



VST SHAKTI

“VST Tillers Tractors Limited
Q1 FY2021 Results Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY2021 Results Conference Call of VST Tillers Tractors Limited hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you, and over to you, Sir!

Annamalai Jayaraj: Thank you Aisha. Welcome all to VST Tillers Tractors Limited 1Q FY2021 post results conference call. We have with us today, Mr. Antony Cherukara, Chief Executive Officer and Mr. Chinmaya, Company Secretary. I will now hand over the call to Mr. Antony Cherukara for the opening remarks to be followed with the question and answer session. Over to you, Sir!

Antony Cherukara: Good morning everyone. Thank you for attending this analyst call. In Q1 this financial year, we have posted total revenue of Rs.155.5 Crores against previous year of Rs.144.65 Crores. The operating revenue is at Rs.146.24 Crores, which is a growth of about 5% over the previous year. EBITDA increased to 16.47% compared to previous year of 13.37%. At PAT level, we are at Rs.17.07 Crores against previous year of Rs.11.55 Crores, which is a jump of about 47.8% compared to last year.

On the number front in power tillers we have done 5186 power tillers against previous year of 5024 and in tractors we have done 1766 numbers against previous year of 1685. With this opening remark I will open up for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nikhil Parikh from Dhanki Securities. Please go ahead.

Nikhil Parikh: Thank you for the opportunity Sir. I had a couple of questions. Sir first if you can share the value breakup any market share with respect to tillers and tractors?

Antony Cherukara: The revenue from power tillers is Rs.72.41 Crores and for tractors is Rs.52.86 Crores.

In tractors we have gained by 1% in market share. We are at 10.5% now and in tillers we have gained about 4%. We are at 51% market share now.

Nikhil Parikh: Sir also if you can throw some light on the restrictions announced by Government of India at what opportunity it creates for us in terms of may be contract manufacturing, etc.?

Antony Cherukara: Especially on the power tillers there is an import restriction that the government has put in and definitely we stand to gain first in the market supply. Also, we are in talks with few manufactures to supply contract manufactured power tillers to them. Coming back to your earlier question our revenue last year on power tillers was Rs.69 Crores and on tractors was Rs.49 Crores.

Nikhil Parikh: Just referring back to the same question on restrictions, restriction with respect to power tillers so Sir how do we see this industry shaping up so that 30% import proportional debt so that gets reduced to about 10% to 15% and for us how does that capital utilization shapes up for us?

Antony Cherukara: As far as the import restrictions are concerned it is almost to only 10% of the value of the previous year, which means eventually the imports will not happen so that definitely there is roughly about 15% to 20% odd market gap that could get created. few years before 30% of the market has been because of Chinese imports. once the inventory runs out there will be a vacuum, so many players are there who are totally dependant on imports especially from China so a couple of them are in talks with us and we are in final stages of supplying from our end to them.

Nikhil Parikh: Sir and last question Sir we recently tied up with Pubert for power weeder so just wanted to check the market size? The opportunity we have there and what are the major players who are there in the market at the present?

Antony Cherukara: Pubert is mainly manufactures of power weeders, that is 8 horsepower and below. The unit price starting from Rs.40000 to Rs.70000 for these products. The market size in the last three years, it has grown from 25000 units to about last year it was 110,000 units and the projection going forward is it will be in the next three to four years at about 300,000 units so it is growing at an exponential pace and we look to take advantage of it. There are several importers into the market today and hardly any manufacturers in India for weeders.

Nikhil Parikh: Sir if we have to get into manufacturing what is the capex do we look at and do we have to do sort of a tie up for technology, etc?

Antony Cherukara: Definitely, we are looking at manufacturing only. At VST we have never kind of dependent on imports even in our power tiller business, our import content is zero in power tiller. Similarly, we want to proceed in this direction with power weeder and that is the intent of the tie up with Pubert. Due to COVID-19 we have not finalized the terms of the agreement, because we have not been able to travel to each other's facilities however we decided online to go ahead with the agreement so that we can start business, but ultimate aim is to manufacture in India. It will be a completely Atmanirbhar product.

Nikhil Parikh: Sir any idea any guideline on the capex for this power weeder?

