



Annual Report

2019

Farm Machinery Corporation Limited

FOREWARD

Farm Machinery Corporation Limited (FMCL) is pleased to come up with the annual SoE performance report for the year, 2019. We are delighted to report the actual facts and figures of various achievements while implementing the planned activities in line to the mandates assigned to the company.

The compilation of performance report is also expected to help our colleagues to reflect their positions while contributing in growth and development of the company. This would also serve as reference documents for future planning and execution of the activities.

The management of FMCL would like to extend our sincere appreciation and gratitude to all the contributors in making success of compiling progress report. In due course of time, the management will strive to attain national standard of progress reporting.

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FMCL Profile

The Farm Machinery Corporation Limited (FMCL) was incorporated as a 100% state owned enterprise (SoE) on 29th March, 2016 under the company Act of kingdom of Bhutan 2000, vide Lhengye Zhungtshogs directives vide letter no-c-3/96/219 dated 4th March 2016 and subsequent approval note from Ministry of Finance (MoF) vide letter No. MoF/PED/FMHS/2016/3347 dated 18th March 2016.

Vision

Making Farming into profitable and attractive livelihood enterprise that is socioeconomically and environmentally sustainable.

Mission

Endeavour to transform farming activity through mechanization into a vibrant and sustainable economic venture.

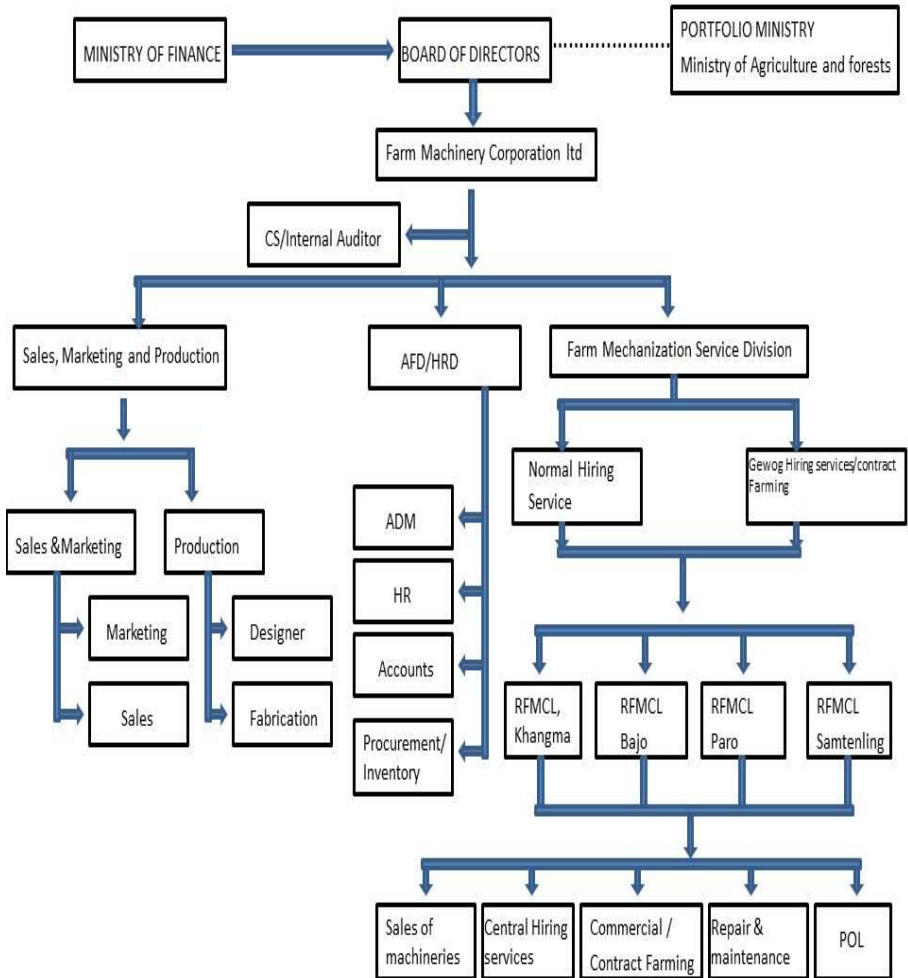
Mandates

FMCL is mandated to provide Farming Mechanization goods and services to the Bhutanese farming community at an affordable price with the following objectives:

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1. Hiring of Farm Machinery to farmers and other stake holders throughout the country.
2. Sales of farm Machinery, implements and spare parts.
3. Repair and maintenance of farm machinery.
4. Fabricate farm machinery, implements and spare parts.
5. Sales of POL, Lubricants and others.
6. Contract and commercial farming.

