



ANNUAL REPORT

Prioritizing user satisfaction with honesty



YEAR 2021

FARM MACHINERY CORPORTAION LIMITED
Paro, Bondey



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Post Box No: 1314

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FOREWARD

Farm Machinery Corporation Limited (FMCL) is pleased to come up with the annual SoE performance report for the year, 2021. We are delighted to report the actual facts and figures of various achievements while implementing the planned activities as well as the ad-hoc in line to the mandates assigned to the company.

The compilation of performance report for the year is also expected to help our colleagues to reflect on 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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1. Company 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.

1.1 Vision

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

1.2 Mission

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

1.2 Mandates

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



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.



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1.3 Organogram

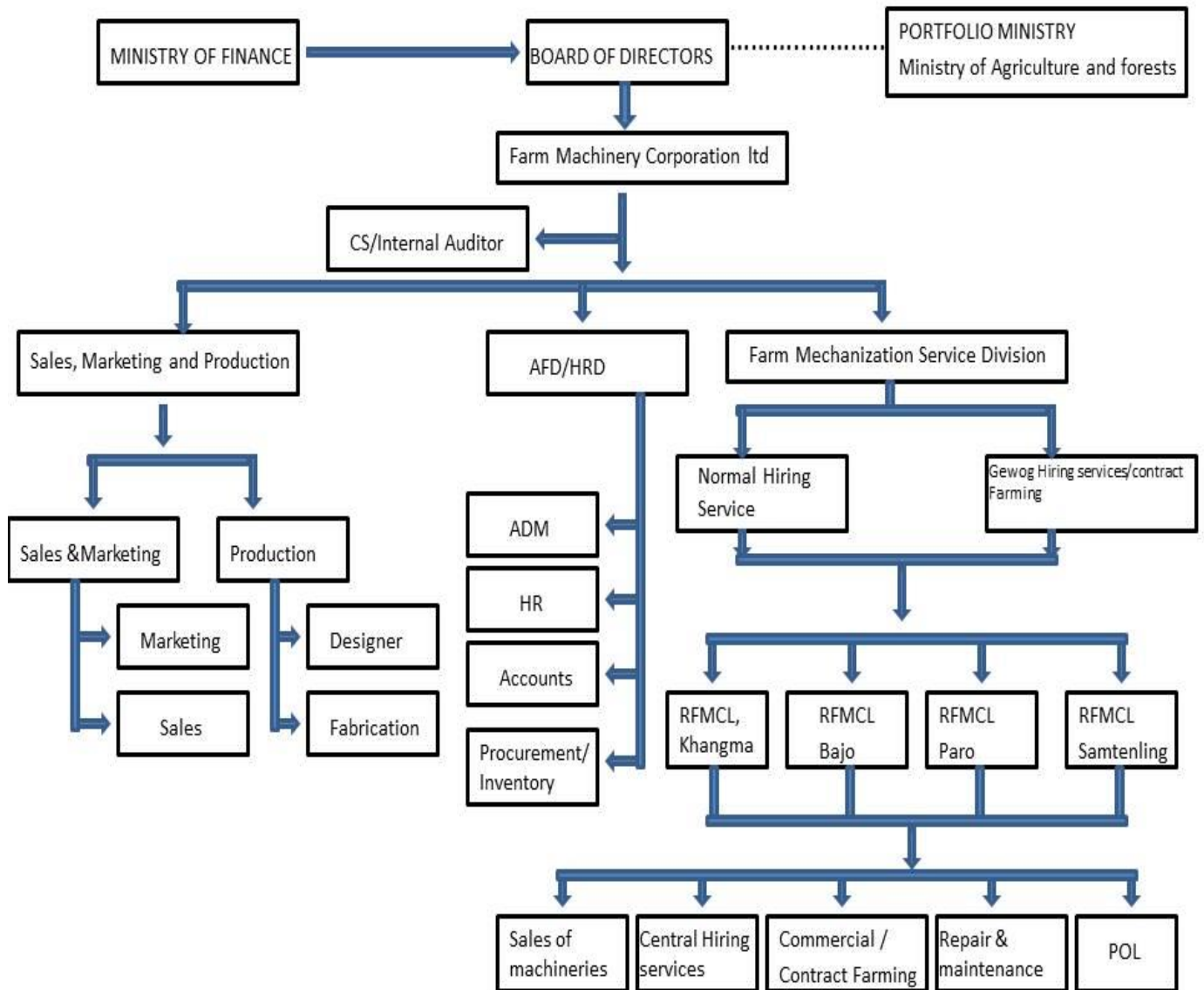


Fig 1: Organogram
Source: FMCL webpage



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2. Farm Mechanization Services of FMCL





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2.1 Company Mandates

2.1.1 Economic benefit through Hiring services

The company has been prioritizing the hiring activities for the past five consecutive years. During the execution period the whole country was affected by the pandemic situation which have been unfavourable in caring out the services. Nevertheless the company have endeavour in providing the services delivery to the end user. This was possible on the continues discussion with the employee and associated sector in overcoming the situation through office quarantine in collaboration with the dzongkhag Administration and COVID task forces.

