for tractor industry? Would that be the same thing happen for equipment market?
- Antony Cherukara:** Custom hiring centers has been around for the last 10 years.
- Shubham:** Okay.
- Antony Cherukara:** And it is not -- I have -- every interaction I've had with the government, I have told them it will not work. The reason is simple, because all the farmers need the machine at the same time. The cropping season is given -- like in a given geography, the cropping -- the sowing happens in a window. Everybody needs at the same time. And there is no way one custom hiring center can satisfy everybody. So that is a practical difficulty.
- And also I've said, there are issues in various parts of the country related to the economic strata, the cash strata and all of that, which creates its own issues. So I think low-cost mechanization ownership or innovative mechanization ownership, which is affordable for the farmer is what will solve the mechanization issue for the small and marginal farmer.
- Shubham:** Sure. Very well understood. Just one last bit. Are you seeing any pressure on your pricing and then margins going forward on this -- on the equipment markets due to competition or due to a bit of imports?
- Antony Cherukara:** Not really because of imports because we have already seen that. When we got into the power weeder segment 2 years back, we were actually late entrant into that market. We have been able to grow very significantly in the last 2 years. We have seen that -- of course, there is a willingness to pay for a given product. We won't be able to price it beyond that. But definitely, there is a willingness to pay for a good product, good service and good trusted brand. So there is no real pressure in terms of fighting the Chinese on the price front.
- Shubham:** Okay. So you are comfortable in maintaining your margins at this level?
- Antony Cherukara:** Yes.
- Shubham:** And how would that be, 30% to 35% on gross in equipments?
- Antony Cherukara:** Varies between equipment-to-equipment.
- Shubham:** But in blended terms?
- Antony Cherukara:** Some new products will be lower, some old products will be better than what you mentioned. And overall, we will be around that.

- Shubham:** Sure. Understood.
- Annamalai Jayaraj:** Mr. Saket, you can unmute and ask your questions. But there's lack of time so you can restrict your questions to one.
- Saket:** So sir, just one question would be, first, what is the outlook for Q4? And second part would be with the U.S. FTA, the free trade agreement, and now even American companies are looking to now import into India. So would we be looking for some sort of tie-up, say, to either be their distribution partner or, say, co-marketeer or something on that front?
- Antony Cherukara:** I'll answer the first one. I think the growth will continue. We don't expect any problems in Q4. I think we are growing at about 30%, so we should end up the year between 25% to 30% for sure.
- Coming to the second question, EU FTA, I've already answered there could be possibilities, especially because the taxation was not big on tractors earlier, so it doesn't affect that. But it could be helpful in terms of establishing our operations, employing our people down there on the ground or kind of other taxation issues related to establishing a VST enterprise in Europe.
- Coming to the U.S., importing into India, the cost of those products are pretty steep. So I don't think there is any threat to the Indian farm machinery market from the U.S. And I don't see anything in particular as a significant opportunity at this point in time. But we will be open to that. If there is a real opportunity that comes up, we will take it with both hands.
- Saket:** Sure. Just a small follow-up. Sir, for Q4, what's the outlook for tractors? Because tractors is kind of slightly behind what we have been guiding for H2, if I could look at the numbers. So any color on tractor, will start picking up? And the exports outlook, sir, for Q4 and Q1?
- Antony Cherukara:** Yes. So cumulatively, tractor, domestic plus Export, I have guided anywhere between 6,000 to 6,500. We will be beating that this year. I'm hopeful that we will cross the 6,000 numbers this year for tractors and the growth will continue. So this will happen both on the domestic front and we would be better off on international compared to the first 2 quarters in Q3 and Q4.
- So some of the negativity should be reduced, and we should be close to flat in the international business, but we could be slightly negative also. It's too difficult to say on that front. But we should be reducing some of the negativity on the international front.
- But going forward, with establishing the Netherlands operations that we are putting up for Europe, we should be able to rotate faster and help our distributors in terms of cash flow for them. I think that will give us the much-needed growth in Europe.
- Saket:** Sir, for exports, what's the breakup between, say, U.S., Europe and Rest of the World, say, keeping in view the full year FY '26 guidance. So what constitutes for what portion? Is it like Europe...
- Antony Cherukara:** Yes. FY '26, U.S. is zero. Europe is 90%, Africa would be 5% and Rest of the World, 5%.
- Annamalai Jayaraj:** Do you want to make any closing comments, sir?



