July 29, 2026

V.S.T. Tillers Tractors Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long Term/ Short Term– Fund Based/ Non Fund Based Limits	79.00	79.00	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed	RBI
Total	**79.00**	**79.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating reaffirmation for the bank lines of V.S.T. Tillers Tractors Limited (VST) continues to factor in its dominant market position in the domestic power tiller segment, with a market share of over 70%, supported by its established presence and a wide dealer network. The ratings also favourably consider the promoter's extensive experience in the industry, having supported the company's expansion drives in the domestic as well as overseas markets. ICRA also notes VST's strong financial risk profile, as evident from its continued debt-free status and comfortable liquidity position with sizeable cash and liquid investments of Rs. 664.5 crore as on March 31, 2026. VST has been continuously investing in new product development across different segments (power tillers, tractors, weeders, etc.) – the company has tied up with various global players towards such product developments. While the said product developments are expected to aid in product portfolio expansion over the medium term, incremental revenue generation from the same remains a monitorable. New product launches (mainly in the power tiller, tractor and power weeder segments) lined up in Q2 FY2027 are expected to propel near-term sales volume trajectory for the company.

VST registered a healthy 25% revenue growth in FY2026, supported by a robust 35% YoY growth in sales volumes of power tillers, and 12% YoY growth in sales volumes in tractors segment (with the domestic tractor segment posting 18% YoY growth in sales volumes, while sales volumes for export tractor segment remained under pressure due to demand slowdown in the key overseas markets). The power weeders segment also posted a substantial 52% YoY growth in sales volumes for the fiscal, albeit on a narrow base. Favourable monsoon conditions in FY2026, expanding network of dealerships as well as increase in subsidy for power tillers in Maharashtra supported the overall revenue growth for the fiscal. Aided by healthy revenue growth translating into operating leverage, the company posted a notable improvement in its operating profit margins (OPM) to 13.4% (FY2026) from 11.4% (FY2025). With the company continuing to remain debt-free as on March 31, 2026, its capital structure and leverage-coverage indicators remained fairly comfortable, with the expectations of the same to sustain, going forward.

The rating strengths are partially offset by the cyclicality inherent in the tractor and tiller industry in addition to the competition that limits the company's pricing flexibility to a certain extent, exposing its profitability to fluctuations in input costs. The dependence of the power tiller segment on Government subsidies also exposes VST's revenues and margins to any change in Government policies. However, the company has been making efforts to launch subsidy-neutral tillers, which coupled with increasing penetration of retail finance schemes for its power tillers segment mitigate the subsidy risk to a certain extent. In this context, ICRA notes the increasing penetration of retail financing-backed sales of power tillers to 10-12% in FY2026, from 6-7% a year ago.

The Stable outlook on the long-term rating of VST reflects ICRA's expectations that the company will continue to demonstrate a steady operational profile supported by presence across different business verticals such as power tillers, tractors, power weeders, etc., with revenue share from exports expected to gradually ramp up, going forward. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further expand the capacity will be funded in a manner that it is able to durably maintain its strong liquidity position.

Key rating drivers and their description

Credit strengths

Established market position in domestic tillers, supported by long presence and wide dealer network – VST has an established market position and a reputed brand presence in the power tiller segment in India with a market share of over 70%. Along with the addition of new dealers to the company's wide network of over 1,000 dealers and increasing penetration of farm mechanisation, this will continue to support the company's business prospects. Supported by healthy demand that followed satisfactory monsoons in FY2026, the company sold over 50,000 power tillers in the fiscal, a first in its operational history.

Strong financial profile, characterised by nil debt and sizeable cash balances and liquid investments – VST's financial profile remains strong, supported by healthy cash flows, sizeable net worth of Rs. 1,094.1 crore and debt-free status as of March 31, 2026. The company's liquidity position also remains strong, with cash balances and liquid investments of Rs. 664.5 crore as on March 31, 2026. Going forward, given the moderate capex requirements and continued healthy cash flow generation, VST is expected to maintain its debt-free status and healthy debt indicators over the medium term.

Expansion of product portfolio across different segments through new product development initiatives – Over the years, VST has been focusing on new product development across different segments, with technological tie-ups with various global players towards such product developments. The company collaborated with HTC Investments a.s. (Slovakia) to jointly develop Zetor series of tractors as part of its approach to expand its presence in the high horsepower (HHP) segment of tractors, launching the first model from this series in 2022. It has also developed FENTM series of tractors, which is presently in the prototype stage, with the launch scheduled in Q2 FY2027. Such continual focus on new product development by VST is expected to support its product portfolio expansion over the medium term, with the business growth from the same being a monitorable.