The rational for addressing on the hiring activates is basically, this activity covers up most of the population who survive on the agriculture. Substantially it assist on the series of operations involving seed, nursery field preparation, land preparation, transplantation, weeding, fertilizer applications, guarding, harvesting, threshing drying and milling to produce the final product at an affordable cost.



Daily meeting on the hiring during COVID

The key performance indicator in contribution to the agriculture sector is through the economic benefit. It basically examines the company contribution and impact of hiring services to the society in switching from traditional to modern method.



Mini mitishibushi power tiller: Ploughing at Paro

Through this circumstances the derivation of the economic benefit keeping the basis of 'comparative study on the cost of rice production between machine and traditional method' executed on the Punakha, Paro and Sarpang Dzongkhag was formulated. The Company have taken the average of the mention three Dzongkha cost of estimation in traditional and modern method that accounted the cost of personal laborer and hired laborer, animal draft and machine.

This result have interpreted the benefits made by the company to the people on promoting and cutting down the cost reduction in agriculture.



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Economic benefit

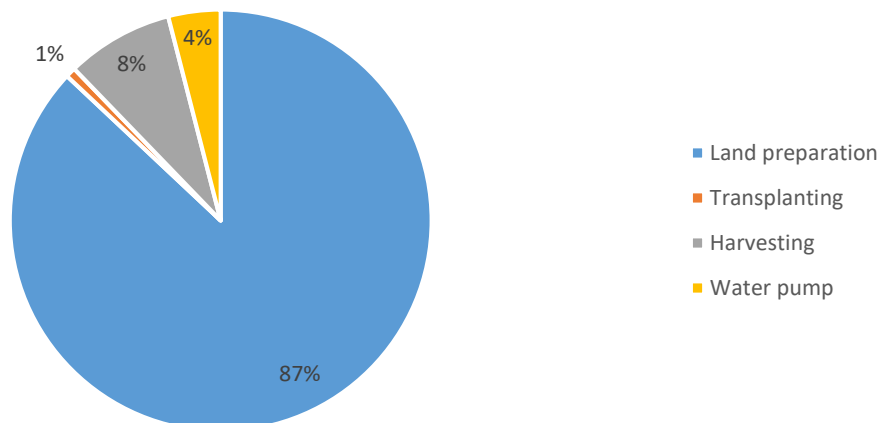


Fig: Percentage activity of deploying the machine through hiring services

The above table are interpreted base on the collection of year 2018 till 2021 with four categories of hiring season. On the reference of past year data, majority of the activity are carried on the land development with 87% followed by the harvesting 8%. Land development consist of the ploughing and rotary of hiring services provide from two model.