Antony Cherukara: What is that?

Annamalai Jayaraj: Do you want to make any closing comments, sir, I just asked.

Antony Cherukara: No, no. Thank you so much for attending this meet and look forward to meeting you in the next quarter. Thank you so much.

Annamalai Jayaraj: Okay. We thank all the participants, and we can close the call. Thanks.

Disclaimer: **This Release/Communication contains historical information and forward-looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments, political instability and input costs. The Company, therefore, cannot guarantee that the forward-looking statements made herein shall be realized. The Company does not undertake any obligation to update forward-looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.**



“V.S.T. Tillers Tractors Limited
3Q FY '26 Post Results Conference Call”

February 09, 2026



MANAGEMENT: **MR. V.T. RAVINDRA – MANAGING DIRECTOR – V.S.T. TILLERS TRACTORS LIMITED**
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: **MR. ANNAMALAI JAYARAJ – BATLIVALA AND KARANI SECURITIES INDIA PRIVATE LIMITED.**



Annamalai Jayaraj: Ladies and gentlemen, good day, and welcome to VST Tillers Tractors Limited 3Q FY '26 Post Results Conference Call hosted by B&K Securities.

From VST Tillers Tractors' Limited 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 resolution mode and there will be an opportunity to ask questions after the management presentation and opening remarks. Over to you, sir.

Antony Cherukara: Good morning, everyone, and happy to take you through the details of our performance for the last quarter and 9 months so far.

Kind of the Safe Harbor statement. Moving forward, I will be sharing with you the key highlights, sales volumes, financial performance and awards and recognition. Some of the details of the awards and recognition that we've received in the past 9 months and that last quarter.

Key highlights of our performance, we've had the highest ever turnover for 9 months, achieved INR912 crores against INR693 crores in the corresponding last year 9 months. Highest power tiller sales in 9 months, 55% growth over the last year 9 months. A 63% growth has been achieved power weeder sales as well at 8,399 weeders against last year of 5,142 numbers.

We have turned around the domestic tractor business with 18% growth. I'll share more about it in the coming slides. We've had improved cash generation of INR108 crores this year. And as I said, for the 9 months, we had the highest turnover. Also, for quarter 3, we have achieved INR314 crores vis-a-vis INR219 crores of previous year's quarter 3.

Moving on, coming to the 9 months sales volume, power tiller we've grown by 55.1%, 37,374 power tillers against 24,100 power tillers the previous year. Tractor domestic, 3,352 against 2,846 of the previous year with the 17.8% growth. Export has been down at 886 against previous year of 1,151 with a minus 23%. Power weeder 8,399 against 5,142 of last year. So it is registering continued high growth at 63.3%. Power Reaper 3,305 against 2,246 of last year with a 47.2% growth.

Moving on to the sales volume of quarter 3. Power tiller was at 12,545 against 6,775, of course, that was a lower base last year with the SPARSH issues causing cash flow problems in the SFM business.

Tractor domestic, again a 32% growth, has shown good growth. And like I said, some more details here. We are in the process of launching new products. In fact, in Q3, we had not yet launched all the new products, and also, revamping the VST ZETOR tractors. So this growth is without those volumes having been plugged in yet. So going forward, we should be able to register growth in this segment continuously.

Tractor export, we kind of reduced the negativity which we saw in Q1 and Q2 and Q3. And Q4, we expect to catch up further. Tractor export was at 320 against previous year of 382. Power weeder, we have again doubled the volumes in quarter 3 at 3,429 against 1,652. And Power

reapers, it's a seasonal business, of course, in quarter 3 typically tapers down. We did 1,793 against 1,614 Nos for the previous year quarter.

Coming to revenues, 9 months performance on revenue, we are at a 32% growth at INR912 crores vis-a-vis INR693 crores last year. On Operational EBITDA, which is inclusive of the provisioning we have done for the New Labour Code is at 13.1% vis-a-vis last year of 10.2%. And now with that Our PAT stands at INR 100.7 crores compared to INR 69.5 crores last year.

Coming to Q3 performance, the revenue has grown by 44% at INR314 crores against last year of INR219 crores. Operational EBITDA at 12.9% against 8.9% of the previous year and PAT at INR30.7 crores against a lower base of INR1.7 crores, wherein the previous year we had some mark-to-market losses in the said quarter.

