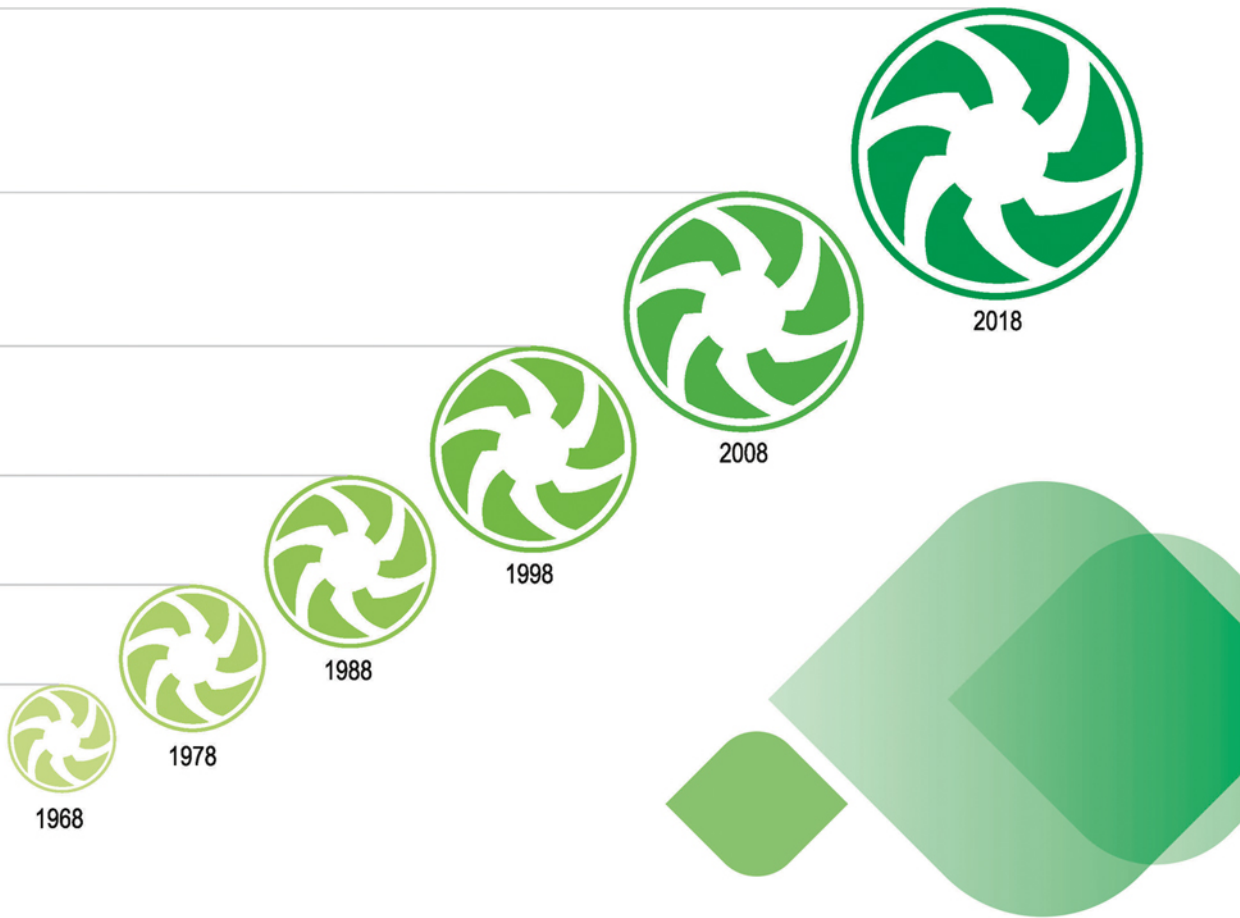




# 51<sup>st</sup> ANNUAL REPORT | 2018-19



**V.S.T. TILLERS TRACTORS LTD.**



## **LORD GANESHA**



**Idol of Lord Ganesha at  
VST Tillers Tractors Limited**

<b>Board of Directors</b>	: Mr. V.K. Surendra - <i>Chairman</i> Mr. R. Subramanian - <i>Independent Director</i> Mr. M.K. Bannerjee - <i>Independent Director</i> Mr. K.M. Pai - <i>Independent Director</i> Ms. Siva Kameswari Vissa - <i>Independent Director</i> Mr. Bijanki Jagannath- <i>Independent Director</i> Mr. V.P. Mahendra - <i>Vice Chairman &amp; Managing Director</i> Mr. V.V. Pravindra - <i>Non-Executive Director</i> Mr. V.T. Ravindra - <i>Executive Director</i> Mr. Arun V Surendra - <i>Non-Executive Director</i>
<b>Chief Executive Officer</b>	: Mr. Antony Cherukara
<b>Chief Financial Officer</b>	: Mr. P.M. Keshava
