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Dear Sir/Madam,

Sub: Transcript of investors' call

Please find attached transcript of the investors' call held on May 12, 2023, on the financial results for the quarter and year ended March 31, 2023.

We request you take this on record.

Thanking you,

Yours truly,
For V.S.T Tillers Tractors Ltd.,

Chinmaya Khatua
Company Secretary



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“VST Tillers Tractors Limited Q4 FY2023 Post Result Conference Call”

May 12, 2023



ANALYST:

**MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

MANAGEMENT:

**MR. V.T. RAVINDRA - MANAGING DIRECTOR – VST
TILLERS TRACTORS LIMITED**
**MR. ANTONY CHERUKARA – CHIEF EXECUTIVE
OFFICER – VST TILLERS TRACTORS LIMITED**
**MR. NITIN AGRAWAL – CHIEF FINANCIAL OFFICER
- VST TILLERS TRACTORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the VST Tillers Tractors Limited's Q4 FY2023 post result conference call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participants' lines will be in 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 now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Annamalai Jayaraj: From the management side we have with us today, Mr. V.T. Ravindra, Managing Director, Mr. Antony Cherukara, Chief Executive Officer, and Mr. Nitin Agrawal, Chief Financial Officer. I will now hand over the call to the management for the opening remarks to be followed by the question-and-answer session. Over to you Sir!

Antony Cherukara: Good evening everyone. This is Antony Cherukara, CEO of VST Tillers Tractors Limited, very happy to be with all of you to share the results of Q4 FY2023 and the annual result for FY2023. With me is Mr. Nitin Agrawal, who is the new CFO and Mr. V.T. Ravindra, Managing Director. Now I hand over the call to Mr. Nitin Agrawal to take you through the results and for your information the presentation is also uploaded on the websites of both the exchanges.

Nitin Agrawal: Good evening everyone. Nitin Agrawal here and I welcome you all on this call. I also request you to go to the BSE website and check the presentation which we have uploaded there as an investor presentation. I will first talk about the volumes for this quarter. In terms of volume, in power tillers we have done 12813 power tillers in the quarter as compared to 9282 in same quarter last year. In the tractor business the volume is 1963 for the current quarter, corresponding number for the last year was 1575. I will now talk about the annual number, in power tillers it is first time we have achieved the highest number of sales which is 38247 numbers and in case of tractors, the sales Nos is 6875.

I now move on to the financial performance for the full year and I am very happy to mention this to all the people on the call that it is first time we crossed the milestone of 1000 Crores of revenue. Our revenue for this year is Rs.1006.43 crores. The EBITDA number in terms of rupees is 152.16 Crores, PBT of Rs.123.95 Crores and PAT of Rs.92.37. On a quarter-to-quarter basis, in Q4 our revenue is 322.61 Crores with EBITDA percentage of 18.23. With this, Invite you all to raise your queries ..

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Mr.Saket Kapoor from Kapoor Co. Please go ahead.

Saket Kapoor: Greetings Sir and thank you for this opportunity and congratulations to the team. if you could elaborate more on the factors that led to these numbers and also some color on things that are shaping up because we hardly got any time to go through your numbers, they have been just

uploaded at the exchanges and the call was delayed for five minutes so if you could give us some more colour on how things are shaping up, some more colour on how well are we prepared for the 3000 Crores revenue in topline and then I will continue with my followup question?

Antony Cherukara: Thank you Saket. This is Antony again. Definitely the result of the bottomline is specifically an effect of the topline growth which is at 1006.43 Crores and topline definitely has helped us to increase the bottomline. Apart from this, there is definitely a cooling down of material cost compared to Q1 of the financial year, so towards Q4 there is the cooling off on the material cost and thirdly you would see that in the power tiller business, we have been able to accelerate the small farm mechanization business which has grown almost 29% and the tractor business has almost been flat but with the new products that we have launched in Q4, that also looks positive going forward in the year. The distribution business also has crossed the milestone of 100 Crores which 3-4 years back was at about 40 Crores now it has crossed the milestone of 100 Crores. These are some of the key achievements. Now coming to our achieving of the vision of Rs.3000 Crores by 2026 what I said in the last call considering that we lost sometime in terms of the project delays that happened during COVID so we would be achieving in 2026 and multiple projects have been in place. The VST Zetor joint venture will come into revenue mode this year, the Monarch supplies that we have started is already onto the ramp up mode ,secondly the strategic directions that we have taken in terms of becoming a small farm mechanization company, and our movement into the international market, all these are fructifying so that should enable us to get to our 3000 Crores mark by FY26.