Antony Cherukara: The capex will be very little because the capacity we already have. You know our plants are running at low utilisation, power tiller plant is also running about 62% utilization so there is enough capacity for taking this up. So, there is no infrastructure and plant spend. Some development costs will be there for setting up components in India so that it is a very rough estimate I can give you will be in the tune of less than Rs.20 Crores.

Nikhil Parikh: Thank you. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Nishit Shah from Equitas. Please go ahead.

Nishit Shah: Good morning Sir. Sir can you throw some light on the company currently manufacturing these power weeders?

Antony Cherukara: That is what I said there are almost no manufactures in India. There are a couple of assemblers who bring CKD or SKD from China and then assemble it in India. There are no manufactures at all. So mainly people are all importing from neighbouring countries.

Nishit Shah: Sir can you give the sales number for higher HP tractor for the quarter?

Antony Cherukara: Yes, we have done 176 higher HP tractors..

Nishit Shah: And how does this compare with last year?

Antony Cherukara: Last whole year we did only about 240 tractors.

Nishit Shah: Okay Sir and what would be the dealer inventory currently?

Antony Cherukara: Very little. In the Q1 and till now the demand is on the upswing and the challenges, as you would know in industry has been on the supply side. The dealer inventories have come down by almost 50% to 60% in our case.

Nishit Shah: So, are we facing any supply side issues?

Antony Cherukara: Yes, we are facing challenges on the supply side..

Nishit Shah: What is our take and by when will be able to resolve our issues?

Antony Cherukara: Unfortunately, this is a very strange situation. It is not limited to one component or something because it is more to deal with local lockdown as it happens and due to some suppliers. For example, last month we had issue because our fuel injection equipment did not come from the supplier because they had to deal with COVID-19 in their plant. Before that we had an issue at Chennai when Chennai completely got locked down. There were several suppliers in the Chennai belt from where we had trouble in getting material. Now this month we are facing floods in Kolhapur and Mumbai area wherein the supplies got disrupted for almost three to four days because of the heavy rains and floods. Unfortunately, it is a very strange situation. This is not something related to capacity or planning. It is related to disruptions that are happening on and off.

Nishit Shah: Sir what is the subsidy position for our key states?

Antony Cherukara: Subsidy nothing has been released so far in this year.

Nishit Shah: And our expectation?

Antony Cherukara: No expectation. As I have said earlier also we do not feel that this year the government will release subsidy although some state governments have gone for settling the price on power tiller,

which is a very good thing for us because they have given us a higher price in Karnataka, Gujarat, Odisha and Tamil Nadu so that is good, but there is no confirmation from any state government as to when the subsidy will get released and we do not have a definite answer on that.

Nishit Shah: Sir this M&M and Escorts said that they were not able to fulfil their demands so was that the case for us also for tractors?

Antony Cherukara: Yes, in power tiller and even in tractor we are running with advance payments from dealers and advanced orders from dealers both in the power tiller and the tractor segment even as of August.

Nishit Shah: Sir what would be our expectation for the whole year in tractors and tillers volume growth?

Antony Cherukara: As I have said earlier we expect to grow at least 10% to 15% in the tractor segment and at least 15% to 20% in the tiller segment.

Nishit Shah: Thank you so much Sir.

Moderator: Thank you very much. The next question is from the line of Ritesh Bhargav from B&K Securities. Please go ahead.

Ritesh Bhargav: Thank you for the opportunity. Sir you said that in this quarter we have sold like 176 higher HP tractors, but in spite of that tractor realizations remained same QoQ so is there anything we have taken any reason there is any one off?

Antony Cherukara: Realization as in profitability has definitely improved for tractors, I said that the volumes has not grown much because of the supply side issues. It is nothing to do with the demand and remember the tractor suppliers for higher HP and the lower HP that is the compact tractor are different. The factories also currently are different. The higher HP grew from 50 tractors last year to 175 tractors for Q1 this year, the compact tractors also grew, but supply side issues were different for both the segments because the suppliers are different for higher HP and the compacts tractors. So, the overall growth in quantity is 1766 over last year of 1685, the volume growth is not very high in Q1.

Ritesh Bhargav: Okay as you said that there is supply side issue are the supply side in compact segment or higher HP where are we seeing these higher issues of supply side?

