



“VST Tillers Tractors Limited
Q3 FY2019 Earnings Conference Call”

February 19, 2019



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Moderator: Ladies and gentlemen, good day and welcome to VST Tillers Tractors Limited Q3 FY2019 Earnings Conference Call, hosted by B&K 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 this conference is being recorded. I now hand the conference over to Mr. Mr. Hitesh Bhargava from B&K Securities India Private Limited. Thank you and over to you Sir!

Hitesh Bhargava: Thank you. Good afternoon everyone. On behalf of B&K Securities we welcome you all for Q3 FY2019 Post Results Conference Call of VST Tillers Tractors. We have with us today Mr. V P Mahendra, Vice Chairman & Managing Director, Mr. P.M. Keshava, Chief Financial Officer and Mr. Chinmaya, Company Secretary. I would now hand over the call to Mr. Mahendra for opening remarks to be followed by Q&A session. Over to you Sir!

V P Mahendra: Good afternoon to you all ladies and gentlemen. May I just keep you brief about the numbers and the figures that we have with us. I am sure most of you would have seen it in the newspaper, but anyway I will just go by what I have in front of me. We have sold about 4,506 tillers and 2063 numbers of tractors during the quarter ended December 31, 2018. For April to December 2018, we have completed about 15,269 tillers and 6,075 numbers of tractors as against 20,018 tillers and 7,793 tractors for the same period of the previous year. The operating revenue for the quarter ended December 2018 was Rs.146 Crores and for the nine months ended December 2018 it was Rs.436 Crores as against Rs.166 and Rs.522 crores of the respective periods of the previous year. The volumes of tillers were down by 24% and tractors by around 22%. The profit before tax for the nine months period was Rs.53 Crores as against Rs.104 Crores of the previous year representing a drop of 49%. The profit after tax was Rs.34 Crores as against Rs.78 Crores for the same period of the previous year.

Some of the reasons for the downfall in the sales numbers as well as turnover where I will just highlight what the items are and briefly explain to you what it contains. One of the most important one for us is subsidy, subsidy as you are aware has been 95% of power tillers have been sold through subsidy and the recent past tractors are also slowly getting included. The subsidy has been delayed as in most years this year also, but in this year delay has been much more towards the later period of the year. The subsidy was unfortunately announced in the state of Maharashtra, but was never followed by distribution of the subsidy.



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Immediately thereafter, people stopped or waited for the subsidy to come meanwhile the drought set in. These two elements affected the biggest market what we had that is Maharashtra followed by Gujarat and in the Northern parts of Karnataka. Even today they have not recovered and we understand that the sowing of the Rabi crop is down by 30%. This was one of the portions which contributed for the downfall. The DBT scheme, which by itself the Government of India's initiations has been most welcome, the operation of the scheme has not been implemented in most of the states. We now understand that is likely to be completed by April 1, 2019 . I am sure there will be some states, which will be lagging behind but this DBT scheme assures us of a reasonable time period by which we will get our money collected for the subsidy, so this being the case, which has not stabilized, it has affected the flow of funds. While doing so we must admit that we needed a greater range of tractors in terms of horsepower and performance and unfortunately there was some delay in the execution of some of the projects and because of this delay we were not able to recover during this year.

Moving forward we would also like to add that we have primarily strengthened our R&D and the marketing to a very large extent. The marketing for our tractors, which needed to be introduced in the Northern belt is a prime important to us and with this in mind we have now introduced the higher horsepower tractors, one of which with Korean technology, the other one is local technology and the horsepower range for these will be from 40 horsepower to about 50 horsepower. This is a very necessary area that we had to cover and along with this it has also become very necessary for us also to aggressively market the tractor in these areas. I am sure I have reasonably covered most of the points, I will be answering others as it comes.

A couple of points, which are probably very general, but not related directly to this is that we broad-based our management with the induction of Mr. V. T. Ravindra as executive director, he is part of the family and he has been designated as executive director. We also intend to appoint professional CEO, which hitherto was managed by Mr. K.U.Subbaiah, which I am sure will get covered in a short period of time.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora:

Sir actually I missed the volume numbers that you have announced in the start.Can you just repeat them?



