



**“V. S. T. Tillers Tractors Limited Q3 FY-17 Post-
Results Conference Call”**

February 9, 2017



MANAGEMENT: MR. K U SUBBAIAH - CEO, V.S.T. TILLERS LIMITED

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PRIVATE LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the V.S.T. Tillers Limited Q3 FY17 Post-Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participants' 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Annamalai Jayaraj: Good afternoon everyone. On behalf of B&K Securities welcome to the 3Q FY17 Post-Result conference call of V.S.T. Tillers & Tractors Limited. I also take this opportunity to welcome the management team from V.S.T. Tillers & Tractors. We have with us today Mr. K. U. Subbaiah – Chief Executive Officer and Mr. Chinmaya – Company Secretary.

I would now invite V.S.T. Tillers' management for their opening remarks to be followed by a question-and-answer session. Over to you, sir.

Management: Good afternoon, ladies and gentlemen. I will initially give you a brief summary of our performance in quarter 3 and the 9 months. In quarter 3 V.S.T. registered a growth of 30% over the same period of last year in less than 30 HP segment tractors while the overall industry registered an adverse growth of 3%. Overall tractor industry growth was 16% in quarter 3 while V.S.T. growth was 30%.

V.S.T. market share in less than 30 HP segment moved to 16% in Q3 from 12% in the same quarter last year. In the overall tractor segment, we inched to 1.3% from 1.2%. In the nine months' period V.S.T. registered 20% growth in volumes over last year in the less than 30HP segment whereas the industry recorded 4% growth. We gained 2% market share in this period. The overall industry growth in nine months' period for tractors was 17% whereas V.S.T. reached 20%. With this our overall market share in the industry in nine months is 1.4%

In case of Tillers, the overall industry has not been encouraging with the adverse growth of 40% in quarter 3. However V.S.T. growth is adverse by 35%. Our market share gain is about 3% in quarter 3. For the nine months' the industry adverse growth over last year is 14% while V.S.T. is (-9%). The factors that impacted the adverse growth in nine months are drought in Karnataka, Tamil Nadu and Kerala, delay of launch of subsidy schemes and award of grants in some states like Andhra Pradesh, Orissa, Karnataka and Northeast, delay in roll out of DBT schemes, code of conducts due to elections in few states and last but not the least demonetization in November impacting the sales in November-December and January.

You may please note that in the nine months the contribution to V.S.T. revenue from tractors has increased to 43% from 34% last year. Tiller contributes reduced to 54% which was 62% last



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year. We expect to maintain the same growth volumes in tractors for the whole year while in case of Tillers we may improve on the current adverse growth of 9%. However, the impacts due to roll out of DBT schemes in states like Orissa and Assam; impact of demonetization and impact of drought cannot be estimated accurately. The same holds good in case of rice transplanters and power reapers also.

In EBITDA, we achieved 13.93% in first nine months compared to 17.77% last year. The adverse variances are due to employee cost higher by 2% and overheads higher by 2.3%. It may please be noted that expenses are in line with our plan. However, due to lower revenues compared with plan as a percentage we see an adverse variation in terms of percentages. The PBT is 14.54% against 16.99% last year in the nine months' period.

The adverse impact in percentage is much higher in quarter 3 due to much lower revenues than expected in case of Tillers due to market conditions which I explained above. However, I need to mention that our variable expenses are under control. We hope to have a better fourth quarter with markets showing signs of recovery. By the end of the year we should stabilize with our EBITDA may be around 15% and operating profits of around 13%.

With this I leave the forum for questions and answers. Thank you.

- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.
- We take the first question from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Sir, could you please give us a revenue breakup between tractors, power tillers and spares for the quarter?
- Management:** For the quarter Rs. 54 crores from tillers, Rs. 70 crores from tractors and spare parts is about Rs. 11 crores.
- Mukesh Saraf:** And the rest would be your traded items I suppose?
- Management:** Yes, it will be traded items and components.
- Mukesh Saraf:** And sir, how is the situation on the ground right now with respect to power tillers are we seeing any pickup in retail sales in the month of January and Feb so far?
- Management:** In direct sales, we did a reasonable number compared to last year. We have so far done 2,000 retail sales compared to about 1,200 in the same period last year.
- Mukesh Saraf:** And what about subsidy sales?