Saket Kapoor: So for this year what should we be looking for?, I think now with the softening of the raw material prices what should our margin trajectory be and for the introduction of new products which has been articulated by you what should we look forward as a ballpark number for this year in terms of the increase in the topline if you could comment on the same?

Antony Cherukara: We are definitely looking at exponential growth on topline. I cannot give out a specific number at this point of time but definitely we want to be at the expected position. In the last 3 years we have grown at almost 20% CAGR. We expect to accelerate further on that in the next 3 years to get to the 3000 Crores vision, so definitely we have to grow at about 30% plus basis year-on-year, so that is the kind of acceleration that we are looking at and coming to the margins, I have already given you a guidance of 11% to 13% this year considering that we will be investing a lot into getting into new markets and product development.

Saket Kapoor: Correct Sir. Earlier also I think so you did spoke about the land we have at Bengaluru any update on the land parcel which become accept for this year?

Antony Cherukara: No update on that at the moment, that decision is not taken yet, as I said before, as soon as that is done that we will be informing.

Saket Kapoor: On our Mysore unit that we have invested a lot and we were about to integrate the same with our operation so what is the update on the same and how have we performed on the spare parts business for this quarter and for this year?

Antony Cherukara: First let me talk about Mysore. The Mysore precision component plant has been supporting the company especially the machining of the 5C component which is the camshaft, crankshaft, cylinder head, cylinder block, so that is what is causing us to scale up our volume. you can see our power tiller business has moved from roughly about 19000 Nos three years back now we are about close to 40000 tillers. Now this ramp up has been made possible where one of the key support areas has been what precision component division has been doing out of Mysore. Also in terms of new product development, our ability to bring new products not only in general products segment but also to make supplies to companies like Monarch in the US, our ability to meet tolerances of an electric autonomous tractor, all this has happened because of our work that we do in precision component division in Mysore and coming to the distribution business I shared with you it is a spare part business, we call it as distribution business, it has crossed the 100 Crores mark for the first time ever and it is said to grow. Previously I have shared with you we launched electric pump in UP and Bihar which is now being scaled up to another six states this year and this is a total digitalized business that we are building and over a period of time we would like to build this business into a distribution power house for the rural market.

Saket Kapoor: Sir the pump business as you have just mentioned, what is our objective? is it only for penetrating the market and why have we selected the electric pump?

Antony Cherukara: We are starting with electric pump because there is a huge potential for electric pump, and as you rightly mentioned the idea is to penetrate rural market through a very efficient distribution using TOC and digitalization.

Saket Kapoor: So but this is trading products only sir we are not into manufacturing of..

Antony Cherukara: We are going to do only trading in this particular business.

Saket Kapoor: But the spare parts business is on the manufactured items that we are going to and...

Antony Cherukara: Spares is definitely the traditional business that we have and that we continue to grow as the volume picks up.

Moderator: Thank you. Ladies and gentlemen we move to the next question. Our next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: Thank you for taking my question and congratulations on a great set of numbers. In terms of our margin guidance at 11% to 13% obviously this is related to startup costs, etc., for new units and the trading business increasing in size, I just wanted a sense in terms of a Zetor Tractors, do we have a sense or as investors how do we understand if this launch has been a success, given our volumes of tractors, what kind of numbers say for the next year one would assume that probably the product is a success?

Antony Cherukara: In the next 3 to 4 years we will see a major share of our business in the higher horse power segment coming from the VST Zetor business so this is our real foraying to the higher HP

segment. We tested those waters with our in-house products and then that is also there and that will continue to occupy the position of a value product and the VST Zetor products will compete with the multinational products that are in the market that is the premium positioning products. Now this launch will be happening towards the end of Q1 and early Q2 that is what our plan is to launch these products in the market and we have definite volume plans but the more critical aspect is to establish these products with the value proposition that we have thought for this product which is high power, high fuel efficiency and in terms of the additional features we are giving in terms of the premium product.

Arjun Khanna: Sir just to get a clarity this is not on the compact segment, this is a full sized?

Antony Cherukara: This is a full sized utility tractors basically.

