

## Advantage

Yuken India Limited | Annual Report 2017-18

## Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties occur, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

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# Corporate Information

## BOARD OF DIRECTORS

Mr. Hideharu Nagahisa, *Chairman*

Mr. Koichi Oba

Mr. R Srinivasan

Capt. N S Mohanram

Dr. Premchander

Mrs. Vidya Rangachar

Mr. C P Rangachar, *Managing Director*

## CHIEF FINANCIAL OFFICER

Mr. H M Narasinga Rao

## COMPANY SECRETARY

Mr. Vinayak Hegde

## BANKERS

State Bank of India.

Bank of Tokyo Mitsubishi UFJ Ltd.

Mizuho Bank Ltd.

HDFC Bank Ltd.

## AUDITORS

M/s. Walker Chandiok and Co., LLP

*Chartered Accountants*

## REGISTERED OFFICE

No. 16-C, Doddanekundi Industrial Area,  
II Phase, Mahadevapura,  
Bengaluru – 560 048.

## CORPORATE OFFICE

P B No. 5, Koppalthimmanahalli Village,  
Malur-Hosur Main Road, Malur Taluk, Kolar District,  
Karnataka – 563 130.

## REGISTRAR & TRANSFER AGENT

Karvy Computershare Pvt. Ltd.

Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad – 500 032.

Tel No.: 040-33211500,

Fax No.: 040-23420814,

Toll Free No.: 1800-3454-001

E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Website: [www.karvy.com](http://www.karvy.com)

## Our numbers

Our revenues break-up (%)

Hydraulic Pumps	Hydraulic Valves
22%	33%
Hydraulic Power Packs	Others
25%	20%

Enterprise Value,  
March 31, 2018 (₹ crore)

**1199.40**

Total revenues,  
2017-18 (₹ crore)

**270.60**

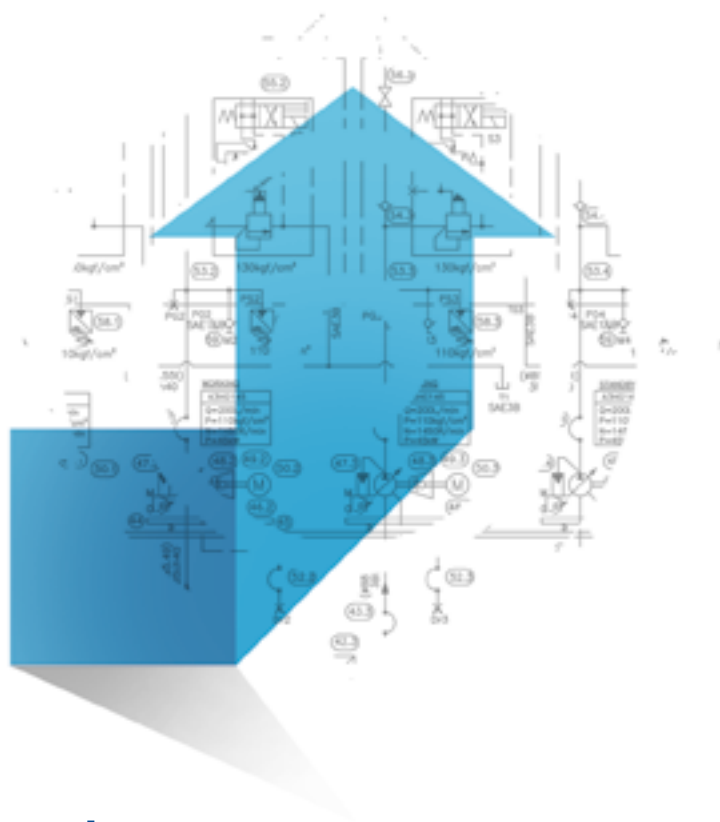
Our equity holding  
as on 31st March 2018

Promoters

**52.50%**

Public

**47.50%**



## Advantage

Over the past few years, we embarked on a number of initiatives that translated into enhanced revenues, margins, profits and order book – the highest in the Company's existence.

We believe that the performance of the Company in 2017-18 represents the cusp of significant and sustainable growth.

The result is that Yuken India enjoys an advantage today in the robust India story.

# 11

## things you need to know about Yuken India

### 01

#### Our background

Established in 1976, Yuken India Limited was set up in technical and financial collaboration with Yuken Kogyo Company Limited, Japan (YKC), one of the global leaders in oil hydraulic equipment for industrial applications. Commercial production commenced in 1978.