Organogram



Provisional Financial and operational performance

Financial Position

The gross asset of the company for the year stands at Nu. **402.245 million** as compared to Nu. **327.313 million** in 2018. The value of assets increased with the inclusion of assets transferred from Agriculture Machinery Centre and received of fund support from Ministry of Agriculture & Forests (MoAF) for land development and field preparation expenses under commercial farms and also from Ministry of Finance (MoF) fund for purchase of Machinery and spare parts.

Statement of Financial Position as at 31st December, 2019					
Particulars	Schedule No.	As at 31.12.2019		As at 31.12.2018	
		Nu.	Ch.	Nu.	Ch.
ASSETS					
Non-Current Assets					
Fixed Assets	3				
Property, Plant & Equipments		78,049,762.87		63,788,402.33	
CPWIP- POL Stations		14,182,891.41		14,182,891.41	
Land development and field preparation		108,170,336.33		99,190,132.41	
CWIP					
Total Non-Current Assets		200,402,990.61		177,161,426.15	
Current Assets					
(a) Inventories	4	126,558,889.57		123,902,469.09	
(b) Sundry Debtors	5	70,597,386.68		21,824,928.01	
(c) Cash & Cash Equivalents	6	(230,069.57)		1,434,268.99	
(e) Loans & Advances	7	4,916,628.41		2,989,607.72	
Total Current Assets		201,842,835.09		150,151,273.81	
TOTAL ASSETS		402,245,825.70		327,312,699.96	
EQUITY & LIABILITIES					
Shareholders' Equity					
(a) Share Capital	1	48,322,000.00		33,322,000.00	
(b) Reserves & Surplus	2	243,634,235.38		234,088,257.49	
Total Shareholders' Equity		291,956,235.38		267,410,257.49	
Non- Current Liabilities					
(a)Deferred Tax Liabilities (Net)	8	2,383,771.89		179,193.61	
Current Liabilities & Provisions					
(a) Current Liabilities	9	107,905,818.43		59,902,442.47	
Total Current Liabilities & Provisions		107,905,818.43		59,902,442.47	
TOTAL SHAREHOLDERS'S EQUITY & LIABILITIES		402,245,825.71		327,312,699.96	

a) Financial Performance Highlights:

- i.** Annual turnover for the year was Nu.2.101 million with the total expenses of Nu.177.015 million before tax.
- ii.** The company has received fund support of Nu. 10 Million From Ministry of Finance to meet the operational expenses.
- iii.** The company has received fund support of Nu.21.823 million from Ministry of Labour and Human resources for the staff salary.

Operational Activities

With the four regional centres in Khangma, Samtenling Bajo and Paro, the company has undertaken activities such as sale of farm machineries, Hiring of farm machineries, Repair and maintenance of farm machineries, installation and testing and execution

