



“VST Tillers Tractors Limited Q1 FY 2016
Post Results Conference Call”

August 12, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the VST Tillers Tractors Limited 1Q FY 2016 Post Results Conference Call, hosted by Batliwala And Karani Securities India Private Limited. As a reminder all participants' line 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Jain. Thank you and over to you Sir!

Gaurav Jain: Thank you Amen. Good afternoon everyone, on behalf of B&K Securities I welcome you all for Q1 FY 2016 Post Results Conference Call of VST Tillers Tractors Limited. I also take this opportunity to welcome the management team from VST Tillers Tractors Limited today. We have with us Mr. V P Mahendra - Vice Chairman & Managing Director, Mr. B C S Iyengar - Director - Corporate Strategy, and Mr. R Thiyagarajan - Executive Vice President and CFO. I would now invite the management for their initial comments followed by an interactive Q&A session. Over to you Sir!

B C S Iyengar: Thank you Mr. Gaurav. Thank you B&K. Good afternoon gentlemen. This is Iyengar talking to you and I welcome all of you to this conference call. There are two major purpose of holding this conference call, and the two purposes . First is to share the results of the first quarter. The second reason is that in the recent past we are constrained to turn down requests from investors for one-on-one meetings, for getting insight into the business of the company. We find that the recent SEBI guidelines on insider trading, sharing up price sensitive information has far reaching implications and that it would be advisable for us to refrain from having individual meeting. Instead we will have quarterly meeting with the investors, which will go on record and are transparent.

We are glad to report satisfactory results for the first quarter. The sales of power tillers are 6756 up by about 373 numbers and tractors increased from 2266 numbers from 1963. It is good to note that the sale of our tractor has increased in the difficult market conditions and intense competitions. The new variants have



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been introduced like the two wheel drive tractors that have helped us to improve the market share.

Thanks to the timely starting of subsidy schemes in Karnataka, Odisha, AP, etc., the demand for power tiller has been good and we are also able to retain the market share.

Another good feature was the stable price of raw materials and components. Last year, we had reduced the production and also controlled the variable wage costs commensurate with the fall in demand and the pile up of finished stocks.

During the current quarter the company has registered a marginal increase income by about 6.7% that is from 156 Crores it has gone up to 166 Crores and the profit before tax has increased from 27.6 Crores to 31 Crores.

There has been significant improvement in the subsidy collections from various governments and hopefully the trend will continue. We are glad to inform you that as against the subdued performance in the last year, we are witnessing signs of continuing demand in power tillers as we have sold 3500 power tillers as against 3300 tillers in the last July. We are confident that barring unforeseen circumstances, sale of power tillers, will grow about 15% in the first half of the current year. However as per our tractor business is concerned the failure of monsoon particularly in Maharashtra, which is our major market for tractors, will be a matter of concern.

We also restored the normal production of power tillers and tractor and now we are prepared to meet the seasonal demand. With this brief introduction, we would like to use the rest of the time for answering the questions from the inventors. Thank you all.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.



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Viraj Kacharia: Thank you for the opportunity. Sir, I just had a couple of questions, is it possible to give the revenue breakup for tillers, tractors and others?

B C S Iyengar: I will give the revenue breakup. Power tillers 87.23 Crores, tractors 59.52 Crores, rotary 150000, Rice Transplanters 1920000, Reapers 32 Lakhs, spare parts accounts for 12,22,00000 they are the major components.

Viraj Kacharia: We have seen a significant growth in tractor and tiller was in Q1 but the overall realization revenue growth has been only at 7% so is it slightly because of de-growth and other such as spares and all.

B C S Iyengar: Spares has grown up marginally, marginally it has grown up by 6.87%, power tillers and tractors have grown whereas the Transplanters and Reapers have not grown, but we hope to make it up in the remaining quarters.

Viraj Kacharia: And the guidance which you given in terms of tractors you highlighted the concerns on demand being a little weak in the core market Maharashtra are you getting enough traction in growth in the other market?

B C S Iyengar: These are major markets. Maharashtra and Gujarat accounts for our major market about 80%. We are introducing in Karnataka, Tamil Nadu and Andhra Pradesh but there will be a major dent if there is any shortfall in the Maharashtra and Gujarat, which is difficult to make up.

Viraj Kacharia: Sir for the current month in July what will be your tractor sales what is the kind of traction we are seeing there?

B C S Iyengar: No. July as such has not been a traction but may from now..It looks that there could be some shortfall from August, up to July it has been okay.

Viraj Kacharia: So for the full year are we still looking at some kind of growth for tractors?

B C S Iyengar: Definitely, we are looking for growth

Viraj Kacharia: What kind of number are you looking at roughly?