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Management: Subsidy sales I explained to you that there is a shortfall of 9% compared to last year and we are hoping that in the next 51 days there could be some momentum however we are keeping our fingers crossed. In Orissa the code of conduct will come to end by 26 February and afterwards the permits will be issued and the schemes will get launched. In Andhra Pradesh we are trying to get some more approvals and the team is on the job. Tamil Nadu as you know there is some sort of political deadlock there and because of that the schemes are under hold. Karnataka there is some good momentum. So overall I feel that the quarter 4 sales of tillers will be better than quarter 3.

Mukesh Saraf: And sir, in light of this what could be the revised volume guidance for FY17 for both power tillers and tractors?

Management: Tillers as I mentioned so far our volumes are down by minus 9% compared to last year and by end of this year would be adverse by 5% to 9%.

Mukesh Saraf: And tractors?

Management: Tractors so far the growth has been 20% we expect that to be retained.

Moderator: Thank you. We will take the next question from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Viraj Kacharia: So I think sorry there is some mix up, my name is Viraj Kacharia. I just had a couple of questions. If we look at the last nine months as you have highlighted now we have invested something like 250 basis points in other expenses and another 200 basis points on employee side. So can you provide some color on which key areas you have been spending like for other expenses the spends are more on advertisements versus promotions and similar on the employee side. How much employee addition are we seen and which are we will be adding most are? So can you just provide some color on that?

Management: We have been adding employees in sales and marketing and engineering as we are increasing our channel and we need more sales force to cover more areas. In engineering we are working on new product launches so we need the team to get strengthened. Our selling expenses on sales promotions compared to last year has been almost double. Last year's sales promotion same period we spent Rs. 2.7 crores and this year we have spent about Rs. 5.2 crores. And on commissions and discounts which was about Rs. 14 crores is about Rs. 20 crores this year.

Viraj Kacharia: So these are for the quarter or on a nine months basis?

Management: This is for the nine months basis.



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- Viraj Kacharia:** And given we have a network target of 350 dealers by 2020. So has the current investments in terms investments promotions and employee additions fully reflect that cost?
- Management:** Yes, it will reflect the cost will continue in the coming years also as we want to increase our brand visibility.
- Viraj Kacharia:** You also highlighted in the last call that you have been incurring 1.5% of sales as a dealer incentive with regards to DBT and we were hopeful of that tapering off starting FY18. So will that continue in FY18 as well or can you just provide some clarity?
- Management:** Earlier the company had to wait to get the subsidy payment from the government and it used to take sometimes more than a year for the payment to come in. Now made the dealers responsible to collect the subsidy. If the dealers buy our products on cash and carry they will get 1.5% discount and also if they make the payments within 45 days they get an additional Rs. 4,500 per unit as discount.
- Viraj Kacharia:** Now if you can provide what is the current sales mix for tractors in terms of Gujarat and Maharashtra and new states on a nine months basis?
- Management:** For tractors?
- Viraj Kacharia:** Yes.
- Management:** In Maharashtra in the first nine months we have sold 3,385 tractors. In Gujarat 1,208 tractors.
- Viraj Kacharia:** And what are the other major states?
- Management:** In the compact segment.
- Viraj Kacharia:** Yes, and what will be the other major states where you would be getting from?
- Management:** Karnataka 744 tractors, and Andhra Pradesh 788 tractors.
- Viraj Kacharia:** Okay when we say the 350 dealer target expansion by 2020 how do we in to split that between core and non-core? So when I say core earlier it used to be primarily Gujarat and Maharashtra so how do we into split that?
- Management:** By 2021 our product mix also will be changed. Today we are playing only in the less than 30 horsepower category which is the compact segment. So by 2021 we expect the product segment itself will change and with that I feel that the sales in various states will improve. That means we will not depend mainly on Gujarat and Maharashtra for maximum sale of our products.



