

Rating matrix		
Rating	:	Hold
Target	:	2000
Target Period	:	12-18 months
Potential Upside	:	-5%

What's changed?		
Target	Changed from ₹ 2220 to ₹ 2000	
EPS FY19E	Changed from ₹ 106.5 to ₹ 103.0	
EPS FY20E	Changed from ₹ 138.8 to ₹ 125.0	
Rating	Unchanged	

Quarterly performance					
	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	145.6	181.2	-19.6	241.6	-39.7
EBITDA	18.5	24.5	-24.7	41.7	-55.7
EBITDA (%)	12.7	13.5	-85 bps	17.2	-458 bps
PAT	14.4	28.2	-48.8	33.7	-57.2

Key financials					
₹ Crore	FY17	FY18	FY19E	FY20E	
Net Sales	693.7	764.0	863.3	968.0	
EBITDA	98.1	119.5	120.5	145.2	
Net Profit	71.7	112.0	89.0	108.0	
EPS (₹)	80.3	129.6	103.0	125.0	

Valuation summary					
	FY17	FY18	FY19E	FY20E	
P/E	25.3	16.2	20.4	16.8	
Target P/E	24.1	15.4	19.4	16.0	
EV / EBITDA	16.6	13.8	13.8	11.2	
P/BV	3.7	3.0	2.9	2.5	
RoNW	14.2	18.8	14.2	15.1	
RoCE	19.2	24.0	19.5	20.4	

Stock data	
Stock Data	
Market Capitalization	₹ 1814 crore
Total Debt (FY18)	₹ 0 crore
Cash & Investments (FY18)	₹ 148 crore
EV	₹ 1667 crore
52 week H/L	3085 / 1935
Equity capital	₹ 8.6 crore
Face value	₹ 10
MF Holding (%)	15.5
FII Holding (%)	4.7

Price performance				
Return %	1M	3M	6M	12M
VST Tillers & Tractor	(5.0)	(27.9)	(19.4)	7.1
Mahindra & Mahindra	5.7	11.5	27.9	38.7
Escorts	(0.7)	(9.1)	(0.9)	36.0

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VST Tillers Tractors (VSTTIL)

₹ 2100

Muted growth trajectory ahead...

- VST Tillers & Tractors (VST) reported a muted performance in Q1FY19, primarily tracking ~25% de-growth in sales volume
- Power tiller sales volume in Q1FY19 came in at 5,367, down 24.6% YoY while tractor sales volume was at 1,927, down 24.6% YoY
- Net sales in Q1FY19 came in at ₹ 145.6 crore, down 19.6% YoY
- EBITDA in Q1FY19 was at ₹ 18.5 crore, with corresponding EBITDA margins at 12.7%. Margins came in lower tracking negative operating leverage primarily tracking low sales volume and high fixed costs
- PAT during the quarter was at ₹ 14.4 crore, down 49% YoY
- PAT in Q1FY19 was largely supported by higher than anticipated other income, which came in at ₹ 7.2 crore

Widespread distribution, MSP hike to aid farm income, VST to benefit

Monsoon 2018 witnessed a stupendous start with an early onset on May 29, 2018. It was quite robust with very healthy rainfall activity in the southern and western regions. However, it entered a brief hiatus for about 10 days in mid-June, which led to its slower pace thereafter. June, which accounts for ~18% of total seasonal rainfall, ended with 5% of rainfall deficiency i.e. -5% of LPA. The start in July was again encouraging. However, the rainfall pace tapered down towards the end of the month to finally end July, which accounts for ~33% of total seasonal rainfall, at -6% of LPA. Henceforth, on a cumulative basis, as on August 16, rainfall activity was at -8% of LPA. Spatial distribution, however, was not as bad as depicted by the headline rainfall numbers. This, coupled with double digit growth in MSPs, is likely to aid farm income. It is positive for all farm mechanisation companies, including VST Tillers & Tractors.

Volume growth to taper down in FY18-20E, market share gains unlikely

Power tiller sales are dependent on subsidy from various state governments and is quite uncertain and lumpy in nature. This limits our ability to forecast the same. Going by the management commentary, we downward revise our power tiller sales estimates and now expect VST to record sales volume CAGR of 6.3% in F18-20E. On the value front, we expect sales of the power tiller segment to grow at a CAGR of 10.3% in FY18-20E to ₹ 475.2 crore in FY20E (₹ 390.8 crore in FY18E). In the tractor segment, VST is lagging behind industry growth rates. However, we still expect tractor sales to rebound in FY18-20E. We expect sales in the tractor segment to grow at 15.2% CAGR in FY18-20E to ₹ 408.8 crore in FY20E. This will be backed by volume CAGR of 11% in FY18-20E to 14,004 units in FY20E. We do not expect any major market share gains for VST in either segment, going forward.

High other income base in FY18 mars operational growth in FY18-20E

VST is a debt free, cash surplus, capital efficient company with core RoIC in excess of 22%. However, it is facing headwinds in terms of sales volume growth, which limits the capital utilisation of its new plant and, hence, the limitation of improvement in return ratios. Moreover, the company clocked higher other income in FY18 (₹ 45 crore) primarily tracking gains on equity investments. Going forward, we expect the company to clock other income in the range of ~₹ 25 crore, which will limit PAT growth despite lower double digit growth in sales and EBITDA in FY18-20E. Going forward, we expect sales & EBITDA to grow at a CAGR of 12.6%, 10.2%, respectively, in FY18-20E. PAT, however, is expected at ₹ 108 crore in FY20E vs. ₹ 112 crore in FY18. We value VST at ₹ 2000, i.e. 16x P/E on FY20E EPS of ₹ 125 with a **HOLD** rating on the stock.