Antony Cherukara: Both the sides there are issues both in compact as well as higher HP. In higher HP our volumes are lower compared to the major players, and we continue to grow rapidly. , but in compact tractors our base volumes are high and related to that issues are there.. In fact if you look at our results and look at balance sheet we have been able to optimize inventory, optimize receivables and build a completely better balance sheet, which I have been talking to all of you since the last four quarters and in fact if you remember my earlier calls I have also told you by Q1 we will be almost back to normal and I am happy to say that whatever I told you earlier, we are quite close to realizing it in Q1 itself.

Ritesh Bhargav: Sir coming to higher HP tractors did we expand to any other new states and what are our major demand drivers in this segment currently?

Antony Cherukara: We have now taken the higher HP sale to almost close to 100 dealers across India. In the North alone where VST is not present, as you know we have added about eight to 10 dealers in Q1 and we will continue to expand in UP, MP, and Rajasthan, which are main markets for higher horsepower tractors where VST was not present earlier.

Ritesh Bhargav: What is the strategy there Sir? Are we going with I mean how is the pricing of ours in those areas and what is the motive or the dealers attracting towards VST? Like what are the strategies we are using to attract the dealers actually to set up the showrooms there?

Antony Cherukara: One is very clearly that there is a unique value proposition in terms of value for money that is with all the features like oil immersed brake, power steering all the advanced features and in fact recently now we have further improved our styling. It is very different now from what we launched in the beginning so that has also been improved. With all these modern looking tractors it comes at a price lower by 5% to 10% than the main competition so I have explained to you earlier VST is looking for to positioning clearly one is the value for money positioning, which is an offering we are giving now and we want to create the premium positioning through the VST Zetor tie up, which will be launching in the future.

Ritesh Bhargav: Can you talk about the working capital position currently?

Antony Cherukara: Working capital position has considerably improved, as you would have seen our receivables have come down to in Q1 are at about Rs.87 Crores, which has come down if you compare it with previous year receivables were at Rs.115 Crores last year Q1 and inventory we are Rs.78.21 Crores. If you compare it with previous year Q1 we were at Rs.142.8 Crores and slight increase in trade payables from Rs.67 Crores last year it has gone up to Rs.85 Crores so we are in a healthy position in terms of net current asset.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: Thank you for the opportunity. Sir my first question is like you were mentioning that subsidies have not been announced this year and you not even expecting it so kind of come in this year, but yet you are expecting volume growth so how do we read this does it mean that people are buying without the subsidy now?

Antony Cherukara: The retail sale on cash is increasing in power tillers so in Q1 it was 79% and July was about 58% to 59% on cash. We are seeing the same trend in August so people are kind of not waiting for subsidy anymore. That is a big change that we are seeing. Even in August the demand position continues to be high and secondly as I have told you before we are also prepared to launch a power tiller, which is subsidy neutral.

- Mukesh Saraf:** Does it mean that the farmer is kind of funding himself and waiting for the subsidy later or they just not even applying for the subsidy?
- Antony Cherukara:** Definitely they are applying for subsidy. There is definitely a behavioral change. The customer knows that amount will come directly to his account. The dealers also have been telling this to the customer for the last two to three years when this DBT transition was happening. Right now, I think the customer has more or less realized that is the way the things will work so they are paying the full amount to the dealer and waiting for the subsidy to come into their account through DBT.
- Mukesh Saraf:** So, all these states have move to DBT because I remember some states were still not under the complete?
- Antony Cherukara:** Almost all the states, all states have moved into DBT. In some states it is a first come first serve basis that is another mechanism. Disbursement by the state governments based on the budget, the disbursement mechanism and of course the quantum also.
- Mukesh Saraf:** Subsidy neutral product will probably help us with kind of the Chinese imports it will help us to address that market?
- Antony Cherukara:** One is we are trying to fill in the gap in the market so wherever Chinese dealerships were there or dealers were strong and ensuring that VST presence is there in those markets so if you see in the few months we have accelerated dealer appointments. We have appointed more than 40 dealers in power tiller alone. So that is the kind of ramp up we are doing in terms of dealership network. The second thing as I told you is the certain suppliers we are in talks with. We are in final stages of supplying to them. They were earlier 100% importers from China. Now we are in the final stages of discussions for supplying to them.
- Mukesh Saraf:** Got it and just the second question is with regards to costs we always had a last few quarters we had these prototyping costs, etc., and you had mentioned that probably around Q1 that around this June month most of those expenses would be done away with the prototyping expenses? Is that now done away with and the margins and once the volumes come back do you think margins can hence look much better and we go back to our earlier levels of say 14% to 15%?
- Antony Cherukara:** So if you refer in detail our notes of accounts you will see that material cost per se has come down even compared to Q1 last year from 67.1% to 66.2%, but overall it looks slightly higher because there is an ageing and revaluation in physical stock posting that has happened so overall it looks at 67% against Q4 last year of 64%, but overall last year was 68.5% for the full year from there we had come down to 67%, Because of this COVID-19 situation some of the areas where we had supply issues we could not exactly follow the share of business process. I think we will have betterment and we can get out of this COVID-19 situation hopefully by next year I think we will be even better.
- Mukesh Saraf:** All the best Sir. I will get back in the queue if I have more. Thank you.

- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Thanks for the opportunity Sir. Congratulations for excellent performance. Also, you said that we are conducting the concall nearly to quarterly results. I have three new questions. Firstly, we had some amount of bad debts being provisioned in the previous years so just wanted to check the last part of it is over or do we expect some run rate going ahead as well?
- Antony Cherukara:** As I said in the last call also that we are following the policy and all of you know that we have some outstanding towards subsidy. That is still not come so we are provisioning for that and there will be some provisioning in the ongoing quarters also unless that subsidy amount comes in, so the only thing that we are waiting for is the subsidy amount to come in.
- Shashank Kanodia:** So, what is the quantum of outstanding subsidy from government?
- Antony Cherukara:** Subsidy from government is in the tune of about Rs.12 Crores to Rs.17 Crores, tractors is about Rs.8 Crores to Rs.9 Crores and tillers is about similar amount.
- Shashank Kanodia:** Sir the volume guidance for tractors and power tillers for FY2021 is roughly 10% to 15% for tractor and 15% to 20% for power tillers is it?
- Antony Cherukara:** Correct.
- Shashank Kanodia:** Sir thirdly on the power weeder if you can share some timeframe wherein when do we expect to start manufacturing and what kind of volumes we expect this year and probably next year and will it be a similar margin profile to the existing that we do?
- Antony Cherukara:** We have already started selling the product in the market. As far as manufacturing is concerned in August onwards we are starting assembly SKD in our plant and then slowly we want to move to CKD. I am not able to give you a day or month for that. We are all waiting for that day when travel can start happening. Immediately after that we are going to take it up. So that is where we are actually.
- Shashank Kanodia:** Sir this power weeder as an instrument kind of cannibalize any of the functions that power tiller performs or is it a complete different set of applications?
- Antony Cherukara:** It is a much smaller implement. It is bought by people with one acre or two acre kind of landholding or a kitchen garden or stuff like that
- Shashank Kanodia:** Right thank you Sir. That is all from my side. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Mayur M from BOB Capital. Please go ahead.

Mayur M: Good morning. Sir I just wanted your perspective, when looking at the input cost from China and you say that Chinese tiller were kind of 30% market share last year the industry was at let us say 40000 units so which means you are saying that about 12000 units that come from China and the export is curbed at 10%, which means more than 10000 demand even if Y-O-Y growth is kind of flattish to a like of 10,000 explicit demand coming to the domestic guys and when I say domestic you are 50% plus market share so would not it be very obvious to believe that whatever demand you would have got Y-O-Y you would get an additional 5000 wherein about even if I consider only 50% of this number according to you?

Antony Cherukara: That is what we are looking at, but remember there was a huge inventory lying with all these importers from China so I think it will run out by September or October and then the real effect will be realized. Point number two is we are in talks with a couple of importers who wants to take supply from us so we are in final stages of discussions.

Mayur M: I got this from you. What I am trying to get is when they are saying that these two benefits will be either capture or we start supplying are you thinking that additional 25% to 35% kind of Y-O-Y growth into your tillers so I think your guidance is kind of when you said 16% to 20% growth on tillers, I was trying to put things together that is all?

Antony Cherukara: Let us hope for the best. There is opportunity and we are working on it, but I think roughly about 15% definitely looks feasible in terms of growth. There are many factors at this point. We are in a completely unpredictable situation. On one side there are supply issues and on the other side there is COVID-19. The third is we are grappling with this uncertainty in terms of what will happen to subsidies. So, there are multiple issues the industry is facing today so we are prepared on all fronts, but how exactly it will play out is very difficult to predict.