<b>Company Secretary and Compliance Officer</b>	: Mr. Chinmaya Khatua
<b>Statutory Auditors</b>	: M/s. K.S.Rao & Co., Bengaluru Chartered Accountants
<b>Internal Auditors</b>	: M/s. Brahmayya & Co., Bengaluru Chartered Accountants
<b>Cost Auditors</b>	: M/s. Rao, Murthy & Associates, Bengaluru Cost Accountants
<b>Secretarial Auditors</b>	: Thirupal Gorige & Associates LLP, Bengaluru Practising Company Secretaries
<b>Bankers</b>	: M/s. Canara Bank, Contonment Branch, M.G. Road, Bengaluru - 560 001 M/s. State Bank of India, SME Branch, Mahadevapura, Bengaluru - 560 048
<b>Regd. Office</b>	: Plot No.1, Dyavasandra Industrial Layout, Whitefield Road, Mahadevapura Post, Bengaluru - 560 048 Ph : 080-67141111 e-mail: vstgen@vstillers.com website: www.vstillers.com

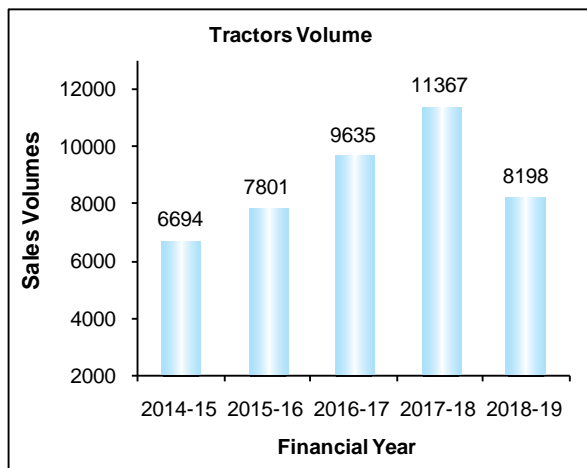
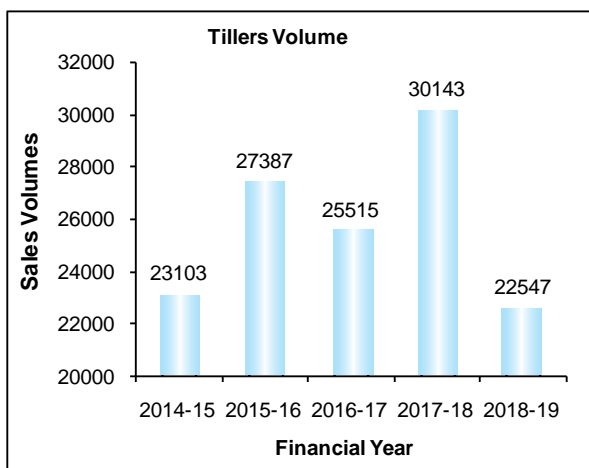
## INFORMATION