Credit challenges

Exposed to industry cyclicality with strong linkages to agricultural production and monsoons – VST derived 60% and 21% of its revenues from power tillers and tractors, respectively, in FY2026. Accordingly, its revenues and earnings remain exposed to the cyclicality inherent in these segments owing to dependence on monsoons and crop production in the country. Adverse monsoon conditions coupled with withholding of subsidies around General Elections led to the company reporting a 4% revenue decline in FY2024 followed by a modest 3% revenue growth in FY2025, whereas satisfactory monsoon conditions propelled a 25% revenue growth in FY2026. This revenue trend highlights correlation between VST's revenue profile and monsoon conditions. With power tiller and tractor segments collectively contributing 75-80% to its revenues, VST's business performance remains exposed to the operational performance of these two segments. Nevertheless, the company is making efforts to diversify into additional segments such as power weeders, brush cutters, electric pumps and spare parts to mitigate this risk to some extent.

Dependence of power tiller segment on Government subsidies – Power tiller sales are driven by state government subsidies to a large extent, which exposes VST's revenues and margins to adverse changes in Government policies. While the company has launched subsidy-neutral tillers and retail finance schemes for its power tillers, which may mitigate the subsidy risk to a certain extent, going forward, the company's ability to further reduce dependence of its power tiller segment on the Government subsidies remains monitorable. The increasing share of retail financing-backed sales of power tillers, which increased to 10-12% in FY2026, from 6-7% a year ago, also provides some comfort in this regard. Further, dependence on subsidies remains limited for the power weeder segment, which has been growing with a robust volume growth momentum, providing further comfort to VST's overall revenue base against subsidy exposure to an extent.

Exposed to competition and pricing risks – The tractor and power tiller segments are characterised by intense competition, thus limiting VST's pricing flexibility amid fluctuating input costs. With restriction on imports from countries like China, the pricing scenario has been relatively better than the past, although competition from domestic players continues to remain elevated. While the company commands a dominant market share of over 70% in the domestic power tiller segment, the pricing power remains contingent on the agricultural cashflows involving the farming community.

Environmental and social risks

Environmental considerations: Tractor OEMs are exposed to adverse climatic conditions such as droughts and floods as they attract most of their demand from the rural segment that may be impacted by such environmental factors. Construction/agricultural equipment OEMs also remain exposed to climate transition risks from a likelihood of tightening emission control requirements, with the Government focused on reducing the adverse impact of automobile emissions. Companies in the sector may also need to invest materially to develop products to meet regulatory thresholds, which may have a moderating impact on their return and credit metrics. The change in emission norms from TREM IV to TREM V or TREM VI may lead to a capex outlay towards upgrading its higher HP tractors. However, since most of VST's revenue is derived from power tillers and low HP tractors, for which the said norms are not applicable, the credit risk from the same remains low.

Social considerations: OEMs are exposed to risk arising from labour unrest like strikes and lockouts. Another social risk that OEMs face pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm their reputation and create a more long-lasting adverse impact on demand.

Liquidity position: Strong

VST's liquidity position is strong with a cash and liquid investment balance of Rs. 664.5 crore, and sizeable buffer of Rs. 69.0 crore available in the form of undrawn working capital lines, as on March 31, 2026. The working capital utilisation has remained nil/minuscule over the 12-month period ended June 2026. Despite regular dividend payouts, the company's liquidity position has remained strong on the back of healthy operating cash flows, which are expected to continue in the future as well. VST continues to maintain a net cash surplus position, with capex outlay for FY2027 likely to remain around Rs. 100 crore, and Rs. 50-60 crore annually over the medium term, which would be funded comfortably through internal accruals.

Rating sensitivities

Positive factors – The long-term rating could be upgraded in case of a sustained improvement in the company's scale of operations and earnings profile. VST's ability to achieve business diversification, strengthen its market share in the domestic tractor and farm equipment segment, aided by product launches and geographical spread, would be a key monitorable.

Negative factors – The ratings may be revised downward in case of any sharp deterioration in the financial profile of the company from weak earnings and/or a deterioration in credit metrics. Any large debt-funded acquisition or capex will also be an important monitorable**.**

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Tractors
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VST.