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- B C S Iyengar:** We should be going by about 15%.
- Viraj Kacharia:** Tractors as well.
- B C S Iyengar:** In tractors as well, but it remains to be seen because the conditions so far reported so up to July it is okay but maybe the recent reports suggest that the agricultural activity has not picked up in Maharashtra and Gujarat particularly in Maharashtra where the rainfall has been very poor so it could have some impact, but remains to be seen. We are also hoping that other markets like Karnataka will contribute.
- Viraj Kacharia:** Just the last question a bit of clarification. Has there been any change in reporting when we looking at our gross margin and other expenses the gross margin sequentially has been declining now this despite a very favorable raw material prices and we have also seen a decline in other expenses so has there any change in classification in our reporting?
- B C S Iyengar:** No gross profit margin has not declined. I we are reporting in operating profit margin which continues to be around 17%. Why do you say that it is has declined?
- Viraj Kacharia:** No what I really meant was we use to do around 36%, 37% gross margin this is come down to 33%, 34% or is the same as you already given?
- B C S Iyengar:** Where do you find this 37%, I am not able to understand?
- Viraj Kacharia:** The gross profit basically, I will take this offline so I will probably call you. That is all the question I had. Thank you.
- Moderator:** Thank you. Our next question is from the line of Pranoy Kurian from Centrum Broking. Please go ahead.
- Pranoy Kurian:** Thanks for taking my question. My question was on the subsidies, so in the power tillers what percentage of the selling price was subsidized this time? If you can give me that figure.



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B C S Iyengar: The central subsidy is 45000 but many of the states are adding top up subsidy ranging from 10000 to 2000. On an average we can take this subsidy is about one-third, of the price the average MRP which is around 1.6 lakhs. One third of it is subsidized.

Pranoy Kurian: what about the state like Odisha, Tamil Nadu and Andhra Pradesh those are the key states. So that the subsidies have been come again since the Q4?

B C S Iyengar: Could you repeat your question?

Pranoy Kurian: The subsidies there was some suspension of subsidies in H1 of last year, so since Q4 there has been regular release of subsidies in Odisha, Tamil Nadu, Andhra Pradesh so going forward?

B C S Iyengar: Not in Tamil Nadu. Andhra Pradesh, Karnataka, Odisha is okay not in Tamil Nadu.

Pranoy Kurian: Sir going forward what is your guidance for the subsidies is there any indication if that budget is whether it will last for the whole year because last year there was some disruption in that schedule?

B C S Iyengar: No as per the present trend we are confident that we should be able to grow about 15% that is based on the development in these states, Andhra Pradesh, Karnataka, Odisha, Bihar and Northeast we are confident of these figures what we are reporting.

Pranoy Kurian: One more thing is the realization growth do you take any price increase this quarter?

B C S Iyengar: Not recently, Only whatever we have taken earlier . Fortunately as reported to you the raw material prices have been stable and will not be increasing the selling price. Any way there is no scope for increasing in the price or there is no necessity for us to increase the price for the rest of the year. The net revision comes only in the following year.



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Pranoy Kurian: Could you talk a little more about I think you mentioned some new products that you had introduced you give me a few more details on that?

B C S Iyengar: No, not new products. The variants what we are talking to the existing product of our 18.5 tractor. We already introduced 22.5 hp tractor that has been well received and the demand is shifting towards this 22.5. In addition to that we are now introduced the 18.5 HD variant of a two wheel drive. We can call it as an economy model to take on the competition. Simultaneously the tractors are also introduced with bigger tyres that will give edge in the market and about four to five variants of these two tractors have been introduced.

Pranoy Kurian: What about in power tillers any new models?

B C S Iyengar: Power tiller nothing new.. The same model or 130 DI is the popular model, which we are continuing.

Pranoy Kurian: Any whatever the competition with Chinese players that you shed some light on that?

B C S Iyengar: Yes, I think now we are used to this competition. We have been exposed in this competition for almost 15 years now and we have retained 47% market share. I guess that in the first half of the year will be reporting probably a marginal increase in the market share. We will be very close to 50% market share and Chinese will continue to have about 30% market share.

Pranoy Kurian: Their market share has there been stable?

B C S Iyengar: Yes,.

Pranoy Kurian: What is the price difference we between the Chinese unbranded players and a power tiller?

B C S Iyengar: The official price difference will be about 15% to 20% and you should understand that there are more than 40 to 50 models of Chinese power tillers. So I am just saying that the average is about 15% to 20%.