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Viraj Kacharia: And just last question. If you look at the average ASP for tillers and tractors in Q3 we have seen a significant spike. So is it because of the new 135 DI and the share of 27-HP tractor being relatively higher? So if you can quantify what is?

Management: That is because of the 27-HP tractor and the price revision for tiller in some states.

Viraj Kacharia: So, the 135 DI and 27-HP tractor how much would that be in Q3? I mean if you can figure it out?

Management: 135 DI we have sold about 150 numbers and 27-HP we have sold 732 tractors in Q3.

Moderator: Thank you. The next question is from the line of Mayur Malik from Anand Rathi. Please go ahead.

Mayur Malik: Just wanted to understand a couple of things. One that we have been saying that because of this direct subsidy on tillers we are being taking some hit on volumes for a while. Now has that system completely smoothed out and do we expect a significant growth may be a kind of penned up demand coming in FY18 and FY19?

Management: No, the DBT scheme or the subsidy scheme is going to continue. So 90% to 95% of the sales will happen either through subsidy or through direct benefit transfers both are one and the same. In the first case the farmer pays only his portion and then the subsidy gets paid by the government later on either to the farmer or to the dealer or the manufacturer. In the second case of DBT the farmer has to upfront pay the entire price of the product the MRP and then wait for the subsidies.

Mayur Malik: So this difference is basically decided by the state governments?

Management: Yes, it is basically decided by the state governments while central government has suggesting that every state should go for DBT scheme.

Mayur Malik: And sir lastly, when we look at the overall scheme and do we see tractors really forming a significant portion of revenue now that you have a higher revenue portion in tillers over the next two, three years do you see tractor contributing more towards our internal revenue bracket? Couple of things I wanted to know. One, how are we facing this competition from Kirloskar especially in the tiller thing?

Management: Our market share has not been adversely impacted.

Moderator: Thank you. We will take the next question from the line of Ravi Purohit from Securities Investment Private Limited. Please go ahead.



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- Ravi Purohit:** Sir, just wanted to get your views on your more medium term strategy. In the last few con calls you have guided for the fact that we are working on expanding our distribution network significantly as a result of which there has been a significant bump up in the expenses that we have taken on the P&L. And that apart we are also diversifying in terms of adding more and more product portfolio. So we have moved from 18-HP to 23-HP to 27-HP. If you could just throw some more light as to when you earlier part of the call you mentioned that by 2021 our product mix may also change significantly. If you could just share some more updates on what kind of products are we looking at and how are we working on these and what is the progress that we have achieved?
- Management:** This year we have planned to come out with at least two product launches and which will definitely help us in growing the sales. And by 2021 we are also planning to move up the value chain in terms of higher HP tractors. The plans are in place, the investments have been approved, the work is in progress. I think we are in the right track as we have planned.
- Ravi Purohit:** Any update on we have talking about this tie up with some international company?
- Management:** Not yet so far.
- Ravi Purohit:** Just one small housekeeping question. What is our CAPEX plan for this year, how much are we already be spent and how much are we likely to spent for the year?
- Management:** Our CAPEX plan for this year is about Rs. 69 crores. Out of that we would have already spent about Rs. 40 crores. Out of which significant spent has been on our buying a new property in Malur.
- Ravi Purohit:** In Malur?
- Management:** Yes, in Malur.
- Ravi Purohit:** Okay so this will be for new capacity or some plan that we planned to put up or?
- Management:** We plan to shift the existing tiller plant to that Malur facility and build up a state of the art facility similar to tractors.
- Ravi Purohit:** Okay so essentially our idea is to move out of this place?
- Management:** Yes, over a period of time.
- Ravi Purohit:** So over what period if you could just roughly indicate I mean have you already started work at Malur or that is something that will come on table next year?