### REQUEST TO MEMBERS

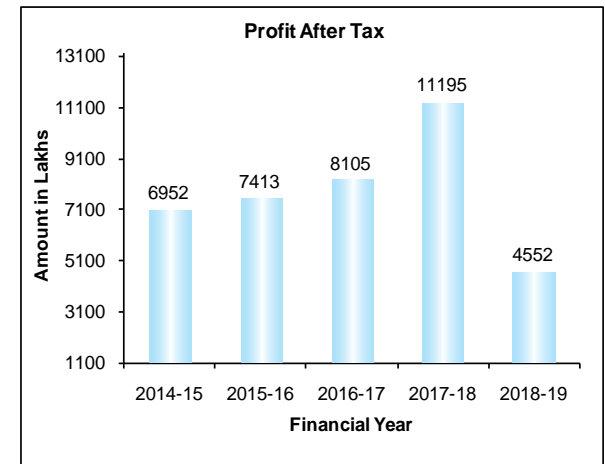
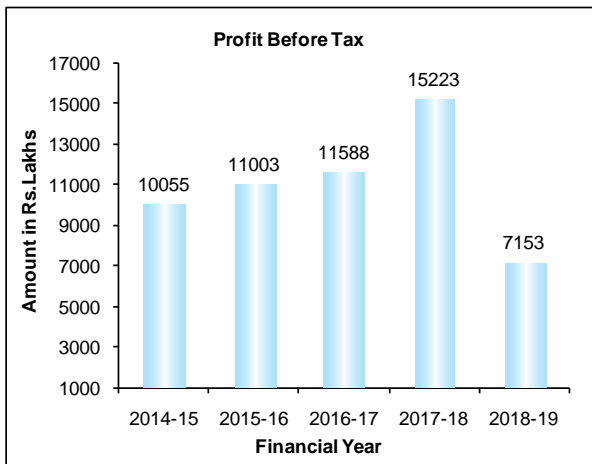
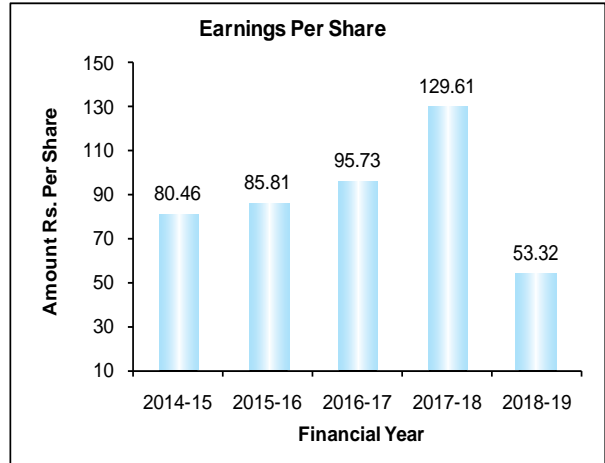
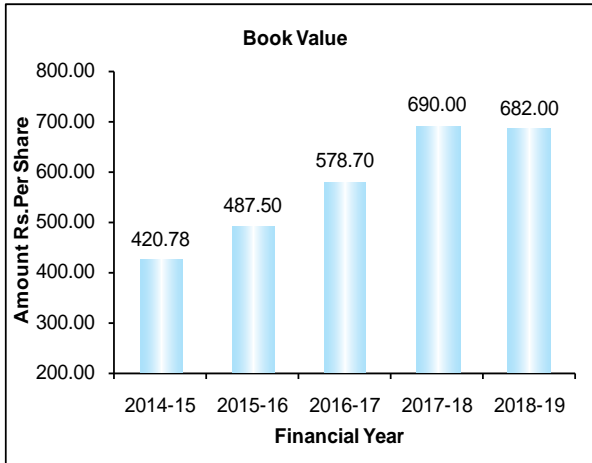
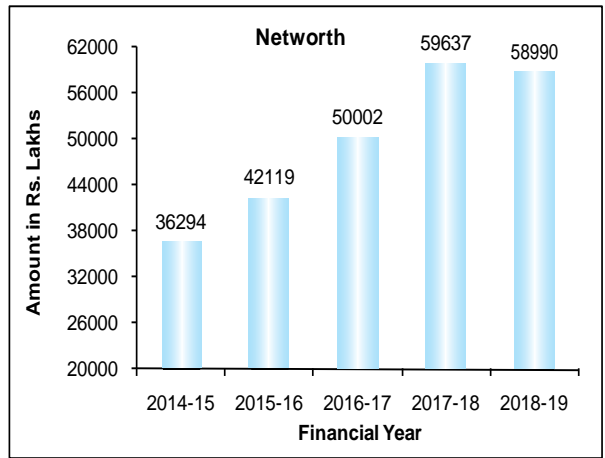
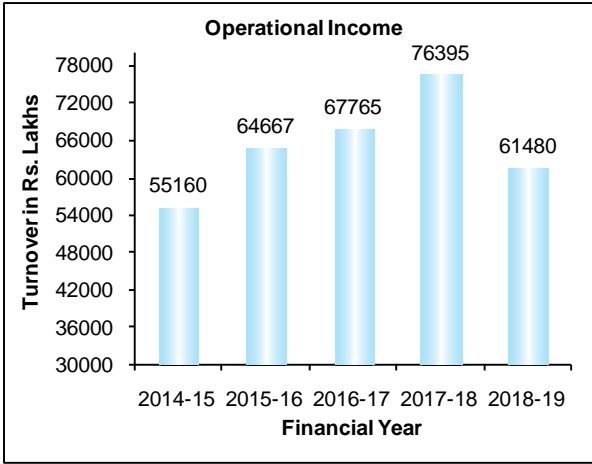
1. Please bring your copy of the Annual Report to the meeting as no extra copies will be distributed owing to limited number of copies printed.
2. Members are requested to send their queries, if any, relating to the annual accounts and reports atleast one week prior to the date of meeting to facilitate compilation of information.
3. Members/their proxies/representatives are advised to bring their Attendance Slip duly filled in for attending the meeting.