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- V P Mahendra:** I will give you the entire paragraph so that you do not miss out anything. The number of tillers was 4,506 and tractors 2,063 for the quarter ended December 2018 and for the period ended December 2018 it was 15,269 and ,6075.Was it clear?
- Ronak Vora:** Yes. Thank you.
- Moderator:** Thank you Sir. We have the next question from the line of Keshav Garg from Equity Mechanic. Please go ahead.
- Keshav Garg:** I wanted to know whether you have taken any price hikes for tillers and tractors and when last do you take a price hike and are there any plans to take a price hike in the near future?
- V P Mahendra:** It is always ongoing exercise we do not stop at any time. The moment we reach a certain figure that we feel is going beyond what is manageable for us we seek the permission and the approval rather than permission, approval of the various state governments to give us decide prices. Invariably there is a time lag between the time that we ask and when it gets approved, it can be anywhere from a couple of months to anywhere six or eight months, therefore it does not always coincide with what we want, but it is an ongoing exercise, which we never stop.
- Keshav Garg:** On an average if we see broadly like in the past five years per annum Sir what magnitude of price hike have you taken approximately like 5%?
- P.M. Keshava:** 5% to 7% in case of tillers.
- Keshav Garg:** 5% to 7% per annum?
- P.M. Keshava:** No, it is one time.
- Keshav Garg:** Sir basically the price of your tiller today as compared to five years back is around 5% to 7% more?
- P.M. Keshava:** No, it is not five years back, till the last revision to the present revision, the prices have been increased by 5% to 7%.
- Keshav Garg:** Year-on-year you are talking about and Sir what about tractors?
- P.M. Keshava:** Tractors around 3%.



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Keshav Garg: Okay and Sir also we have some cash on our books, so is there any proposal for share buyback?

V P Mahendra: As of today we do not have any plans, in fact there has not been thought because we are busy with our own timeframe to improve performance. The board possibly will spend time on it, but as I understand we do not have any immediate plans.

Keshav Garg: Is there any significant capex that you intend to incur?

P.M. Keshava: I think it has been announced long ago that we have five years long term capex plan of around Rs.240 Crores. It gets completed by 2021.

Keshav Garg: So this capex of Rs.240 Crores, this will lead to what kind of increase in our capacity for tillers as well as tractors?

V P Mahendra: Tillers is a very flexible to the extent that we outsource a large number of parts, therefore increasing our capacity is not too much of a hassle because the range of power tillers what we have produced is only two, so switching from one to the other is not a difficult. As far as tractors are concerned, as I briefly spoke during the introduction that it has become very necessary for us to introduce a range of products to compete with what is in the market that is everytime I need to bring out a new tractor it means that I need to spend on the investment for a pattern or die or fixture. Now other than that the tillers which we can easily double, but the average demand does not exceed more than 10% increase in any year, so we do not expect that to change dramatically. In the case of tractors, we can probably double comfortably what we are now with infrastructure what we have.

Keshav Garg: Okay and also Sir just broadly since 2014 our revenues are more or less flat around and our operating profit Sir has also been flat at around Rs.120 Crores and this year of course, there is a dip, so what is the reason for this broadly?

V P Mahendra: Can you please repeat your question, we have not understood properly.

Keshav Garg: Sir what I am trying to say that since last five years, since 2014 our topline is flat and Sir even our operating profit is flat at around Rs.120 Crores?

V P Mahendra: It is not so, from past 2014 till 2017-18 we have continuously grown, both in the topline as well as in the bottomline.



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Keshav Garg: But if you see then in 2014 we were doing Rs.625 Crores and last year we did Rs.736 Crores, so basically it is a 22% growth over a four year time period and this year now there is a dip, so basically at the end of FY2019, from FY2014 to FY2019 our sales would be flat only and our operating profit would actually have dip because in FY2014 we did Rs.120 Crores operating profit and FY2018 we did Rs.120 Crores and this year there is a dip, so just I am trying to understand the broad picture that like why is this happening?

