



“VST Tillers Tractors Limited
Q4 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to VST Tillers Tractors Limited Q4 FY2021 Earnings Conference Call 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. Hitesh Bhargava from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Hitesh Bhargava: Thank you, Steve. Good afternoon everyone. Welcome to VST Tillers Tractors Limited Q4 FY2021 post results conference call. From VST Tillers management we have with us today Mr. V T Ravindra, Managing Director, Mr Antony Cherukara, Chief Executive Officer and Mr Pankaj Khemka - Chief Financial Officer. I will now hand over the call to VST Tillers management for their opening remarks to be followed by Q&A session. Over to year-on-year Sir!

Antony Cherukara: Good evening everyone. I am Antony Cherukara, CEO of VST Tillers Tractors Limited and with me Mr. Ravindra, Managing Director and Mr Pankaj Khemka who is the CFO of the company.

For the year end result of financial year 2021, we had an income from operations of Rs.764.24 Crores which is a 40.6% year-on-year growth and with an operational EBITDA of 105.26 Crores, which is 13.77%, which is excluding the extraordinary item, which is the employee VSS scheme of Rs.13.49 Crores and in the Q4 we had an income of Rs.194.74 Crores with an EBITDA of Rs.21.33 Crores percentage of 10.95%, which again excludes the extraordinary item of employee VSS scheme, which is at Rs.13.49 Crores., so this is the brief results of the company for the last financial year, some of the highlights which I would like to present to you.

The company achieve the highest ever turnover of Rs.764.24 Crores previous high was Rs.763.95 Crores in FY2018. The EBITDA percentage increased to 17.01% compared to 7.2% previous year. As I said earlier the operational EBITDA is at 13.77% compared to 3.19% in previous year. The PAT is at Rs.19.78 Crores, which was previous year at 18 Crores, which is a growth of 479% year-on-year.

Coming to the highlights of Q4, the company achieved a turnover of Rs.194.74 Crores in quarter four FY2021. EBITDA increased to 10.57% compared to minus 1.28% in the previous year. Operational EBITDA is at 10.95%, which I shared with you earlier and the PAT for the quarter is Rs.12.93 Crores against the previous year negative Rs.3.38 Crores,

which is the growth of about 483% year-on-year. This is the brief of the performance of the company of FY2021. Now we are open to any questions that you may have.

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 Hitesh Bhargava from Batlivala & Karani Securities. Please go ahead.

Hitesh Bhargava: Sir, you have indicated that there is one of 13.49 Crores for VRS provision, where exactly is this, is under employee expense or other expense?

Antony Cherukara: This is under employee expense. If you see the P&L you will see Rs.81 odd Crores employee expense, it includes this Rs.13.49 Crores.

Hitesh Bhargava: Sir, when we talk about Q4 performance, in Q4 other expenses are bit higher than your normal average, is there any one off or why is it a bit higher?

Antony Cherukara: In quarter four if you see it is about Rs.25 Crores, there are two things in that, one is CSR expense is about Rs.3 Crores, which has come this quarter and then there is about Rs.2 Crores, which is the interest that is not received and which has been written off.

Hitesh Bhargava: So anymore write offs pending at this particular item?

Antony Cherukara: No, it is not pending, nothing is pending.

Hitesh Bhargava: Coming to your VRS scheme, which you have started, post this VRS scheme what could be our average employee expense for a quarter?

Antony Cherukara: Employee expenses with the Bengaluru operation shutting down it will be around Rs.30 lakhs expense, which will come down per month.

Hitesh Bhargava: Sir, can you help me with few bookkeeping questions, tiller and tractor revenue and also what is our market share for Q1 FY2021, tiller market share?

Antony Cherukara: Overall FY2021, we closed it about 53% market share for tillers and the revenue from tiller was cumulatively at Rs.387.4 Crores and Q4 was Rs.105.84 Crores. Tractor revenue was at 288.63 Crores for the year and for quarter four it was 67.41 Crores. Parts were at 82.68 Crores for the year and quarter four was 20.16 Crores

Hitesh Bhargava: Thank you. That is it for my side. I will join the queue.

- Moderator:** Thank you. The next question is from the line of Chetan Cholera from Pragya Equities. Please go ahead.
- Chetan Cholera:** Congratulations for good set of result for full year. Sir, I just wanted to know what kind of area we have at Bengaluru land. whether we want to go as we are going to develop JV or we will develop of our own?
- Antony Cherukara:** We have about 20 acres of land, but we have no plans of developing it at the moment and you would perfectly agree with me that this is not the right time for any development.
- Chetan Cholera:** This VRS spend which we did like 13.49 Crores that is all over or there will be some more in first quarter also?
- Antony Cherukara:** It is all over.
- Chetan Cholera:** Can you elaborate more on the record tractor development horsepower you suggested more than 36 horsepower, but maybe in more terms and agreement and timeframe?
- Antony Cherukara:** Currently, we are in the product development phase, this MoU was signed about a year back with ZETOR, there is a lot of work going on product finalization, product design all that work is happening simultaneously. Now we have put pen to paper on the product development agreement, the first platform from VST ZETOR will be launched in next financial year. This will be followed up by at least two more platforms in subsequent years, so cumulatively in the next three years, we will be launching anywhere between six to ten tractors from this JV alone. We also have, as mentioned in the MoU we work together with them for various opportunities, which includes sourcing from India, it also include exploring the East European market along with them for VST tractor, so this in brief the work with ZETOR.
- Chetan Cholera:** How much cash we have mutual fund at end of the year 2021?
- Antony Cherukara:** Mutual fund investment is at about Rs.283.4 Crores as of March 31, 2021, and cash and cash equivalent is about Rs.28.82 Crores.
- Chetan Cholera:** Just one known receipt of interest is what exactly it is?
- Antony Cherukara:** That is an overdue interest from dealers, which is related to the subsidy outstanding that we have spoken to you earlier as well.