Some of the awards and recognition, happy to share that we have won Design Excellence Award. We would like to elaborate a bit here. This shows the strength of the R&D that we have been working on over the last 4, 5 years, the competency that we have developed and we have won - winning awards now on the new range of tractors, which is coming in from the VST stable with a completely newly designed engine, which is fuel efficient and torque max that is FENTM, Fuel Efficient and Torque Max.

And also with the range of electric weeders, which is also in the process of launch in various markets, and you will see those figures coming in, Q4 slightly and mainly in the next financial year.

We've won several awards on the design front at the Global Design Summit. We also are working on several productivity improvement measures wherein we also won the Jury Challenger, winner in The Challengers Trophy competition organized by CII and several other awards as well. Happy to share that I was also awarded as ET India's Impactful Turnaround CEO

Thank you so much, and we'll move on to answering the queries from your end.

Annamalai Jayaraj:

Yes, thanks sir. We will now begin the question-and-answer session. For participants who wish to ask a question, I request you to please raise your hands. Alternately, you can also type your questions in the chat box. We will wait for a moment while the question queue assembles. The first question is from Shreyas Dattani. Please unmute and ask your question.

Shreyas Dattani:

I had a few questions. So the first one was if you could comment on the marine engine entry that we saw, what is the plan there? And what kind of market we are targeting? If you could just give us some color on that?

Antony Cherukara:

Yes. Quite frankly, it's very initial days in that segment. We wanted to take an exposure. We believe there is an opportunity there in terms of providing our compact engines, especially on fishing trawlers and the small boats, not necessarily as an outboard engine, but an inboard engine which occupies lesser space.

this was our first kind of exhibition that we participated in to kind of make our presence felt in the market. It's very initial days. So we don't have any numbers as yet, but we feel this is a good opportunity we will pursue going into the future.

Shreyas Dattani: Got it. So just trying to understand what the size of the market is, in terms of numbers what target market we are looking at?

Antony Cherukara: The segments are very varied, so I won't be able to give you a size. the segments are very different from large fishing trawlers to very small fishing boats, luxury boats, yachts to very small power boats. So we are learning more of it, and you will hear from us more about it in the coming quarters.

Shreyas Dattani: Got it. Okay. So my second question was on the new launch of products. So the FENTM series, I believe, we've already launched in the quarter that went by, right? Or was that not the case?

Antony Cherukara: We have just launched in one state, which is Gujarat, so now we'll be launching in Maharashtra which is the next place we will be launching at Gudi Padwa, coming next month. And then, go on for launches in all the other states in the next financial year.

Shreyas Dattani: Okay. And that will be the same for the ZETOR series also?

Antony Cherukara: Yes. ZETOR is a complete revamped series now we'll be launching, because we've been seeding in the last 1 year or so. And now we have a complete revamped product, so that process of relaunch is happening in Q4 to begin with in March and then going forward into the next financial year.

Shreyas Dattani: Got it. Sir, my last question is on the commodity prices. So are we taking any price corrections with the rise in the steel prices that we've seen?

Antony Cherukara: On ferrous metal the fluctuation has not been very high or the increase has not been very high, so nothing is happening on that front. But on the copper, it has been pretty steep. And in some of the areas, especially radiator, on a particular model that we use our copper radiator, otherwise it's aluminium, only on that front. So it has not been material at this point in time.

Shreyas Dattani: Okay. And on the electric tiller and the hybrid product, if you could give some color where we are on that?

Antony Cherukara: Yes. So like we said in the last quarter, we are introducing electric power weeders and electric power tiller. So we would be starting to seed them in this quarter. In March, we should be able to start seeding them in the market and scaling up steadily based on the response from the market in the next financial year. So it is going as per plan.

Annamalai Jayaraj: Yes. Reminder to participants if anybody wants to ask a question, please raise your hand. In the meantime, I'll just go through some questions in the chat box. Sir, tillers, sir, we are seeing some good traction. So what is driving this and is expected to sustain?

Antony Cherukara: So like I've always said, the largest segment of farmers is small and marginal farmers in this country. And we have had a normal year this year. There has nothing significantly happened that

these volumes -- so it is not that some extra order, special order or some government order came in for this volume growth. It has been a normal year with normal rainfall, normal everything and hence, this growth, which we always said will happen in this segment, and we expect this to continue.