P.M. Keshava: For any company it cannot grow continuously, at some point of time there will be a dip in the growth, we are dependent on various other external factors like subsidy, monsoon, all those things.

Keshav Garg: Sir if you see that five years before that, before FY2014 the company grew really fast, but in last five years we have flattened Is this phase of consolidation do you think like that?. I think the base has been built and in the next five years like what is your internal target by how much do you think you can grow?

P.M. Keshava: We can roughly take a growth of around 10% in the topline.

Keshav Garg: 10% per year in the topline?

P.M. Keshava: Yes, because our concentration will be more on tractors, power tiller is almost a stagnated market.

Keshav Garg: But what is the reason for tiller being stagnated market because in China there is a huge base of tiller and we are a fraction of it, if I understand correctly and the arable area that India has is comparable, so like what is the reason for this stagnant tiller market?

V P Mahendra: I think it is the approach of what people consider it to be, but you must understand that subsidy has formed a major part of our sales and when the government does not pay us what is due, our efforts to market is also become useless because I am not getting the money even after six or eight months, Nobody can wait for that, so this is the negative thing, which is happening so far as subsidy for the power tiller is concerned because 95% of our tillers are sold only through subsidy. when do not have the subsidy being disbursed correctly then we ourselves do not extend credit to the dealers and to the farmers to a greater extent.

Keshav Garg: Okay Sir, so that is all from my side, I will join the queue again if required. Thank you very much Sir.



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Moderator: Thank you Sir. We have next question from the line of Alroy Lobo from Kotak Investment Advisors. Please go ahead.

Alroy Lobo: I just wanted to understand you are launching this 35 to 50 horse power tractors, what is the kind of delta to the revenues can these horse power tractors make to your FY2020 or FY2021 numbers, number one. Number two, there have been some launches that you did during the year, which there were some issues as far as those launches were concerned, I just wanted to know whether those have been resolved and given the fact that these were supposed to also prime growth, if they were resolved what can they add to your growth in the tractor business?

V P Mahendra: Regarding the problems that we had on the products that we had launched, they have since been resolved completely. In those areas, which we introduced those products, drought has set in so we have refrained from marketing any more of those products for the moment, but the products have now settled well and are poised to take it forward certainly in larger numbers. So far as the higher horsepower tractors are concerned, there are two approaches we have taken, one is putting a high end tractor, which is a little more expensive for a price sensitive market, but at the same time offers certain comforts and features, which are exclusive. This is the Korean tractor, which we are calling as VST Shakti Branson and in these volumes will grow very slowly because till we indigenize the product it is not going to work out very economical to market large numbers, so this will be spread over a period of two years by the time we indigenize the Branson tractor. Whereas for the other tractor, which is between 39 to about 50 horsepower, which on the anvil everything is sourced indigenously, we will have all the patterns and fixtures, etc., ready with us in the next six months time and we should do numbers, which are probably very much more attractive. We have introduced both these products in small numbers in the market and we are awaiting the feedback. Initial feedback is very favourable and our marketing is working very aggressively to setup new avenues for these especially in the North. The exact figures will come only really after these have proven itself, which we will be doing so and continuously for the next six months time.

Alroy Lobo: On the subsidy side, do you think those are now being streamlined because what we are hearing is that from a subsidy standpoint now subsidy is available may be in some cases it is still to go online, but by and large is that issue now resolved?

V P Mahendra: No. I must admit it has still not been resolved. I think I stand to be corrected. Andhra is the only one, which has introduced now so far, which is effective in terms of getting to know



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what is going on. All other states are lagging behind and there are various issues, which I think the governments do so for own practical reasons, which they have to get out of that system, which they have been in the past and they have still not got out of it.