Variance analysis

Standalone Numbers	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Sales	145.6	144.0	181.2	-19.6	241.6	-39.7	Topline was largely in line with our estimates largely tracking the muted sales in both the power tiller and tractor segments
Other Operating Income	0.0	0.0	0.0		0.0		
Total Operating Income	145.6	144.0	181.2	-19.6	241.6	-39.7	
Total Raw Material Expenses	90.7	95.0	120.2	-24.6	157.3	-42.4	RM costs came in lower than expected at 62.3% of sales
Employee Cost	16.6	14.4	15.8	5.0	21.0	-21.0	Employee cost came in higher-than-expected at 11.4% of sales
Other operating expense	19.9	17.3	20.7	-3.8	21.6	-8.0	Operating expenses came in higher than our expectation at 13.6% largely on account of topline de-growth resulting in negative operating leverage
Total Expenditure	127.2	126.7	156.7	-18.9	199.9	-36.4	
EBITDA	18.5	17.3	24.5	-24.7	41.7	-55.7	
EBITDA Margin (%)	12.7	12.0	13.5	-85 bps	17.2	-458 bps	Margins came in at 12.7%, above our estimate of 12.0%
Depreciation	2.9	3.4	2.7	8.2	2.7	7.0	Depreciation came in lower-than-expected
Interest	0.7	0.0	0.7		0.0		
Non Operating Expenses	0.0	0.0	0.0		0.0		
Other Income	7.2	-4.6	14.8	-51.6	9.4	-23.9	Other income was higher at ₹ 7.2 crore gain vs. our estimate of ₹ 4.5 crore loss that was expected due to MTM loss on investment book
PBT	22.0	9.3	35.9	-38.8	48.4	-54.5	
Taxes	7.6	2.8	7.8	-2.3	14.7	-48.4	Tax rate came in higher at 34.4%
PAT	14.4	6.5	28.2	-48.8	33.7	-57.2	PAT came in higher at ₹ 14.4 crore mainly due to higher other income

Key Metrics

Power Tillers Sales Volume (units)	5,367	5,367	7,119	-24.6	10,125	-47.0	Power tiller sales volumes were weak at 5,367 units, down 24.6% YoY
Tractor Sales Volume (unit)	1,927	1,927	2,555	-24.6	3,574	-46.1	Tractor sales volumes came muted in at 1,927 units up 24.6% YoY

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	835.6	863.3	3.3	925.7	968.0	4.6	Increase in metal prices and consequent product realisations leads us to marginally increase our sales estimates for FY18-20E
EBITDA	124.4	120.5	-3.1	151.2	145.2	-3.9	
EBITDA Margin (%)	14.9	14.0	-93 bps	16.3	15.0	-133 bps	Continuous pressure on margins coupled with bleak management commentary leads us to downward revise our margin estimates
PAT	92.0	89.0	-3.3	119.9	108.0	-9.9	
EPS (₹)	106.5	103.0	-3.3	138.8	125.0	-9.9	Decline in margin estimates leads to downward revision in PAT & EPS estimates, going forward

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier			Comments
	FY16	FY17	FY18	FY19E	FY20E	FY19E	FY20E	
Power Tillers Sales Volume (units)	27387	25555	30143	31835	34064	32244	34502	Reduced power tiller sales volume growth for FY19E and FY20E largely incorporating weak performance in the recent past
Power Tillers Realization (₹/unit)	129112	132185	129632	136114	139517	132893	135551	Increase in metal prices leads to increase product realisations
Power Tiller Sales (₹ crore)	354	338	391	433	475	429	468	
Tractor Sales Volume (units)	7801	9641	11367	12504	14004	13074	14382	Marginally downward revise our sales volume numbers primarily tracking loss of market share by VST in Q1FY19
Tractor Realization (₹/unit)	265222	281506	271224	284785	291905	269930	276678	
Tractor Sales (₹ crore)	207	271	308	356	409	353	398	

Source: Company, ICICI Direct Research

Monsoon progress loses pace, at -8% of LPA as on August 16, 2018

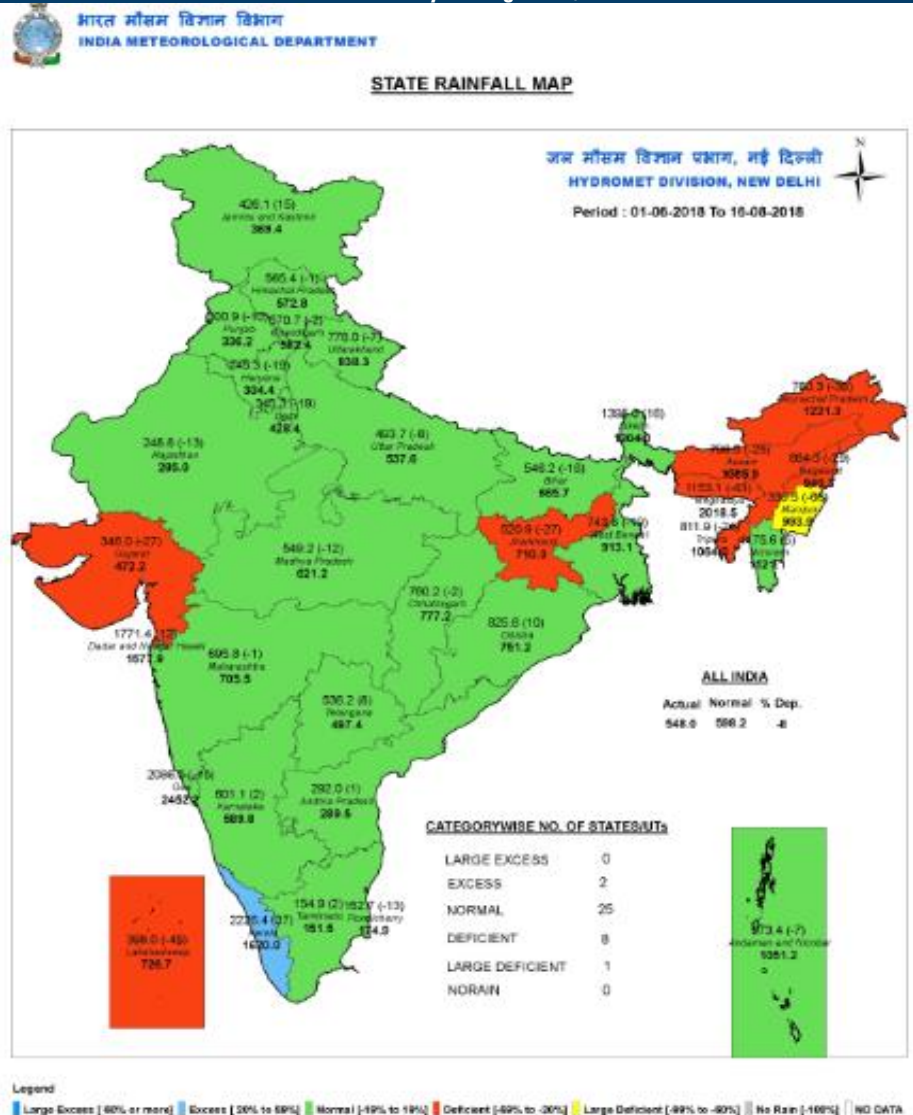
South West Monsoons, which account for ~70% of annual rainfall domestically, have been forecast to be normal in nature. The initial onset with a flourish was followed by a prolonged dull period (mid-June). Currently, as we stand today, total cumulative rainfall in the ongoing monsoon season as of August 16 was at -8% of LPA. Rainfall is in the normal range in the southern, central as well as northern region while it is muted in the eastern region.