However, as I said, this is a very sensitive segment. If there is issues in rainfall, if there is issues in liquidity, which we saw the last financial year, wherein the SPARSH scheme kind of stopped everything, that will definitely affect. But the potential doesn't go away. This continues to be a great market, great potential and 80% of Indian farmers are in this segment.. In fact, 80% farmers are looking for small and affordable solutions and that is what I have been always saying that this is a segment to watch out.

This is the bottom of pyramid potential that is available to us. And I think that is the reason why you see power tiller has been growing. And also more significantly, I've said this before, the power weeder segment will continue to grow and even grow faster than this going forward, because that is even more affordable for the small farmer. The price points are much lower than even the power tiller and hence, it will continue to grow. And I don't see this growth stopping anytime soon.

Annamalai Jayaraj:

Next, Mr. Arjun Khanna, you can unmute and ask your question.

Arjun Khanna:

Sir, I would like to just start with extending my heartfelt condolences on the passing away of Mr. V.K. Surendra. So we all have had a privilege of meeting him in AGMs and in office. And obviously, his dedication, integrity, soft-spokenness and the values he's embodied have left a lasting impression on everyone. So I just wanted to start with this.

Coming to the questions on the company, sir, given that the international tractor business, we have seen slight weakness and India has signed a few international trade deals, especially with Europe and U.S. How do you see this pan out in the year ahead? Is there scope for revival out here? Obviously, Europe will probably take a year for it to fructify. But are there any advantages from these deals accruing to us?

Antony Cherukara:

Thank you, Arjun. And definitely, I'll convey to our current Chairman, Mr. Arun Surendra, and he's not in the meeting today, but I'll definitely convey it to him.

Yes, going forward, I think Europe has tremendous potential. We have always believed in it. And that is the reason a couple of quarters back, we said that we are now working towards establishing a base in Europe with our ground operations starting in Europe. So far, we have been trading or rather exporting from India to our distributors in Europe. That had its own challenges with all the conflicts going around and the logistics cost and the time required for logistics varying through the year and creating complexities for the distributors in terms of cash flow, in terms of working capital involved in the business and the rotation of the same.

So first is, we are establishing our base in Europe. Hopefully, first quarter of next year, that should be up and running. Second is, we are studying the EU FTA. All the details are not out. It should benefit us in some ways. The taxation difference is not much because the tractors aren't taxed much in the European market. But there could be other benefits in terms of putting our

people on the ground in terms of easier visas, employment possibilities, which will help us scale up our operations in Europe faster. So we are working on it.

Arjun Khanna: Sure. Sir, we were planning on launching platforms for the U.S. So is that on stream? Or had we delayed it given uncertainty on the U.S. deal?

Antony Cherukara: Like I've said in the previous meets or talks that we have had, the product development was never stopped. So it continues, because we believe that the tariff will go away one day. However, today, it is considerably reduced and it's feasible now for us to enter the U.S. market. So like I have said before, in 2027, we will enter the U.S. market. But all of us know it is a very volatile situation, and things change every other day, so we are hoping things now are stable going forward.

Arjun Khanna: Sir, my next question is on the power weeder business. So we were setting up manufacturing capacity. You had mentioned we have now assembly operations of 10,000. Given that we are scaling up, are we looking at more launches, increasing the size of manufacturing for us?

Antony Cherukara: Definitely, yes. The answer is definitely, yes. We will be scaling up the power weeder business considerably. We are almost close to doubling the business from last year. And this growth will continue because the base is pretty large, like I have been saying all the while. And we will definitely look at options because we will have to look at new manufacturing as our capacities are slowly getting completely utilized.

Arjun Khanna: Final question, sir, what's the capex for next year? How much do you envisage spending in FY '27, both on R&D and on physical capex?

Antony Cherukara: See, the cash outflow on capex, we expect next year to be around INR60 crores. And the commitment, it will be even larger because we will be looking at some long-term projects. The technology projects continue to happen in VST.

We are becoming an end-to-end enabled on becoming an internal supplier of engines and also looking at opportunities outside. One of the opportunities we were looking at is marine. And going forward, we look at the opportunity of becoming an aggregate supplier in a big way. So that investment will continue. So the commitments will be much larger, but the cash outflow on capex will be around INR60 crores.

Arjun Khanna: Sure. And this includes our product development R&D, that's over and above?

Antony Cherukara: Yes, this will be -- some amount of it will go into the global tech center that we are developing.