About the company

V.S.T. Tillers Tractors Limited was promoted in 1967 as a 60:20:20 joint venture among Mr. V.T. Velu and his two brothers, in technical and financial collaboration with Mitsubishi, Japan (Mitsubishi Heavy Industries Limited and Mitsubishi Corporation), and Mysore State Industrial Investment Corporation Limited, for manufacturing power tillers and diesel engines. The commercial production of tillers commenced from 1970. Later, in 1984, an additional technical and financial collaboration began with Mitsubishi Agricultural Machinery Company Limited, Japan, for manufacturing 18.5 horsepower (HP), four-wheel drive tractors. However, collaborations with all the above entities have expired. The shareholding of the Indian promoters in VST stands at 52.62%, while Mitsubishi's stake is 2.93%, with the rest held by public shareholders (as of June 2026). VST manufactures farm equipment, namely power tillers, tractors, power weeders, diesel engines and other precision agricultural and automotive components. It also trades in certain farm equipment (mainly rice transplanters), which are sourced from China. Headquartered in Bangalore, VST derives approximately 90% of its revenues from the domestic market and has a nationwide network of more than 1,000 dealers to support sales and provide after-sales services.

Key financial indicators (audited)

VST – Consolidated	FY2025	FY2026*
Operating income	994.5	1,240.4
PAT	94.5	106.0
OPBDIT/OI	11.4%	13.4%
PAT/OI	9.5%	8.5%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	51.1	86.9

*Source: Company, ICRA Research; * Results; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	July 29, 2026	Date	Rating	Date	Rating	Date	Rating
Fund Based/ Non-Fund Based Limits	Long term/ Short Term	79.00	[ICRA]AA-(Stable)/ [ICRA]A1+	April 08,2025	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-	Mar 14, 2024	[ICRA]AA-(Positive)/ [ICRA]A1+
Cash Credit	Long term	-	-	-	-	-	-	-	-
Non-Fund based	Short term	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based/ Non-fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator^
NA	**Long-term/ Short-term – Fund-based/ Non-fund Based Limits**	NA	NA	NA	79.00	[ICRA]AA- (Stable)/ [ICRA]A1+	RBI

Source: Company

^SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	VST Ownership	Consolidation Approach
VST Zetor Private Limited	51.00%	Equity method

Source: *Company financial results Q4 FY2026*

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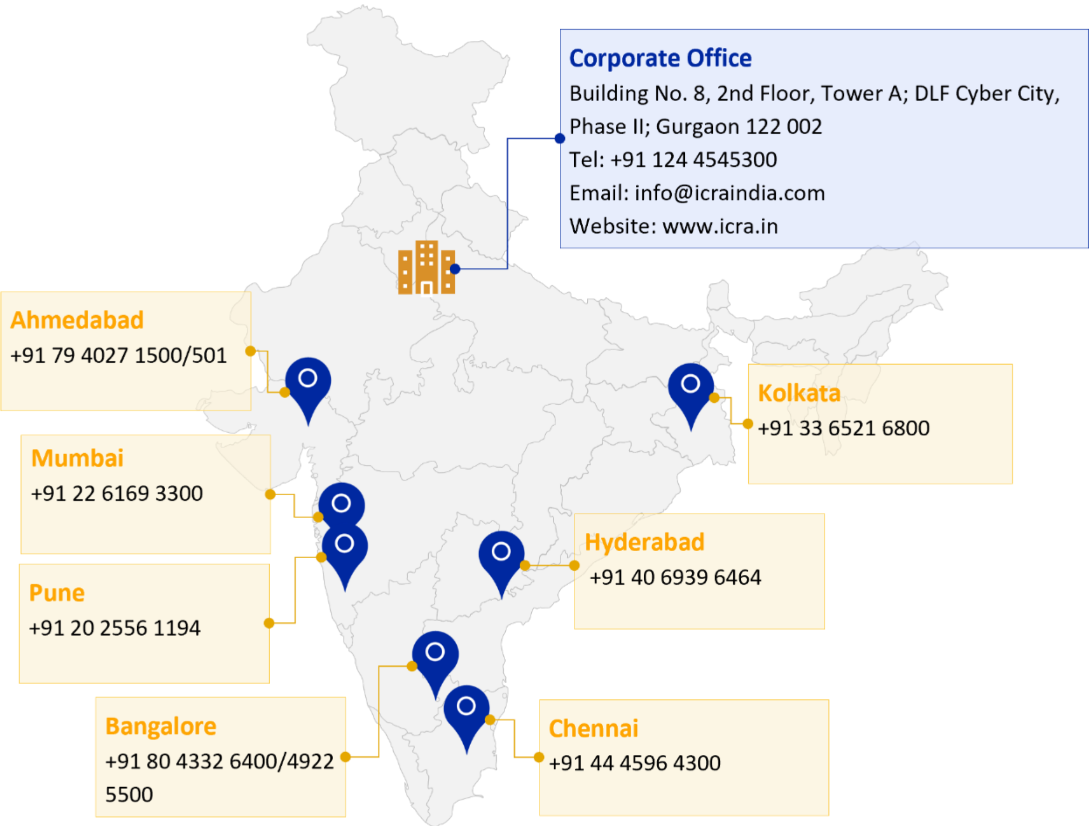

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