Mayur M: Sir is it possible that with all these supply side issues and COVID that we see around 40,000 units you are saying that if the industry is growing then of course we will do much better than the industry?

Antony Cherukara: My expectation is that the industry will grow simply because the small and marginal farmers does not have any other solution. So, I am expecting the industry to grow two reasons. One is what I said just now and the other I am seeing is change in trend that nobody is waiting for subsidy. They are going ahead and buying so that of course I have only four to five months data at this point so I need it to be sustainable. Will that methodology of buying sustain is a question mark, which I do not have an answer right now. Hence, I am prepared with a subsidy neutral product, which will help him device till his subsidy does not come.

Mayur M: Good and my last question is you are seeing 15% to 20% you are also looking at a similar growth for the industry or you would say the industry will grow in a single digit and then you will kind how does the industry rate you?

Antony Cherukara: Nothing is definite. We will be faster than industry because , who are there earlier is going to source from us, we will be doing the manufacturing for them.

- Mayur M:** Right all right Sir. That is all. Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Shiv Chanani an individual investor. Please go ahead.
- Shiv Chanani:** Good morning Sir. I have a couple of questions Sir. One is on the tractor side given our low base do you think the limiting factor for us right now is the capacity and supply chain and things like that dealer network and all or do you think the limiting factor is the demand?
- Antony Cherukara:** The limiting factor is not the demand right now.
- Shiv Chanani:** Right so it is more around the capacity and probably the supply chain disruption that we are seeing right now?
- Antony Cherukara:** Correct.
- Shiv Chanani:** Sir how is the financing tie up for us I mean are we tied up with most of the banks and NBFC?
- Antony Cherukara:** Yes, we have tied up with everybody and in fact we get good funding from all the financiers in line with the market leaders even in our higher HP that is a big challenge for any new entrant into higher HP but given our track record and quality of products I am very happy to say that most of the financiers have given us a higher funding.
- Shiv Chanani:** Absolutely Sir. Sir do we have any plans in terms of ramping up the tractor business in a significant manner maybe six months, 12 months down the line I mean I am just trying to understand how do we see this tractor business ramping up let us say from a three to five year point of view?
- Antony Cherukara:** Definitely as discussed with all of you earlier we are putting up a new plant for higher horsepower tractors in Hosur, which has a capacity of about 30000 tractors so we already have a capacity of our compact tractors is about 30000 tractors. higher horsepower tractor plant will be fully functional in Q4 this year.
- Shiv Chanani:** That is great. Are we looking for given that 30000 tractors on our base will be significant are we looking for dealerships outside of Maharashtra or Gujarat?
- Antony Cherukara:** Yes we are as you said we are rapidly expanding dealerships for tractors as well as power tillers tractors definitely we are focused more on the northern markets it was higher HP segment we have never been present in those market so all those markets where we have not been present like UP, MP, and Rajasthan, Haryana, Punjab all these higher horsepower markets we are adding dealers now and we are getting very good response at the moment.
- Shiv Chanani:** That is very encouraging. Next question is on the power tillers and particularly this Chinese of course I mean it is a big booster for us but Sir in the past what we have seen in some of the categories, I do not know whether it is applicable in tillers or not but in some other categories particularly when the trade war happened in the US what we have seen is that a lot of

merchandise actually got routed through other markets like Vietnam and all do you think that it is possible in tillers that Chinese products still finds its way routed through Vietnam or any other neighboring market?

Antony Cherukara: That is unlikely. The Vietnam market has got strong power tiller players. They also manufacture and this is a much larger product unlike an FMCG kind of product so I do not think that routing is easy and even if they do it the cost will climb up compared to getting it from China directly so I do not think that will provide any distinct advantage.

Shiv Chanani: Sir what is the differential right now between the Chinese product and our products?

Antony Cherukara: In terms of price is it?

Shiv Chanani: Yes

Antony Cherukara: About Rs.30000 to Rs.40000.

Shiv Chanani: That is about it from me thanks a lot and all the best.

Moderator: Thank you Sir. We have next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Sir you said that the farmers buy tillers and get subsidy, you do not have to do anything here now, I mean in DBT?