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## FINANCIAL INDICATORS



The previous years financial indicators have been re-arranged as per IndAS wherever required.

Dear Members,

Your Directors have pleasure in presenting the 51st Annual Report of the Company and the Audited Statement of accounts for the financial year ended March 31, 2019.

**FINANCIAL PERFORMANCE**

(Rupees in lakhs)

Period	Year 2018-19	Year 2017-18
OPERATING INCOME	61480	76395
NON-OPERATING INCOME	4366	4521
TOTAL INCOME	65846	80916
FINANCE COST	225	169
DEPRECIATION	1579	1086
TOTAL EXPENSES	58693	65693
EXCEPTIONAL ITEM	-	-
PROFIT BEFORE TAX	7153	15223
TAX	2547	4025
PROFIT AFTER TAX	4606	11198
OTHER COMPREHENSIVE INCOME	-54	-3
TOTAL COMPREHENSIVE INCOME	4552	11195
EARNING PER SHARE (Basic and Diluted)	53.32	129.61

**MANAGEMENT DISCUSSION & ANALYSIS**
**ECONOMY & THE MARKETS**

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. Second Advance Estimates of Gross Domestic Product (GDP) released by the Central Statistics Office (CSO), estimated the growth rate of GDP at constant (2011-12) market prices for FY 2018-19 at 7.0 per cent.

**ROAD AHEAD**

India's gross domestic product (GDP) is expected to reach US\$ 5 trillion by FY25 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms.

Agriculture being the primary source of livelihood for about 58 per cent of India's population, Government of India has introduced several projects to assist the agriculture sector. They are Pradhanmantri Gram Sinchai Yojana: Scheme aims to irrigate the field of every farmer and improve water use efficiently to achieve the motto 'Per Drop More Crop'. Government of India is also aiming to double farmers' income by 2022, these augur well for the farm mechanisation industry.

**INDUSTRY AND COMPANY OVERVIEW**

The Year under review was impacted due to various factors such as Monsoon failure in certain areas, non-availability of funds with various State Govts, issues w.r.t subsidy allocation in key states and implementation of direct billing of products from Company to subsidy customers. Your company managed trade receivables efficiently and consequently, the receivables were reduced from Rs.186 Crs as of March 31st, 2018 to Rs 96 Crs as of March 31st 2019.

**A. POWER TILLER BUSINESS**

During the year 2018-19 the Power Tiller industry witnessed around 7.5 % de-growth. This sector relies heavily on Government subsidies and any delay in implementing schemes in various states leads to demand distortions. The number of Power Tillers sold during the year was 22547 units as against the previous year sale of 30,143 units, our market share being reduced to 44% in the current year.