Arjun Khanna: Right.

Antony Cherukara: Major portion of it will go into product development also.

Annamalai Jayaraj: Thanks, Arjun Khanna. Anybody has a question, please raise your hand or type in your questions in the chat box. Mr. Shubham, you can unmute, and you can ask your question.

Shubham: Congratulations on a good set of results. My first question is on small farm machinery. I just want to understand when you say there's a big headroom for you on growth in power weeders and power tillers. I just want to understand on market size. How big is the small farm machinery market when you compare that with tractors and tractor implements? And where do we see this market to grow in the next 5 years?

Antony Cherukara: See, we have to talk about potential here, because from the industry since if you look at it won't be very substantial at this point in time. The tractor industry today is at about 1 million. The number of households involved in farming in India is about 15 crores.

And now if I take all the tractors get hired to 5 farmers at least, which is not the case, because many of the tractors run on commercial use. But even if I say that every tractor gets hired, it's about 5 crores that or 5 crores households that will get served. Still there is about 10 crores households which won't have any sorts of mechanization. And with the large amount of small farm holdings, this 10 crores households occupy, which will all need mechanization because the labor costs are considerably high compared to the previous years. So that is the kind of potential.

It's the bottom of pyramid potential, which is there, which is continuing to be high. Why is it growing now? Many reasons. One is the penetration of internet and information, point number one. Point number two, the availability of retail finance, which used to be 0, for example, for power tillers couple of years back. I'm very happy to say today, almost 12% to 13% of our business is retail finance for power tillers, which will continue to grow and kind of create capital enough for people to buy small farm machines.

Third is government intervention and focus on small farm mechanization other than tractors. Government through its agri universities and Krishi Vigyan Kendras are driving mechanization in a big way, especially for small and marginal farmers. So multiple reasons why this segment will continue to grow.

And that's the need of the hour, because if agriculture has to grow above 4% in India, the largest segment of farmers, which is a small and marginal farmer, their growth has to happen and the government is completely focused on it. And We are right at the center of this segment, and we expect that this segment to grow aggressively going forward as well.

Shubham: Sure. And with that, would you be seeing any competition from Chinese imports or any other import from lower-cost territories or something?

Antony Cherukara: Power weeders, for example, I'll take that's it. let me tell about power tillers first. So power tiller, no Chinese imports are allowed. So we don't expect that to happen at all.

Now coming to the power weeder segment, today, there is still large imports of Chinese equipment. But what we are seeing is with the manufacturing of power weeders in India and better-quality products reaching the small and marginal farmers, they are adapting it faster.

And with more trust on the brands like VST, they are coming forward, because we offer a 2-year warranty on these machines, which the Chinese do not offer. These things are creating trust on the brand. And hence, we believe going forward, based on reach and coverage, if we can

reach to every small farmer in terms of establishing a counter in every Taluka, we will be able to penetrate this market and the growth will continue. So the Chinese influence will diminish over a period of time.

Shubham: Sure. And there are a few global brands, right, which are still there in India and a bit on a bigger scale in small farm machineries. So how do you see that competition laying out for you?

Antony Cherukara: There are 3 significant players, if I can name them. There is a German player, a Japanese player. But most of them are still importing from China as well. So I don't see them able to offer the same trust and the warranty and all that we are talking today and -- which we are offering today to the farmers. And that is why you see 107% growth in quarter 3, for example.

And I don't think this is accidental, or like I said in the beginning during my presentation, I said, it is not an accident. It's not as if the government suddenly gave some special scheme. Nothing has happened. It is normal growth, it is regular growth. As we penetrate more and more into the market and make products available at taluka level. I think that is the key point.

If we can reach -- because for these products, the farmers are not going to travel to the district headquarters. They will go to the nearest counter and buy. And that is where VST is focusing; how to get to his village, how to get to his buying point and deliver the product to him with a 2-year warranty with the service available and the spare parts available.

And the third point, which I said, spare parts availability, that is one big point against the Chinese players because the support and service is not available for those products.

Shubham: Sure. I just have one last question before I come back in queue. Just want to understand more from your distribution perspective. When you say you want to be on the last mile for a farmer, right, just to get to his service on spare parts and a bit more nearer to him. So how do you want to expand your distribution? Would it be timing...

Antony Cherukara: Yes, good question. So we have been depending only on our dealer network so far, but a couple of quarters back, we started working on a distributor retail network also for this segment, that is a power weeder, brush cutter, chainsaw, that segment, we have started working on a distribution retailer network.