- Chetan Cholera:** I will come on the queue, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Good evening. Thank you for the opportunity. Sir, my first question is on the tiller, the sales that we are doing without the subsidy, how has that panned out in the last quarter and in general how that situation do you see that continuing irrespective of the state government subsidy do we still see the sales of tillers still doing well?
- Antony Cherukara:** Yes, the subsidy has been going down and the story has been the same last year as well. Subsidy did not come and most of the state governments diverted all the funds to COVID. That story continues but as I have said before there is a trend change in the market that continues, the retail sale is increasing, the cash sale is as high as 40% to 50% now and finance sale is about 5% to 10% on a monthly basis now and it has become kind of consistent now.
- Mukesh Saraf:** So, we can assume 60% of the tillers are sold without any subsidy right now?
- Antony Cherukara:** Absolutely. As I repeated before Mukesh, it does not mean that the customer does not have a subsidy. He definitely applies for subsidy, but unlike earlier he does not wait for the subsidy to come to purchase anymore.
- Mukesh Saraf:** Understood, right and secondly the B2B business that we were targeting on the tiller side because of the restriction on Chinese tillers, any update on that, you said that by year end you were looking to tie up with some more?
- Antony Cherukara:** Yes, Mukesh we have tied-up with two OEMs and we have begun supplies already.
- Mukesh Saraf:** Right and what volumes we think we can do say for the whole of the next year on B2B business?
- Antony Cherukara:** We are looking at something like 3000 number.
- Mukesh Saraf:** 3000 okay, this would still be less than what they were earlier importing from China?
- Antony Cherukara:** That is why I said we are conservatively looking at 3000 numbers. It could be higher as well, but minimum I am looking at 3000 numbers.
- Mukesh Saraf:** Right and secondly on the tractor side, I mean last year or so we had launched some of our higher HP tractors for the 39 & 45 HP, we are still seeing that greater than 30 HP

segment for us maybe last four months it has been on an average around 50 units a month, so what is the situation there, it had touched 100 a month earlier so we are expecting to scale up there so it there any kind of a hindrance for the scale up?

Antony Cherukara: There is no hindrance for scale up, we had just moved from Bengaluru to Hosur, so very soon you will see the numbers crossing 100.

Mukesh Saraf: But on the product side the feedback, etc., there is no changes that is required etc., from the customer point of view?

Antony Cherukara: No, the product is very well accepted in the market. I am very happy to say that last year we have done close to 1000 number of this higher horsepower tractor, compared to previous year of about 260 numbers.

Mukesh Saraf: Got it, right. This is what I wanted to check right now. I will get back in the queue, Sir. Thank you so much.

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

Nishith Shah: Good evening and thank you for this opportunity. Sir, I wanted to understand what kind of price hike had we taken in Q4 and what are our plans going forward?

Antony Cherukara: Cumulatively, we had taken a price hike of about 4% to 5%, but in Q4 precisely we had taken only about 1.5% to 2%, the balance we have taken in quarter one and we are watching inflation closely, so we will keep watching that and of course we have, as I said before we have a lot of cost reduction projects going on, we are trying to see that how we can manage this inflation based on those projects

Nishith Shah: Sir, second thing I wanted to have a clarification that our tillers value number is 106 Crores for the quarter, right?

Antony Cherukara: Correct.

Nishith Shah: This includes sale to the OEM, right?

Antony Cherukara: That was very little in Q4, more numbers are happening going forward in this financial year.

Nishith Shah: That will be included in tillers and not the others part also going forward, right?

- Antony Cherukara:** It will be included in tillers.
- Nishith Shah:** Sir, that will again be counted in tillers monthly sales, which we give it out monthly?
- Antony Cherukara:** We will include it in the monthly sale, but we will not include it in the market share calculation.
- Nishith Shah:** Understood. Sir, I wanted now few data points, can you help me with a dealer addition for the quarter?
- Antony Cherukara:** Cumulatively, we have added 155 dealers in the power tiller business and about 110 dealers in the tractor business last year, out of that about sixty dealers in the tillers has come in Q4 and about thirty dealers in tractors has come in Q4.
- Nishith Shah:** Sir, can you help me with the inventory at dealer level?
- Antony Cherukara:** Inventory at dealer level is at about 40 to 45 days.
- Nishith Shah:** This is for both tractors and tillers?
- Antony Cherukara:** Tiller will be at 45 days and the tractor will be slightly lesser at about 30 days.
- Nishith Shah:** In general, there is no inventory concern for the industry also right now, right?
- Antony Cherukara:** Absolutely, not. We do not have any concern on inventory.
- Nishith Shah:** Sir, last thing how many higher HP tractors did we sell in Q4?
- Antony Cherukara:** In Q4 we sold 207 tractors.
- Nishith Shah:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Sir, this is Kaushal Shah from Dhanki Securities. Thank you for the opportunity. Sir, I had two questions, if you can share some thoughts on the weeder product that we had, if I remember the last few calls you had mentioned that the response has been very good, so if you can just share some more colour on that?