Alroy Lobo: My last question is if you were to compute your market shares in your core markets be it Maharashtra, be it Gujarat, etc., for your tractors business in the segment in which you operate have you lost market share or gained market share?

P.M. Keshava: All the players in that segment have lost the market share. Ours was more than 30% what we lost because of the drought and the subsidy not made available.

Alroy Lobo: I am only talking on those markets like drought would have affected everybody in that market, Maharashtra and Gujarat lost market share or gained market share?

P.M. Keshava: Lost.

Alroy Lobo: What do you attribute to the loss of market share there?

V P Mahendra: It is an overall loss of market share by all tractor manufacturers in that segment. We are not the only players who have lost. We were over dependent on those two areas and therefore it has affected our numbers to a larger scale.

Alroy Lobo: No, I am asking only in those geographies for Maharashtra and Gujarat if you were to look at your compact tractors or tractors less than 27 horsepower like on like for players who are operating in that segment in that geography have you lost market share or gained market share, I understand that you have lost market share because the same has been affected?

V P Mahendra: Sorry. You are asking a question whether our market share we have lost vis-à-vis the others.

Alroy Lobo: In that particular geography for that particular segment.

V P Mahendra: Only in one area where M&M has introduced a product right only in one area we have lost. Others we would have retained our share.

Alroy Lobo: Thank you.

Moderator: Thank you Sir. We have the next question from the line of Aditya Makharia from HDFC Securities. Please go ahead.



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Aditya Makharia: Sir if you could just give us some backdrop on the subsidies you mentioned obviously Andhra is perhaps the most efficient, but which states are really lagging behind and with the drought has the subsidy payout become faster?

V P Mahendra: No. It does not seem to have any bearing on the drought at all. There seem to be two different issues. The subsidiary portion invariably various governments have been diverting it for some other purpose and not being released for what it should be released, so that is where we are getting stuck everywhere. In the methodology of distribution of subsidy, what the Government of India is trying to make it more rigorous through the DBT scheme where the portal will make sure that it is visible to every stakeholder there starting from the Central Government to the person disbursing to the person who is receiving (the customer) everyone can see it. You know exactly what is going on, how much has been allotted, how much has been received, how much is yet to be received, so this is a good scheme. If it can be implemented by the Government of India, which they are promising by April 19, it will be a good thing for all sectors, which are receiving subsidy amounts.

Aditya Makharia: Sure, but just one clarification if the subsidy is a state subject or is a central subject?

V P Mahendra: It is a central subject, but the state government contributes 40% of the subsidy. The central government contributes 60%. This is a normal pattern. There are various schemes, which the amount may defer, but it is primarily a central government subject, central government subsidy being released with the state government holding the whip and that is saying that unless they contribute it cannot get disbursed therefore it gets stuck with that.

Aditya Makharia: So in a way it could also the whole state and central government coordination and those things could make a big difference?

V P Mahendra: Exactly. If they give the utilization certificate the central government does not hesitate to release the amounts, but I believe the system is going to be slightly changed. This is what we understand that once the central government says they might ask the state government to put in their amount share of 40% first then Central Govt will give balance 60% next..

Aditya Makharia: Sure and last question obviously with every election there is sort of new policies and subsidy schemes, which come out, so again we are heading into elections so do you expect anything to change materially?

V P Mahendra: It is a very tough question to answer, but I do not think anything can change very quickly, but basically the Government of India have acknowledged that this has been a hindrance for



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whatever they wanted to do and hopefully if the DBT scheme is implemented it will all be better for all of us.

Aditya Makharia:

Got it. Thanks.

Moderator:

Thank you Sir. We have the next question from the line of Ritika Garg from Aequitas Investment. Please go ahead.

Ritika Garg:

Sir are we selling tractors also under the subsidy scheme?

V P Mahendra:

Yes not in all areas, in certain selected areas we are selling. Andhra is the recent introduction, Maharashtra to some extent not in all areas, small, small pockets they will be having some numbers, but it is not very large as of now.

Ritika Garg:

What percentage of our tractors are we selling under the subsidy scheme?