Today, we have about 10 distributor -- it was a pilot phase for us. We have about 10 distributors and about 300 retailers at this point in time, but we want to significantly scale it in the next few years.

Shubham: And how many dealers do you have?

Antony Cherukara: Today, in SFM, we have about 650 dealers.

Shubham: And this would be different from what you have for tractors, right? Because, again, ticket size are bit different.

Antony Cherukara: Yes. Yes, which is a separate channel.

- Annamalai Jayaraj:** Thanks, Shubham. Next question is from Mr. Krish. Please unmute and ask your question.
- Krish:** I have three questions basically. So I wanted to understand from a farmer perspective, you with your SFM you are targeting the marginal farmers. So I wanted to understand from the farmer's perspective, what is the advantage of buying a small farm machine rather than renting a tractor?
- And like, also the second question is, why enter the marine engineering market when you are specialized in the agri industry and have opportunities to cross-sell there?
- Antony Cherukara:** Okay. So I'll answer the first question first. The small and marginal farmer needs a small machine instead of renting a tractor primarily because the cropping season is limited. It's a few weeks for sowing, it's a few weeks for harvesting. Hence, when he needs a tractor, he necessarily doesn't get a tractor.
- Like I said in the previous question that if assuming there is every single tractor gets hired also, you get to cover only about 5 crores households, but there are 15 crores households, which is in farming and around 10 crores households do not have any mechanism to address with the labor cost going up.
- Today also, they're relying on labourer. But from INR150, INR200, most of the places, the labor cost has become INR500 or INR600. And in some of the southern states, it's about INR800, INR900 as well. So with that kind of labour cost, it has become unaffordable for a 1.5 acre, 2-acre farmer to hire labourer, and he doesn't get the mechanization of the tractor on time.
- And the third reality is, there is unfortunately a caste system in India. We all know that. And some of the people do not get the machinery due to these circumstances as well, even though there are custom hiring centers. So all these realities put together, there is a huge demand coming up for small farm mechanization.
- And coming to the second point on marine engines, it's an adjacency for us. We have compact engines. There is no need for any separate capex required. We see this as an opportunity, and we are exploring it. Like I said to the previous caller, it's very initial days. We will see how it goes. And probably in the coming quarters, we will see how exactly this could be a future for us. And the entire marinization is through a third-party, so it is not that we are getting a capex commitment on this.
- Krish:** Okay. So if I could just squeeze in a last question. Coming to the tractor industry, so VST, it's 50 HP and below tractors is what we primarily sell. So I wanted to understand what is the trajectory of the Indian market right now? What are the farmers preferring above 50 HP or below 50 HP? And what are your expectations of volume growth in the future?
- Antony Cherukara:** Yes. So I'll just give you a color of the industry first and then talk specifically about VST's role in this. So tractor segment typically is divided into up to 20 HP, 20 to 30 HP, 30 to 40 HP and 40 to 50 HP. And above 50 HP is very small in terms of the industry size. And up to 30 HP is also only about 50,000 to 60,000 Nos. And compact tractors and total industry size up to 30 HP is about 1 lakh out of the 1 million, right?

So the largest segment, which is almost 8 lakhs plus or close to 9 lakhs, it is between the 30 to 50 HP. And among these 2 segments, 30 to 40 and 40 to 50, the larger growth is coming in the 40 to 50 HP segment. So till recently, VST was playing only up to 30 HP. Now we have some compact tractors that we have launched in the 30 to 40 HP. And the larger segment, which is the growth segment, which is 40 to 50 HP segment, where we are working with ZETOR and VST ZETOR products are coming in.

Typically, 1% market share in this industry is about INR500 crores. We are less than 1% market share today. But we strongly believe that in the next 5 years, we can definitely claim 2% to 3% market share. That is definitely possible in the next 4 to 5 years. And that is why we are confident that there is a good runway for growth for VST in the tractor segment.

Annamalai Jayaraj: I will read a few questions from the chat box, sir. Sir, on the subsidy -- releasing of subsidy, what is the current status? Is there any challenges? Or now it's fairly better?

Antony Cherukara: Subsidy is normal, continuing, regular. With the SPARSH scheme last year where they introduced a new mechanism of paying the state governments the central portion, so all those things have been streamlined. So it's been regular this year, but not increased. It has been the same subsidy amount overall that has been coming. It has not been increased. So the subsidy allocation has been the same, but it's been more regular because it's become systematic.