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Statement of Comprehensive Income for the year ended 31st December, 2019					
Particulars	Schedule	31.12.2019		31.12.2018	
		Nu.	Ch.	Nu.	Ch.
INCOME					
Revenue	10	96,530,763.63		169,579,148.25	
Changes in inventories	11	2,656,420.48		9,889,675.73	
Other Income	12	79,929,579.94		138,981,005.20	
Operating Income		179,116,764.05		318,449,829.18	
EXPENDITURE					
Purchase of Materials	13	40,192,200.67		142,632,008.91	
Operating Cost	14	38,532,622.15		62,540,835.26	
Employees Cost	15	62,209,365.06		72,742,308.55	
Administration Expenses & General Charges	16	16,934,560.59		20,685,830.39	
Repairs & Maintenance	17	6,607,437.71		7,656,001.91	
Depreciation and Amortisation of Intangible Assets		12,538,942.06		2,564,575.72	
Operating Expenses		177,015,128.24		308,821,560.74	
Operating Profit / (Loss) for the year		2,101,635.81		9,628,268.44	
Less: Prior Period Adjustment(Net)		0.00		0.00	
Profit/(Loss) before Tax		2,101,635.81		9,628,268.44	
Less: Provision for Taxation					
- Current Tax		1,636,037.16		1,493,817.40	
- Deferred Tax		2,204,578.28		179,193.61	
Profit/(Loss) after Taxation		(1,738,979.63)		7,955,257.43	
Other Comprehensive Income		-		-	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,738,979.63)		7,955,257.43	
Profit/(Loss) brought forward		3,761,372.49		(4,648,877.09)	
Transfer to Balance Sheet		2,022,392.86		3,306,380.34	
Basic Earning Per Share		(3.60)		23.87	
Dilluted Earning Per Share		(3.60)		23.87	

Highlight of key achievement and challenges

Revival of Fallow land

Total fallow land revived through contract farming mode (Acre)

Sl.No	Farms	2019	Remarks
1	Ramthangka	10	The expenditure was made from the contractual agreement, where in if the land is left fallow for more than three years the owner is not eligible for share cropping three years.
2	Norginthang	5	
3	Tamina	10	
4	Zhelngosa	12	
5	Others	18	
Total land revived		55	

Total fallow land/new land development carried out with the support from RGOB funding (Acre)

Sl.No	Farms	2019	Remarks
1	Phuntshothang	12	Milion was received from RGOB. The expenditure was incurred to develop terraces, irrigation channel, electric fencing and office construction.
2	Nichula	15	
Total land revived		27	

Cultivation of Normal paddy

Sl. no	Name of Region	Name of farm	Variety	Weight (Kg)
1	Paro	Ramthangkha	Yoese maap	5000
		Trendrelthang	Khangma maap	4500
2	Semtenling, Chuzergang rice mill.	Gelephu	Khamti	19385
		Nichula	Khamti	845
		Phuntshothang	Khamti	6807.67
		Nichula	Kalo Zeera	1000
3	Bajo	Zhengosa	Tantseri	3000
			Red	2000
		Tamena	Tantseri	8000
4	Khangma	Phuntshothang	Kamti	35000
Total				85537.67

Cultivation of spring paddy

Sl. no	Name of Region	Name of farm	Variety	Weight (Kg)
1	Semtenling, Chuzergang rice mill.	Gelephu	Brii-dhan	11350

Hiring service (acre coverage and its household benefited)

Sl No	Regional	Acreage Coverage	Household benefited
1	Paro Regional	3604.33	2761
2	Bajo Regional	4048.53	2462
3	Samtenling Regional	2844.03	1667
4	Khangma Regional	3415.85	2405
Total		13912.74	9295

Installation and testing after sales

Sl no	Regional	Installation	Testing
1	Paro regional	2	1
2	Bajo regional	31	32
3	Samtenling regional	0	1
4	Khangma regional	24	34
	Total	57	68

Manufacturing

Sl No	Product name	Numbers
1	Cage wheel	67
2	Mini power tiller plow	66
3	Power tiller	25
4	W	67

Challenges facing by the company

1. There is no clear directives and policies included on the exit strategy of State Owned Enterprise (SoE).
2. The management faces acute shortage of funds which hampers in executing and implementation of proposed activities. Adequate investment on time will immensely help in significant progressing of the planned activities especially in delivering social services to the farming communities.
3. The availability of skilled human resources and building capacity on human assets requires huge investment.