Antony Cherukara: Power weeders last year was the first year and we have done close to 1800 numbers last year, which is good for the first year of our business, this year we definitely will be growing exponentially in that business.

Kaushal Shah: Sir, the other question was on, in response to an earlier question regarding the Chinese tiller and the B2B business, if I remember you had mentioned that per annum numbers can be significantly more than the 3000 that you just mentioned, so we being a little conservative if I remember the number that you had shared earlier, that?

Antony Cherukara: You know very well given today's circumstances of COVID we are not comfortable in giving any forward-looking numbers, but I think 3000 would definitely happen because we have orders and so that's why I said minimum of 3000 definitely would happen, but given the situation today giving a forward-looking number is quite difficult.

Kaushal Shah: One final question on the subsidy neutral tillers, we were trying to push that product also, so if you can just share some numbers on that out of our total tiller volume what was that percentage?

Antony Cherukara: So if you remember ahead very clearly said we will keep a close watch and if the subsidy dependency does not go down we will push that more, but interestingly what has happened last year is the subsidy dependency has gone down like I had mentioned to one of the previous callers that almost 60% sale is happening without subsidy now, so we have done only about 300 numbers last year of the subsidy neutral product and the only reason for that we did not feel the need for it..

Kaushal Shah: Great and all the best.

Moderator: Thank you. The next question is from the line of Devanshu Sampat from YES Securities. Please go ahead.

Devanshu Sampat: Sir, good afternoon. Sir just on this Bengaluru value unlocking can we expect in FY2022?

Antony Cherukara: I think FY2022 will be too early and the market is totally down, so do not think in FY2022 we will be doing that.

Devanshu Sampat: Can you give a sense of the outlook or possible contribution in the current year or next year up from your nontraditional businesses, right, so you have your non-tiller business for the non-compact tractor business, what can be the sizable business that we can expect maybe in this year or next year?

- Antony Cherukara:** Apart from tractors and tillers definitely the distribution business is something that we are growing and the international business for tractors also we are growing rapidly, so these are the areas to give you a percentage we would like in the next 3 to 4 years this should grow to at least 20% of our revenues.
- Devanshu Sampat:** Just coming to your working capital data from what it is seen that there has been a great amount of release on working capital so what can be expected over here because you are looking at debtors days coming down, so is it because of tightening of credit terms or is it subsidy payments due that become less over here that is one and if we have done any credit term tightening how would you be different from what had happened few years ago before that thing backfired?
- Antony Cherukara:** One of the most important things that we have done is the entire supply chain is working on a theory of constraint model. So that is why our inventory is down at the dealer level and receivables are brought under control. So you are working purely based on consumption and the inventories are managed based on that and the receivables of course the credit policy continues and we have been able to bring more and more channel finance for our dealers to manage working capital better so these are some of the things that has brought down the debtors last year and I think it is only getting better with our supply chain working to a totally different mechanism based on theory of constraints.
- Devanshu Sampat:** Sir, when I come to your payable days what has changed over there also, I guess that is something that is sustainable as well?
- Antony Cherukara:** Payable definitely is sustainable. Earlier we were at very less number of days, now I think we are kind of an optimum level, so we will definitely be able to maintain at same level.
- Devanshu Sampat:** Sir, if I remember correctly, we were paying interest on dealer deposits if you start your current liabilities and this figure is expected to go down, but I look at the number I mean while this reduced as a percentage of sales in absolute terms this is somewhere around 43 Crores to 46 Crores mark, which was the figure 2 years ago or so, so we can expect over there?
- Antony Cherukara:** Actually, the interest component that is shown there or the finance cost that is shown has two components to it, one is the interest paid to the dealers, which had definitely come down as I told you earlier, the other component is a certain bill discounting that we do for our vendors so there is a charge that we pay to the banks on that and that is appearing there.

Devanshu Sampat: If you are saying the working capital is going to remain the way it is right now, any change in dividend payouts that they can expect given that we have fairly strong cash position?

Antony Cherukara: Our Board have recommended dividend, which is at 200% i.e. Rs.20 per Share, so right now that is where we are.

Devanshu Sampat: What will be the capex requirement this year you are expecting?

Antony Cherukara: Capex is about 60 Crores.

Devanshu Sampat: Thank you and all the very best.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Good evening, Sir. Thanks for the opportunity. Sir, can you share some colour on the growth outlook for FY2022, how do you see the power tiller sales volume and tractor sales volume for the industry?

