

Broadbased

Yuken India Limited

Annual Report 2020-21



Forward-looking statement

This document contains statements about expected future events and financial and operating results of Yuken India Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.

Contents

02

Corporate snapshot

04

Chairman's message

05

Managing Director's review

07

Our competitive advantage

08

Our Atmanirbhar Bharat focus

12

Management Discussion and Analysis

18

Board's Report

39

Report on Corporate Governance

55

Business Responsibility Report

67

Standalone Financial Statements

126

Consolidated Financial Statements

Corporate Information

Board of Directors

Mr. Hidemi Yasuki, Chairman
Mr. Hideharu Nagahisa
Mr. Kenichi Takaku,
Capt. N S Mohanram
Mr. R Srinivasan
Dr. Premchander
Mrs. Indra Prem Menon – (Lady Independent Director w.e.f 24.09.2020)
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.
HDFC Bank Ltd.
MUFG Bank Ltd.
Mizuho Bank Ltd.
Sumitomo Mitsui Banking Corporation

Auditors

M/s. Walker Chandio and Co., LLP
Chartered Accountants

Registered office

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

Corporate office & Main plant

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

Registrar & Transfer Agent

KFin Technologies Private Limited
(Formerly known as Karvy Fintech Private Limited),
Unit: Yuken India Limited
Karvy Selenium Tower-B, Plot Nos. 31 & 32, Financial District, Gachibowli,
Nanakramguda, Serilingampally, Hyderabad- 500 008.
Phone: (040) 6716 1508/1592/1509
Toll Free no.: -1- 800-309-4001
E Mail Id: Einward.ris@karvy.com
Website: www.kfintech.com <https://ris.kfintech.com/>



Broadbased

At Yuken India Limited, we responded proactively to a transforming world in 2020.

Yuken embarked on broad-basing its business model, among other initiatives.

By addressing the needs of customers from a wider range of sectors, we are laying the foundation of a stronger company.

This broad-basing is empowering us by leveraging a rich pool of engineering capabilities, addressing a wider range of sectors relevant to a growing economy and enhancing value for our domestic eco-system.

Besides, this broad-basing is in line with the country's Atmanirbhar Bharat resolve to enhance self-reliance, accelerate industrialization, build a stronger domestic eco-system and enhance livelihoods.

We believe that this broad-basing will empower us to grow faster and more sustainably, strengthening our respect as a dependable solutions provider.

Yuken India Limited.

Possesses rich engineering experience.

Provides System Design support across the machine tool, plastic, power, steel, defence and infrastructure sectors.

Manufactures international quality products, delivered with speed and a high domestic proportion of components.

Enhances value for the company, customers and country.

Our track record, helping strengthen our foundation

The company was founded in 1976 in technical and financial collaboration with Yuken Kogyo Company Limited, Japan (YKC), global leaders in oil hydraulic equipment.

Our capacities have enhanced our preparedness

Headquartered in Bengaluru, the company possesses four state-of-the-art manufacturing facilities across India in Bengaluru, Malur (Karnataka), Mumbai and Haryana.

Location	Number of plants	Products
Bengaluru	3	Pumps & Valves Components, Precision Ground Spools, Power-Packs, Solenoid Coils and Iron Cores
Malur, Karnataka	5	Pumps, Valves and Power Packs, Hydraulics Manifold Assemblies, Chip Compacting Machines, Castings, Cylinders and Electric Motors.
Mumbai	1	Power Packs
Bahadurgarh, Haryana	1	Power Packs

Listing

The equity shares of the Company are listed on Bombay Stock Exchange where they are traded actively. The company's market capitalisation stood at ₹551.82 crore as on 31st March, 2021.

Our quality products have strengthened our recall

The Company manufactures hydraulic components like pumps, valves, cylinders and package system. The Company possesses precision manufacturing technologies, modern equipment and robust quality systems to address the emerging needs of various industrial and mobile sectors.

Our credit rating

The company's credit rating was revised from CARE BBB outlook Negative to CARE BBB- minus outlook Stable in FY 2020-21 for long-term bank facilities.