### 02

#### Our business

The Company possesses precision manufacturing technologies, modern equipment and robust quality systems for the manufacture of hydraulic components such as pumps, valves, package system, cylinders and castings to cater to the needs of a wide number of industrial sectors. A strong product development focus has enabled Yuken to adopt new technologies and manufacture high precision hydraulic components and solutions.

The Company has an active marketing team supported by a vast network of dealers which help service a variety of capital equipment industries such as machine tools, plastics, steel and power plants, material handling and construction machinery. A key factor that has contributed in satisfying customers has been Yuken's superior customer servicing capabilities.

### 03

#### Our portfolio

Yuken is involved in manufacturing products across four categories:

##### *Pumps*

Yuken manufactures a wide variety of piston, vane and gear pumps. The export of pumps to the US, Europe and other nations has increased over the last decade.

The superior quality of the Company's pumps reflected in low noise and easy maintainability has led to increased use in demanding downstream sectors such as machine tools, plastics, power generation, steel mills and construction equipment.

##### *Valves*

Yuken manufactures a vast portfolio of valves such as: Direction Controls, Pressure Controls, Flow Controls, Modulators, Cartridges, Proportionals, Servos and variants. Special variants have been designed and manufactured to cater to demanding applications.

##### *Hydraulic Package Systems*

Yuken's dedicated application capability coupled with strong engineering competence has resulted in the manufacture of optimised hydraulic power-packs and diverse solutions for demanding sectors such as machine tools, plastics, power generation and steel mills.

##### *Castings, cylinders and accessories*

**> Castings:** Yuken's foundries can manufacture 1000 tons of castings per month and are located in Whitefield and Malur, Karnataka. Yuken exports these castings to leading hydraulic component manufacturers in Europe and USA.

**> Cylinders & Accessories:** Yuken possesses the expertise to manufacture hydraulic components such as cylinders & accessories through its precision technologies and state-of-the-art manufacturing equipment. The Company manufactures different types of hydraulic cylinders catering to a variety of applications in various fields.

### 04

#### Equipment for the environment

The Company has pioneered the manufacture of chip compactors (KIRIKO) under license from Yuken, Japan. It assists in the viable recycling of oil and metal chips, moderating its environmental impact.

## 05

## YIL's subsidiaries and associate companies

Subsidiary	Function
Grotek Enterprises Private Limited	Manufactures precision ferrous castings
Coretec Engineering India Private Limited	Manufactures of Hydraulic Cylinders, Solenoids, precision ground spools and tooling for the foundry.
Associate company	Function
Kolben Hydraulics Limited	Hydraulic products for mobile applications in collaboration with global leaders in this segment
SAI India Limited	Manufactures hydraulic motors in collaboration with SAI s.p.a-Italy
Bourton Consulting (India) Private Limited	Engaged in lean manufacturing consulting

## 07

## Our locations

Yuken has its headquarters in Bangalore and conducts all its manufacturing operations in India. The Company's principal plant is located near Malur, Kolar District.

## Manufacturing locations:

Location	Number of plants	Business segment
Bangalore	4	Pumps and Power-packs, Castings and Solenoid valves
Malur, Karnataka	3	Pumps, Valves and Power Packs Chip Compacting Machines, Castings and Cylinders.
Mumbai	1	Power Packs manufacture
New Delhi	1	Power Packs manufacture

## 08

## Our manufacturing capacities

The Company started its pump and valve operations with a capacity of 40,000 units per annum in 1978. Currently its capacity is 672,000 units per annum. Yuken's foundry has a capacity of manufacturing 12,000 TPA of castings across two facilities.

Pumps (units per annum)	Valves (units per annum)	Power packs (units per annum)	Foundry (TPA)
72,000	600,000	15,000	12,000

## 06

## Our management

Yuken India's business is headed by Mr. C P Rangachar, Founder and Managing Director, with active support of the Board of Directors and guidance from YKC Japan. The senior management is assisted by qualified and experienced professionals.

## 09

## Our quality policy

We will strive to meet the customer's expectations by providing world-class hydraulic products, components, castings and services through total employee commitment and continual improvement.

## 10

## Our strengths

Yuken possesses rich resources in terms of manufacturing assets, technical expertise and technology, research and development, laboratories, infrastructure and utilities across all manufacturing locations. The Group's robust marketing network comprises an effective sales & service team as well as dealers across the country.

## 11

## Our listing

Yuken's shares are listed and actively traded on the Bombay Stock Exchange (BSE). The Company enjoyed a market capitalisation of ₹1199.40 crore as on 31st March 2018.