Antony Cherukara: No. We have to help the farmer file for subsidy. The dealers help them file for subsidy but their money gets directly transferred to the customer's account unlike earlier where the money used to get transferred to the dealer's account.

Jayesh Gandhi: Whatever receivables currently you are having has nothing to do with government receivables, right? Government is not your debtor, currently right?

Antony Cherukara: Earlier subsidies which were pending from government it is still pending.

Jayesh Gandhi: Can you give that figure Sir?

Antony Cherukara: Yes, as I said earlier like 15 Crores to 17 Crores roughly between tractors and tillers mostly on subsidy related receivables from the government.

Jayesh Gandhi: That is all from my side. Thank you and all the best.

Moderator: Thank you Sir. We have next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

- Pritesh Chheda:** Sir in terms of prototyping cost and bad debts written off what was it as a percentage of sales last year and how much of reduction that should we see it in the forthcoming year?
- Antony Cherukara:** Material cost I have already discussed roughly about we have a reduction of about 1% to 1.5% currently on material cost per se and I feel that we go down on further in the coming quarters. Secondly provision for doubtful debts we had provided for about Rs.4 Crores to Rs.5 Crores in Q4 and this quarter we have provided for about Rs.2 Crores.
- Pritesh Chheda:** Second you gave a market size did you say 60000 market for tiller in which 10000 is imported that is how it is?
- Antony Cherukara:** last year it was only 45000 so normally the average industry size of power tillers is about 50000 Nos.
- Pritesh Chheda:** Lastly Maharashtra and Gujarat which are the key consumers right?
- Antony Cherukara:** Maharashtra and Gujarat are the key consumers for compact tractors.
- Pritesh Chheda:** For power tillers.
- Antony Cherukara:** Power tillers it is Odisha, Assam, Maharashtra, Gujarat, Tamil Nadu, Karnataka.
- Pritesh Chheda:** How many states in these are subsidy-driven?
- Antony Cherukara:** **About** 90% of sale is to happen in subsidy only.
- Pritesh Chheda:** Thank you Sir.
- Moderator:** Thank you Sir. We have next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.
- Saket Kapoor:** Good morning Sir. Thank you for the opportunity. Sir first if you could give what led to the rise in the other component say around 5 Crores to 9.26 Crores?
- Antony Cherukara:** Fair value increase is about 7.7 Crores out of this 9.26 Crores.
- Saket Kapoor:** Fair value of investments?
- Antony Cherukara:** Compared to last year of only about 3 Crores,
- Saket Kapoor:** That is in mutual funds?
- Antony Cherukara:** Mutual fund, yes.

- Saket Kapoor:** Sir secondly you did mention about that capacity utilization levels of 62% and the constraint on the component part but then you also mentioned that Chinese the import duty is expected to be on-stream by October so you are preparing yourself to meet the customer demand so that will be job work done how are you trying to do the math when you yourself are at constraint with components?
- Antony Cherukara:** We are continuously working on increasing capacity at supplier level for components that work is happening. We are running much lower than the installed capacity so there is nothing needed to be done in the plant but however at the supplier level is where the work is going on.
- Saket Kapoor:** In that case the margin profile will be very different from the ones, which are manufactured at the plant, and the ones where only the imported job work is done so how is the margin profile looking like in both the cases are the same?
- Antony Cherukara:** We are not kind of compromising on margins much in terms of supplying to other players but yes definitely slightly it will be lower so that they can also be in the market and compete in the market so that definitely we are looking at. We are of the firm belief that we need to create more players in the market for the industry to grow so we are helping them kind of bring their own brands and compete in the market. we are not giving them a complete tiller so they will have their distinct look and feel of the product while all the basic machines materials will be supplied by us.
- Saket Kapoor:** Okay and you said that on top of 3000 we are of the visibility of improving on the number month on month this is what the take is from you?
- Antony Cherukara:** Because we are improving the supplier capacity as of now the demand is not an issue up till now that is the visibility we have. We expect power tillers seasonality the sales will come down so that is when we are looking at launching our subsidy neutral products, which we have prepared.
- Saket Kapoor:** Lastly Sir on the AMC front also does that also forms a part of the business once the machine is sold and the spare part business what is the breakup of the same?
- Antony Cherukara:** Spare parts we have roughly about a 70 Crores to 80 Crores business so there is no AMC because we give a warranty like any automobile, tractor and power tillers has a warranty period and free services, in cars and bikes it is kilometers, in tractors and power tillers it is the number of hours operation so we provide free services and we take care of the service and parts is a big business for us, we do about 70 to 80 Crores of parts business and we are continuing to grow that business. we have launched lubricants for our exclusive dealerships, VST branded lubricants we have launched. Also, we have launched lubricants in the aftermarket because there is a large population of power tillers more than 400000 to 500000 power tillers in the market from VST
- Saket Kapoor:** Next point is about the growth part also Sir, what are the factors that have made tiller and tractor business conducive for us and since we had a very low base last year. Last year was bad for the industry and VST in particular also so that is the main reason that we are seeing a good visibility or are we contemplating the business all together moving into different trajectory going forward?

