

VST Tillers Tractors

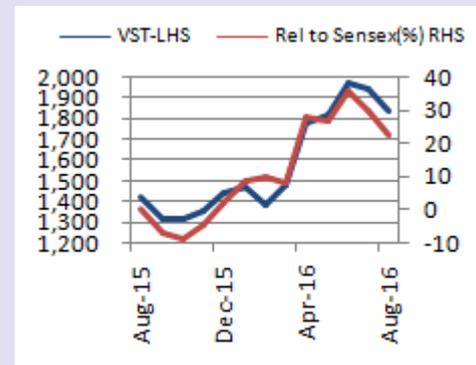
BSE SENSEX
27697
S&P CNX
8544
CMP: INR1834 TP: INR2250(+23%) BUY

		YEAR	SALES	A.PAT	A.EPS	A.EPS	PE	P/BV	EV/	DIV. YLD	ROCE
		March	(INRCr)	(INRCr)	(INR)	Gr.(%)	(X)	(X)	EBITDA(X)	(%)	(%)
Shares O/s (cr)	0.9	FY15	550	70	80.5	-16%	23	4.4	15.6	0.8%	24%
52-W H/L Range (Rs)	2035 /1,274	FY16	645	110	85.8	7%	21	3.8	13.8	0.9%	23%
1/6/12 Month Perf	-7/25/16	FY17E	731	124	102.1	19%	18	3.2	12.0	1.1%	23%
Market Cap. (INR cr)	1,584										
Market Cap. (US\$ m)	236										

Results Overview- Quarterly blip; Long term story intact, good monsoons bode well for the company

- For Q1 FY17, VST's revenue was INR 178.1cr (+6.9% YoY and +0.4% QoQ); EBITDA was INR 24.6cr (-22.3% YoY and -16.7% QoQ); and PAT was INR 20.0 cr (-4.1% YoY and +2.8% QoQ).
- In Q1FY17, power tiller sales volumes grew 8.1% YoY to 7300 units while tractor sales volumes de-grew 4.6% YoY to 2158 units
- EBITDA margins at 13.8% (down 518bps YoY) came in substantially lower primarily on account of higher employee costs (one time gratuity charge to P&L account and increase employee strength) and higher operating costs (higher dealer discount's due to change in credit terms).
- Other income for the quarter came in higher than expected on account of one time capital gains realised.
- Sowing activity has picked up pace with acreages under sowing as of July 27, 2016 at 80 million hectares (MH) vs. 75 MH as of July 27, 2015.

INRCr	1QFY16	4QFY16	1QFY17	yoy	qoq	FY15	FY16	yoy
Total Income	166.6	177.3	178.1	7%	0%	551.6	646.7	17%
Expenditure	135.0	147.9	153.5	14%	4%	451.4	533.8	18%
EBITDA	31.6	29.5	24.6	-22%	-17%	100.2	112.9	13%
Other Income	2.5	4.7	5.9			11.9	12.2	
Interest	0.6	0.7	0.7	15%	8%	2.1	2.6	21%
Depreciation	2.5	3.2	2.4	-4%	-24%	9.4	12.5	33%
E/O Gain	0.0	0.0	0.0			-	-	
PBT	31.0	30.3	27.3	-12%	-10%	100.6	110.0	9%
Tax	10.1	10.8	7.4			31.0	35.9	16%
PL of Associates	0.0	0.0	0.0			-	-	
Adj. PAT	20.8	19.5	20.0	-4%	3%	69.5	74.1	7%
EBITDA (%)	19.0%	16.7%	13.8%			18.2%	17.5%	
Tax rate (%)	33%	36%	27%			31%	33%	



Valuation and view

- Rainfall in the second half of the monsoon season 2016 is expected at 107% of LPA. A good monsoon bodes well for the farm mechanisation sector with VST a key beneficiary.
- VST is an attractive play on its debt-free status, healthy product pipeline, continuous emphasis on market-share increase, minimal capex requirements, healthy FCF, and superior return ratios, and resurgence of agriculture income on the back of above normal monsoon forecasts.
- We expect VST to grow its profits at 17% CAGR over FY16-18E. The company trades at 15.5x FY18E EPS. We maintain our TP of INR 2,250 (19x FY18E EPS) providing an upside of 23%.

Disclaimer: This document has been prepared by Motilal Oswal Securities Limited (hereinafter referred to as Most) to provide information about the company(ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies). This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

MOST and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We and our affiliates have investment banking and other business relationships with some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that MOST and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on twin parameters of performance & profitability of MOST.

MOST generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, MOST generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. MOST and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of MOST even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition MOST has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent MOST's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Most and its associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Most and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. Subject Company may have been a client of Most or its associates during twelve months preceding the date of distribution of the research report

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Motilal Oswal Securities Limited is under the process of seeking registration under SEBI (Research Analyst) Regulations, 2014.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Motilal Oswal Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH000000412

A graph of daily closing g prices of securities is available at www.nseindia.com and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	VST Tillers Tractors
1. Analyst ownership of the stocks mentioned above	No
2. Served as an officer, director or employee	No

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 6, Sayani Road, Prabhadevi, Mumbai 400 025
 Phone: (91-22) 30894200 Fax: (91-22) 22885038. E-mail: info@motilaloswal.com