Arjun Khanna: So we will be competing in that roughly 6 plus lakh market now?

Antony Cherukara: Actually 8 plus lakh market.

Arjun Khanna: We would be looking at exports also?

Antony Cherukara: Yes. We will be looking at everything, exports possibly. This initial phase of products will be followed by 4-wheel drive products as well, so we will be exporting to some of the African market as well.

Arjun Khanna: Sure and for success, may be 3 years, 4 years down the line would our milestone be 5% market share, 10% market share, what would our thought process be?

Antony Cherukara: We are not looking at market share, so like as I have said this before the whole aspect is about capacity utilization, we have plants which can produce about 30000 tractors. We are producing only around 8000 to 10000 tractors year-on-year and plus the electric supply than the component supplies, and all that we have started, so the focus clearly is capacity utilization, so the first milestone will be to get to 30000 tractors including compact and higher horse power.

Arjun Khanna: Sure from our FY2023 volume of roughly 6900?

Antony Cherukara: Yes. Hardly any higher horse power in that.

Arjun Khanna: Perfect. Well understood. Sir the second question is on a power weeder segment, we had anticipated very strong growth in the segment if I look at volumes as put in the presentation thank you for that, volumes are up from 2000 units to roughly 3400 units, one was expecting a more exponential growth?

Antony Cherukara: This is only the second year. You will see massive growth coming in the next 2 to 3 years. Because this segment unlike the dealership that we use for coverage, is kind of a near store procurement that the customer does. He goes to the nearest store near his house and buys the small machine, so now we are developing that network and you will see that this is the second

year for us, so 3400 is coming in the second year, so you can expect this volume to jump in the next 2 to 3 years.

Arjun Khanna: Could you care to give us a sense of what kind of numbers are we talking about?

Antony Cherukara: It should be 10000 to 15000 plus Nos in the next two years.

Arjun Khanna: Perfect. My last question is if you look at the balance sheet we see deterioration in the receivables, it is a shot up considerably on a year-on-year level, I understand that the March quarter had extremely strong volumes, is that the reason for this receivables moving up or is there something else that we need to know?

Antony Cherukara: , From about 29 days the previous financial year it has moved up to about 54 days of receivables, out of that receivables roughly about 20 days is basically the subsidy release or some of the volumes that came from the government orders in the month of March, so the payment is getting realized in the month of April and May, so that is why you see a jump but if you remove that aspect, it has moved only from 29 days to 33 days.

Arjun Khanna: If I understood you correctly, we would have received part of that in the month of April?

Antony Cherukara: Yes you are right.

Arjun Khanna: So when we see the 6 monthly numbers aside any aberration, we should go back to our long-term historical receivables?

Antony Cherukara: We should be around 40 to 45 days. I do not intend to take it down to 29 days.

Arjun Khanna: That is it from my side. Thank you very much.

Antony Cherukara: Thank you.

Moderator: Thank you. Our next question is from the line of Mr. Murali Reddy from Anand Rathi. Please go ahead.

Murali Reddy: Good evening. Our profit is 40 Crores this 1 FY2023 quarter, so compared to previous year of 22 Crores, good numbers have been posted this quarter, so is there any capex plan like only in India 3 manufacturing units there?

Antony Cherukara: Definitely we have a capex plan but that capex plan is not in terms of building more capacity, I think we have adequate capacity at least for the next 2 to 3 years, but having said that we are doing a spend of capex in terms of our product development and building a global tech centre, we have allocated close to 50 Crores to develop the global tech centre which will also be equipped with a lab for electric tractors, so we have become suppliers to one of the leading electric companies which is selling tractors in the US that I have said we should be able to ramp up this year. Apart from that we are working with at least one or two more players to get more into the

electric tractor space wherein we will develop the entire electric tractor for them and supply it to them, so there is massive investment compared from what we used to do, there is massive investment that will go into product development in the next two years.

Murali Reddy: My next question is in the balance sheet the liabilities are increasing and are you doing any investment?

Antony Cherukara: No, liabilities have not increased towards any investments, though it has increased towards working capital that I explained to the previous caller. Certain business that gain from the government in the month of March, the collections have come in April and May, so it is a temporary blip in terms of but we will be maintaining our receivables at about 45 days.

Murali Reddy: Are you in any tie up with any state government, like any partnership?