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- Pranoy Kurian:** Thanks.
- Moderator:** Thank you. Our next question is from the line of Prashant Biyani from SPA Securities. Please go ahead.
- Prashant Biyani:** What is the region wise volume breakup for tractors and tillers?
- B C S Iyengar:** Between Odisha and Karnataka, the power tiller will account major share, it will be about 25% to 30% of the total market share between Karnataka and Odisha. Other major market is northeast followed by Andhra Pradesh and Bihar and in Maharashtra and Gujarat we sell about 3000 power tillers. And as far as the tractor is concerned the share of market between Maharashtra and Gujarat is about close to 80%.
- Prashant Biyani:** Sir what is the general time for subsidy collection from the government and how much time is required?
- B C S Iyengar:** It varies from rest of the states which will be about two months and very bad cases which will be reporting more than six months, average you can take about four months will be the collection period.
- Prashant Biyani:** Maharashtra and Gujarat could be there between three to four months?
- B C S Iyengar:** No it will be much less.
- Prashant Biyani:** And these are reimbursed to us directly.
- B C S Iyengar:** No in many cases they are directly given to the customers and in most of the cases that it goes through the dealer to whom we have to extend the credit, So there is the burden of the delay and also the credit is extended through our dealers.
- Prashant Biyani:** In any case do we directly get subsidy or it is only transferred to the dealers or farmers?



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B C S Iyengar: In most of the states we are asked to supply the power tillers at the subsidized price and the farmer gives an undertaking that the subsidy may be credited to the dealer or to the company directly.

Prashant Biyani: Sir generally what drive the demand for less than 20 HP tractors, means good monsoon will always drive the demand but other factors which would be driving the demand for less than 20 HP tractors vis-à-vis the higher HP tractors?

B C S Iyengar: The major driver for the small tractors is the requirement of smaller row width for cropping pattern and which requires less than four to five feet where the bigger tractors cannot enter , Also for spraying applications, vineyards etc., where our tractors are very popular and where the bigger tractors cannot enter so that is the unique feature of our tractor, the compact size and the lower weight.

Prashant Biyani: What is our current capacity for tractors and tillers?

B C S Iyengar: We have sufficient capacity In fact this is the question which I have been repeatedly answering to the investor, We have an installed capacity of 36000 tractors per annum but which by itself it does not mean much. Because we are dependent on about 300 vendors now from whom we have to procure more than 1000 components. and they have to commensurately increase their capacity so that we will be able to buy this about more than 1000 components . Our installed capacity is equipped to manufacture more 36000 tractors.

Prashant Biyani: Tillers we import or trade?

B C S Iyengar: Tillers now with after shifting our tractor production to Hosur we can easily manufacture about 60000 power tillers of Bangalore.

Prashant Biyani: Thank you Sir.

Moderator: Thank you. Next question is from the line of Ronak Agarwal from Catamaran. Please go ahead.



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- Ronak Agarwal:** Two questions, one is, is there any subsidy element in the low HP tractor business that is one and second if you can share the margins, the PBT margins of the tiller and the tractor business?
- B C S Iyengar:** The subsidy element for the small tractor subsidy is limited to about 75000 but it is not as much as prevalent like the power tillers where more than 98% of the power tillers are sold only on subsidy. Whereas in tractor the dependence on subsidy is to a much much lesser extent.
- Ronak Agarwal:** How much is the dependence for us so if it is an ended tractors how many are on subsidy?
- B C S Iyengar:** Rs.75000 is the subsidy.
- Ronak Agarwal:** How many of hard tractors are sold on subsidy?
- B C S Iyengar:** This we will not be able to say exactly because in Maharashtra the practice which is prevalent is the customers pay the full amount and take the subsidy and the subsidy is routed through Maharashtra Agro Industry who also pay the full amount. So we do not know whether it is a cash customer or a subsidy customer.
- Ronak Agarwal:** In 80% of the cases we see money upfront is it?
- B C S Iyengar:** Yes.
- Ronak Agarwal:** Sir what would be the rough margin in both these?
- B C S Iyengar:** Margin on power tiller and tractor is almost the same if you were under 17%, 18%.
- Ronak Agarwal:** This is the PBT margin is it?
- B C S Iyengar:** Yes.
- Ronak Agarwal:** This is helpful Sir. Thank you.



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Moderator: Thank you. Our next question is from the line of Rohan Samant from Multi Act. Please go ahead.

Rohan Samant: Good afternoon. Sir would you be able to share the market share for the top three to five players, does that include Chinese players as well?

B C S Iyengar: As far as the power tiller is concerned, we are saying is the major players are Bengal Tools and Greaves Cotton. Greaves they sell this around 5000 to 6000 power tillers followed by Bengal Tools who are selling around 4000 power tillers.

Rohan Samant: I think you have the Bengal number Sir please?

B C S Iyengar: Bengal.

Rohan Samant: The number that you mentioned for Bengal Tools.