Exhibit 1: Cumulative rainfall activity until August 16, 2018

Regions	Actual Rainfall (mm)	Normal Rainfall (mm)	% Departure form LPA
Country as a whole	548	598	-8
Northwest India	393	411	-4
East & northeast India	715	976	-27
Central India	625	661	-6
South Peninsula	524	477	10

Source: IMD, ICICI Direct Research

Exhibit 2: India - Cumulative monsoon activity till August 16, 2018



Source: IMD, ICICI Direct Research

On the state wide distribution, it is deficient in Gujarat, Jharkhand as well as the entire eastern belt. However, it is widespread and surplus in Kerala.

Company Analysis

VST Tillers & Tractors was founded in 1967 as a joint venture in technical collaboration between VST Motors and Mitsubishi Heavy Industries (Japan). Thereafter, over a course of time, VST acquired majority ownership in the company with current holding in excess of 51%. Mitsubishi was classified as the promoter group entity with 2.9% stake in the company. The company has inherited all technical know-how for efficient manufacturing and product development in power tillers & tractors and is a major player in the domestic farm equipment industry.

VST has two manufacturing facilities. In Whitefield (Bengaluru), it manufactures power tillers (9 hp, 13 hp, 15 hp) and has a capacity of 60,000 units annually (in two shifts). In Hosur, Tamil Nadu, it commenced (April 2014) manufacturing agriculture tractors (18.5 hp, 22 hp) with a capacity of 36,000 units annually (in two shifts). On the sales & marketing front, the company has a network of about 200 dealers & 300 vendors spread across India with most associated with VST for a fairly long time. VST is also present in the segment of rice transplanters & power reapers. The company imports the same from China & Japan and markets them in the domestic market, earning trading margin on the same. VST also exports a few power tillers & tractors to Africa, Russia, Myanmar, etc. This is limited by high Chinese competition overseas.

Power tiller; set to be preferred choice of farm equipment

In India, the average size of operational holding has reduced from 1.33 hectare per holding in FY01 to 1.23 hectare per holding in FY06 and further to 1.15 hectare per holding in FY11.

Exhibit 3: India - Farm holdings break-up

Category of Holdings	No of Holding (million number)			Area (million hectare)		
	2000-01	2005-06	2010-11	2000-01	2005-06	2010-11
Marginal (<1 hectare)	75.4	83.7	92.4	29.8	32	35.4
Small (1-2 hectare)	22.7	23.9	24.7	32.1	33.1	35.1
Semi-Medium (2-4 hectare)	14	14.1	13.8	38.2	37.9	37.5
Medium (4-10 hectare)	6.6	6.4	5.9	38.2	36.6	33.7
Large (>10 hectare)	1.2	1.1	1	21.1	18.7	17.4
All Holdings	119.9	129.2	137.8	159.4	158.3	159.1
(hectare/holding)				1.33	1.23	1.15
holdings (%)	81.8	83.3	85.0			

Source: Ministry of Agriculture, ICICI Direct Research

Thus, fragmented land holdings belonging to a lot of farmers in the small & marginal category led to challenges over collective ownership of tractors that cost in the range of ₹ 2.5-8 lakh/unit. This, in turn, throws up a huge opportunity for the domestic power tiller sector wherein a power tiller costs ₹ 1.25 lakh/unit but suffices or is able to perform all requisite agricultural operations performed by a tractor.

We believe that, going forward, given the government's thrust on increasing farm productivity through greater penetration of farm mechanisation and its support through various subsidy programmes, power tillers may turn out to be the preferred farm equipment by choice for domestic farmers.

In the power tiller segment, domestically, since VST is the market leader (market share in excess of 50%); the company is on a strong footing and is poised to gain, going forward.

For the new tractor facility in Hosur, VST incurred a capex of ₹ 70 crore that was entirely funded from internal accruals.

The proportion of marginal & small holding as a percentage of total holdings is also on the rise in India. It has increased from 81.8% in 2000-01 to 85% in 2010-11

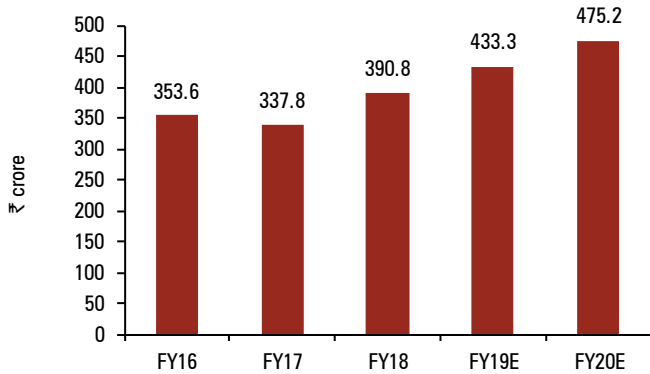
Power tillers are also a cost effective source of farm power for small and marginal farmers wherein it is easy to recover the fixed costs and earn good margins from custom hiring services

Domestically, power tillers are most suited for paddy (rice) cultivation

Power tillers - base business; VST: segmental leader domestically!

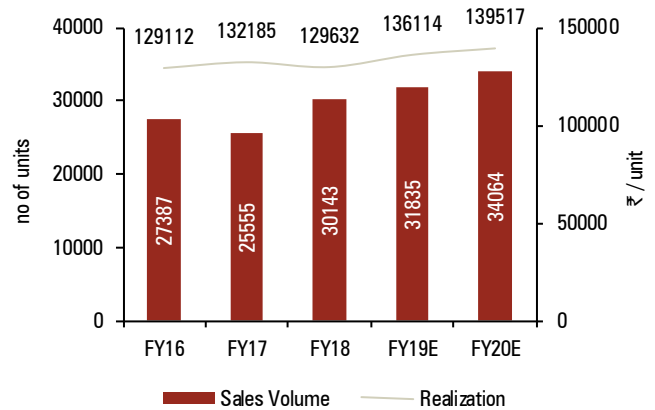
Power tillers have been the base business for VST with sales in the segment growing at a CAGR of 3.5% in FY14-18. In FY18, VST's sales in the power tiller segment came in at ₹ 390.8 crore. On the volume front, VST's power tiller sales grew at a CAGR of 2.6% in FY14-18 to 30143 units in FY18 (27,252 units in FY14). On the realisation front, realisations have grown at a CAGR of 0.8% in FY14-18 to ₹ 129632/unit in FY18 (₹ 125661/unit in FY14).