Sn.	Activity	Social benefit	Economic benefit
1	Harvesting	Total 97,148 man days	Traditional: Nu 10,619.64/Acre Modern: Nu 3,513.86/Acre Nu 46.201 Million
2	Transplanting	Total 6,107 man days	Traditional: Nu 9,000/Acre Modern: Nu 4,900/Acre Nu 2.504 Million
3	Land preparation	Total 1,372,188 man days	Traditional: Nu 8,631.78/Acre Modern: Nu 5,012.57/Acre Nu 248.312 Million

Fig: social and economic benefit through hiring services



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The analysis basically depicts the benefit of switching from traditional to modern method in terms of cost reduction and number of labour deployed in the. As illustrated in above table the economic benefit interprets in terms of money and social in terms of labour.

Apart from the economic benefit the alternative progress the company observe is the acre coverage and household benefit over the past year. On deploying the machine, the record on the acre coverage from year 2018 to 2021 is of 64,197.62 acre.

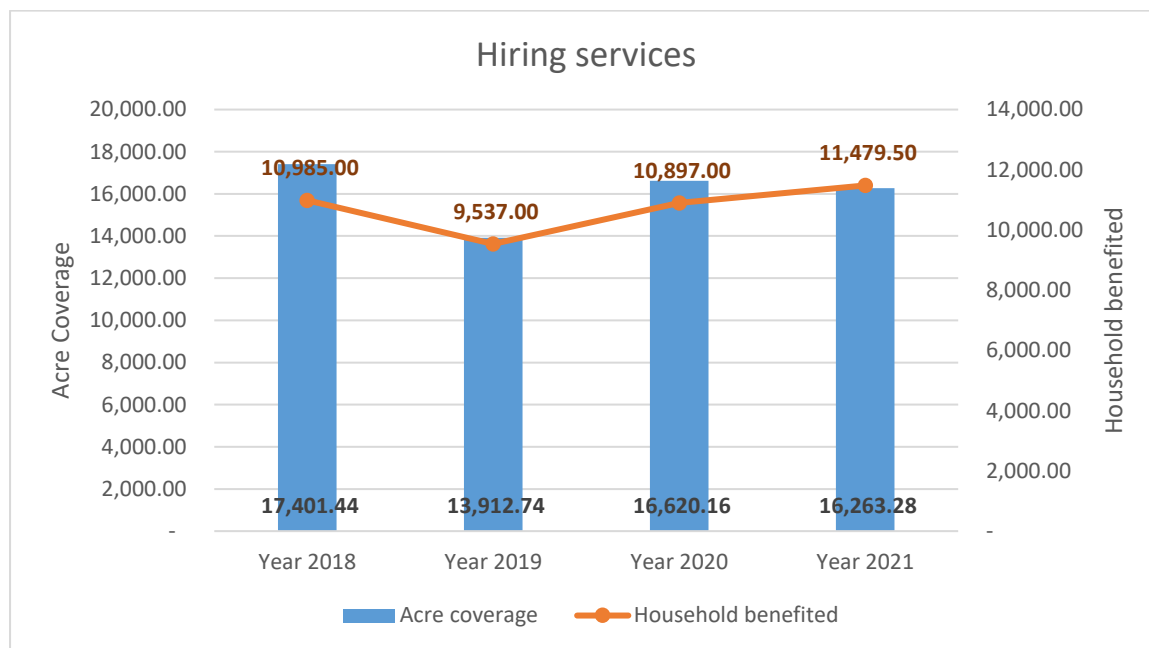


Fig 2: Central and Geog Hiring service acre coverage and household benefited
Sources: Farm mechanization service department (FMSSD)

2.1.2 Growth of market on Sale of machinery and spare parts

Consequently the primary mandates also include the sales of machinery and spare parts for the agriculture. Alongside by the hiring services the sale of spare parts and machine promotes the agriculture especially for the individual who have the capability of owing the machine and spare parts with the concept of reducing the drudgery.