B C S Iyengar: Yes Bengal Tools about 4000 power tillers and there are more than other 10 – 15 players who are importing more than about 30, 35 brands are imported and totally they are selling around about 15000 to 20000 power tillers.

Rohan Samant: In the case of the tractor?

B C S Iyengar: Tractor if you ask the segment all the tractors below this 20 HP Mahindra is a big player. Mahindra will have a market share of 40% in this range.

Rohan Samant: If I were to just understand your trend in the last three to four years there if in our market share in power tillers and tractors have they been constant have they moved up or they declined?

B C S Iyengar: We have retained around 47% since last five years.

Rohan Samant: 47% is combined is what you are saying?

B C S Iyengar: Yes, only on power tillers.

Rohan Samant: So you say you have maintained that number.



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- B C S Iyengar:** Yes we have maintained.
- Rohan Samant:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Mitesh Shah from OHM Group. Please go ahead.
- Mitesh Shah:** Thanks for the opportunity. Sir just wanted to understand how is the inventory pipeline current at our fact as well as the dealer level?
- B C S Iyengar:** Our inventory is close to about 1500 power tillers that we have.
- Mitesh Shah:** In terms of any weeks the dealer level also is the inventory piled up or it is not much?
- B C S Iyengar:** Not much because generally we have the policy what we follow is not to dump on the dealers the inventory because ultimately it should be sold to the farmer. So our dealer times it in such a way that the subsidy is available for the product and the customer is also ready to buy the power tillers as much and as soon as possible. You would have also noticed in our annual reports last year we carried a huge stock of about 4000 power tillers. We did not offload it to dealers and we rather preferred to carry on our shoulders rather than just dumping it which we does not result in the ultimate sales. That has been our policy and which will continue to do so.
- Mitesh Shah:** Currently we are operating in double shift normal basis?
- B C S Iyengar:** Yes here for power tillers on double shift and tractor we have put in single shift.
- Mitesh Shah:** But the visibility is there up to August and September based on the current subsidies gains, which have been floated by the various state governments?
- B C S Iyengar:** Visibility of what.
- Mitesh Shah:** For the tiller industry part of it based on a subsidy schemes been floated by the state government?



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B C S Iyengar: Based on the subsidy schemes that in my introductory remarks we told that we are confident that the first half of the year we should go about by 15%.

Mitesh Shah: Any change has come in with respect to the new subsidy schemes from 2014 in terms of the amount to be given or the allocation has been increased any change in that mechanism?

B C S Iyengar: No, no significant change in the central guidelines but whatever is the funds, which are made available, are largely from the states resources.

Mitesh Shah: Sir any ballpark understanding which you can give for tractors because from last three four years we have been somewhere in the 6000, 7000, 8000 range only we are not able to breakout and what could take that to go to higher range in terms of the increasing or distribution marketing in those front?

B C S Iyengar: It is a very valid question. Unfortunately last year also we are not able to increase to over 9000 tractors for various reasons already reported. We were confident to do so this year. But the latest developments by the particularly monsoon conditions that are prevailed are not giving us enough confidence to say that we will be able to achieve it. We hope to see improvement improvement and we should be able to target around 9000 tractors.

Mitesh Shah: 9000 for FY 2016 if things improve?

B C S Iyengar: Yes.

Mitesh Shah: Sir how do our tractors to be suited for different regions for saying any one of because currently 80% are in Gujarat and Maharashtra and if we expand to other states basically like Bihar or small states would that be at an advantage what is holding us back in terms of expanding our marketing reach?

B C S Iyengar: If you look at the earlier years we have always seen, the demand was far ahead of the production. We were never in a position to introduce to other market because the demand in Maharashtra and Gujarat was much ahead of the production. So now we have just opened up in other states and we are confident that in times to



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come we will be introducing substantial number in Karnataka, Tamil Nadu and Andhra Pradesh. We also just started introducing in Bihar etc., so it will take some time.

Mitesh Shah: So in next couple of years probably but the mix could change from Gujarat Maharashtra to other markets specifically?

Mitesh Shah: Is there any specific reason that these factors can be used is more suited for Gujarat Maharashtra and not for other states something like that.

B C S Iyengar: No, it is suited for all the states but of course you may ask the question why we are not entering Punjab and Haryana typically it is known for big tractors other than UP, Punjab and Maharashtra and also large part of MP which are markets for bigger tractors, all the rest of India which is suitable and where the farmers find the utilities for the small tractors will definitely will enter into.

Mitesh shah So it is more of our expansion or marketing in dealership network which we had to expand that will take us through that?

B C S Iyengar And also the introduction of these tractors, the visibility of this tractor is very low as compared to the other tractors except in Maharashtra and Gujarat the size of compact tractors are not much known so it is a phase of where we have to demonstrate and introduce the concept and the utility which will take some time.