Antony Cherukara: No, we do not have any partnerships per se, but we work very closely with all the state governments in terms of supporting the small and marginal farmers through the schemes that the state governments propose from time-to-time.

Murali Reddy: Like few state governments announced discounts?

Antony Cherukara: The state governments announce subsidies every year, so we participate in those subsidy schemes.

Murali Reddy: Thank you very much Sir. That is it.

Moderator: Thank you. Our next question is from the line of Mr. Vandit Dharamshi from Alpha Invesco. Please go ahead.

Vandit Dharamshi: Congratulations on great set of numbers and congratulations to Mr. Nitin as well for joining your company. I just have two quick questions. First when we target 3000 Crores of revenue in FY2026, how do we look at our leadership base moving ahead, For example the Tier-2 or Tier-3 management after CFO if you can just talk about that thing?

Antony Cherukara: Now we are moving to an era of exponential growth, so we are definitely looking up more leadership as far as the company. At the senior level Nitin has joined as CFO and there is also Mr. Pramod Rajan who has joined as a CTO and there are couple of peers who have joined as leaders and we are also looking at Tier-2 and Tier-3 leadership. One of the key steps the company has taken is to build the talent pool. This is the first year we have gone in for recruitment at graduate engineering trainee level, we are in the process of recruiting 40 engineers at GET level which we want to groom for the future.

Vandit Dharamshi: Got it. One more question is, we have seen recently that one of our competitors have started entering at the lower horse power segment with decent amount of offering, so would you want to talk about that?

Antony Cherukara: If you look at the lower horse power segment below 30 HP tractor industry has about 90000 roughly around that and out of that 90000 if you are splitting it into two, one is a 4-wheel drive compact tractors, which is a space that we occupy, which is about 55000 industry which has not grown considerably and then there is the balance 35000 to 40000 which is utility less than 30 HP tractors which is not necessarily a compact 4-wheel drive tractors and normal 2-wheel drive tractor which is less than 30 HP, so you see most of the players entering in the utility space are not in the compact 4-wheel drive space, if you see as a whole that industrial segment below 30 HP has not grown much because the people prefer to buy niche product, this comes with specific applications and the niche products that meets the purpose is the 4-wheel drive compact tractors, which is used in grape farming, certain horticulture usages, application for sprayers, wherein we have been fluctuating around 6000 to 10000 kind of volumes depending on year-on-year and if you see the max major loss has not happened in market share as well; however, the growth is not coming as the industry itself has not grown. Second point is, there were certain competitions that came in and launched new products, but today I am very happy to say that VST has all the models available which are in comparison with any other player equally better or competitive.

Vandit Dharamshi: Just wanted to understand if you could give what could be the employee percentage to sales 3 to 4 years down the line and second is what kind of dealership numbers are we looking for small farm mechanization business and tractor business by end of 2024?

Antony Cherukara: Employee percentage to sales has definitely improved. I do not have the exact number with me right now, but I can say if you look at the employee cost you can see in the result which has come down from around 13% to about 7.86% odd and we are looking at around 7% this year and this entire growth from 540 odd Crores to 1006 Crores has happened without much addition of manpower that means the productivity or the sales per employee has definitely gone up. Now coming to the channel partners today we have about 355 tractor dealers and out of those 71 dealers were added in FY2023 and in the small farm mechanization segment today we are at about 660 dealers and 171 dealers were added in FY2023.

Vandit Dharamshi: Just I am asking for FY2024 what kind of numbers can you look at?

Antony Cherukara: We are looking anywhere between 175 to 200 numbers, we will add again in FY2024 in small farm mechanization.

Vandit Dharamshi: Just wanted to understand going ahead say by FY2025-FY2026 with 3000 Crores of revenue what kind of employee costs can we look at?

Antony Cherukara: We should be around 6.5% to 7%.

Vandit Dharamshi: Got it. Thank you so much Sir. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Mr. Varun Arora, individual investor. Please go ahead.