V P Mahendra:

About 20% is what I understand.

Ritika Garg:

Are we planning to go Pan India?

V P Mahendra:

Yes very much so that is our plan. It cannot be done overnight. Certainly as I spoke a little earlier we are introducing other ranges of tractors, at least we have introduced them and we have not done much numbers on that. We are awaiting for the feedback to increase the numbers and over a period of the next six to eight months numbers will certainly be improved and we are hopeful that we will be able to capture some of the market, which is not opened fully as yet..

Ritika Garg:

Sir are we present in West Bengal, Assam, Bihar and Jharkhand?

V P Mahendra:

Certainly and so far as Assam is concerned. In so far as power tillers are concerned West Bengal is also one of them and the other one you asked was Bihar was it?

Ritika Garg:

Yes.

V P Mahendra:

In Bihar our numbers in totality and for all the players is very low. West Bengal primarily has been a power tiller market in the past. It might slowly shift to compact tractor is what we thinking, Assam and the North East have been areas for power tillers and recently some tractor movements are also being seen.



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- Ritika Garg:** How is the industry faired in the nine months?
- V P Mahendra:** The tractor industry has fared well. The power tiller industry in which is we are the leaders therefore we still hold the same equivalent market share of about 50 % plus, other tiller people have also fallen just like us.
- Ritika Garg:** Has the tractor industry grown in double digit?
- V P Mahendra:** Yes.
- Ritika Garg:** What is the outlook for FY2020?
- V P Mahendra:** I think this is going to be a challenge for us industry or VST?
- Ritika Garg:** Both industry and VST.
- P.M. Keshava:** Industry I think we can expect a growth of around 10% in tractor segment, power tiller will be more or less it will be stagnant around 5% growth.
- Ritika Garg:** 10% in tractors and 5% in tillers?
- P.M. Keshava:** Yes.
- Ritika Garg:** Alright. Thank you.
- Moderator:** Thank you. We have the next question from the line of Rohan Samant from Multi-Act India. Please go ahead.
- Rohan Samant:** Thanks. Just wanted to check so you mentioned that 20% of our tractor sales are coming under subsidy so still our tractor sales for the last nine months have been down around 22%, so without having significant share on the subsidy side why are the sales down on the tractors?
- P.M. Keshava:** I think Mr. Mahendra has already clarified in Maharashtra subsidy wasjust announced, but not implemented.
- Rohan Samant:** No, I am referring about the tractor sales so you mentioned that only 20% of your sales on the tractor front are coming under subsidy right?



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- P.M. Keshava:** That is what I am also clarifying even though subsidy has been announced in the State of Maharashtra where we were very strong because of our compact segment from 18.5 to 22 HP segment, we were unable to sell because there was only an announcement not implemented and added to that drought in Gujarat as well as Maharashtra major portion. That was the reason why the tractor numbers were negative compared to last.
- V P Mahendra:** These were our strongest market for quite a few years and our dependence on that was higher and when the subsidy was announced, but was not followed through people were waiting for the subsidiary, which never came, immediately there was a drought situation, which has affected our numbers.
- Rohan Samant:** On the marketing spend front, so I think we are doing around Rs.8 Crores of add spend currently so we are going aggressive on the North Indian side so do you expect this number to change materially going forward?
- V P Mahendra:** I think materially to some extent substantially is going to be in the form of other types of trying to get the demonstrations, publicity by road shows, things like that will be more relevant rather than just plain advertisements.
- Rohan Samant:** Sure. Thanks.
- Moderator:** Thank you Sir. We have the next question from the line of Mahesh BP, Individual Investor. Please go ahead.
- Mahesh BP:** Is the company still following cash and carry policies for sales with its dealers?
- P.M. Keshava:** Cash and carry?
- Mahesh BP:** Yes.
- P.M. Keshava:** Cash and carry is our order of the day. We want everyone to come under cash and carry.
- Mahesh BP:** What are the outstanding trade receivables as of Q3 FY2019?
- P.M. Keshava:** It was Rs.101.7 Crores.
- Mahesh BP:** Thank you. That is all.