Mitesh Shah: Sir any take on the new tractor development on a higher HP and if something in pipeline?

B C S Iyengar: Yes, it is in the pipeline but too early to say. but we are on at it.

Mitesh Shah: Any specific HP?

B C S Iyengar: We will be in less than 30 HP segment., probably before the end of current year we will be introducing about 25 HP tractors .

Mitesh Shah: Okay 25 HP by FY 2016 itself?



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- B C S Iyengar:** 2015-2016 yes.
- Mitesh Shah:** And any take on 28 HP tractors that sort of it?
- B C S Iyengar:** No that would take time.
- Mitesh Shah:** Sir what will be your current cash and investment available as on June end?
- B C S Iyengar:** It would be roughly about 150 Crores.
- Mitesh Shah:** Sir what sort of your capex need going forward because more than we are fully capped?
- B C S Iyengar:** Except for normal replacement etc, we should be within the region of about 15 Crores and maybe developments for this new tractors etc., we want to major outlay on the capex.
- Mitesh Shah:** 15 Crores part of it?
- B C S Iyengar:** Yes.
- Mitesh Shah:** Thanks a lot Sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf** Good evening. Thank you for taking my question. Sir in the past seven, eight years or so we have noticed that whenever there is a decline in the volumes in tillers the subsequent year generally we have seen a 20% plus growth in our tiller volumes so this year you are right now saying 15% for the first half and you also mentioned that in July itself you have done about 3500 so what are the chances that we can do 20% plus growth for the full year, this year?
- B C S Iyengar:** Yes, confidently we are reporting 15% because we should understand although the release of subsidy etc., has been favorable, the monsoon and the conditions definitely not been very good but now we are in a situation where farmers buy



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whenever the subsidy is available to that extent definitely the demand has been good. If things improve what we say it may be possible to achieve but for the movement we would like to say that we will be content with 15% growth.

Mukesh Saraf

But seasonally if July one of your strongest month is it Sir?

B C S Iyengar:

July is the strongest and then it weakens from August end it will weaken.

Mukesh Saraf

Sir if I look at the revenue mix broadly about around 50% to 52% of revenues right now is coming from tillers and this had been say 60% in FY 2011 so it has come of but what would be your target sir you would want to bring this down further by increasing the share of tractors revenue so is there like a two, three years time?

B C S Iyengar:

No we will not target to bring down anything ultimately the figures will prove, Our target is to grown in both the segments but ultimately depending on various conditions it could certainly anywhere between 45% to 55%, .

Mukesh Saraf:

By when Sir?

B C S Iyengar:

No this year we are targeting around 28000 power tillers .

Mukesh Saraf:

Sir my last question is you are looking to expand your tractor which seems to space outside of Maharashtra and Gujarat but I would assume that you also need a good financing penetration in these new case because you would need to have tie-ups with then we have see this or probably have your own.

B C S Iyengar:

Yes, in fact Mr. Thiyagarajan is with me and has been putting efforts to tie-up for both for retail and also channel financing, Mr. Thiyagarajan which he will explain.

R Thiyagarajan:

We have on a retail side tied up with Kotak Mahindra, ICICI Bank, L&T Finance, DCB, Magma, Cholamandalam this is apart from all the PSU banks. We have also established channel financing with IDBI Bank and Standard Chartered Bank.



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Mukesh Saraf: So these tie-ups that you mentioned these have all happened in the recent past Sir?

R Thiyagarajan: Yes for the last three months.

Mukesh Saraf: So these should kind of substantially help us to improve our positioning?

R Thiyagarajan: Basically this is for a new market well our existing markets in Maharashtra and Gujarat is not an issue without tie-up also everyone is financing. We are looking at leveraging those players to finance the other markets where we want to enter especially southern markets and the eastern markets for tractor. So that is why we will enter into formal agreement with them to support each other to further the business.

Mukesh Saraf: Sir what would be your kind of when do you think you can touch kind of a 1000 units a month run rate in tractors so I mean do you think how far you would be away from that.

B C S Iyengar: Tractor as Mr. Thiyagarajan saying one of the major concern is the financing except in Maharashtra and Gujrat , You are aware that most of the tractors financing is done by NBFCs not the commercial banks. as far as the Maharashtra and Gujarat is concerned our tractors are already very popular and there is no need for any introduction and the NBFCs are vying with each other to support but the same is not happening in other states where it is relatively unknown, But the efforts are on. Very shortly. probably by end of this year we should be comfortably tied over this issue, and get financial assistance ..

Mukesh Saraf: Thank you for your time Sir. Thanks.

Moderator: Thank you. Our next question is from the line of HR Gala from Panav Advisors. Please go ahead.