Antony Cherukara: Currently, all the demand drivers are favorable, the monsoon is on time, the minimum support price is in place, the cash in hand given by the government to the farmers is right on time, so the demand is good in the market although, April and May there was a scare because of COVID wave 2, right now that seems to be subsiding pretty fast and the rural demand has picked up quite well in June and we see going forward this trend to continue unless of course you know as some of the experts talking about a third wave or fourth wave so that is totally unpredictable so I cannot talk anything about that, but as of now things are looking good.

Shashank Kanodia: At best we can do something like 32000 or 33000 for power tiller sales is it realistic assumption?

Antony Cherukara: I do not see any reason why we would not be able to do that, but as I said this whole issue of the COVID it is not behind us yet so it is very difficult to predict any number right now.

Shashank Kanodia: Because we have additional 50000 volumes coming from quarter months right so, given that?

- Antony Cherukara:** Yes, that is why I said there is no reason why we should not be able to do it, but giving a number out with the pandemic still not behind us is very difficult.
- Shashank Kanodia:** Right and Sir on the margins front the last two quarters it has been a sufficient decline for us this quarter the registered volumes are at least 13.5%, so going forward what is the sustainable range that we foresee for us given that there will be increase in volumes and leverage benefits coming in?
- Antony Cherukara:** As I said earlier you know we would be at the 12% to 14% range.
- Shashank Kanodia:** Okay, but the last two quarters you have done much ahead of this?
- Antony Cherukara:** Yes, we are on the higher side of the range and probably we will have some quarters, which we are not too eager to, but we might have a few quarters there would be at the lower side of that range.
- Shashank Kanodia:** Thank you so much and that is all from my side.
- Moderator:** Thank you. The next question is from the line of Anand S from B&K Research. Please go ahead.
- Anand S:** Sir, thanks for taking my question. Sir, can you just touch upon the precision implements performance in FY2021 apart from leaders, the performance been and just a brief on the outlook for the next year?
- Antony Cherukara:** Last year was the first year that we moved to precision implements division in Mysore, so we have set up the division, the manufacturing is fully setup, the rotovator has started selling from our manufacturing unit in Mysore and this year are looking at some exponential growth in that segment. Last year the numbers has not been significant, it was in the tune of about 4 Crores to 5 Crores of sale because we literally started operating only toward the end of the year in Mysore.
- Anand S:** Sir, over the last few years, the tractor industry has grown significantly, but tiller has remained broadly that, why the preference of tractors over tillers, any reason?
- Antony Cherukara:** Yes, tillers have been looked at as a small farmers machine and one of the key reasons of the tractor industry growing is easy availability of finance and that is not the case for tillers because tiller is an item, which cannot be registered, so we are working with the bank to overcome that and presumably my take is that in the small farm mechanization in the next 3 to 4 years you will find very good growth, it may not be necessarily in the tiller space, it could be in the weeder space or the smaller implement space and some new

varieties of tillers are also likely to grow, which we are also innovating, we will also be launching in the market.

Anand S: Sir, just a follow up, what is the share of financing in tiller?

Antony Cherukara: 5%.

Anand S: Is there any possibility of increasing it comparable to?

Antony Cherukara: It was earlier at 1% or 2%, now it has come to 5%. I strongly believe that with the new bank coming up and tie-ups that we have for example with the Jana Bank and other new age banks, we are driving very hard to increase the retail financing in poverty level.

Anand S: Sir, who are the major players in financing currently?

Antony Cherukara: Almost all the banks of financing, the big nationalized banks of financing, but if you look at percentage of finance for tiller vis-à-vis tractors, the tiller percentage is very low as I said.

Anand S: Just one last question, what is the capex plan for FY2022?

Antony Cherukara: With have a 60 Crores capex plan for FY2022.

Anand S: That was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Kush Gangar from Care PMS. Please go ahead.

Kush Gangar: My questions have been answered. Just last question on thank you on the capital allocation, so we have around 300 Crores of cash plus investment, you mentioned about 60 Crores of capex for next year, how do you plan to use this cash on any equation or any thoughts on that?

Antony Cherukara: Yes, we are looking at growth opportunities and we are working on it and definitely we will let you know as things fructify.

Kush Gangar: Okay, that is it.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Sir, firstly you articulated with the fact that 60 Crores would be spent for this year in capex and that would be attributable to the product development, Sir, if you could throw some more light, how is this going to catapult going forward, how are you going to reap the benefit of this 60 Crores into product development, How is it spent going to be the benefit to us going forward?

Antony Cherukara: We have product development happening as I said in both the small farm mechanization area as well as the tractor area, so we have some projects going on with ZETOR, we have some projects, which is being developed for the compact tractors and in the coming years we are looking at, at least three to four product launches every year in both these small farm area as well as the tractor area, so the investments are being done in this direction.

Saket Kapoor: Right, Sir, in the precision component part, two years earlier also this unit was contributing around 7 Crores to 8 Crores and we invested around 24 Crores for the modernization, how are things stacked up today for the unit at Mysore and what are the likely contributions, I understood your comment, which you spoke about the commissioning in the month of March, so correct me, this unit was contributing earlier also?