Over the year the company have coping up with the dynamic change in the machine to meet the end consumer. This have ultimately lead to the increase in sales progress capturing the market.

The table below illustrates the company coping up in enhancing the agriculture machinery as per the demand in the market.



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Sn	Machine name	Year 2019	Year 2020	Year 2021
1	Paddle Thresher (Manual)	17		
2	Thread for sweing machine	60		
3	Vaccum Sealing machine (DZ280A)	50		
4	Vaccum sealing machine (VS100)	10		
5	Corn Thresher machinery		17	
6	Flour Mill-Machinery		27	
7	Rice Huller		42	
8	Power Weeder (GNS NC 52)		15	
9	Maize Thresher Machine STY26			23
10	Mini Rice Mill 3HP (Annapurna)			70
11	Buckwheat Dehusk Machine			6
12	TMR with loader 5 m3			6
13	Trnasformer 220V/100V for buckwheat Dehusk			6
14	Potato Chips fryer (Single)			13

Fig 3: Purchase of new machine yearly

Sources: Procurement Section

Further with upcoming of private entities with the same nature of business the company have been coping up in the market for the sales of quality products

Thus the graph below illustrates the progress for the past four years in terms of sales of machinery and spare parts. This sales are done on the price of which the items is kept same irrespective of any Dzongkhags based on pricing guideline. In terms of growth of market for the company, it have been vice versa for the machine and spare parts.

Thus, the annual sales of agriculture machine as of year 2018 to 2021 are shown in Fig 3:



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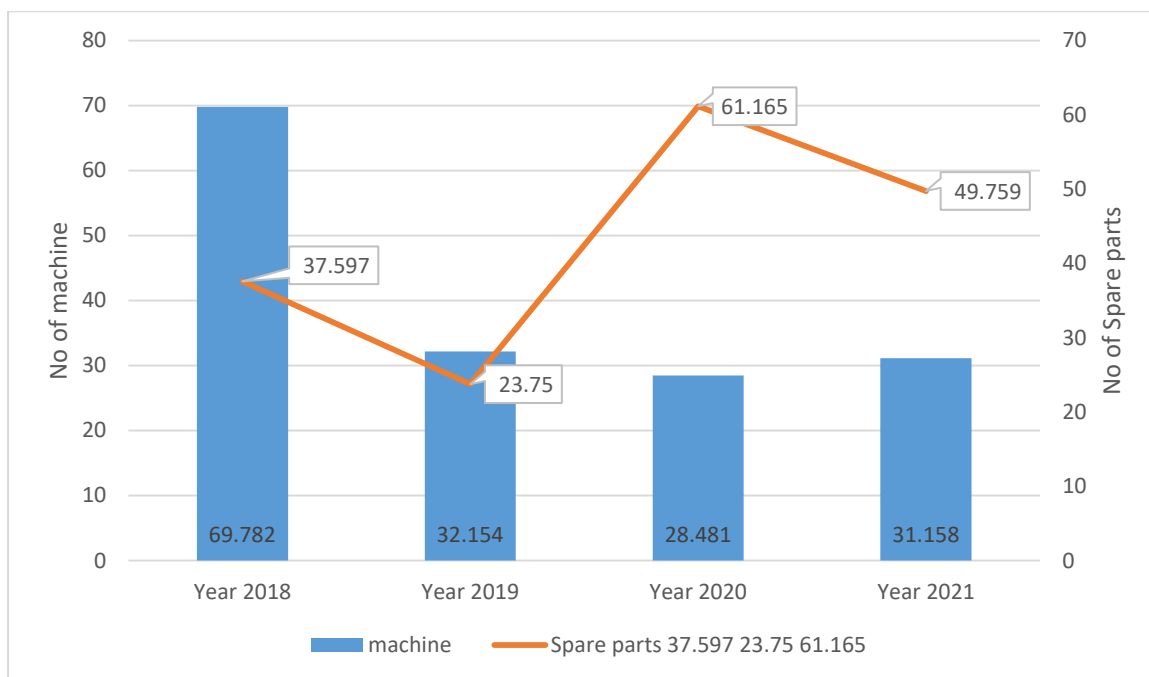