Exhibit 4: VST power tiller sales (value)



Source: Company, ICICI Direct Research

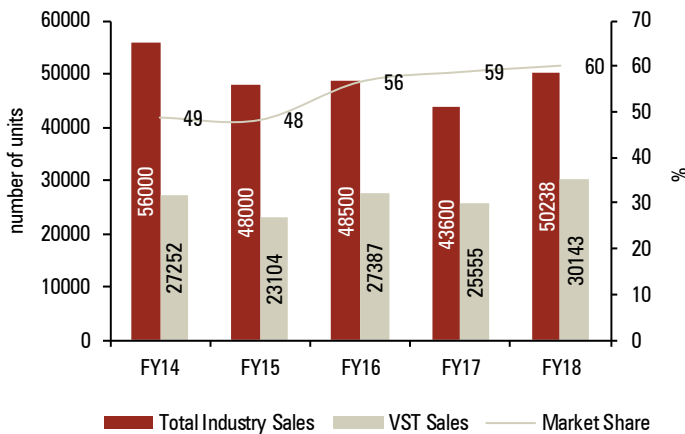
Exhibit 5: VST power tiller sales (volume & realisation)



Source: Company, ICICI Direct Research

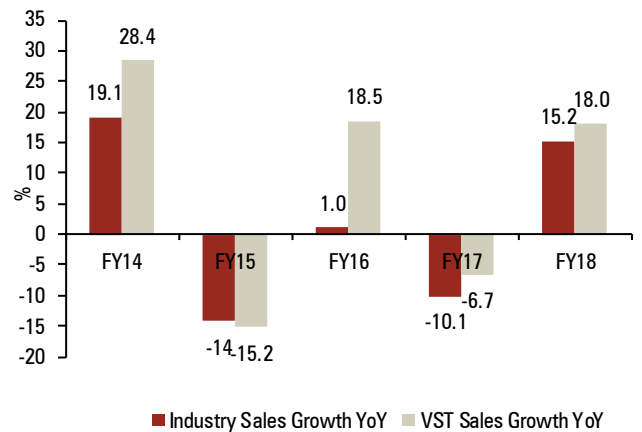
VST has always maintained its market leadership in the power tiller segment domestically with market share in the range of 46-60% in FY14-18. The other major players are Kerala Agro Machinery (with a market share of ~25%) and Chinese players (with a market share of ~25-30%).

Exhibit 6: Domestic power tillers industry volume



Source: Company, ICICI Direct Research

Exhibit 7: Domestic power tiller vs. VST sales growth trend



Source: Company, ICICI Direct Research

VST's key prerogative is to maintain its market share in the range of 50-60%.

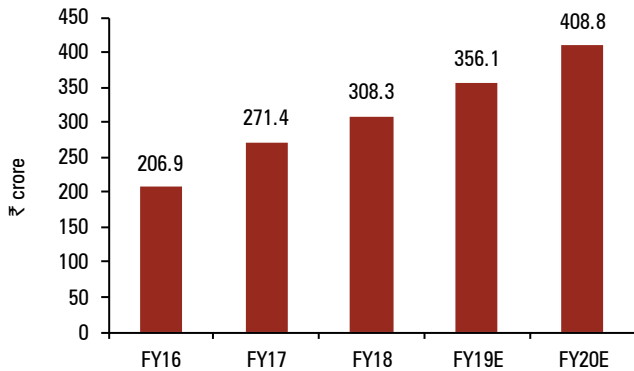
Going forward, with robust allocation towards farm mechanisation in the Union Budget 2018-19 amid uncertainty over subsidy disbursements by various state governments we expect sales of the power tiller segment to grow at a CAGR of 10.3% in FY18-20E to ₹ 475.2 crore in FY20E (₹ 390.8 crore in FY18E). Sales volumes are expected to grow at a CAGR of 6.3% in FY18-20E to 34,064 units in FY20E. Realisations are expected to grow at a CAGR of 3.7% in FY18-20E. This is primarily on the back of an increase in raw material prices (mainly steel). Realisations are expected to increase to ₹ 139,517/unit in FY20E (₹ 129,632/unit in FY18).

VST has recently launched a new tractor in the sub 30 hp segment in the 27 hp range and is witnessing good acceptance of the product in the market place.

Tractor business; renewed focus to drive sales

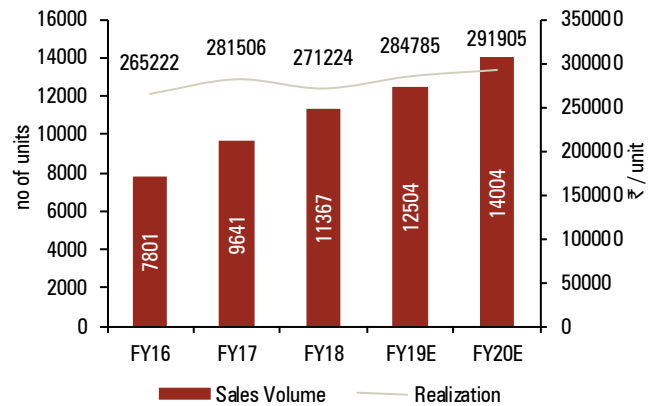
VST is also present in the tractor segment wherein the company manufactures low hp (18.5 hp & 22 hp) tractors that are meant primarily for agricultural purposes. Sales in this segment have grown at a CAGR of 12.2% in FY14-18 to ₹ 308.3 crore in FY18 (₹ 194.3 crore in FY14). On the volume front, VST's tractor sales have grown at a CAGR of 11.1% in FY14-18 to 11367 units in FY18 (7452 units in FY14). On the realisation front, realisations have grown at a CAGR of 0.1% in FY14-18 to ₹ 271224/unit in FY18 (₹ 260668/unit in FY14).