Antony Cherukara: Yes, so this unit was set up mainly to contribute to the internal requirement of VST and that still continues, so it continues to support VST in terms of the major precision components like connecting rods, crank case, crank shaft all these material is still coming from Mysore, the machining is done in Mysore, that continues; however, we want to develop it as a profit center for which we have decided to look at precision implement also from Mysore and that is the direction and we have setup rotovator manufacturing in Mysore to begin with and we are also building this division to get into balers to get into sprayers, which also compliments our Compact tractor, which is mainly used in the vineyards and orchards so we are getting in this sprayers, we are getting into balers, we are getting into rotavators, all these operations are out of Mysore.

Saket Kapoor: So, the basic understanding, the product portfolio is going to improve when we are selling the tractors the other requirements, which the people would have to knock some others door that would also be available at the same umbrella, this is what?

Antony Cherukara: Correct, you are right.

Saket Kapoor: Sir, going forward what is the potential for this Mysore unit next year since you must have done the work so how is the current year contribution from this unit?

- Antony Cherukara:** In FY2022 we are looking to grow the rotoator business to begin the weeder business and the sprayer business so last year as I said we did about 4 Crores to 5 Crores, we are expecting an exponential growth this year on the rotoator business front, so my best estimate at this point would be we should be able to do about 2000 to 3000 rotavators from Mysore.
- Saket Kapoor:** In value terms, how much it could translate into?
- Antony Cherukara:** Each rotoator cost about Rs.50000 to Rs.60000.
- Saket Kapoor:** Rs.50000 to Rs.60000 and 2000 at best?
- Antony Cherukara:** Yes.
- Saket Kapoor:** Sir, now coming to this raw material basket part, what portion the steel contributes towards our raw material basket?
- Antony Cherukara:** Steel contributes various forms of steels, casting, forging it contributes at least 40% to 50% of the tractor and tiller.
- Saket Kapoor:** Sir, there has been a steep escalation in the steel prices and they are not abating as of now, how as this pass on happened and what is the impact on the industry with the increase in steel prices, which are still continuously rising?
- Antony Cherukara:** So far the increase is to the tune of 9% and most of the player in the industry have managed to pass on a portion of it 4% to 5% depending on which company, I do not think more than this the farmers would be able to afford in terms of increasing price of the tractor or the tiller, so I think the focus of every company is one is to optimize and cut costs wherever possible and manages the inflation at the moment.
- Saket Kapoor:** Right, Sir. We spoke about this JV also currently about doing the JV something the stock exchanges and developing a product profile in the tractor segment and as a committee if you have spoken pardon me, but for the ZETOR what is the game plan here, what is the investment going to be and how is it going to contribute to the topline and bottomline going forward?
- Antony Cherukara:** We as a company has got into, earlier we were only in power tiller and Compact Tractor, now we have got into the high horsepower space and in the high horsepower space, ZETOR is a very well known brand worldwide, it is very strong lineage even in India with their earlier JVs with HMT so ZETOR has a brand recall in the high horsepower tractor space and a good technology, so we decided to work together with them and

develop tailored product for Indian requirement, so that product development is going on and as I said before we are launching the first phase of product next financial year that is in FY2023 and subsequently every year we would be launching a range of tractors in FY2024 and in FY2025, so we have at least three phases of product that we have conceptualized, phase one product work is going on right now.

Saket Kapoor: Sir, 60 Crores that you have said about the capex, what portion will go for this ZETOR capex particularly if you could quantify, I just wanted to understand the percentage?

Antony Cherukara: It is a bit of a confidential question you are asking, but I can roughly tell you that it is about 10% to 15% of our capex plan.

Saket Kapoor: Sir, I missed one your early commentary so pardon me, Sir, what was our annual numbers in the tiller segment for this year?

Antony Cherukara: This year, the tiller number was just 27318 Nos and Tractor was 8835 Nos.

Saket Kapoor: Sir, on the tiller part, correct me, 32000 to 33000 is the level we are looking if there is no further impacts of this pandemic?

Antony Cherukara: Yes.

Saket Kapoor: This is what the rightly number?

Antony Cherukara: Yes, you are right, the number you said is around what we are looking at.

Saket Kapoor: And for the tractor part, Sir?

Antony Cherukara: Tractor part also we expect to grow at least 10% to 15%.

Saket Kapoor: Because the tractor industry has been moving on the upward trajectory, so the base is moving up every year and on top of this incremental base that we are small the market share?

Antony Cherukara: I will take some time and explain to you. Actually we operate only in 10% of the tractor industry, see there is a 900000 tractor industry out of that the compact segment that we are in up to 27 horsepower is only about 90000 tractors, so in that 90000 tractors we sell

about 10000 to 11000, so it is only now that we have gone into the larger horsepower space so that is what I said we are just entrants in the space so actually we are a player only in 90000 of the 900000 tractor industry.

Saket Kapoor: Right, so we have addressable market of 90000 only, the growth number what we are looking in?