Fig 4: Trend of sale of machine in quantity

Source: Procurement section

2.1.3 Import Substitution by the Production Unit

The company took the mandate of production/fabrication of machine and spare parts in order to meet up immediate availability of spare parts at the market at small scale. Over the past four year's production unit have not only meet up the demand of the customer but also the hiring services provided by the company.

Presently, the Section is regulated with few skilled technical staffs and TTI graduates. The direct cost like cost of raw materials is procured from India and some parts are tendered out to private firms. The products that are manufactured are directly transferred to FMCL main sales store while the revenue is realized as income for the manufacturing unit.

The unit have been studying on demand of product in the market in order to execute the fabrication on every following year. On yearly basis the units comes up with the work plan on the fabrication, ultimately leading

Some of the spare parts fabricated by the production unit from year 2018 to 2021 assisting in the reduction of imports are illustrate below:



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Sn	Year	Import substitution	Production diversification
1	Year 2018	Nu 6.239 Million	Cage wheel for Kubota Hitch plate/saddle Cage wheel mini tiller
2	Year 2019	Nu 1.848 Million	Power tiller plough for mini tiller
3	Year 2020	Nu 0.537 Million	Rotary blade for Yanmar Rptary blade for saim Kubota Rotary blade for Mini tiller
4	Year 2021	Nu 4.978 Million	Rotary blade Cultivator tine Sole piece 34hp rotary

Fig 8: Quantity of spare parts fabricated by production unit in year 2018 till 2021

Source: Production Unit

2.1.4. A. Mega Green House

The design and construction of mega green house was initiated base for mass production of crops. Fundamentally, the greenhouse were designed for the protection of tender or off season plants against excessive cold or heat. Especially large greenhouses were important in agriculture and horticulture. Therefore, the company designed and constructed the mega green house by FMCL in Bhutan probably for the first time. The mega greenhouse is designed and constructed mainly for mass production.

The concept of mega greenhouse appeared when FMCL planned to produce mass production of vegetables to substitute imports from other countries, as normal greenhouses constructed in Bhutan have constraints like minimal spacing for use of farm machineries, multiple structures has to be constructed at one field and farm workers have to move from one structure to another.

Thus apart from the import substitution some the major activity carried out by the production unit is installation of mega greenhouse. Following are the mega greenhouse established in the year 2021.

Sn.	Location	Nos.	Size
1	Dagana	3	(24*100m)
2	Chimipang	2	(16m*50) (16m*30m)
3	Tsirang	2	(16*24m)



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4	Thimphu	1	(16*24m)
5	Phuntshothang	2	(16*92m) (16*80m)