# Our journey over the years

**2017-18**

Stabilised & optimised production, increased capacity by 20% and laid out further expansion plans

**2016-17**

Relocated the plant from Whitefield, Bangalore, to Koppalthimmanahalli, Malur-Hosur Main Road, Kolar District. The Foundry business was transferred to a 100% subsidiary company Grotek Enterprises Pvt. Ltd.

**2016**

Executed a Joint Development Agreement of the Whitefield land area with Brigade Enterprises, Bangalore

**2012**

Foundry Unit 2 was commissioned in Hedaginabele, Malur, Kolar District

**2005**

Gear Pumps division was set up in Hyderabad

**1991**

- Public issue of YIL, was oversubscribed 40 times
- Sai India came into existence for manufacturing radial piston motors

**1993**

Coretec came into existence for manufacturing iron cores

**2000**

Launched Gemba Kaizen and TPM

**2001**

Yuflow was set up for manufacturing industrial cylinders

**1986**

Acquired a foundry

**1979**

Supplied first power unit to HMT for K130 Grinder

**1978**

Commercial production was started (solenoid valves, pumps, pressure controls, flow controls etc.)

**1976**

Yuken India Limited was incorporated; agreement between YKC and YIL

**1970**

Government of India invited entrepreneurs to set up hydraulics enterprises

**1971**

Mr. M Parthasarathy and Mr. CP Rangachar got a Letter of Intent to set up a company to make hydraulic equipment

# Review of our operating subsidiaries

Parameter	Coretec Engineering India Pvt. Ltd.	Yuflow Engineering Pvt. Ltd.	Grotek Enterprises Pvt. Ltd.
Ownership	100%	100%	100%
Focus	Manufacture of Hydraulic Cylinders, Solenoids, precision ground spools and tooling for the foundry	Hydraulic Accessories	Manufacture of precision ferrous castings
Installed capacity:	Iron core: 600000 nos. per annum Solenoid coils: 480000 nos. per annum Spools: 200000 nos. per annum Cylinders: 7200 nos. per annum	NA	12000 tonnes per annum
Revenues, 2016-17: ₹ cr	12.20	8.36*	20.84*
Revenues, 2017-18: ₹ cr	23.29	0.09	52.28
Profit/(loss) status including OCI, 2016-17: ₹ cr	0.34	(2.82)	(3.05)
Profit/(loss) status including OCI, 2017-18: ₹ cr	0.64	(0.21)	(1.55)

\* Part of the year



## Yuken India's reinvention in numbers

### 20%

of FY17 and FY18 revenues were delivered from sectors where the Company had a negligible presence five years ago

### 8

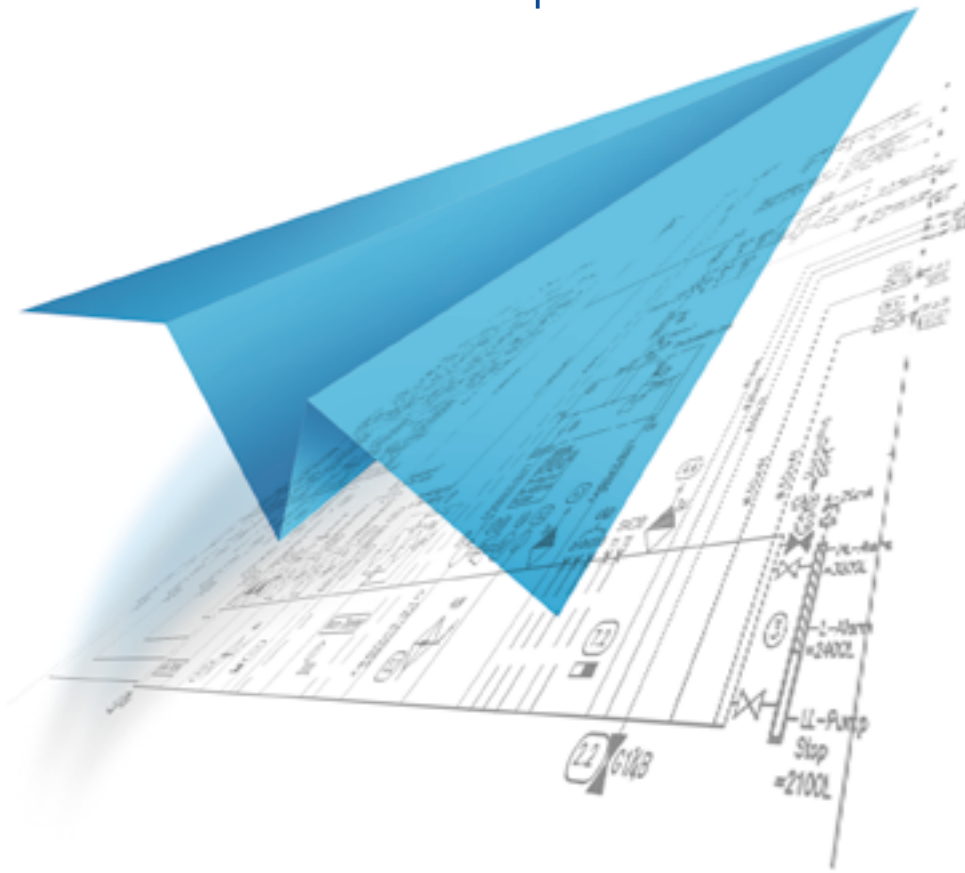
Number of key sectors addressed by the Company, 2012-13