I don't see going forward anything happening to it because the new budget also has not changed the allocations. It has neither increased nor reduced the allocation. So I expect normalcy to continue. But in the first quarter of this year, we had some elections -- state government elections, which could slow down a bit in the first half of the financial year, especially in terms of subsidy flow. Whenever an election happens, we have seen that trend is, flows have stopped for a few months. So I think then it will regularize. But I don't see, at this point, anything which should hamper that, unless there is a new surprise that comes up.

Annamalai Jayaraj: Mr. Shubham, you can unmute and ask your question.

Shubham: So just my first question, again, would be, is there any subsidy on SFM side from government, which is pushing more on SFM versus tractors?

Antony Cherukara: There is no extra subsidy on SFM. That's the answer that I was trying to give in the previous question as well. There is no extra subsidy on SFM. It's a regular subsidy. It's become systematic, and it is happening on a regular basis. The focus definitely is of the government, as before even today, they focus more on the small and marginal farm.

Shubham: Right. This question comes because we are present in both sides, right, the tractors as well as SFM. Just want to understand our positioning where do we want to...

Antony Cherukara: There is no extra subsidy on SFM, nothing extra.

Shubham: No, no, not from the subsidy perspective, but from the growth. Like we are present in tractors vis-a-vis SFM, right? Both would be contradicted simultaneously.

- Antony Cherukara:** Yes. So like I said, I gave you 2 answers. One is SFM is based on potential, and we are continuing to explore that potential. And like I have said in all the previous quarters, that this potential is large, and we are still scratching on the surface. We have more to do, a lot of work to do on the ground, and that is what we are continuing to do.
- We will have to get to every taluka. That is about 6,000 counters is what we are looking at to begin with. We are roughly at around 1,000 counters at this point. So we have to increase the number of counters 6x of today to really penetrate into this possibility and exploring it fully. That is SFM.
- But tractors, there is a runway. There is an industry size. We are looking at how to get to 2% to 3% in the next 3, 4 years. And I think that is something which we can definitely do.
- Shubham:** One question is on manufacturing. You mentioned right, the Japanese and German players are still importing from China, whereas we have laid our capacities in India. So do you want to expand it going forward? How do you want to source your products?
- Antony Cherukara:** Yes, we will have to expand it, because our small farm machine factory based in Malur is running to almost full capacity now. So we are evaluating various options.
- Shubham:** What's the size of this capacity?
- Antony Cherukara:** We are at about 70,000 in terms of installed capacity. But if you do a third shift, we can go up to 1 lakh of power tillers, plus weeders, plus reapers, plus new products that are coming up, electric weeder, electric tiller and all of that. So all of that put together, we feel that we will have to add capacity.
- We are evaluating whether it is putting all eggs in one basket or diversifying. We have never had a manufacturing facility in any other part of the country other than the South. We believe that it is time that we should look at having a factory somewhere in the North, somewhere in the West. So we are looking at options and -- but it's too early. I'm sure in the next few quarters, we will finalize on that.
- Shubham:** Yes. And are we able to achieve the cost parity with the Chinese imports, assuming in weeders, we are allowed to import, then are we at parity with them?
- Antony Cherukara:** Let me be very frank with you. We won't be able to achieve parity with Chinese costs. That is very clear. But what we can definitely do is more -- create more value for the buyer to buy from us, provide him warranty, provide him service and provide him parts when he needs it. And I think that is what the customer value is, and that's why he's buying from us.
- Shubham:** So just want to quantify, how much are we expensive than Chinese? Would it be in the range of 10%, 15%?
- Antony Cherukara:** It depends on machine-to-machine, but roughly, I can say we would be expensive by 15% to 20% roughly.
- Shubham:** Sure. Just one last question.