HR Gala: Sir can you help us with the number of total tiller market in India?

B C S Iyengar: Well the tiller market last year was around 55000.



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- HR Gala:** 55000 and this year you expected to be...
- B C S Iyengar:** Let's see it is too earlier to say they just cross over four months and it is too early to say, it could be in the region of say the things are good it could touch about 60000 and probably this will be our expectation.
- HR Gala:** And sir where you see the direct transfer of subsidy you think this is going up by the government of India where do you see the amount now if that happens like do you think our working capital will substantially increase and we will not have to wait for a three, four months time to get the subsidy from the government.
- B C S Iyengar:** No it affects us in two ways one is that the farmers are now used to buying the power tillers at the subsidized rates because the government asks us to supply them at subsidized rates. Once the government says the subsidy goes directly to the farmers and in which case we will have to play safe and ask the farmer to pay the full amount, In this situation there could be a little set back on the demand because the subsidies bring substantial amount of 60000 in some states it is 75000 to 90000.
- HR Gala:** So by then say for example if government increases that now we will be transferring directly then you will have to do some funding to those farmers...
- B C S Iyengar:** What we are saying is that we are welcoming such a practice but at the same time requesting the state government that they should rope in some bankers who will also finance for the subsidy portion, so that we will get our full payment upfront.
- HR Gala:** Some of the data points I have missed because the line there was lot of disturbance this Bengal Tools you said how much is the tiller they do 12000.
- B C S Iyengar:** No around 4000.
- HR Gala:** And Greeks Cotton is 5000 to 6000.
- B C S Iyengar:** About 6000.



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HR Gala: And one more data point I would missed out what is the market share in different markets which you gave 35% you say it is between Karnataka and Odisha?

B C S Iyengar: Between Karnataka and Odisha?

HR Gala: And which are the other markets.

B C S Iyengar: Maharashtra, Gujarat where we have between about 3500 power tillers we have North East Bihar.

HR Gala: That is how much.

B C S Iyengar: Similar quantity.

HR Gala: Around 3500 this is per annum right.

B C S Iyengar: Yes.

HR Gala: And sir do you see current year our EBITDA margin which as increased to 20% marginally from 19% in this year so can we sustain these kind of increase to as we go forward 28000 tillers target and now it is a 9000 tillers.

B C S Iyengar: Insha Allah. if the things are favorable we will continue, but there is no way that we are not going to increase the prices because the input prices are stable within this.

HR Gala: But otherwise we can maintain at least at these levels.

B C S Iyengar: No if the raw material prices are stable we will be able to maintain otherwise definitely it will have a dense.

HR Gala: Sir any other product you want to launch which can help us to expand our product basket beyond these two products.

B C S Iyengar: No, just now we answer that probably we will be introducing this 25 HP tractor in the current year now for some of that nothing immediately in their view.



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- HR Gala:** Thank you very much sir and wish you all the best.
- B C S Iyengar:** Thank you. Our next question is from the line of Veena Patel from iWealth Management. Please go ahead.
- Veena Patel:** Sir I just wanted to know what was the quantity of sales that we need for 22 HP tractors in the last financial year.
- B C S Iyengar:** What is the...
- Veena Patel:** How many units of 22 HP tractors which we sell last year.
- B C S Iyengar:** 22 HP can take around 60% to 65% with the 22 HP.
- Veena Patel:** And sir last year we sold about 6694 tractors.
- B C S Iyengar:** Yes out of that we can take say about 60% was considered.
- Veena Patel:** Sir how are the realizations different between 18.5 and 22 HP.
- B C S Iyengar:** The price difference is around 45000.
- Veena Patel:** Sir can you just give us the average realization for both of them.
- B C S Iyengar:** Average realization would be about 2.7 lakhs.
- Veena Patel:** For 18.5 HP.
- B C S Iyengar:** No 22 HP.
- Veena Patel:** And how much would be for 18.5.
- B C S Iyengar:** About 40% less than this.
- Veena Patel:** And sir as on June quarter how much is our outstanding subsidy amount.
- B C S Iyengar:** Outstanding subsidy amount ending June is about 40 Crores.