Revenue and expenditure projection for the 3 year

Assumption

The financial assumption is derived based on the following points:

1. The machines to be hired in the field based on machine capacity and will increase the efficiency as derived below:

Services	Percentage usage		
	2020	2021	2022
Central Hiring Services	80%	80%	80%
Geog Hiring Services	50%	50%	65%

2. There will be no changes in number of assets and number of employee's over the period of time.
3. The machines will be deployed 70 days in a year as per the price fixation policy endorsed by Ministry of Agriculture and forests.
4. The increasing trends of revenue or expenditure are recorded from 5 – 25% Increase over period of time for all domains.
5. The depreciation amount is calculated based on the assets transferred from Agriculture Machinery Centre on the value of assets after handing taking overs and assets ascertained by FMCL.
6. The POL Expenditure is recorded at an estimated amount of Nu. 400,000.00 (Four hundred thousand) per POL stations to be carry out during the year and

revenue is estimated with 10% increase over the period of time.

7. Additional capital expenditure is not included in the analysis.

Comprehensive Income Statement:

The Company has projected the breakeven from 4th year of its operation at estimated profit of Nu. 2.160 M and the net profit is projected based on the above assumptions.

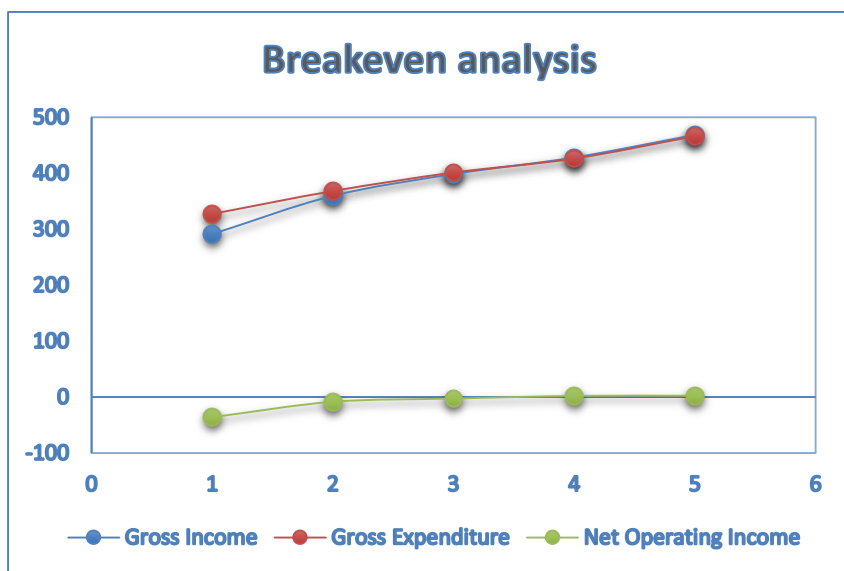
The summary of income statement can be shown for five consecutive years as tabulated below:

SL		(2020)	(2021)	(2022)
I	Expected Revenue			
	Activity Revenue	398.729	428.406	468.784
	Gross Income (A)	398.729	428.406	468.784
II	Expected Expenditure			
	Activity Expenditure	306.637	337.301	371.031
	Overhead Cost	55.802	61.382	67.520
	Depreciation	38.889	27.564	27.805
	Gross Expenditure (B)	401.328	426.246	466.355
III	Net Operating Income (A-B)	(2.599)	2.160	2.429

After completing year 2021, the Corporation is expected to generate income and will be contributing to the stable growth of Corporation

Break Even Analysis:

The Corporation realize a breakeven point when it reaches to 4th year of its operations. It has estimated that Nu. 2.160 M net operating income will be generated. The activity based cost, expenditure and overhead cost over the year is increase percentage over the year and depreciation cost is based on the assets available with FMCL at current period.



Investment and business plan for next 3 years.

Financial strategy

While FMCL is SoE with both social and commercial mandate, financial sustainability should be contemplated in the overall and strategies. To increase income from a particular source, the financial strategy can assist the company in allocating appropriate resources to achieve the financial goals. The financial goals should not only look at the revenue target but should also indicate the source of funds. The following strategies are drawn.