Exhibit 8: VST tractor sales (value)



Source: Company, ICICI Direct Research

Exhibit 9: VST tractor sales (volume & realisation)

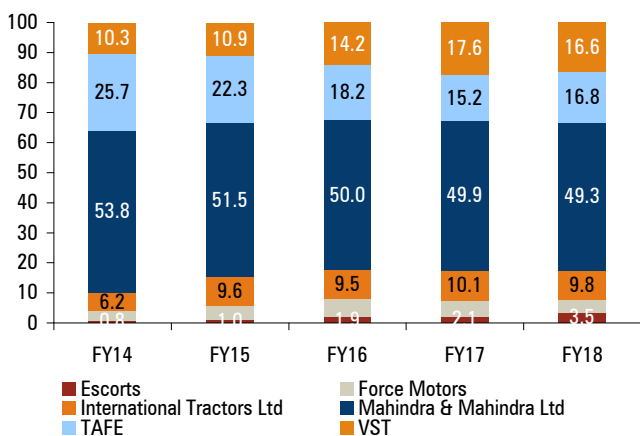


Source: Company, ICICI Direct Research

Market share in <30 hp segment; slowly inching upward

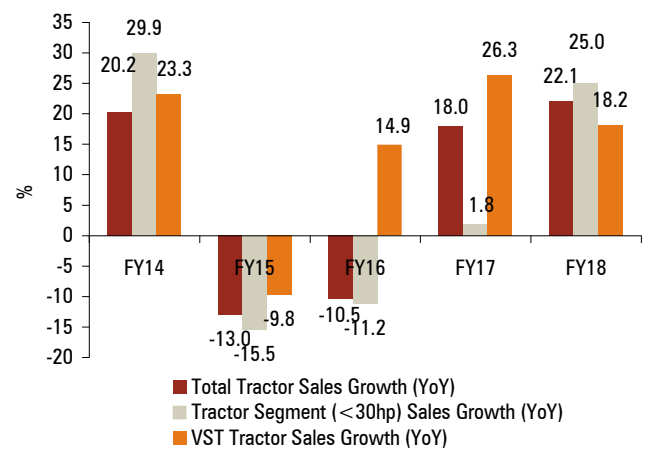
VST is a prominent player in the low hp (<30 hp) tractor segment domestically with its market share increasing from a mere 3.2% in FY08 to 16.6% in FY18. VST has, on the whole, outperformed its industry and segmental growth rates in the recent past, which clearly showcases the company's intent to become a prominent player in the domestic tractor business and increase its market share domestically. However, FY18 tractor volumes witnessed a one off blip where sales grew at 18.2% YoY while the segment grew 25.0% YoY.

Exhibit 10: Domestic tractor market share –players (<=30 hp segment)



Source: Company, ICICI Direct Research

Exhibit 11: Tractor sales growth (YoY)



Source: Company, ICICI Direct Research

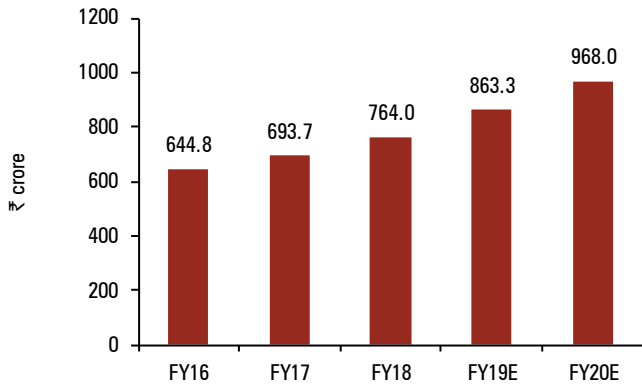
VST has a new tractor manufacturing facility in Hosur, Tamil Nadu with a capacity to manufacture 36,000 units annually (in two shifts per day). The company has also hired a new team headed by a new marketing manager wherein their prerogative is to record healthy sales growth (~15% CAGR) in the tractor segment, going forward.

We expect sales in the tractor segment to grow at 15.2% CAGR in FY18-20E to ₹ 408.8 crore in FY20E. This will be backed by volume CAGR of 11% in FY18-20E to 14,004 units in FY20E.

Revenues to grow at 12.6% CAGR in FY18-20E

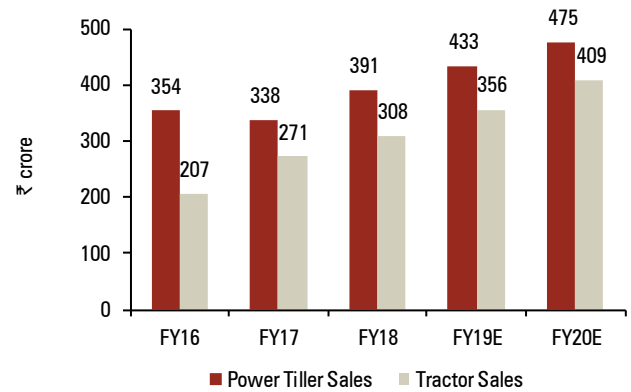
We expect VST to clock modest revenue growth at 12.6% CAGR in FY18-20E to ₹ 968.0 crore in FY20E (₹ 764.0 crore in FY18). In the power tiller segment, revenues are expected to grow at a CAGR of 10.2% in FY18-20E to ₹ 475.0 crore in FY20E. In the tractor segment, sales are expected to increase at a CAGR of 15.2% in FY18-20E to ₹ 408.8 crore in FY20E. This is primarily on the back of the management's focus on increasing its market share in the domestic tractor market amidst robust farm sentiment

Exhibit 12: Consolidated revenue trend



Source: Company, ICICI Direct Research

Exhibit 13: Revenue break-up (power tillers and tractors)

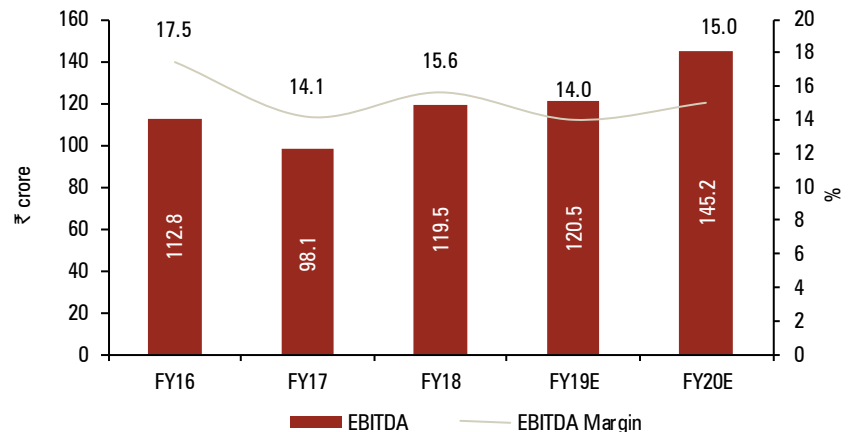


Source: Company, ICICI Direct Research

EBITDA to grow at 10.2% CAGR in FY18-20E

We expect EBITDA to grow at a CAGR of 10.2% in FY18-20E to ₹ 145.2 crore in FY20E, primarily on the back of an increase in sales to the tune of 12.6% in the aforesaid period and marginal moderation in EBITDA margins by 60 bps over FY18-20E. EBITDA margins are expected to moderate from 15.6% in FY18 to 15.0% in FY20E, primarily on the back of commodity price pressures and initial ramp up costs at the new plant.