### 15

Number of key sectors addressed by the Company, 2017-18

# Re-inventing Yuken: Our five pillars



India is one of the most exciting economic opportunities in the world.

This excitement is derived from the fact that India needs to build considerably larger manufacturing capacities across sectors to address the extensive under-consumption within and also to feed a growing global appetite.

These twin imperatives are likely to enhance the proportion of industry in India's GDP from an estimated 7% to 9% across the foreseeable future.

At Yuken India, we embarked on a virtual reinvention of the Company in the last few years to address the unprecedented opportunity. We questioned every practice,

we restructured our businesses, we increased investments and we prioritised a new way of doing things. The result is that Yuken India has re-invented itself.

The five pillars around which we reinvented our company comprised business development, products for new applications, embedded electronic solutions for hydraulic products, business investments and Balance Sheet resizing.

These initiatives are now in various stages of implementation, the green shoots are beginning to show and Yuken India is likely to report significant growth across the foreseeable future.

01

### Accelerated business development

Today's Yuken India continues to be a customer-facing organisation. By working closely with customers and integrating itself into the business plans of its customers, the Company has strengthened its business development with the objective to possess the right product at the right time for downstream sectors. Through the proactive commencement of its product development programme, the Company expects to initiate product design, prototype creation and testing, leading to new business opportunities.

02

### Products for new applications

Today's Yuken India is not merely content in developing products and servicing customer needs from existing downstream customer sectors; the Company is addressing nascent sectors with attractive potential as well as large unaddressed sectors. The result is that the Company increased the number of sectors addressed from 8 in 2012-13 to 15 in 2017-18; the proportion of revenues from sectors previously unaddressed was 10% during the year under review. By seeding new segments, the Company has created multiple revenue engines expected to mature across the foreseeable future.

03

### Right-sizing the Balance Sheet

The Company is engaged in right-sizing the Balance Sheet with the objective to moderate risk and increase business sustainability. The Company relocated its Whitefield factory to Malur; the Company entered into an agreement with a prominent real estate development company to develop the Whitefield property. The Company will be entitled to 41.20% of the sale proceeds, starting from the second quarter of the current financial year (extending across the next few years). The Company expects to allocate this sizable inflow towards debt repayment and business development – moderating costs on the one hand and enhancing revenues on the other.

04

### Integration of electronics

The integration of electronics in a technologically stable area represents the new frontier in the global hydraulics sector. During the last couple of years, Yuken India incubated a team specialising in embedded electronic capabilities. The cutting-edge product development could potentially reduce electricity consumption and related costs, kick-starting a game-changer in the country's hydraulics sector. Besides, this development – likely to be commercialised during the current financial year – could reverse a long-standing paradigm of modern hydraulic technologies needing to be imported through collaborations, making proprietary Indian research the driver of the next generation of products.

05

### Increased capital expenditure

The Company has embarked on enhancing its future-preparedness through increased investments. During the last five years ending 2017-18, the Company, including subsidiaries, invested around ₹55 crore in their businesses. The Company intends to invest ₹30 crore in its business in 2018-19 and an aggregate ₹50 crore across next three years. This investment will treble hydraulics production capacity, double foundry capacity and treble ancillary capacity (subsidiary), creating a larger foundation on which to scale the business.

### Outcome

At Yuken India, we are optimistic that these initiatives will grow the Company's topline, margins, cash flows and profits in a sustainable way, enhancing value for all stakeholders.

# Yuken India's growth in the last five years