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- Management:** We estimate that this will take about a year the infrastructure improvement work.
- Ravi Purohit:** So in a year's time we could actually move out of Whitefield Road in terms of our tiller plant and move it there?
- Management:** The corporate office will remain here but the manufacturing operations will shift there.
- Ravi Purohit:** Sir, if you can squeeze in one more thing. Then what happens to this place the place in Whitefield Road because as long term investors we have always been wondering this is like a 20-acre land parcel in the prime area of Whitefield Road? Is there any plan that the company intends to monetize it over a period of time once having moved out the factory from here?
- Management:** Whenever some plans are there we will communicate it to you.
- Moderator:** Thank you. We will take the next question from the line of Shashank Kanodia from Securities Investment Private Limited. Please go ahead.
- Shashank Kanodia:** Sir, we were given to understand that the subsidy on power tillers spend under the heads of machine of agri mechanization under the Union Budget, right?
- Management:** Yes.
- Shashank Kanodia:** So in this year they have been substantial increase in allocation as well as spending. So if it is not through to power tiller segment so exactly which segment has it flowed in to if you could share some insight?
- Management:** There are two things. The central government will allocate to certain states. The states also have their own budget and release the subsidy amount. And when the grants are planned from the center or from the state it is not very clearly spelt of whether it is for power tillers or whether it is for the attachments or whether it is for something else.
- Shashank Kanodia:** Sir, given the fact that we have present across threshers, power tillers. These allocation actual spending has increased to double I mean Rs. 350 odd crores vis-à-vis the budget estimate of Rs. 165 crores and in the next year the government allocation is Rs. 525 crores. So is there anything substantial to it?
- Management:** I am not able to answer that but as far as I know this year in Karnataka the allocation has been lower than last year. In Orissa the plan was higher than last year but the allocations has still not happened because of the code of conduct. In Andhra the allocations are almost same as last year. In Tamil Nadu it is status quo.



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Shashank Kanodia: You know secondly, where there any price hike restrictions with the state governments in case of power tillers?

Management: Yes, in case of Karnataka Government the rate contract are finalized.. In Andhra and Orissa the rates were revised.

Shashank Kanodia: Because sir, even if we consider the Q3 results given the absolute amount in crores for power tillers sold your realization show a big chunk I think to Rs. 1.5 lakh per unit vis-à-vis Rs. 1.3 lakhs sequentially?

Management: Yes ,in some states we got the price increased.

Shashank Kanodia: Was that implemented in Q3 itself?

Management: Yes, in Andhra and all it was implemented in Q3.

Shashank Kanodia: And sir, what kind of EBITDA margin raise would you going to guide us for next year for us? I think given the fact that there have been some cost pressure as well as other expenses increase. So 15% to 16% can be the reasonable estimate for us to assume?

Management: Yes, it will be around 15%.

Shashank Kanodia: And sir lastly, will you be able to cross the run rate of 6,000 power tillers in this quarter Q4?

Management: We are hopeful as it stands but as you know if the external factors do not support us then it could be a question mark.

Shashank Kanodia: So sir, even if we do 6,000 odd units we are seeing yet for the full year basis a drop of 13% odd in the volumes vis-à-vis about 6% odd guiding us. So is there any contradiction to that statement?

Management: No, we are expecting some exports also to happen and that is the reason I am saying it could be better than minus 9%.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri: In the beginning of your remarks highlighted market shares in less than 20 and more than 21. If you could repeat those numbers?