Our widening distribution network has enhanced product accessibility

The Company's extensive distribution network is spread across the country, comprising more than 58 channel partners. The Company exports products to more than 16 countries.

Our quality is driven by an ingrained Culture

The company strives to meet customer's expectations by providing world-class

hydraulic products, components, castings and services through total employee commitment and continual improvement. The company has been accredited with ISO 9001:2015.

Our longstanding clients have validated our quality

The Company addresses the demanding needs of prominent clients like SAIL, LMW Group, NTPC, TATA Steel, JSW Steel, Honda, Maruti Suzuki, Toyota, Mahindra, Bajaj, TATA Hitachi, Ajax, JCB, BEML and Terex, among many others.

Our focused subsidiaries and associates have helped enhance our business capability

The Company comprises four focused subsidiaries and two associates.

Our four subsidiaries:

Grotek Enterprises Private Limited
(manufactures precision ferrous castings),

Coretec Engineering India Private Limited
(manufactures hydraulic cylinders, accumulators, solenoids, precision ground spools, and tooling for the foundry),

Kolben Hydraulics Limited

(manufactures hydraulic products for mobile applications in collaboration with global leaders in this segment)

Yuflow Engineering Private Limited

(manufactures Electric Motors and Manifolds).

Our two associates:

SAI India Limited (manufactures hydraulic motors in collaboration with SAI s.p.a-Italy)

Bourton Consulting (India) Private Limited (engaged in Lean manufacturing consulting).

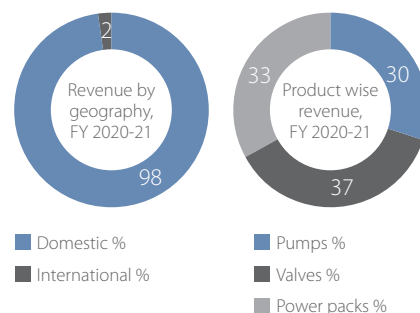
Our experienced management helps us in providing strategic direction and ensures growth

The Company's business is steered by the able leadership and experience of Mr. C P Rangachar, Managing Director, under the guidance of the Board of Directors. The Board is supported by a strong team of experienced professionals and skilled workers at the Company's manufacturing facilities. The strength of the Yuken team stood at 440 as on 31st March, 2021.

Products overview

The company manufactures a variety and types of products, which find application in multiple industrial sectors. Over the years, the Company has been enjoying a large clientele across 30-plus sectors.

Product	Pumps	Valves	Others
Types	Vane pumps Piston pumps Gear pumps	Pressure control valves Direction control valves Mobile valves Flow control valves Modular valves Cartridge valves Proportional valves	Hydraulic power units (Power packs) Cylinders Motors Actuators Accumulators Chip compacting machines (Kiriko) Filters Accessories Hydraulic manifold assemblies Servo Systems Hydraulic motors Flow dividers
Performance	Revenue share: 30%	Revenue share: 37%	Revenue share: 33%
Application segments	Plastic Machineries, Machine Tools, Power, Steel, Construction Equipment, Automotive, Presses, Railways, Material Handling, Drill Rigs, Rubber, Paper, Cement, Mines, Marine, Defence, and Agriculture etc.		



90000
(number) Pumps

20000
(number) Power packs

780000
(number) Valves

13000
(tonnes) Foundry

Chairman's message

Dear shareholders,

If there is one lesson that the ongoing pandemic has taught the world, then it is 'How fast and how much can you change?'

The pandemic came upon the world with a speed that made it impossible to take precautionary action. The new priorities are hygiene, safe practices and increased health care spending.

At the business level, there is a greater need for de-risking; with companies seeking lower debt, as well as broadbased products and markets, de-risking could protect them in a downturn.

At the national level, there is a greater recognition of the need for self-reliance, with a marked demand for products manufactured in India. We already see a growing need from a number of market sectors.

The world over, businesses are seeking to broad-base their global supply chain and avoid an excessive dependence on one country.

India can emerge as a large beneficiary.

Your company has been in business for nearly five decades, with a wide presence in the market and rich sectoral experience.