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- Veena Patel:** And sir you just mentioned about introducing the 22 HP tractors and 25 HP tractors so in these new segments for us who would be our other competitors apart from Mahindra.
- B C S Iyengar:** Pardon.
- Veena Patel:** Sir in the new segment that you are entering like 22HP and 25HP tractors so who would be our major competitors.
- B C S Iyengar:** No already there is the Kubota is there, Sonalika and there are plans from for others also to interact the segment of less than 30 HP.
- Veena Patel:** Sir our product would be more superior compared to the existing ones like Kubota and Sonalika.
- B C S Iyengar:** No each tractor has its own features we have some present features and as against Kubota our price is much cheaper ; because they are imported tractors there are certain technical advantages in whichever tractors and they also have some superior advantages with some features so each tractors has its own segment and difference.
- Veena Patel:** But major competitor would be Mahindra & Mahindra.
- B C S Iyengar:** No Mahindra is not a technically. It is not a major competitor though their volumes are larger The Yuvraj of Mahindra & Mahindra is a single cylinder tractor where as we are operating a multi-cylinder and the four wheel drive tractors and has its features which is not which is not available in Mahindra Yuvraj, But yet their number wise they are highest in the segment.
- Veena Patel:** Sir recently we have the press lease from that news you has been appointed in these way season and then can it to be joining from some other industry.
- B C S Iyengar:** Yes. Earlier he was the managing director and CEO of Precal.
- Veena Patel:** Okay so now he is going to take care of all the strategy decisions.



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- B C S Iyengar:** He is yet to report.
- Veena Patel:** Thank you very much Sir.
- B C S Iyengar:** He will be joining next week in this month.
- Veena Patel:** Wish you good luck sir.
- Moderator:** Thank you. Our next question is from the line of Shailesh Mohta from Magma Fincorp Limited. Please go ahead.
- Shailesh Mohta:** My question is on the tractors sales trajectory from the growth of 20% in financial year 2014 we are seeing a consistent de-growth and this year in quarter we had a 16% de-growth and the sales of the trend continuous there could be many reasons for this growth what according to you the single most reason for this de-growth and what could be the results for increase in the sales of tractors.
- B C S Iyengar:** In the overall tractor business you are talking of.
- Shailesh Mohta:** Yes I am talking about overall tractor I understand that you are into at least 22 HP so this figures could be different for you but I could get a sense from you as to overall tractors.
- B C S Iyengar:** I think as it is not right for us to comment on the de-growth of other tractors. but there has been always been a feeling that there is a over tractorization in certain segments and the farmers are not getting the return on their investments so that has been the reason . Plus failure of monsoon definitely has been a major factor the adverse factor it is contributed and large part of Maharashtra and Gujarat have received scanty rainfall. Which is definitely is one of the factors.
- Shailesh Mohta:** And what do you think how the market will grow further.
- B C S Iyengar:** We have to keep our figures crossed for the next two months or so. because we were fortunate to have grown in the first three months and in fact a little bit in the



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month of July also but we are also getting the feedback that going in definitely tough in the month of August and September so we have to wait and watch.

Shailesh Mohta: And I have seen that in higher HP tractors the revenues up to a farmer who is very less from the agricultural activity and it dependent more on the light activity like infra, sand mining, bricks and all that since small HP tractor also the same story continuous or it is predominantly at the operations.

B C S Iyengar: No fortunately for us see we are in a segment where the tractors are used largely for the agricultural application. since in fact there is a limitation on the speed of the tractors and not so much for haulage. capacity. It is largely use for agricultural and also the commercial crops like cotton ,vine yards cetera and in fact the very fact that we are not have any difficulty in getting NBFC financing for tractors in Maharashtra and Gujarat is a testimony of its feasibility ..

Shailesh Mohta: I heard you said is that you do not actually require a support still Maharashtra and Gujarat in fact lot of other finances are buying for that but you do require support from financiers like Magma we are right work so far in Bihar and all that, I keep that in mind and I will take this discussions further with you or Mr. Thiyagarajan and sir my last question is on the product differentiation when already was asking you about the question on market share I heard you telling that Mahindra is technically not your competitor because they have a single cylinder and two wheel drive whereas you have double selected tractors and four wheel drive is the market an application also different for these.

B C S Iyengar: Application is different but a farmer who has a specific application this four wheel drive tractor for example in wetland there i a four wheel drive tractor is required No matter what the price difference is they have to settle only for four wheel drive tractors if on the other hand this would not be so for a cultivation of a soft soil where the cultivator is the only attachment to the required even Captain or Mahindra Yiuvsraj or any other tractors will suffice the purpose.

Shailesh Mohta: So great application you require four wheel drive but majority of the tractor that are fielding.



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B C S Iyengar: I said one of this application, while it may be okay for other applications . For spraying et cetera which also require a higher capacity but compact width small four wheel drive is necessary.

Shailesh Mohta: Thank you very much and all the best sir.

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

Shashank Kanodia: My question is on the raw material front. You mentioned that the raw material prices were quite stable for the quarter but because of that the main raw material for us have been still of the big error and dropped sharply so did we realize the benefit of that.

B C S Iyengar: Not really. We are fortunate that it has been stable but generally the Market is always slow in passing on the benefits but they will be quick in demanding for any price increase.