Exhibit 14: EBITDA & EBITDA margins (%) trend



Source: Company, ICICIdirect.com Research

Exhibit 15: Asset turnover

Particulars	Units	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Sales	₹ crore	482	624	550	645	694	764	863	968
Gross Block	₹ crore	114	164	185	189	200	237	293	383
Asset Turnover	x	4.2	3.8	3.0	3.4	3.5	3.2	2.9	2.5

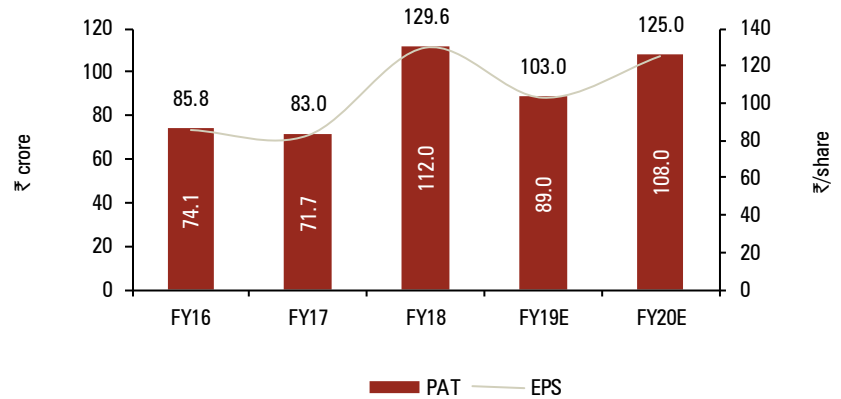
Source: Company, ICICI Direct Research

Asset (gross block) turnover has always stayed strong in the range of 3.0-5.9x in FY08-18 with the peak in FY13 wherein the asset turnover was at 4.2x. The same in FY18 was at 3.2x

PAT to largely remain flat primarily tracking high other income in FY18

On an absolute basis, we expect PAT to remain largely flat despite healthy double digit growth in sales and EBITDA due to high other income realised in FY18 (₹ 45 crore). Going forward we expect other income in the range of ~₹ 25 crore over FY19E & FY20E, which limits the bottomline growth over FY18-20E.

Exhibit 16: Consolidated PAT trend



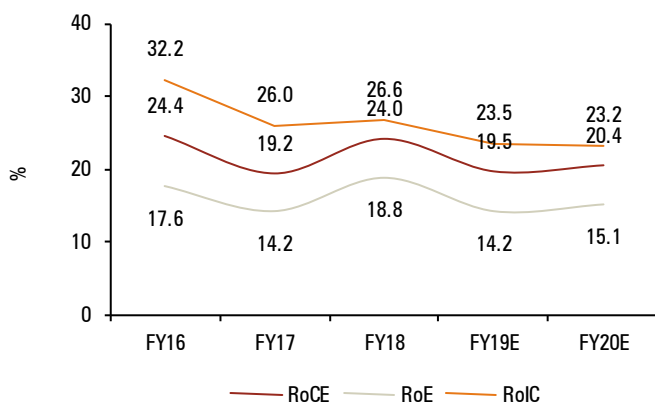
Source: Company, ICICI Direct Research

FY18 witnessed an increase (PAT) due to incorporation of Ind-As wherein the investments on company's books are reinstated at market/fair value which we believe is a one off gain and not sustainable in nature.

RoCE, RoE set to moderate, core RoICs set to hold steady after blip

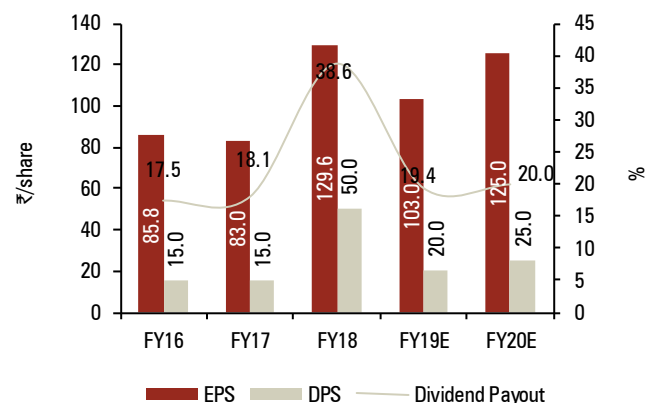
On the back of a moderation in EBITDA margins and higher equity base, RoEs and RoCEs were on a decline over FY16-18. Going forward, with low growth trajectory and higher equity base the return ratios improvement will be limited, going forward. Return ratios, however, are still healthy with core RoIC in excess of 22