Our business continues to grow in the new product segments such as Rice Transplanter, which grew by 157 % and the Power Reaper segment which grew by 26 %.

**B. TRACTOR BUSINESS**

In the financial year 2018-19 the total tractor industry in India grew by 6.7%, however, your

company (primarily in the compact category) registered a degrowth of 28%. The number of Tractors sold was 8,198 Nos during the year as against 11,367 tractors in 2017-18. There has been a degrowth in the 0-20HP segment of compact tractor industry by about 2.7%, as this segment of the industry was affected due to drought in Maharashtra, Gujarat (Saurashtra region) and delay in subsidy in certain states. The industry degrowth in the areas where VST products were popular impacted our volumes leading to an overall drop in market share to 8.3% in the compact segment category.

The Custom Hire & Service Centres that have been under the VST umbrella under the scheme launched by the Government of Karnataka are running satisfactorily.

#### **FUTURE OUTLOOK:**

Your company continues to be the market leader in power tillers and will now focus on introduction of new products in this segment. Your company believes that the power tiller industry would continue to grow considering the need for affordable mechanization for small and marginal farmers. The key driver for growth would be subsidy and retail finance availability and for this your company has tied up with major banks and NBFCs and will continue to work with them to arrange funding for this segment of customers. The Company will simultaneously continue to expand its dealer network across the country.

Your company has undertaken to invest Rs.210 crores on long term capex plan for infrastructure, product upgradation and new product development. During the year 2018-19 your company launched three higher HP Tractor Models i.e. 45 & 50 HP Viraj and 47HP VST Shakti Branson. Simultaneously, your company will ramp up the volumes in the higher HP segment in the new financial year. Your company will also launch new models in the compact segment.

#### **C. PRECISION COMPONENT DIVISION, MYSORE**

The performance of the Component Division, Mysore recorded a marginal growth in domestic business however export business was lower compared to the earlier. The turnover for 2018-19 was Rs. 7.88 crores as compared to Rs.8.30 crores for 2017-18.

Your company has invested Rs. 24 Crs to modernise this facility and plans are under implementation to ensure profitable growth of this business in the medium and long term.

#### **RISK & CONCERN**

Majority portion of Power Tillers and Compact Tractors in some states are sold under government subsidy schemes. In case of reduction in subsidy allocation the demand of these products will be affected. Most of the State Governments are switching over to DBT (Direct Benefit Transfer) scheme for subsidy which would mean the farmer has to pay 100% to buy the product. This scheme may affect the liquidity of the farmers although they will get the subsidy portion later. To mitigate this situation your Company has made the arrangement for retail finance support to farmers.

Competition in power tillers and compact segment tractors requires your company to come out with suitable variants to counter the same.

#### **OPPORTUNITIES & THREATS**

There is a need to mechanize agriculture due to unavailability & high cost of labour. Your company is offering solutions to the small and marginal farmers through power tillers and compact tractors optimized with various applications. Your company is also in the process of launching complete range of higher HP Agriculture tractors.

Dependency on favourable Monsoon and delay in release of Subsidy by the Government will be the key threat for the business of the Company. Unstable prices for farm produce and unforeseen natural calamities in the recent past have impacted small and marginal farmers since they suffer the most during such situations.

#### **CURRENT YEAR OUTLOOK**

With prediction of normal monsoon, stable government and continued focus on farm mechanisation by the Government, we expect our revenue growth will be par with the overall industry growth.

In fiscal year 2019, loan waivers have been announced by newly elected governments in few states such as Karnataka, Madhya Pradesh, Rajasthan and Chattisgarh, which constitute to farmers to tide over losses incurred due to uneven monsoon and drought conditions. This will boost the morale of the farmer and may encourage them to purchase Tractor and Power tillers.



Scarcity of farm labour and increase in farm mechanization, may spur the demand for Power Tillers and Tractors. The Company has been expanding its product portfolio keeping in mind the growth potential of the farm equipment industry including localization of 47 HP VST Shakti Branson Model to make it economical for Indian market. The Company has introduced specific model of spare parts distribution and with increase in farm equipment volume, increase is also expected in the spare parts business.