- Varun Arora:** Sir my first question is on this revenue breakup, if you can give for Q4 FY2023 power tiller and tractor, spare part?
- Antony Cherukara:** If you look at the revenue small farm mechanization is about 589.85 Crores, tractors is about 275.89 Crores, distribution is about 100.73 Crores.
- Varun Arora:** My next question is on outlook for Q1 and full year of FY2024 and FY2025 for the industry as well as for the company, how you are looking for the outlook which you can give, any colour on that?
- Antony Cherukara:** So all the commentaries I have heard in the industry is about a single digit low, single digit growth, however that is an industry perspective because the industry is sitting on a lot of channel inventory which we are not, so we work only on retails and we do not build channel inventory, so we are looking at aggressive growth again like I said to the question earlier that we are looking at growth about 20% this year as well.
- Varun Arora:** How are we performing in this current quarter so far, this time in April and till this date how we are performing?
- Antony Cherukara:** April was a bit slow, May looks to be better and June should be even better because the season will pick up by then and we expect to grow strongly for Q1 compared to last Q1. However, having said that, there is this news about El Nino and no rains and all that so fingers crossed.
- Varun Arora:** If you can share your views on exports, how you are looking forward?
- Antony Cherukara:** So in one of the calls I had said that we are unlikely to grow in exports in the last financial year that is in FY2023, but we saw that quite a good demand picking up towards the second half of FY2023 and I think that is continuing and we will get to grow in large numbers in the export market and in the long-term we are entering the larger markets where the compact tractor segment is high like the US market where the less than 30 HP segment is a much higher as that is in India which is into hobby farming in that particular segment, so we expect the the growth over the next 5 years to be very robust in the global market.
- Varun Arora:** On Monarch and Zetor, so anyone of these sectors started to contribute in our business in this quarter?
- Antony Cherukara:** Not yet, but in Q1 there is a contribution, there will be contribution from these products especially the Monarch Supplies, which is ramping up that you will see in Q1.
- Varun Arora:** Lastly one more question if I wanted to ask to you on volumes again power tillers tractor, power weeders, crush cutter?
- Antony Cherukara:** It is around 38247 nos tillers , tractors is around 6875 nos in the last financial year, power weeders which is around 3400 Nos, that is the kind of volume.

Varun Arora: Sir this is for FY2023 full year?

Antony Cherukara: FY2023 full year yes.

Varun Arora: Can you give Q4 full number?

Antony Cherukara: Q4 power tiller is 12813, tractor is 1963, and power weeder is 1078.

Varun Arora: Crush cutter?

Antony Cherukara: Crush cutter is very small, that is around 300 numbers.

Moderator: Thank you. Our next question is from the line of Mani, Individual Investor. Please go ahead.

Mani: Sir I had a question regarding subsidy. I wanted to know what percentage of the current selling price of tillers is through the government subsidies and if you can just break that down into Central and State related subsidies that is question number one and question number two again on subsidies I wanted to know how it has changed in the last decade or so, have they been stable or volatile in terms of the subsidy grants by government and also if you can just work out the correlation of subsidies with former buying patterns and also in our tiller stage so that correlation if you can just share that will also be helpful?

Antony Cherukara: subsidy, varies from state government to state government while the support from the central government is certain package which is given in Horticulture then SMAM, there are different schemes which the central government gives but how it is executed is purely left to the state government so there is no comparison or there is no similarity between state governments. Now some state governments like Assam for certain scheme gives subsidy up to 90% whereas some other states like Karnataka or Gujarat or Tamil Nadu a specific amount varying from Rs.40000 to 60000 on a tiller is given, so this is what the subsidy schemes are about. Now how does, how what has changed in the last five years today no customer waits for subsidy to come, they go ahead and buy the machine and they invariably apply for subsidy and why this change has happened is because earlier the subsidy used to be routed through the dealers wherein the customer would get the subsidy and only then take the delivery from the dealer, now since the benefit is directly given (that is the direct benefit transfer) to the farmer and he is confident that whenever he gets he will directly get into his account and hence he is not waiting for procuring the power tiller from the dealer, so this is the trend change that has happened because of which we have seen growth happening. Third part of your question, quantum of subsidy is volatile, if you see the quantum has not changed in fact every year it is going down. What is happening is when they release like for example in FY2022 the release happened October onwards in FY2023 the release happened in February and March.

Mani: Yes Sir. I was able to follow, just a small followup on that. So what I was trying to understand is, if the quantum of subsidies by the government (because it is obviously determined by the

government) and their schemes goes down, how does it directly correlate in terms of buying patterns for farmers and then will that affect our sales?