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- Management:** In in less than 30 HP segment our market share moved to 16% in Q3.
- Kashyap Jhaveri:** And can you break this between less than 21 and more than 21 also?
- Management:** In 21 HP to 30 HP segment our market share was zero last year. And we have 5.6% market share now.
- Kashyap Jhaveri:** And below 21?
- Management:** And below 21, our market share has marginally come down from 29.9% to 27.5%.
- Kashyap Jhaveri:** 27.5% versus 29% this is for M9?
- Management:** Yes, this is because some cannibalization would have happened where the customers would have moved from less than 20 to 27 HP tractors.
- Kashyap Jhaveri:** And overall in tractors you said overall market share gain is 2%?
- Management:** Overall market share segments from April to December is 1.3%.
- Kashyap Jhaveri:** And one last question on your margin side. You have highlighted that it could be 15% to 16% you are expecting in FY18. Now as the share of zero tractor sale is going up tractors is a lower gross margin business for us, right RMC realization minus in the raw material on per unit basis this is sorry as a percentage this is the lower gross margin unit?
- Management:** Not s significant difference is there between tillers and tractors not more.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Sir, you mentioned that you have purchased a land in Malur for shifting up of your power tiller facility out of Whitefield, right?
- Management:** Yes.
- Shashank Kanodia:** So sir, can you throw some more light because three years back we already shifted our tractor division out of Whitefield with the present capacity of power tillers at 60,000 units. So what was the need to shift the facility out of Whitefield?



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- Management:** The facility is very old and the machineries are also old. Some of the machineries need replacement Whitefield facility has to be improved upon to gain better operating efficiencies. For this reasons we intend to shift from Whitefield to Malur.
- Shashank Kanodia:** So sir, what will be the incremental CAPEX on setting up the said plant and assembling lines at the new plant?
- Management:** The plant is already existing with 100,000 square feet of space . All we need to do is take care of the statutory requirements addition of space for warehouse and canteen.
- Shashank Kanodia:** So this year we intent to spend something like Rs. 69 crores of which Rs. 40 crores to Rs. 45 crores we already spent. So for next year what is the guidance for CAPEX in FY18?
- Management:** FY18 will be around approximately around Rs. 100 crores.
- Shashank Kanodia:** What is the outstanding subsidy receivable to us as of date from various state and central governments?
- Management:** Today it is only about Rs. 14 crores which is the subsidy overdue of last year.
- Shashank Kanodia:** And sir, recently there have been spike in cotton prices which will tend to increase our cotton acreages. So is it something which is benefit to us because cotton being a cash crop and remunerative to farmers next year?
- Management:** Certainly it should help us, yes. Because they have the farmers will have some disposable income and they will definitely invest on more of mechanization.
- Shashank Kanodia:** Any progress on custom hiring centers?
- Management:** We have 70 custom hiring centers which are operational in Karnataka. But as you know since it has been drought affected this year not many customer hiring centers are not operating to their full efficiency or full utilization. But next year hopefully if there is a good monsoon I think this custom hiring center should be profitable.
- Shashank Kanodia:** And sir, you a last question which are states which are opeting for DBT and what is your take on DBT as such?
- Management:** Today State Karnataka is already on DBT but it is a different scheme where farmer pays the margin money and then the subsidy gets paid by the government to the farmer account and later it comes to the dealer and the dealer to the manufacturer. So though they call it DBT it is not a full-fledged DBT scheme. In Orissa, effective from December they will introduce the DBT scheme but as I mentioned since because of the code of conduct it has not taken off. So hopefully



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after February 26th they will roll out the DBT scheme which will be a full-fledged DBT scheme where farmers have to pay upfront the entire money and then wait for the subsidy. In Bihar, the DBT scheme is there and the full money has to be paid up front. In Assam, there is a DBT scheme but they pay only the margin money.

In Uttar Pradesh DBT scheme with full money but scheme has not yet commenced. In Himachal Pradesh, full DBT scheme and payment within 45 days to the farmer from the department. In Tamil Nadu it is a full-fledged DBT scheme. This has been working well. In Andhra Pradesh, they have still not implemented the DBT scheme. Telangana, they have not implemented DBT scheme. In Maharashtra, they have introduced the DBT scheme with full money. In Gujarat there has been DBT scheme with full money. In West Bengal, they have said DBT scheme but not yet commenced. In Madhya Pradesh, Yes, they have said DBT scheme and Orissa as I said yes, but we have to wait and watch.