Antony Cherukara: Yes, here we are definitely continuing to grow, we are looking at global push on the compact tractors as well. I am very happy to say we are growing very well in the international market and we will continue to do that. Also we want to be a part of the larger pie, which is the balance 800000 tractor industry that is why we have gone into the joint venture with ZETOR because we want to accelerate our entry into that area very fast.

Saket Kapoor: Sir, small two points, please explain the benefit of the VRS that we have gone through and what is that unit now going to be utilized for the Bengaluru unit where we have spent 13 Crores to 14 Crores?

Antony Cherukara: Multiple benefits I would say, one is the higher HP tractor plant needed the larger capacity, earlier capacity was limited in Bengaluru, so we had to move to Hosur that is number one. Number two as some of the other colleagues asked me there is a certain value to be unlocked from this land, it may not be the right time for us to do it so we have not decided anything on that right now, but at an opportune time we will be doing that as well.

Saket Kapoor: Right, capital work-in-progress if you could throw some light, I am coming in the queue, I got your point. Thank you. Please throw some light on capital work-in-progress of 25 Crores, how much you have to get?

Antony Cherukara: Capital work-in-progress or some of the project that we have undertaken, which is yet to be completed, which we have issued the order for which is in progress right now.

Moderator: Thank you. The next question is from the line of Keshav Garg from CCIPA. Please go ahead.

Keshav Garg: Sir, I wanted to understand that our operating profits in FY2021 even after adjusting for COVID and the 13 Crores VRS, etc., it is the same as we did seven years back in

FY2014, which was around 120 Crores and during this period we have done a capex of 250 Crores and our network has doubled, so I am trying to understand that since you running constantly to be at the same place and if we adjust inflation then our EBITDA in last seven years has actually halved, so basically when do you foresee us getting out of this range that we are stuck in?

Antony Cherukara: So, it is a seven year view vis-à-vis one year view or two year view that you are looking at, but your sentiments are right, but we have clearly stated our vision for growth now and we have started the journey, within a year you are seeing that we have turned around the business completely to the original level, which were there in FY2018, so I see that the plans and the strategy that have put in place for growth is shaping up and you know forward-looking numbers is something that I am avoiding, but I am sure that you will see a progress on the growth part in the coming years.

Keshav Garg: Also, Sir, wanted to understand our pricing on both sides tractors as well as tiller for the same horsepower, same to same if we compare with competition how do we stack up in terms of tractors and also tiller in terms of pricing whether we have discounts?

Antony Cherukara: In both the areas we are very competitive. In tractors we have both the positioning especially in the compact space where we are one of the leaders. See as I said we are operating only 90000 numbers of the tractor industry and in the compact space we have been leaders for a long, long time with around 11% to 12% market share especially the four-wheeled drive compact tractor, here we have both positioning, we have a value for money positioning and in the last year we have launched products in the premium positioning as well so we will continue to have both the positioning the compact tractor space and even in the higher horsepower tractors we will have both the positioning with the VST higher horsepower tractor we will take the value for money positioning and with the VST ZETOR products will be the premium positioning product.

Keshav Garg: Thank you very much.

Moderator: Thank you. The next question is from the line of Chetan Cholera from Pragma Equities. Please go ahead.

Chetan Cholera: Sir, are we on track of the 3000 Crores as of for March 2025 and that how much will be from tractors and dealers and other products?

Antony Cherukara: Both these businesses would have to be upwards of 1000 Crores for us to get to the 3000 Crores mark and last year was the first year of our journey and although we are slightly short of the benchmark we had out for ourselves due to COVID and all that, but I think

the company and the team has done very well given the circumstances almost two to three months were lost due to COVID and then after that we had a supply disruption, and if the supply was there without any disruption, I would like to tell you that we would have easily crossed that milestone that we had put on the first year, but unfortunately supply disruption was a fact last year and unfortunately even in the first quarter we are facing those challenges, but I think we are better off because we have had one year of learning and we have done a lot of correction and in short we are right on the way and we are working very hard toward ensuring that we get to that vision of 3000 Crores.

Chetan Cholera: Sir, just let me try finally quite valuable area and currently the depressed time what was the ballpark per acre?

Antony Cherukara: It is not right on my part as I don't have a valuation figure with me, I mean if you want, yes, it is a board decision and I am sure we will, as I said we will be unlocking the value at an opportune time for sure, but right now as you and me and all of us know that is not the right time for any real estate developments do and we are not planning anything and we have not decided anything.

Chetan Cholera: Thank you very much, Sir.

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

Hitesh Bhargav: Sir, a couple of bookkeeping questions, can you help us with industry tiller volume for FY2021?

Antony Cherukara: It was roughly about 53000.

Hitesh Bhargav: And also what is our subsidy neutral tiller volume for FY2021?

Antony Cherukara: Roughly about 300 numbers.

Hitesh Bhargav: Sir, if I am not wrong the price of subsidy neutral tiller is somewhere around 135000 and the normal tiller is around 150000, am I right?

Antony Cherukara: More or less, yes.

Hitesh Bhargav: And also the subsidy neutral tiller is little lower than lower HP is around 12 HP, right?