Antony Cherukara: In fact my personal view has been since direct benefit transfer is there it does not affect purchase pattern at all, really speaking because he is anyway going and buying when the need is there and he is only putting in the application to get the subsidy because it is available and whether he gets or not it is not a deciding factor for him to buy anymore but the key if you see in small farm mechanization is not subsidy anymore for its growth, it is availability, awareness, accessibility, affordability and finally and the most important if you ask me is the ability, ability means I am not talking about buying ability it is about usage ability how conversant he is finding it easy to the machine or not, you use the machine. For example some machines are very complicated, some multinationals have introduced products which are very complicated and for a small and marginal farmer using that becomes very difficult so from that perspective whichever machine is easy to use and convenient for him to operate where the fatigue is lower that sale is increasing and that is why our sale is also increasing even if the quantum of subsidies has not gone up.

Mani: Thank you Sir. I would like to understand on an average what percentage of the selling price is currently the subsidy amount he might get later ?

Antony Cherukara: I do not know, I told you earlier it is a state government statement, somewhere it is Rs.40000, somewhere it is Rs.50000, in another state it is Rs.60000. In Assam there is tribal scheme where 90% subsidy is given, so there is no guarantee, this business if you ask me is not influenced by subsidy.

Mani: Okay.

Antony Cherukara: The only thing that happens with subsidy today is that the capital accrual will happen in the hands of the farmer because he is getting a direct benefit transfer and he might use it in very different ways than buying a power tiller because he has already bought the power tiller.

Mani: Thank you.

Moderator: Thank you. Our next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: Sir thank you for the followup. Sir I am just referring to the release we had on March 22, 2023 where we talked about the power tiller industry growing from 60000 to 100000 by the year 2025 I just wanted to understand why should the power tiller industry suddenly just move up more than 50% over the next two years, just wanted your thoughts on that Sir?

Antony Cherukara: There are 10 Crores families which are involved in farming in the small and marginal segments which is less than two hectares of farms so that is the major, major segment and we have been able to grow our business from 19000 to 38000 plus Nos in the last three years. We expect our

own growth to happen in a phenomenal manner in the next three years which will drive the growth of the industry to 100000.

Arjun Khanna: Sure because if I look at our numbers way back say in FY2014, almost 10 years back we should do 28000 units which is now 38000 after almost 10 years?

Antony Cherukara: Those days it used to be influenced by subsidy. I explained to the previous caller. Earlier the benefit was given to the dealer and the quantum of subsidy used to decide how many power tillers used to sell. Now that is not there anymore. It is direct benefit transfer so the need is creating the purchase of the power tiller and then every single farmer applies for subsidy so it is not that I am saying nobody is applying. Something is available I will also apply, right? Similarly every farmer is applying, but how many are getting the quantum has not changed it has not increased.

Arjun Khanna: Sure and Sir just to understand in terms of the other segments for compact tractors while there would be some form of subsidy so utility tractors is there subsidy with our Zetor brand and for power weeders is there subsidy?

Antony Cherukara: Yes there is subsidy in power weeder and there is subsidy in tractors also in stake. Now Zetor brand we will launch, we will have to go through the process of enlisting for subsidy.

Arjun Khanna: Sure. Fair enough. Thank you.

Moderator: Thank you. Our next question is from the line of Devanshu Sampat from Avendus Wealth. Please go ahead.

Devanshu Sampat: Good evening. A few questions. So just to basically talk about in your presentation we can see right that obviously this distribution has been very strong in the South and not so much in the North, now earlier as far as our North market you pretty much said that we will take a state-by-state approach and test the market and grow it slowly for the higher horsepower products right? but now if we look at, since we have a different strategy of say small farming mechanization products versus only selling tillers or we are more in the distribution everything, can north be a market we can tap for this SFM range or is that something because it seems there could be a pretty large space that we can tap, so your thoughts on this?

Antony Cherukara: No I agree with you totally North is an untapped market for us. We are increasing that is why we continue to grow our dealer network. SFM that is a small farm mechanization business as we call it today is mostly focused on the East, South, and the West. The North is a very big opportunity, so today we have about 660 dealers, I think in the next two to three years our dealership network will be more than 1000 dealers in the entire country. Much of it will be in the North.

Devanshu Sampat: Incrementally you mean?

Antony Cherukara: Yes.