Shashank Kanodia: Sir, largely almost everyone is kind of converging themselves over to DBT, right?

Management: Yes, they are saying but yet to start.

Shashank Kanodia: Sir, you mentioned that you tend to double or triple your revenues. So on a consolidated basis when can we expect they are going to double their revenues as we are standing today as of date?

Management: Five years like by March 2021 we expect that we should be able to double our revenues.

Moderator: Thank you. The next question is from the line of Nakul Bindal from Karvy Stock Broking. Please go ahead.

Nakul Bindal: I wanted to know whether the company has any sales counter in the State of Madhya Pradesh, Punjab, Haryana and UP? As these are big names when it comes to agricultural activities?

Management: Yes, we are present in all these states.

Nakul Bindal: Another I wanted to know sir, as per the government data this rabi crop plantation has increased by 6% from previous year levels. So wanted to know your guidance as to how would this impact of business in coming quarters or has there has been already factored in our December and January sales?

Management: We have to see that output and then what the farmers realize out of this rabi crop. So if the crop is good and the farmers' realization is good we expect that the kharif season also should be good in those states where rabi is very strong.



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- Moderator:** Thank you. We will take the next question from the line of Niraj B from Multi-Act. Please go ahead. As there is no response from the current participant, we will move on to the next participant that is from the line of Girish Raj from Quest Investments. Please go ahead.
- Girish Raj:** You said DBT will be implemented in two phases. Is that understanding correct?
- Management:** No, it is not two phases. What I said is some of the states have announced the DBT scheme but they are yet to launch.
- Girish Raj:** Is there any compulsion from the central government that there is a deadline for this implementation, any that sort of?
- Management:** No, it is only a guidance . But I do not think there is any compulsion because the most of the grants are also given by the state government so naturally center cannot dictate terms to the state government. States have to report the utilization of funds granted by Central Government.
- Girish Raj:** So in management's understanding the full implementation and the full payment from the farmer will be implemented by what time like?
- Management:** It varies from state-to-state. Once the DBT is introduced then we will know the pros and cons to the whole thing.
- Girish Raj:** So is this impacting sales in any sense?
- Management:** It can impact. for a short while because the farmers are so much used to getting the subsidy by paying only the margin money provided the Government will not roll back.
- Girish Raj:** In the long run also if the farmer has to make the full payment how do you think the entire shift will pan out?
- Management:** I feel Yes, over a period of time if the government is firm saying that nothing doing you will have to pay the full amount and then we will reimburse. It also depends on how fast the government gives back the subsidy amount to the farmers. If the government is able to pay back the subsidy amount in less than a week or I feel the farmers will be benefitted.
- Girish Raj:** But there is no clarity as such when the government would release the money. And second and the last question is are we helping for the funding to these farmers because these would be small time farmer side?
- Management:** Yes, we have been able to tie up with few banks and NBFCs and they have come forward to support the farmers.



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- Moderator:** Thank you. We will take the next question from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** Sir, I just have three questions. One is you have provided a CAPEX of Rs. 100 crores. So bulk of that will be on new product development or we are looking at building similar state of art warehouses for spares or facility for anything on that side I mean if you can just provide some color?
- Management:** Majority will be on the new product development. Partially we would go for our expanding the component facility in our division in Mysore.
- Viraj Kacharia:** Okay, couple of quarters back you highlighted a tie up with an American company for a mini tiller so the power waders which were seen a good growth in the market form. So can you just provide any update because from what we understand this company has been selling in the Indian market for quite long time. So if you can just provide on what are the plans with respect to the product and the category?
- Management:** Yes, we have an understanding with this American company & we have to we are in the final stage of signing the distributor agreement & we will be the authorized distributor for these product to be sold in the Indian market. We have so far sold about 76 power weeder and before by the end of the year we will sell another 100 more. The cooperation is in good progress and we expect that next year we should do more than about 500 numbers.
- Viraj Kacharia:** The market size being somewhere around 20,000 or 25,000 **(Inaudible 51:41)** growing quite strong and you highlight that mix we will be targeting around 500 given the kind of dominant position in the network we have 500 looks like a very conservative?
- Management:** Because the price factor is also important. We have to see the feedback from the market on the performance of the product. The product will be a premium product more expensive than the locally available power weeder. We need to build that brand and confidence in the minds of the customers based on which we can grow. So next year being the first year of consolidation we feel that 500 numbers is what we can definitely achieve. We will aim for more.
- Viraj Kacharia:** And when you say premium how much percentage premium we charge over competition?
- Management:** Competition is with the Indian manufacturers. The difference will be at least in terms of INR about 15,000 to 20,000.
- Viraj Kacharia:** Now in terms of dealer addition how many new dealers we added in Q3, if you can provide?