Antony Cherukara: Yes, correct.

Hitesh Bhargav: So, in this case what is the rationale behind we believing that subsidy neutral tiller may gain traction if the subsidy is being removed. I am trying to understand there is only difference of 15000 and the HP is also lower in our Kissan brand, which is a subsidy neutral tiller, so what is the rationale here like because we are spending only 15000 and you will get a higher HP, which is used in multiple places so can you explain?

Antony Cherukara: So, two to three things, one is we looked at, what are the kind of products which the customers by without subsidy, so we saw a product being bought at a top range of about 1.30 to 1.35 to 1.40 lakhs beyond this the customers were not doing and your price of a regular tiller is not the MRP, MRP in the market is at about 1.70 Lakha, 1.75 lakhs so the difference is not 15000 it is almost 35000 to 40000.

Hitesh Bhargav: So, do you think that the 30000 to 40000 the difference will be litigated by the application which cannot be used numbers subsidy neutral tiller?

Antony Cherukara: No, subsidy neutral can do every application what other product does.

Hitesh Bhargav: Fine, one last question, Sir, is the situation like if I am not wrong, Bosch is supplying for us and Bosch is saying that they are facing issue with semiconductors do we have any impact on supply side currently?

Antony Cherukara: We do not have any semiconductor issues, so we do not have any problem from Bosch but there are of course April, May was a big challenge because of the lockdowns that was there.

Hitesh Bhargav: That is it from my side.

Moderator: Thank you. The next question is from the line of Divyesh Shah from Pragya Equities. Please go ahead.

Divyesh Shah: Sir, congratulations for a good set of numbers. Sir, my question is regarding the other income, this year we have shown the other income is 46 Crores versus 23 Crores, so is it any onetime and what is the composition of other income?

Antony Cherukara: fair value of Shares increased about 28 Crores and that is a bulk of it and roughly other income for example we spoke about something like bill discounting which is about a Crore then we have some write back which we had provision for which will be about 8 Crores to 10 Crores so it is all adding up to about 46 Crores.

- Divyesh Shah:** Sir, one certain clarification regarding VRS as I understood from your answer that VRS of Rs.13.49 is that is all that we have provided in financial year 2021, so after year ending there is no VRS for April and May, so it is full and final?
- Antony Cherukara:** Yes, full and final.
- Divyesh Shah:** How many employees were there for VRS?
- Antony Cherukara:** 72 numbers.
- Divyesh Shah:** Thanks.
- Moderator:** Thank you. The next question is from the line of Devanshu Sampat from YES Securities. Please go ahead.
- Devanshu Sampat:** This is another followup. Just wanted to check with you on the plans or the expectations or the game plan with regards to Monarch?
- Antony Cherukara:** Yes, we are supplying the hardware from India except the electric motor and the electric batteries, so the supply has started. Right now the products are in demonstration and trials in California. The production is expected to begin by the October quarter in California, the assembly will start there and the supply will start our last quarter that is quarter four of this year, there would be if everything goes well we will be commercially launching in California that is the plan on that.
- Devanshu Sampat:** So, full impact should come in FY2023 if everything goes as planned?
- Antony Cherukara:** Correct.
- Devanshu Sampat:** I am sorry, I think I missed this earlier, but can you tell me about the contribution from weeders this year and what is the expectation for FY2022?
- Antony Cherukara:** Weeders we did about 1800 numbers last year, in FY2022 we would like to grow that business exponentially, roughly let us say about three times at least.
- Devanshu Sampat:** Sir, 1000 in FY2021?
- Antony Cherukara:** 1800. We are looking at 3x on that.
- Devanshu Sampat:** Has there been any development on the tie up with Pubert in France?

- Antony Cherukara:** Yes, we are continuing to work with them. Unfortunately the physical meeting has not happened, so currently we are getting a SKD unit assembling and selling in India.
- Devanshu Sampat:** Is the long term plan even includes manufacturing for them and exporting for them as well?
- Antony Cherukara:** That is what we are hoping for but it is not concluded, nothing is being put on paper.
- Devanshu Sampat:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikas Vardhan from Value Research. Please go ahead.
- Vikas Vardhan:** I wanted to know the status regarding share purchase agreement investment on the Zimeno and how do you look at this segment as an opportunity?
- Antony Cherukara:** Zimeno is nothing, but Monarch Tractor where we had invested in the company. We have invested about Rs.11.07 Crores in Zimeno, this is both in terms of being in the forefront of technology of electric and autonomous tractors and also the fact that we are supplying the entire tractor rather than be battery and the motor.
- Vikas Vardhan:** Got it. Thanks, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Mihir Parekh from Tamohara Investment. Please go ahead.
- Mihir Parekh:** Sir, thank you for the opportunity. I had a couple of questions on higher HP tractors, just wanted to understand that in FY2021, which new states or market we have entered and what is the plan going to be in FY2022?
- Antony Cherukara:** Last year we have entered the northern markets, Madhya Pradesh, Uttar Pradesh and Rajasthan, so we are at about 60 to 70 dealerships today, which we would want to expand to more than 200 dealerships in the current financial year.
- Mihir Parekh:** What is the estimated volume in the higher HP we are targeting this year?
- Antony Cherukara:** This year we are looking to right now we are kind of ramping up the volume in our new plant is Hosur, now we are looking at doubling the volume from last year.