- Devanshu Sampat:** Just to touch up on this as you mentioned also earlier that the working capital that we were planning to keep the receivables a bit tight earlier you said now that we have it seems that you have been compared to losing it a bit and make it around 40 to 45 days so what has changed if you can just give your thoughts?
- Antony Cherukara:** I will tell you. it was 29 days when it happened in FY2022 what happens is the institutional orders or some of the cash flow which used to come in, the subsidy release happened sometime in November to December or December or January so what happens is that entire money gets rotated and then it comes to our collection, so by March all the collections had come in and that is why the reflection of 29 days were there in FY2022 however what happened in FY2023 is that bulk of whatever quantum of subsidy that released, by the way the quantum has not changed but bulk of what was released came after February 15, 2023 because of which the rotation did not happen, that is why I explained to one of the previous callers if you net it off you will see that the receivables has not moved beyond 33 days and that collection that was pending is coming in April and May so I think I fully explained this to you now.
- Devanshu Sampat:** Got it. Okay so one question I have is around your tractor business side we did roughly around 7000 this year can you share what was the export number for FY2023?
- Antony Cherukara:** Roughly around 1400 nos.
- Devanshu Sampat:** Incrementally can you give a sense on what is it that we are looking at in terms of export and domestic if we are looking at growths from here on say and if I am not wrong you mentioned you are looking at tractor 20% growth only for the tractor business this year?
- Antony Cherukara:** Yes.
- Devanshu Sampat:** So how are we looking at say the extra 1500 tractors?
- Antony Cherukara:** Mostly it will come from domestic and the exports also should maintain the growth rate. For Exports we are entering into two to three more countries this year. One is UK ,another one is Mexico so we are looking at two to three countries as a focus for this year that should get us the growth of that 20% plus that we are targeting.
- Devanshu Sampat:** Got it. Sir the last two questions. Any updates on the acquisition that you have been talking about for a while now?
- Antony Cherukara:** Now, we are looking at various opportunities. There are opportunities that are coming up. Some of them we have dropped, some of them are still in progress. It is too early to say on that.
- Devanshu Sampat:** Any update on the Pubert plants manufacturing?
- Antony Cherukara:** Pubert work is still going on. There are stocks happening. Nothing concluded yet. Things are progressing.

- Devanshu Sampat:** Then we have been talking about this for a while so can you give a sense on what exactly..
- Antony Cherukara:** Definitely it is a good opportunity, so we are working on it.
- Devanshu Sampat:** Sure. That is it from my side. Wishing you all the best.
- Moderator:** Thank you. Ladies and gentlemen the last question for our question and answer session is from the line of Vandit Dharamshi from Alpha Invesco. Please go ahead.
- Vandit Dharamshi:** Thank you for the followup Sir. I just wanted to understand what would be our R&D run rate or new product development run rate over the next two to three years?
- Antony Cherukara:** What exactly do you mean by run rate number? Is it of the products or the investments you are talking about?
- Vandit Dharamshi:** Investment Sir.
- Antony Cherukara:** Investment I told you, it is upwards of Rs.50 Crores this year and it will continue like that for some time for R&D and product development alone.
- Vandit Dharamshi:** If you could just quantify what is the size of our Bengaluru land parcel?
- Antony Cherukara:** It is roughly around 20 acres.
- Vandit Dharamshi:** Last time on the call you had mentioned that I think we are planning to enter the Madhya Pradesh and Rajasthan market in North to begin with so is there any progress or are we waiting for the launch?
- Antony Cherukara:** No, we have launched a few dealerships as pilot and we are nurturing them towards doing mega numbers when the VST Zetor products are launched.
- Vandit Dharamshi:** If you could just quantify what would be the power tiller market as of year ending?
- Antony Cherukara:** Roughly around 60,000. It should be around 55K to 60K the final figures are not out yet from all the manufacturers. Unlike TMA there is no association so that final figure is not coming.
- Vandit Dharamshi:** That means you must have gained market share?
- Antony Cherukara:** Yes we have to drive the growth in this industry and this is what we have shared with all of you before as well.
- Vandit Dharamshi:** Thank you so much Sir. Wishing you all the best.
- Moderator:** Thank you. That was the last question for our question and answer session today. I now hand the conference over to the management for closing remarks.

Antony Cherukara: Thank you so much for your participation. Today it was a short notice immediately after the Board meeting and we had to upload the presentation, so there was some delay, apologies for that. Look forward to meeting all of you in the next quarter. Thank you so much.

Moderator: Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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