Your company is focused primarily on its domestic business, with a

niche presence in the international market. Over 75% of the company's raw materials are sourced from local vendors and suppliers, considerably higher than most peers.

Your company has adopted the best of Japanese practises, blended with its deep Indian ethos.

Responding to the pandemic, the company broadbased the sectors addressed by its products, optimized its resources and moderated costs. The Company became more nimble, competitive and profitable.

I am pleased that the effects of the transformation were evident in the financials. The company recovered from a first quarter that was hit by the lockdown to a decent performance in the fourth quarter.

The manner in which the company rebounded provides confidence that we will remain viable during a downtrend and enhance value for our stakeholders in a secure and sustainable way.

Hidemi Yasuki,
Chairman

Managing Director's review

Dear shareholders,

Overview

The FY 2020-21 was the most challenging we have seen in decades.

This single year presented challenges of people vulnerability, revenue uncertainty, customer attrition, logistical disruption and declining economy.

As a company that manufactures products for use in core sectors, our performance was affected in the first two quarters of the last financial year by a marked decline in revenues and margins.

To counter the pandemic, we optimized factors within our control and moderated our break-even point to survive, without impairing our Balance Sheet. We started addressing opportunities of the future.

Protecting our human capital

From the last week of March 2020, the Government mandated a total shutdown of operations.

As the pandemic spread, the priority was to protect our people.

The managerial staff was asked to work from home. When manufacturing was permitted to resume, the company

implemented a safe operating protocol covering checking, masks, sanitisation, social distancing, safe commute and pandemic- appropriate behaviour. The company made it safe for its workers and staff to work in the factory.

Optimising our resources

We recognized that in an uncertain environment, with little hope of an early recovery, the best course would be to look within.

The company optimized overheads; it enhanced people productivity; it engaged deeper with its vendors, lowered logistical costs and leveraged its rich knowledge pool to develop products for a new range of customers and applications.

The result is that the company became lighter (cost reduction), nimbler (faster deliveries) and broadbased (extension into other sectors). We virtually reinvented our company.

Enhanced relevance

From last year, there is a national movement towards self-reliance (the essence of the Atmanirbhar Bharat

programme). This was further enhanced on account of a logistical disruptions in imports.

These realities only deepened the relevance of Yuken's business model. Over the years, the company had emphasized the importance of manufacturing products (as opposed to trading) and sourcing components from a proximate vendor eco-system.

This focus, over the years, was of immense benefit as imports lagged.

Our business model, with a high indigenous content, is becoming increasingly relevant.

This also helps customers with quicker delivery and predictability, apart from a superior price-value proposition for them.

Performance

Yuken's business recovered during the second half of the last financial year.

The Indian government embarked on completing various unfinished infrastructure projects, which boosted demand from the country's defence, construction and power sectors.

The MGNREGA programme increased rural earnings that translated into a stronger offtake for tractors and farm equipment. The accelerated construction of roads that protect our borders needed road construction machinery.

All these led to an increased demand for hydraulics.

The highlight of the company's performance was the last quarter of the year. The quarter's sales accounted for 41 per cent of the revenues for the year. Revenues were 27 per cent higher than the preceding quarter and 74 per cent higher than the corresponding quarter of the previous year. The company reported its highest EBIDTA margin of 20% and a profit after tax of ₹10.68 crore.

Confidence

We are confident about our long-term prospects. Investment in major sectors of the economy translates into a growing demand for our customers.

The Indian government is committed to spend more on infrastructure and defence.

Besides, much of the capital spending on projects will be sourced locally, benefitting your Company.

Your Company's joint venture, with Brigade Enterprises Limited to develop surplus land, received a good customer response. We sold 94% of the apartments and received ₹69.41 crores as our share of the proceeds up to 31st March, 2021. We expect the project will be completed by June 2022.

We believe that the complement of these factors will empower us to enhance value for all our stakeholders in a sustainable way.

C P Rangachar
Managing Director



Our Atmanirbhar Bharat focus

90+

Percent of our revenues derived from products manufactured in domestic facilities