Shashank Kanodia: But your pricing on board base even 15% to 20% on YoY basis so even that it is not reflecting in to our numbers so is this something in the channel, which we expect to benefit from it.

B C S Iyengar: Could you repeat your question?

Shashank Kanodia: The figures in the steel prices were down quite a significant 10% to 15% on YoY basis still we are not realize any raw material benefits.

B C S Iyengar: Raw material price the incidence on our ultimate cost is is a very marginal from Rs.300, Rs.400 for tiller because the content of sheet material et cetera. Depending on that the ultimate variation in cost of other inputs fact cost the overall impact is Rs.400, Rs.500 which is not very significant. There has been definitely some reduction but no, but it is also balanced in some other components. .

Shashank Kanodia: Have we passed on any price cuts power tillers and tractors.



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B C S Iyengar: No price cut and also if there is increase also we cannot pass on till in the next division which has to be approved by the state governments.

Shashank Kanodia: So in that case this 19% kind of margin that will now in this quarter are sustainable for the full year right FY16.

B C S Iyengar: No that is what already I am repeating again subject to the raw material prices and other component prices being stable. We have another eight months to go on further.

Shashank Kanodia: Sir secondly you mentioned about our operational Capex will be 15 to 20 Crores so this is per year or for the next two years.

B C S Iyengar: Per year.

Shashank Kanodia: So sir given that surplus cash on your books and you already through with the Capex high till any plan of receiving a dividend payout.

B C S Iyengar: No, just now we have announced the dividend.

Shashank Kanodia: But Sir even the higher amount of margins are possibility and surplus cash which known as a capex can we expect an increase in dividend ratio for us?

B C S Iyengar: No we are continue with our policy of dividend being within about 20% of the net profit and last year although the profit was not commensurate with the earlier years and given the marginal decline we maintained the 150% dividend last year There will always be a need to keep cushion for bad years also.

Shashank Kanodia: Right so sustainable basis 20% payout includes the management expenses.

B C S Iyengar: Yes.

Shashank Kanodia: And sir lastly was there any policy changes, which we were increasing for us in terms of farm synchronization from the central, or the state level?

B C S Iyengar: Pardon.



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- Shashank Kanodia:** Any policy level changes from the central government.
- B C S Iyengar:** Nothing significant.
- Shashank Kanodia:** Sir lastly I used upon the power tillers and tractors absolute number for this quarter, can you just repeat that?
- B C S Iyengar:** 6756 power tillers and 2266 tractors.
- Shashank Kanodia:** Sir the tractor is 2266.
- B C S Iyengar:** Yes that is right.
- Shashank Kanodia:** Thank you that is all from my side. Wish you all the best.
- Moderator:** Thank you. Our next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Sir continuing from the previous quarter you said this quarter the volume was 6756 and what was it competitive figure?
- B C S Iyengar:** 6383.
- Manish Goyal:** Similarly for tractors what was it?
- B C S Iyengar:** 1963.
- Manish Goyal:** Sir can you give me the last full year number for power tillers how much was it?
- B C S Iyengar:** Last year was 23000 power tillers and 6694 tractors.
- Manish Goyal:** For power tiller can you give me the exact number 23000 how much?
- B C S Iyengar:** 23103.



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- Manish Goyal:** Sir, are we seeing any competition in the power tillers in the domestic market basically say some new players because recently we heard.
- B C S Iyengar:** Yes. There is a Kirloskar . has entered the competition.
- Manish Goyal:** So how different is that product from the product what we are offering in terms of like are there any different features number one or in terms of...
- B C S Iyengar:** This is supposed to be a well built power tiller; it is a very quite heavy to about 100 kg more and they call it as a mega tiller.
- Manish Goyal:** And is it pricing wise it is expensive than what we offer.
- B C S Iyengar:** No almost recent price.
- Manish Goyal:** So you anticipate a significant competition from them.
- B C S Iyengar:** Let me only say we will not ignore the competition. We will not discount the factor. Let us see.
- Manish Goyal:** And are they targeting similar market what we are into.
- B C S Iyengar:** Yes definitely every new player including all these Chinese.They have been following wherever we have been selling.
- Manish Goyal:** Thank you so much.
- Moderator:** So that was the last question I now hand the conference over to Mr. Gaurav Jain for closing comments. Thank you and over to you Sir!
- Gaurav Jain:** Thank you all the participants for an interactive session we also take this opportunity to thank the management for giving us the opportunity to host this call thank you very much sir and have a great day ahead.
- B C S Iyengar:** Thank you B&K. Thank you Mr. Gaurav. Thank you all the investors.



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Moderator:

Thank you very much. Ladies and gentlemen on behalf of Batliwala and Karani Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.