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- Management:** In the year 2017 by March we will have about 220 dealers for tractors which was about 200 in 2015. And in tillers we will be have the same number of 222.
- Viraj Kacharia:** And just last question was on the price increase in the tillers. So how much the price increase, sorry I missed that?
- Management:** About 3 to 5% increase on an average.
- Moderator:** We will move on to the next participant. That is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** Sir, just to understand one of the previous participant's question was this subsidy on DBT let us say once the full-fledged DBT comes in farmer has to pay upfront all money which still now he used to pay marginal and wait for subsidy and then pay the balance. Once the full-fledged DBT comes in we will have to pay everything upfront and he in the eventuality raises the subsidy from the government. We also mentioned about having tied up or planning to tie up with NBFCs. So now the only joker in the pack then remains that will be the subsidy allocation happened. Is that the correct understanding?
- Management:** The general practice is once the applications are submitted either online or physical, the department will announce the list of farmers who are eligible for the subsidy. Only after that is done they can make the full payment and take the machine.
- Kashyap Jhaveri:** And once the DBT comes in I mean still the government would have able to say who receives and who does not or everybody who applies for it receives it?
- Management:** It depends on the size of grant of the state government. If adequate funds are not available then they will have a discretionary procedure.
- Kashyap Jhaveri:** Right, that pretty much clarifies my doubt. And fees that you mentioned were DBT is still in limbo or full-fledged or either implementation either ways in Orissa, Karnataka and Andhra Pradesh?
- Management:** Is in limbo is Orissa it will get announced only on 26th February. Andhra they have not yet announced any DBT. Karnataka a hybrid DBT is already there where farmer continues to pay only his portion of the money and the subsidy later on gets paid to him.
- Kashyap Jhaveri:** Right and in terms of our dealer sales actually within the three states which are the highest proportion?
- Management:** Yes, the highest proportion is Orissa, followed by Karnataka, Andhra and Northeast.



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Kashyap Jhaveri: And once this full-fledged DBT comes in and if we are able to tie up with some of the NBFCs and financiers in terms of the financing the subsidy part also. That Rs. 4,500 per dealer kind of discount to dealers also has to go away because then the collections more or less become almost certainty in the full part?

Management: Yes, correct.

Moderator: Thank you. The next question is from the line of Shrinath Shridhar from ICICI Securities. And ladies and gentlemen, this will be the last question for today. Over to you, Mr. Shridhar.

Shrinath Shridhar: It is basically just wanted to know how will the CAPEX be funded?

Management: It is from internal accruals.

Shrinath Shridhar: Okay and the next thing I would like to clarify is when you say a full-fledged DBT just for my understanding so that means the farmer pays the entire money to you upfront and then he waits for to receive the payment from the government, right?

Management: Yes, he will pay the entire money to our dealer.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Jayaraj for his closing comments.

Annamalai Jayaraj: We thank all the participants. We thank V. S. T. Tillers Tractors' management for sparing time for the call and also providing us the opportunity to host the call. Have a good day.

Management: Thanks, Jayaraj.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.

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