Exhibit 17: RoIC, RoCE & RoE trend



Source: Company, ICICI Direct Research

Exhibit 18: EPS, DPS & dividend payout



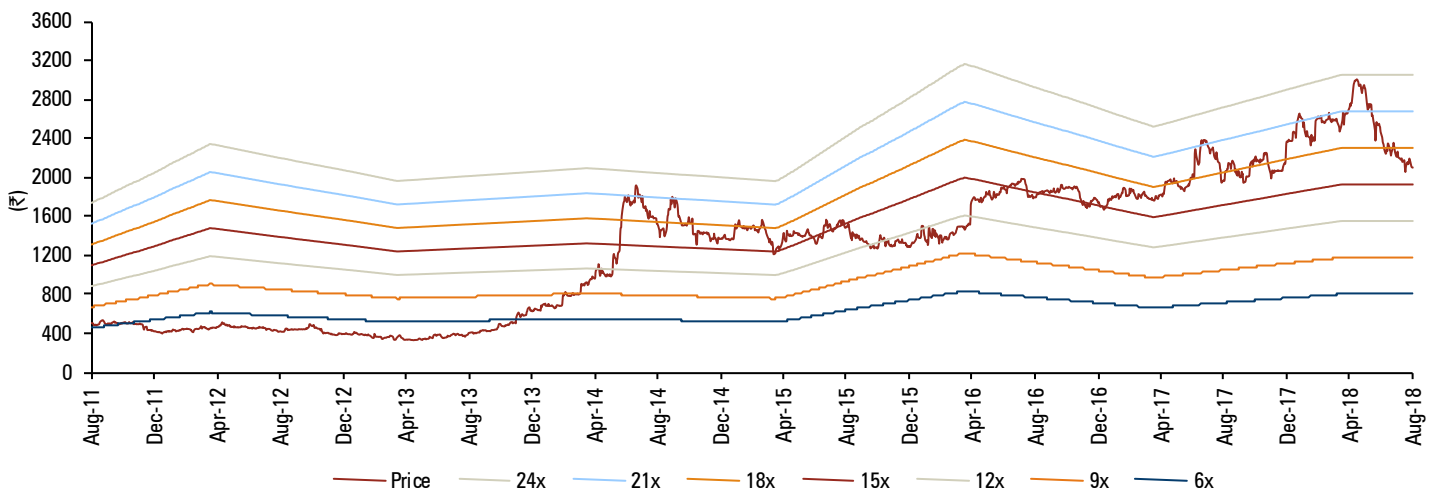
Source: Company, ICICI Direct Research

Dividend payout has been muted with the company's average dividend payout in the last five years i.e. FY13-17 at ~17% despite a debt free and cash rich balance sheet. Given the enhanced profitability in FY18 and golden jubilee year the board approved a handsome dividend of ₹ 50/share, including a special dividend of ₹ 35/share. Going forward, we expect the company to record an EPS of ₹ 103.0 in FY19E and ₹ 125.0 in FY20E. The corresponding dividend is expected at ₹ 20/share in FY19E and ₹ 25/share in FY20E (dividend payout at ~20%).

Outlook & Valuation

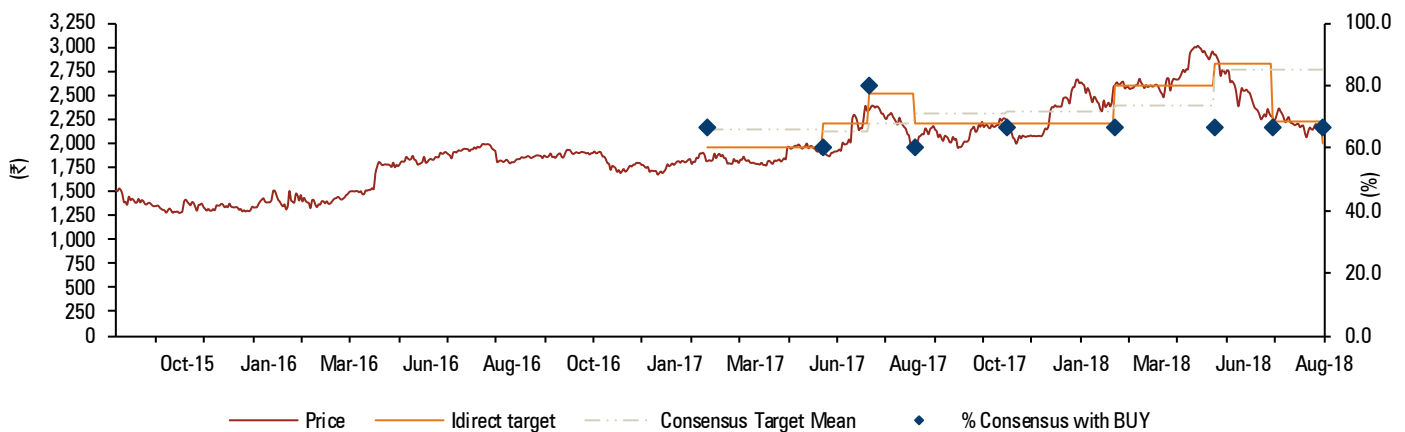
VST is a debt free, cash surplus, capital efficient company with core RoIC in excess of 22%. However, it is facing headwinds in terms of sales volume growth, which limits the capital utilisation of its new plant and, hence, the limitation of improvement in return ratios. Moreover, the company clocked higher other income in FY18 (₹ 45 crore) primarily tracking gains on equity investments. Going forward, we expect the company to clock other income in the range of ~₹ 25 crore, limiting PAT growth despite lower double digit growth in sales and EBITDA in FY18-20E. Going forward, we expect sales & EBITDA to grow at a CAGR of 12.6%, 10.2%, respectively, in FY18-20E. However, PAT is expected at ₹ 108 crore in FY20E vs. ₹ 112 crore in FY18. We value VST at ₹ 2000, i.e. 16x P/E on FY20E EPS of ₹ 125 with a **HOLD** rating on the stock.

Exhibit 19: Two year forward P/E (VST currently trading at 16.8x)



Source: Reuters, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research, *I-direct coverage on VST Tillers & Tractors was initiated on July 2015

Key events

Date/Year	Event
2009	VST reports robust growth in FY09 topline with FY09 sales up 45% YoY while margins improved 340 bps on YoY basis to 15.5%. PAT was up 100% YoY
2010	VST declares bonus. Bonus share issued in the ratio of 1:2 i.e. 1 share issued for every 2 shares held by an investor. VST expands its capacity from manufacturing
2011	VST further expands its capacity from 26000 units to 30000 units with total production coming in at 27308 units, implying utilization levels of ~90%
2013	VST commenced setting up of a training center at Bhubaneswar in association with department of agriculture
2014	VST launches a new tractor variant:- VT 224-1D (22 HP) tractor. VST also inaugurates new tractor manufacturing facility at Hosur (Tamil Nadu) built at a capex of ₹
2015	In May'15 VST rolled out the 3,00,000th Power Tiller. For FY15 power tiller & tractor sales came in at 23104 units & 6694 units respectively. The enhanced capacity to manufacture power tillers stood at 60000 units (annually) on 2 shift basis and tractors stood at 36000 units (annually)
2016	VST signs MOU with Karnataka Government for setting up 92 custom hire service centre (CHSC) in nine districts. The company came out with a novel scheme to help small and marginal farming community to have sustainable and efficient agriculture production. The capex spend on the said MoU will be minimal at VST's end however is expected to create a strong brand awareness for VST products in the rural market place
2017	VST launches the Viraat MT 270 in the <= 30 hp segment, which has received an encouraging response (sold 2200 units in FY17).The company will also launch two new tractors namely; Viraat Plus (4 cylinder engine, 4 WD) and Samrat (17 HP single cylinder tractor) in May, 2018. These new launches will drive growth, going forward. Receives exclusive selling rights for MTD power weeder
2017	In September 2017 the company enters into a technology transfer agreement with M/s. Kukje Machinery Co. Ltd (Korea) for manufacturing higher hp tractors in India. The company intends to pay a lump sum technical fee + royalty fee for six years
2018	The company ends FY18 with highest ever sales volume both in the power tiller as well as tractor segment. Power tiller sales volume for FY18 stood at 30,135 units, up 18% YoY while Tractors sales volume stood at 11,369 units, up 18% YoY