Fig 9: Greenhouse installation in various location

Source: Production Unit

Human resource

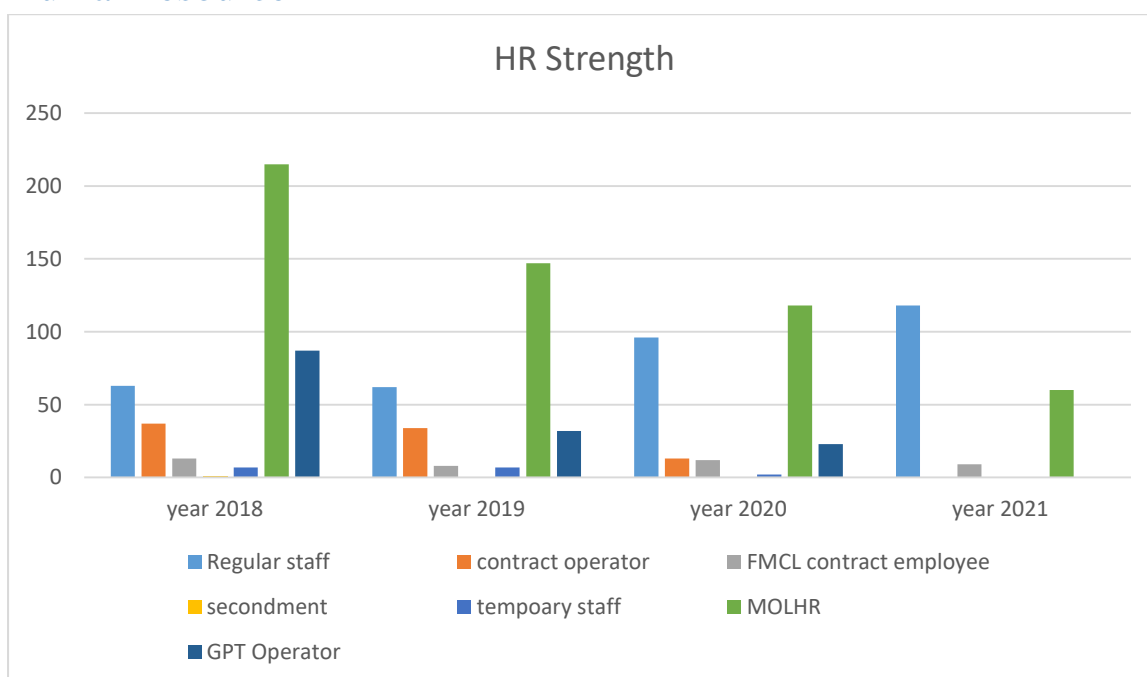


Fig 10: Human strength over the years

Sources: Human Resources Section

Over the past year the company strength in terms of human resource has been declining basically under the MOLHR and GPT operator. Those are the employees who have opt better opportunities and some of the employees who have been retrenched base on the organizational development carried out every year. The company have been helping hand to the government in reducing the unemployment targeting youth by giving support for two years.

Apart from the human strength, the essential requirement to enhance the company is the capacity development provided to the employees. After the launching of the company major training were provided during the year 2018 for the youths. Below are the list of course and the numbers of employee send to training.



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Course name	nos.	Year
Advance Citrus Production Management Training	1	2018
Advance Office Management	25	
Agriculture Training (Isreal)	1	
Auto CAD Training	4	
Bhutanese Accounting Standard	8	
Buckwheat Development and Implementation	3	
Business Trip to Delhi and Bangkok	5	
Client Care	25	
Commercial Vegetable Farming Training 1st batch	45	
Effective Proposal Writing Skills	1	
Farm Economy	12	
In House and Book Keeping 1st bat	82	
Intensive Farm Machanization	16	
Power Tiller Engine Overhauling Training	33	
Principles of Farm Economics and Resource Planning (Summer School)	10	
Procurement Management Training	3	
SIAM Kubota Training	13	
Spawn Production Training	3	
Technical Training	4	
6th edition of eima Agrimach INDIA 2019 at New Delhi.	1	2019
Business Trip to Delhi and Bangkok	6	
ICT Training(Japan)	1	2020
Technical Management Training	2	
knowledge and skills on improved vegetable production technologies at RDTC Zhemgang	1	2021
to enhance the knowledge and skills on improved vegetable production technologies	8	
To enhance the knowledge and skills on improved vegetable production technologies at RDTC Zhemgang	1	

Fig 11: Capacity development provided over the years

Sources: Human Resources Section



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3. Company Milestone





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3.1 Company Breakthrough

The Farm Machinery Corporation address the essential progress/achievement on contributing the company worth Nu..... by the end of year 2021. In order to outstretch to that worth some of the significant moments of accomplishment that marked the company's development and growth as of now are as shown below.