Your Company is committed to focus on export sales which includes introduction of new models and expansion of export network. Your Company continues its focus on cost optimization, productivity improvement, supply chain management and value engineering.

## SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Your Company deals with single segment only i.e. "Manufacturing of Agricultural Machineries".

## DIVIDEND:

"The Board of Directors of your company is pleased to recommend a dividend of Rs.15/- per equity share of

the face value of Rs. 10 each i.e. @ 150%, payable to those Shareholders whose names appear in the Register of Members as on the Book Closure / Record Date.

The Dividend will be disbursed on or after 12th August 2019, if approved by the shareholder at the 51st AGM. The total outflow will be Rs 1562 lakhs including the dividend distribution tax of Rs. 266 lakhs,

## TRANSFER TO RESERVES

"The Board of Directors of your company, has decided not to transfer any amount to the Reserves for the year under review."

## QUALITY INITIATIVES

The Company continues to sustain its commitment to the highest levels of quality. The year under reference, the Company successfully completed the annual ISO surveillance audit and retained the ISO certification for ISO 9001:2015

## AWARDS

We are pleased to inform you that your Company has received following awards by ITOTY.

Power tiller of the year- 135 DI ultra model.

Best Tractor under 20 HP- MT 180 DI model

## SIGNIFICANT CHANGE IN KEY FINANCIAL RATIOS:

Ratio	2018-19	2017-18	Explanation
Debtors Turnover Ratio	6.47	4.10	Outstanding has come down due to implementation of strict credit policy
Inventory Turnover Ratio	5.04	9.75	Buildup of inventory at the year end was due to lower off take and weak market conditions
Interest Coverage Ratio	39.87	97.30	Lower turnover and profitability during the year has resulted in a lower interest coverage ratio
Current ratio	4.31	3.45	Better working capital management has resulted in improved current ratio
Gross Profit ratio	11%	19%	Lower margins on account of reduction in sales has resulted in lower gross profit percentage on turnover
Net Profit ratio	7%	14%	Lower margins on account of reduction in sales has resulted in lower net profit percentage on turnover

## CHANGE IN RETURN ON NETWORTH:

The changes in return on net worth is mainly due to lower profit for the year under reference.

## DETAILS OF DIRECTORS APPOINTMENT/ REAPPOINTMENT:

In accordance with the provisions of the Companies Act, 2013 Mr. V V Pravindra, Director and Mr. V.P. Mahendra, Vice Chairman & Managing Director will retire at the ensuing AGM and are eligible for

reappointment. However Mr. V.P. Mahendra was reappointed by the shareholders of the Company through postal ballot as Vice Chairman & Managing Director for two years effective from 20/02/2019.

Mr. V.T. Ravindra was appointed by the shareholders as Executive Director of the Company for five years effective 11/05/2018. Mr. V.S. Arun was appointed as non-executive director of the Company effective 11/05/2018.

Mr. Bijanki Jagannath was appointed by the Board of Directors of the Company as an Additional Director of



the Company effective 27/12/2018. His appointment as Non-Executive Independent Director was approved by the members through postal ballot for three years effective 27/12/2018,

During the year under review, special resolutions through postal ballot were passed for continuation of Directorship of Mr.V.K. Surendra, Mr. R.Subramanian and Mr. Bijanki Jagannath, Non-Executive Directors who had attained the age over 75 years as per Regulation 17(1A) of SEBI(LODR) Amendment Regulation.

During the year, no non-executive director had any pecuniary relationship or transactions with the Company other than the sitting fees and reimbursement of expenses incurred by them for attending meetings of the Company.

Mr. R. Subramanian, Mr. M.K. Bannerjee & Mr. K M Pai will be reappointed as Independent Directors after completion of their 1st term and same is forming part of the AGM Notice. The reappointment of Independent directors were made on the basis of requirement of their services and based on recommendation of Nomination & Remuneration Committee and performance evaluation by the Board.

No Director has resigned during the year 2018-19.