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Position Change
1	Surendra (V K)	30-Jun-18	20.9	1.8	0.0
2	Mahendra (V P)	30-Jun-18	7.3	0.6	0.0
3	Kotak Mahindra Asset Management Company	30-Jun-18	4.8	0.4	0.0
4	V S T Motors, Ltd.	30-Jun-18	4.1	0.4	0.0
5	PineBridge Investments Asia Limited	30-Jun-18	3.5	0.3	0.0
6	HDFC Asset Management Co., Ltd.	30-Jun-18	3.1	0.3	0.0
7	L&T Investment Management Limited	30-Jun-18	3.0	0.3	0.0
8	Mitsubishi Heavy Industries Ltd	30-Jun-18	2.9	0.3	0.0
9	Pravindra (V V)	30-Jun-18	2.6	0.2	0.0
10	Arun (V S)	30-Jun-18	2.5	0.2	0.0

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	54.0	54.0	54.0	54.0	54.0
FII	6.0	6.2	5.8	5.1	4.4
DII	11.6	11.1	11.0	10.7	15.1
Others	28.4	28.8	29.2	30.2	26.5

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor Name	Value (US\$ Million)	Shares (Million)	Investor Name	Value (US\$ Million)	Shares (Million)
L&T Investment Management Limited	1.1	0.0	Kotak Mahindra Asset Mgmt Co. Ltd.	-0.7	0.0
Sundaram Asset Management Co. Ltd.	0.7	0.0	HSBC Global Asset Mgmt (India) Pvt Ltd.	-0.2	0.0
Bessemer Trust Company, N.A. (US)	0.0	0.0	Union Asset Mgmt. Co. Pvt. Ltd.	-0.1	0.0

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Net Sales	693.7	764.0	863.3	968.0
Other Operating Income	0.8	0.0	0.0	0.0
Total Operating Income	694.5	764.0	863.3	968.0
Growth (%)	7.4	10.0	13.0	12.1
Raw Material Expenses	445.9	493.8	557.2	624.4
Employee Expenses	58.5	69.0	74.9	80.7
Other Operating Expense	92.0	81.8	110.7	117.7
Total Operating Expenditure	596.4	644.5	742.8	822.8
EBITDA	98.1	119.5	120.5	145.2
Growth (%)	-13.0	21.8	0.9	20.5
Depreciation	11.8	10.9	13.3	16.9
Interest	3.0	1.7	2.8	2.6
Other Income	16.2	45.3	24.0	26.4
PBT	99.5	152.2	128.5	152.2
Exceptional Item	-3.3	0.0	0.0	0.0
Total Tax	31.2	40.2	39.5	44.1
PAT	71.7	112.0	89.0	108.0
Growth (%)	-3.3	56.2	-20.6	21.4
EPS (₹)	80.3	129.6	103.0	125.0

Source: Company, ICICI Direct Research

Cash flow statement				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	71.7	112.0	89.0	108.0
Add: Depreciation	11.8	10.9	13.3	16.9
(Inc)/dec in Current Assets	5.3	-93.8	-22.5	-42.5
Inc/(dec) in CL and Provisions	13.8	58.5	17.0	19.6
Others	3.0	1.7	2.8	2.6
CF from operating activities	105.5	89.2	99.6	104.6
(Inc)/dec in Investments	-74.6	3.7	15.0	-25.0
(Inc)/dec in Fixed Assets	-18.9	-88.9	-50.0	-50.0
Others	2.6	-9.6	0.0	0.0
CF from investing activities	-90.9	-94.8	-35.0	-75.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-18.5	-53.5	-23.6	-28.5
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	12.8	47.1	-37.0	5.2
CF from financing activities	-5.7	-6.4	-60.5	-23.3
Net Cash flow	8.9	-12.1	4.0	6.3
Opening Cash	27.7	36.6	24.6	28.6
Closing Cash	36.6	24.6	28.6	34.9

Source: Company, ICICI Direct Research

Balance sheet				
₹ Crore				
(Year-end March)	FY17	FY18	FY19E	FY20E
Liabilities				
Equity Capital	8.6	8.6	8.6	8.6
Reserve and Surplus	480.4	587.7	618.9	706.2
Total Shareholders funds	489.1	596.3	627.6	714.9
Total Debt	0.0	0.0	0.0	0.0
Deferred Tax Liability	3.7	5.9	5.9	5.9
Minority Interest / Others	39.9	39.2	39.2	39.2
Total Liabilities	532.7	641.4	672.6	759.9
Assets				
Gross Block	199.5	236.6	293.4	383.4
Less: Acc Depreciation	72.9	78.5	91.8	108.7
Net Block	126.6	158.1	201.7	274.8
Capital WIP	10.3	56.8	50.0	10.0
Total Fixed Assets	136.9	214.9	251.7	284.8
Investments	210.9	207.2	192.2	217.2
Inventory	70.7	78.4	94.6	106.1
Debtors	132.3	186.1	212.9	238.7
Loans and Advances	29.8	56.6	34.5	38.7
Other Current Assets	1.5	7.0	8.6	9.7
Cash	36.6	24.5	28.5	34.8
Total Current Assets	270.9	352.7	379.2	428.0
Current Liabilities	81.6	142.7	153.7	172.4
Provisions	4.3	1.7	7.7	8.6
Current Liabilities & Prov	85.9	144.4	161.4	181.0
Net Current Assets	185.0	208.2	217.8	247.0
Others Assets	0.0	11.0	11.0	11.0
Application of Funds	532.7	641.4	672.6	759.9

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	83.0	129.6	103.0	125.0
Cash EPS	96.6	142.2	118.3	144.6
BV	566.1	690.2	726.4	827.4
DPS	18.0	60.0	24.0	30.0
Cash Per Share (Incl Invst)	286.4	268.2	255.5	291.7
Operating Ratios (%)				
EBITDA Margin	14.1	15.6	14.0	15.0
PAT Margin	10.3	14.7	10.3	11.2
Inventory days	37.2	37.5	40.0	40.0
Debtor days	69.6	88.9	90.0	90.0
Creditor days	42.9	68.2	65.0	65.0
Return Ratios (%)				
RoE	14.2	18.8	14.2	15.1
RoCE	19.2	24.0	19.5	20.4
RoIC	26.0	26.6	23.5	23.2
Valuation Ratios (x)				
P/E	25.3	16.2	20.4	16.8
EV / EBITDA	16.6	13.8	13.8	11.2
EV / Net Sales	2.3	2.2	1.9	1.7
Market Cap / Sales	2.6	2.4	2.1	1.9
Price to Book Value	3.7	3.0	2.9	2.5
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.7	2.3	2.2	2.2
Quick Ratio	1.9	1.7	1.6	1.6

Source: Company, ICICI Direct Research

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