- Mihir Parekh:** We are expecting that about 2000 number in FY2022?
- Antony Cherukara:** Correct, yes.
- Mihir Parekh:** Sir, one last question is on the new product launches, what is the pipeline to the current years with respect to tillers, compact tractors and higher HP tractors?
- Antony Cherukara:** New product launches in this year we would be launching at least two range of compact tractors, we would be looking at getting our own technology in engine as well as hydraulic, so these are the major things in tractors, in the small farm machine space we will be launching, in fact we have already launched two weeders in the month of May, we will be launching 9HP power tiller, we will also be launching a range of brush cutters in the coming months.
- Mihir Parekh:** Sir, we are also looking for some tie up in precision implement division, so we have any update on the same?
- Antony Cherukara:** Yes, we are in talks with few companies, but nothing is being finalized yet.
- Mihir Parekh:** All right, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Dipen Shah an Individual Investor. Please go ahead.
- Dipen Shah:** Thank you for the opportunity, Sir. Most of the questions have been answered. I just wanted to summarize the next couple of years, if I understand correctly the growth in the current year would likely come from the OEM supplies, which we do for the Chinese manufacturers for the new weeders and precision equipment which we will be implementing and the next year should be ZETOR tractors we should start coming in, is my understanding correct, Sir?
- Antony Cherukara:** See, there are multiple levels of growth. You have kind of highlighted some of new product launches or categories that we are getting into, apart from this, there is a large expansion in the dealer's channel that we are doing. There are several sales acceleration project that we are doing so multiple levers are being pushed to ensure that you know hit the milestone that we have set to achieve the vision.
- Dipen Shah:** Yes, I understand, I was talking about the new products, which should drive growth in current year?
- Antony Cherukara:** More or less, right, yes.

- Dipen Shah:** Sir, when we are looking at a number of 32000 to 33000 from 28000 if at all there is no third wave would that include the 3000 OEM volumes, which we will be doing?
- Antony Cherukara:** Yes, it will include that.
- Dipen Shah:** It will include that, so on an organic basis tiller business do you think should grow at sub 10% or 10%?
- Antony Cherukara:** Yes.
- Dipen Shah:** Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Govindlal Gilada an Individual Investor. Please go ahead.
- Govindlal Gilada:** Thanks for the opportunity, Sir. Only one question regarding this land so you told that okay at right time you will develop this or unlock. I just want to understand is that land is specific for industrial purpose has been allotted to us or nothing is needed to convert it to develop, that is what I wanted to, suppose we want today to develop hypothetically I am asking, if we decide if we want to develop?
- Antony Cherukara:** Yes, it is allocated for an industrial purpose.
- Govindlal Gilada:** So then is it feasible to unlock by selling or developing that is what I want to understand, what is the procedure?
- Antony Cherukara:** We have not studied that yet. We will definitely come back to you on that.
- Govindlal Gilada:** Thank you and one more last question, regarding margin you told 12% to 14%, this margin is including other income or this before other income or after other income?
- Antony Cherukara:** This is operating margin that I spoke about.
- Govindlal Gilada:** Thank you and all the best.
- Moderator:** Thank you. The last question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Thank you again for the opportunity. Sir, in the power and fuel mix, are we planning any renewable investments in the solar segment as the changes in the solar policy by the government anything in the anvil?

- Antony Cherukara:** We have already done that for all our plants.
- Saket Kapoor:** What portion of our power requirement is drawn from the solar energy?
- Antony Cherukara:** I will have to get back to you on that. I do not have the figure right now, but I will have to get back to you on that, about 20% you can say.
- Saket Kapoor:** 20% of our requirement?
- Antony Cherukara:** Yes.
- Saket Kapoor:** And the rest is drawn from the grid?
- Antony Cherukara:** Yes, the rest is drawn from the grid.
- Saket Kapoor:** Sir, more investments are we planning to improve the percentage going forward?
- Antony Cherukara:** Yes.
- Saket Kapoor:** To what kind of capex are you looking into it of power?
- Pankaj Khemka:** This will be in opex model wherein the entire investment will be done by the service provider and there will be an agreed rate and we will be paying per unit rate to him, so there is no capex involved from VST Tillers. We only have to provide him the roof.
- Saket Kapoor:** It is only rooftop arrangement?
- Pankaj Khemka:** Yes, you are right.
- Saket Kapoor:** Sir, one bookkeeping question on the current asset part the investment has gone up from 121 Crores to 258 Crores, so is it on the revaluation front also or more investment have been done from the cash accrual for this year also?
- Pankaj Khemka:** There were more investments.
- Saket Kapoor:** More investments being done for this year?
- Pankaj Khemka:** Yes, right.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, Sir!

Antony Cherukara: Thank you very much for giving us this opportunity to share our results with you and stay safe and look forward to interacting with you the next time. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.

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