- Antony Cherukara:** I'm comparing with the quality Chinese product. There are throwaway Chinese products as well. I'm not comparing with them.
- Shubham:** Understood. And one last question is on SMAM, that's Sub-Mission on Agricultural Mechanization, when government is saying to develop custom hiring centers. So would that be a threat for us when hiring of tractors become a threat for tractor industry? Would that be the same thing happen for equipment market?
- Antony Cherukara:** Custom hiring centers has been around for the last 10 years.
- Shubham:** Okay.
- Antony Cherukara:** every interaction I've had with the government, I have told them it will not work. The reason is simple, because all the farmers need the machine at the same time. The cropping season is given -- like in a given geography, the cropping -- the sowing happens in a window. Everybody needs at the same time. And there is no way one custom hiring center can satisfy everybody. So that is a practical difficulty.
- And also I've said, there are issues in various parts of the country related to the economic strata, the cash strata and all of that, which creates its own issues. So I think low-cost mechanization ownership or innovative mechanization ownership, which is affordable for the farmer is what will solve the mechanization issue for the small and marginal farmer.
- Shubham:** Sure. Very well understood. Just one last bit. Are you seeing any pressure on your pricing and then margins going forward on this -- on the equipment markets due to competition or due to a bit of imports?
- Antony Cherukara:** Not really because of imports because we have already seen that. When we got into the power weeder segment 2 years back, we were actually late entrant into that market. We have been able to grow very significantly in the last 2 years. We have seen that -- of course, there is a willingness to pay for a given product. We won't be able to price it beyond that. But definitely, there is a willingness to pay for a good product, good service and good trusted brand. So there is no real pressure in terms of fighting the Chinese on the price front.
- Shubham:** Okay. So you are comfortable in maintaining your margins at this level?
- Antony Cherukara:** Yes.
- Shubham:** And how would that be, 30% to 35% on gross in equipments?
- Antony Cherukara:** Varies between equipment-to-equipment.
- Shubham:** But in blended terms?
- Antony Cherukara:** Some new products will be lower, some old products will be better than what you mentioned. And overall, we will be around that.
- Shubham:** Sure. Understood.

Annamalai Jayaraj: Mr. Saket, you can unmute and ask your questions. But there's lack of time so you can restrict your questions to one.

Saket: So sir, just one question would be, first, what is the outlook for Q4? And second part would be with the U.S. FTA, the free trade agreement, and now even American companies are looking to now import into India. So would we be looking for some sort of tie-up, say, to either be their distribution partner or, say, co-marketeer or something on that front?

Antony Cherukara: I'll answer the first one. I think the growth will continue. We don't expect any problems in Q4. I think we are growing at about 30%, so we should end up the year between 25% to 30% for sure.

Coming to the second question, EU FTA, I've already answered there could be possibilities, especially because the taxation was not big on tractors earlier, so it doesn't affect that. But it could be helpful in terms of establishing our operations, employing our people down there on the ground or kind of other taxation issues related to establishing a VST enterprise in Europe.

Coming to the U.S., importing into India, the cost of those products are pretty steep. So I don't think there is any threat to the Indian farm machinery market from the U.S. And I don't see anything in particular as a significant opportunity at this point in time. But we will be open to that. If there is a real opportunity that comes up, we will take it with both hands.

Saket: Sure. Just a small follow-up. Sir, for Q4, what's the outlook for tractors? Because tractors is kind of slightly behind what we have been guiding for H2, if I could look at the numbers. So any color on tractor, will start picking up? And the exports outlook, sir, for Q4 and Q1?

Antony Cherukara: Yes. So cumulatively, tractor, domestic plus Export, I have guided anywhere between 6,000 to 6,500. I'm hopeful that we will cross the 6,000 numbers this year for tractors and the growth will continue. So this will happen both on the domestic front and we would be better off on international compared to the first 2 quarters in Q3 and Q4.

So some of the negativity should be reduced, and we should be close to flat in the international business, but we could be slightly negative also. It's too difficult to say on that front. But we should be reducing some of the negativity on the international front.

But going forward, with establishing the Netherlands operations that we are putting up for Europe, we should be able to rotate faster and help our distributors in terms of cash flow for them. I think that will give us the much-needed growth in Europe.

Saket: Sir, for exports, what's the breakup between, say, U.S., Europe and Rest of the World, say, keeping in view the full year FY '26 guidance. So what constitutes for what portion? Is it like Europe...

Antony Cherukara: Yes. FY '26, U.S. is zero. Europe is 90%, Africa would be 5% and Rest of the World, 5%.

Annamalai Jayaraj: Do you want to make any closing comments, sir?

Antony Cherukara: Thank you so much for attending this meet and look forward to meeting you in the next quarter. Thank you so much.



Annamalai Jayaraj:

Okay. We thank all the participants, and we can close the call. Thanks.

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