- Antony Cherukara:** We are definitely as I said working on increasing the capacity on tractor, so tractor is going to grow. Another area, which we are focusing on power tiller, is we are expecting to take advantage of the import restrictions that is coming that I have already shared with you. The third important big growth lever that we are working on is on the power weeder segment where we see the industry is going to grow exponentially so we have tied up with the best in the world and we want to manufacture those products in India and supply to French collaborator as well Pubert we are doing a major expansion of the channel so these are the two levers that we are using to grow in all the segments. The fourth area that we have looked at is of the distribution business which is the parts, lubricants, etc., wherein first quarter, we have done about 17.8 Crores of parts and lubricants we have done about 2.55 Crores again last year lubricants we have done only about 1.98 Crores and parts 17.5 Crores we did last year
- Saket Kapoor:** A very small point on the Precision Components Division at Mysore Sir how is that division performing and what is the roadmap since it has not contributed to a great extent?
- Antony Cherukara:** It contributes very little revenue as such because almost 70% of the material that is machine there we move it for our internal consumption; however,. It will continue to be our engineering strength; however, we are also starting to focus from Mysore on Precision implements so that is another new growth area but it is at a very, very initial stage but you will hear more about it in the future.
- Saket Kapoor:** Lastly Sir on the minority share holder value creation idea, if you could have that thought for it and when the is our AGM is scheduled as the Company Secretary is there on the call, what are our value creations idea for these shareholders?
- Antony Cherukara:** See the best value creation is by better performance, so that is what management is focused on doing
- Saket Kapoor:** Right Sir on the AGM part can you update us?
- Antony Cherukara:** AGM this time is most likely on a audio visual process so we will let you know more in detail about it.
- Saket Kapoor:** Thank you for all the descriptive answers and we should look for continuity of our performance that is what the key takeaway should be the highlight.
- Antony Cherukara:** Thank you.
- Moderator:** Thank you Sir. Due to time constraint we will take the last question, which is from the line of Kaushik Shah from Dhanki Securities. Please go ahead.
- Kaushik Shah:** Most of my questions have been answered Sir. I just have one clarification sir you alluded about VST supplying sort of semi-built tillers to people or suppliers who were importing earlier so from what I tend to believe from your answers earlier this will be at a low price point compared to the VST tiller brand right?

Antony Cherukara: Yes, it will be at a lower price point compared to the VST Tiller brand because the package itself will be different.

Kaushik Shah: Are we contemplating about ramping up our volumes in terms of because there is a market for our taking so what are your thoughts on the kind of growth that we can see in that segment?

Antony Cherukara: Definitely, like I have repeatedly said that we are focused on taking full advantage of this opportunity. First is we want to fill the gaps in the market at all so we do not want to leave anything to chance and we are not waiting for the customer come looking for us in fact we are going to them looking for them so that is why I said that any geography where a Chinese product was being sold I am ensuring that VST outlet is put up there so that is why a rapid expansion of dealerships is happening, Point number 2 all the supplier constraints that we are having in terms of ramping up one by one we are removing but everything is not in our hands as a I said earlier because much of it is due to the COVID-19 situation

Kaushik Shah: This is very helpful Sir. Thank you so much and best of luck.

Antony Cherukara: Thank you.

Moderator: Thank you Sir. I would now like to hand the conference over to the management for closing comments.

Antony Cherukara: Thank you everyone. Thank you very much.

Moderator: Thank you. On behalf of B&K Securities that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.

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