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- Moderator:** Thank you Sir. We have the next question from the line of Krupashankar NJ from Spark Capital Advisors. Please go ahead.
- Krupashankar NJ:** Thank you for taking my question. I have just one question would it be possible to give revenue breakup of tillers and tractors?
- P.M. Keshava:** For the quarter?
- Krupashankar NJ:** Yes Sir.
- P.M. Keshava:** Both the tractor and tiller were Rs.60 Crores each.
- Krupashankar NJ:** Versus the previous quarter?
- P.M. Keshava:** 60:60 each.
- Krupashankar NJ:** Right that is for 3Q, can you provide us for 2Q as well?
- P.M. Keshava:** Q3?
- Krupashankar NJ:** Q2 of FY2019 as well as Q3 of FY2018.
- P.M. Keshava:** The previous quarter?
- Krupashankar NJ:** Yes Sir.
- P.M. Keshava:** The previous year I do not have that figure.
- Krupashankar NJ:** That is it from my side. Thank you.
- Moderator:** Thank you very much Sir. We have the next question from the line of Bhavesh Jain from Varanium Capital Advisors Private Limited. Please go ahead.
- Bhavesh Jain:** Sir what has been the status on this 47 HP localization project, which we were doing it?
- V P Mahendra:** It is very much on going on. In six months time, we should have most of the parts, which we are indigenously developing . It is basically an indigenous design and we will be getting most of the parts suited to that in the next six months time. It is already on the anvil. We have already sold about 100. Are y you talking about the imported Branson?



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- Bhavesh Jain:** Yes imported one.
- V P Mahendra:** Localization takes two years totally.
- Bhavesh Jain:** Sir how is the dealer network for tractor segment is shaping up how many dealers we have added in this nine months?
- V P Mahendra:** At least about 40 we would have added and it has to be on a much larger scale in the next six months.
- Bhavesh Jain:** Is it possible to share volume for this rice transplanter how much we did in these nine months?
- P.M. Keshava:** You want quarter wise also I can give you otherwise it is 71 numbers.
- Bhavesh Jain:** For nine months?
- P.M. Keshava:** Nine months yes.
- Bhavesh Jain:** Thank you Sir and all the best for the future.
- Moderator:** Thank you Sir. We have the next question from the line of Raghu, Individual Investor. Please go ahead.
- Raghu V:** Thanks for the opportunity. Sir I just want to know the current inventory levels of tractors and tillers at the company end?
- P.M. Keshava:** It is around 5,100 tillers and 1,500 tractors.
- Raghu V:** How about the dealer end Sir?
- P.M. Keshava:** At Dealer end it was 1,920 tractors and 2,500 tillers.
- Raghu V:** In the sense numbers volume wise okay, value wise?
- P.M. Keshava:** Value wise, which one dealers?
- Raghu V:** At the dealer end.



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- P.M. Keshava:** At the dealer end it was around Rs.33 Crores for power tiller and around Rs.57 Crores for tractors.
- Raghu V:** Sir one more question regarding the new product launch, are we targeting any new geographies other than the current place?
- V P Mahendra:** Product launch. Could you repeat your question?
- Raghu V:** Regarding the new HP tractors launched last quarter are we targeting any new geographies apart from the current states we operated?
- V P Mahendra:** It is Pan India. We are not targeting any single location or something. Yes all over India we are concentrating depending upon the crop and suitability of the model or that HP to that area.
- Raghu V:** Thanks.
- Moderator:** Thank you Sir. We have the next question from the line of Jigar Walia from OHM Group. Please go ahead.
- Jigar Walia:** Thanks for the opportunity. Sir I would like to understand that as tractors now get under the subsidy model would there be any pricing change by the market that is the first question?
- V P Mahendra:** No I do not think so. First of all the subsidy for the tractors is not extensive first of all. It is only in limited pockets. When the tractor selling price has been announced we cannot have differential price for one product.
- Jigar Walia:** Got it. The product if it is sold under the subsidy gets sold at a particular price then what gets sold in the open market or in the other markets would be at similar price or it could be different price?
- P.M. Keshava:** It cannot be different under subsidy or open market it is uniform because it is MRP driven one.
- Jigar Walia:** Then the quantum of subsidy per tractor is it sizeable or it is not very sizeable?
- P.M. Keshava:** It is the government announcement. They have to announce what is the subsidy available for tractor or for tiller we do not have any role in that.