Sourcing of funds:

1. For any social mandate activities instructed by the Government, the company to formalize the subsidies before executing the activities.
2. Explore funds from donor agencies that has long term benefits
3. Overdraft facilities from financial institutions be availed and negotiation on the interest rate with Bank to be explored. Also to explore the possibility of ODF interest to be paid by the Government.
4. The Company main sources of funds shall be through (mandate) quick revenue generating activities with low investment and high return.
5. The funds required for the year have to source out beginning of the year to keep the fund reserve to implement the activities.

Investment

1. A proper investment plan shall be prepared for minimum of 5 years and a detail guideline / SoP for the procurement shall be formulated and adopted in line with investment plan.
2. Investment to be commercially viable, except those taken up as per Government directives. In such case, the budgetary support shall be sought from the Government to make the investment commercially viable.
3. Any investment or procurement shall not adversely affect the cash flow position of the company.
4. A detailed risk analysis shall be undertaken for any project involving high investment.

Cash flow management

1. Prepare cash flow statement on monthly basis to monitor the cash position.
2. The company shall maintain adequate cash reserve to meet operational activities at least for three months.
3. Offer discounts/ incentives to those customers who pay the bills upfront.
4. Track accounts receivable on monthly basis and follow up immediately if the payment is slow.
5. The internal revenue to be deposited very next working days for regional stores however, for gewog/ central hiring services and POL stations, the in-charges shall deposit the amount once it exceeds Nu 100,000.
6. Regular disposal of dead stock/ inventories to be done.

7. Any major investment to be made based on cash flow position of the Company.

Cost reduction measures

1. Minimize the recurring expenditure
2. Promote use of economical and effective alternatives.
3. Promote value addition of by-products.
4. Recruit and retain productive human resources.
5. Proper cost benefits analysis to be carried out prior to the execution of the activities.

Pricing:

1. The price of the product and services shall be on the cost plus model.
2. The price to be reviewed at least on half yearly basis depending upon the mark.
3. A minimum of 10% profit margin shall be maintained
4. The pricing of product and services on the promotion shall be decided by the price committee.
5. The pricing of goods shall be determined by average method (the average price of old and new stock).

Human resource development

Board member

The FMCL Board consists of five Directors including the chairperson and the CEO as member secretary assisted by Company Secretary. The Board of Directors is entrusted with the ultimate responsibility of guiding the strategic direction and performance of management to achieve its mandate. The management of FMCL is headed by the CEO and had functional heads as its member who look after the day to day affairs of the company.

Sl. No	Name	Gender	Working Agencies
1	Kinlay Tshering	Female	Director Department of Agriculture
2	Tandin Tshering	male	Director General, Department of Small and Cottage Industry.
3	Kuenzang L Sangey	Female	Chief Planning Officer, Gross National Happiness Commission
4	Deki Wangmo	Female	Chief Budget Officer, Department Of National Budget
5	Karma Thinley	Male	CEO, Farm Machienry Corporation limited

Human Resource

The company's policy considers human resource as its main assets for its success, thus it's imperative for the company to have right quality and quantity of people at the right place. Currently, FMCL has different sections, four regional centers, four commercial farms, six contract farms, eight machinery service centers and 40 Pol stations located across the country with following staffs strength for the regular employment type:

Number of employees bifurcated into top Management
(includes contract staff)

Sl. No	Designation	No
1	Chief Executive Officer	1
2	DGM, FMSD & AFD	2
3	Regional Manager	4
4	Head, CCF	1
5	Administrative officer	1
6	HRO	1
7	Finance Officer	1
8	Internal Auditor	1
9	M&E Officer	1
10	Procurement Officer	1
11	Head Production Unit	1
12	Marketing Officer	1
13	Company Secretary	1
14	ICT Officer	1
	Total	18

Total regular employees in the year 2019

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Sl. No	Designation	No	Employment type
1	Administration and Finance department	17	Regular
2	Farm mechanization service department	2	Regular
3	Internal audit	1	Regular
4	Human resource department	1	Regular
5	Manufacturing department	1	Regular
6	Paro Region	9	Regular
7	Bajo Region	9	Regular
8	Samtenling Region	6	Regular
9	Khangma region	10	Regular
	Total	56	