#### **KEY MANAGERIAL PERSONNEL (KMP)**

The following persons are Key Managerial Personnel (KMP) of the Company under section 203 of the Companies Act, 2013. During the year 2018-19

1. Mr. V.P. Mahendra - Vice Chairman & Managing Director
2. Mr. P.M.Keshava - Chief Financial Officer
3. Mr. Chinmaya Khatua - Company Secretary

Mr. K.U. Subbaiah resigned from the post of CEO w.e.f 1st January 2019 and Mr. Antony Cherukara was appointed by the Board of Directors as CEO and KMP w.e.f 25th April 2019.

#### **CORPORATE GOVERNANCE:**

The Company strives to ensure good in Corporate Governance and levels of transparency with all the provisions of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015. A certificate from the Auditors to this effect forms part of Corporate Governance Report.

Compliance reports in respect of all laws applicable to the Company have been reviewed by the Board of Directors.

#### **DIRECTOR'S RESPONSIBILITY STATEMENT:**

Pursuant to Section 134(3) (c) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, make the following statement:

- (a) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) That the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) That the annual accounts have been prepared on a going concern basis;
- (e) That the internal financial controls to be followed by the company have been laid down and that such internal financial controls are adequate and were operating effectively.
- (f) That proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, the work performed by the internal, statutory and secretarial auditors including the audit of internal financial controls over financial reporting by the Internal Auditors and the reviews performed by management and the relevant board committees, including the audit committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2019.

**AUDITORS:**

M/s. K.S. Rao & Co, Chartered Accountants (Firm Regn No. 003109S) were appointed as Auditors of the Company for five financial years w.e.f FY 2016-17, at the 48th Annual General Meeting of the Company.

**COST AUDITORS:**

Your Directors had, on the recommendation of the Audit Committee, appointed M/s. Rao, Murthy & Associates, Cost Accountants to audit the cost records of the Company for the financial year 2019-20 on a remuneration of Rs. 2,50,000/- (Exclusive of applicable taxes) plus out of pocket expenses. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their approval. Accordingly, a Resolution seeking Member's approval for the remuneration payable to M/s. Rao, Murthy & Associates., Cost Auditors is included in the Notice of the Annual General Meeting.

**INTERNAL AUDITORS**

M/s.Brahmayya & Co, Chartered Accountant were appointed as Internal Auditors under section 138 of the Companies Act, 2013 for the financial year 2018-19.

**SECRETARIAL AUDITORS**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and read with Rules made thereunder, the Board had appointed Thirupal Gorige & Associates LLP, Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Secretarial Audit Report is enclosed herewith as Annexure-4.

**PARTICULARS OF EMPLOYEES:**

As required by provisions of section 197 of the Companies Act, 2013 read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The salary details of designated employees are given in Annexure-1.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Information under Section 134 Companies Act, 2013 read with rule 8 (3) of the Companies (Accounts) Rules, 2014 is enclosed as Annexure-2.

**DEPOSITS:**

Your Company has not accepted any deposits within the meaning of Chapter- V of the Companies Act, 2013 and rules made thereunder.

**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has put in place adequate internal financial controls over financial reporting Systems commensurate to the nature of its business and complexity of its operations. These are regularly tested for their effectiveness by Statutory as well as Internal Auditors.

The Company periodically conducts physical verification of inventory, fixed assets and cash on hand and matches them with the books of account. Explanations are sought for any variance noticed from the respective functional heads.

The Significant observations made by the Auditors and follow up actions there on reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the Company's Internal Control Environment and monitors the implementation of the Audit recommendations.

**INDUSTRIAL RELATION**

Industrial relations have been cordial at the Bengaluru, Mysore, Malur and Hosur plants during the year.

There were 724 Nos. of permanent employees on roll as on 31st March 2019.

**SAFETY, HEALTH AND ENVIRONMENT:**

V.S.T. TILLERS TRACTORS LIMITED is a safe work place and the Safety & Health of our employees as per the requirement of the Factories Act are ensured . Our motto is "Zero Miss Accident". Our commitment is to protect the environment as per the policy.

**FORWARD-LOOKING STATEMENTS**

Statements in this release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from those either expressed or implied due to factors such as Raw material prices, Government policies, Competition, tax regime, market acceptance of new products and services, continued acceptance of existing products