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- Jigar Walia:** What the government has announced is it sizeable or it is not so sizeable?
- P.M. Keshava:** In Andhra, I think it is Rs.1 lakh now. In Karnataka it is Rs.50000. In Maharashtra they have announced, nothing significant in the market.
- Jigar Walia:** It is generally around Rs.50000 to Rs.1 lakh?
- P.M. Keshava:** Rs.1 lakh even Rs.1 lakh can go up.
- Jigar Walia:** My other question is now that the subsidy implementation as it moves say from is it not now done now it may be happen in March or April may be in terms of the DBT system, etc., in place and for us also Q4 generally is a better quarter, do we see the sales moving from Q4 to Q1 next year or it is like the market would be lost and it only goes to the next season?
- V P Mahendra:** Certainly the part of the year makes difference in so far as genuine purchases are concerned. Sometimes if the subsidy is made available, the can happen one or two months earlier, which did happen last year where in March we sold a huge number of tillers overnight I think it was 4000 plus units we sold and we did not want to be left behind on a similar situation this year, so we are still hoping we can do numbers, but as of now the visibility does not seem to be there. If it suddenly comes we have the numbers to cater to it. I am not sure if I have answered your question, if I have not please ask once again.
- Jigar Walia:** I think you have answered it well Sir. Sir just you have given the subsidy situation what you explained so far it is kind of difficult to say, but would you look at FY2020 necessarily better than FY2019 and would it be at least as much as FY2017 and FY2018?
- V P Mahendra:** Frankly we are hopeful and reasonably confident that it will happen.
- Jigar Walia:** It will be to FY2017 to FY2018 levels at least?
- V P Mahendra:** Yes.
- Jigar Walia:** Thank You Sir.
- Moderator:** Thank you. We have the next question from the line of Aditya Makharia from HDFC Securities. Please go ahead.



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Aditya Makharia: Just a followup to one of the earlier questions, so as the subsidy scheme is introduced on tractors do you think it will cannibalize our sales of power tillers as the scheme becomes more broad based?

V P Mahendra: In our case, the sector so far have been little different. Even if it does it will be very minimal, but with our present thoughts and processes of expanding our range of tractors to go beyond compact tractors that even if the impact is there it will be very marginal.

Aditya Makharia: Is it that the subsidy is essentially targeted at smaller HP tractors is kind of that the thinking behind the role out of this subsidy scheme?

V P Mahendra: I did not understand your question.

Aditya Makharia: In the sense like how the government announced like five acres and below farmers will get a certain, so similarly for tractors is it that the smaller HP tractors will get a large payout of the subsidy?

V P Mahendra: I think land holding will be the same.

Aditya Makharia: So it is not based on horsepower that a 20 tonne below the subsidy payout will be faster vis-à-vis let us say 50 horsepower tractor?

V P Mahendra: They might introduce that certainly. As of now the numbers are very few, so for us to comment on the thought process of the Government of India is a little difficult, but it can go in any fashion.

Aditya Makharia: Got you. Thanks.

Moderator: Thank you Sir. We have the next question from the line of Ritika Garg from Aequitas Investment. Please go ahead.

Ritika Garg: Sir all my questions have been answered. Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Hitesh Bhargava of B&K Securities for closing comments. Sir over to you.

Hitesh Bhargava: On behalf of B&K Securities, I would like to thank the management for taking time out for the call. Thanks everyone for joining the call as well. Have a good day.



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Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of B&K Securities India Private Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.

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