Year 2017	<ul style="list-style-type: none">• Youth employment in the company in collobration with MoLHR
Year 2017	<ul style="list-style-type: none">• monitoring of Hiring services in colloboration with SFaMPH-II
Year 2017	<ul style="list-style-type: none">• Launching of internal Service rules and Procurement manule
Year 2017	<ul style="list-style-type: none">• Implelemtation of Talley EPR-9
Year 2018	<ul style="list-style-type: none">• Cultivation of Spring Paddy
Year 2018	<ul style="list-style-type: none">• Land Development
Year 2018	<ul style="list-style-type: none">• Implementation of Ineventory and HR Database



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Year 2018

- Additional company Mandate (PoL) in collaboration with Department of Trade, MoEA

Year 2018

- FMCL business strategy and plan (2018-2022)

Year 2018

- Grant from Japan

Year 2018

- Memorandum of Understanding between CSI and FMCL on the purchase of Machine through loan for the customer

Year 2019

- Annual Performance Compact signing between Ministry of Finance, Board and FMCL

Year 2019

- Implementation of Pricing guidelines

Year 2020

- Way forward of project document



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Year 2020

- Collaboration with RGoB in execution of School and Hospital Feeding Program

Year 2021

- Introduction of Performance Management System online

Year 2021

- Collaborating with the new company FMCL Bio Fertilizer.



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4. Board Directors and its meeting





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4.1 Composition of Board Member

The company complied with the requirement of the Companies Act of Kingdom of Bhutan 2016 and other requirement. The FMCL Board consists of four Directors including the chairperson and the CEO as member secretary assisted by Company Secretary. The CEO report to the Board on the Company operations, management and performance during the board meetings.

The Board of Directors is entrusted with the ultimate responsibility of guiding the strategic direction and performance of management to achieve its mandate, supporting executive duties, and ensuring the company has adequate, well-managed resources at its disposal. 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.

As per the ‘Corporate Governance Guideline for States Enterprise 2019’ the company have to conducted board meeting four times per year thus in year 2021 the company held 6 board meeting inclusive of annual general meeting. Underneath are the details of the meeting held in the year 2021 for resolution in making the smooth operational of an organization.

4.1.1 Board meeting held in 2021.

SI No	Meeting	No of meeting held
1	Annual General Meeting	1
2	Board Meeting	8
3	Board Audit Committee Meeting	4

Fig 17: Board and audit committee meeting

Source: Company Secretary and Internal auditor

4.1.2 Board member

1. Mr. Sonam Penjor, Chair person

- Director (National Credit Guarantee Scheme)

2. Ms. Rinzin Pemo, Board member

- Chief Department of Macro Economic Affairs, MoF



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3. Mr. Namgay Thinley, Board member

- Chief Department of Agriculture, MoAF

3. Mr. Jambay Dorji, Board member

- Chief Executive Officer, Bhutan Alpine Seed

4. Mr. Karma Thinley, Member secretary

- Chief Executive Officer, Farm Machinery Corporation Limited

5. Mrs. Thinley Wangmo, Company representative

- Company Secatary, Farm Machinery Corporation Limited



4.2 Composition of Board Sub Committee

The formation of Board audit committee and the execution of the committee was in the year 2020 has been enhancing the Board in making decision by providing recommendation as specified in schedule IV of corporate governance. The Member secretary of Board audit committee, presents the quarterly financial statement and compliance, internal and external audit matter to the board audit members for the ratification and further to be presented to the Board for the endorsement.

Subsequently in the Year 2021 the Board audit committee was conducted four times in a year. Following are the details of the Board audit committee consisting of three members with internal audit as member secretary

4.2.1 Board Audit committee member

2. Ms. Rinzin Pemo, Chair Person

- Chief of investment and Corporate Governance division, Department of Macro Economic Affairs, MoF

3. Mr. Namgay Thinley, Board member

- Chief of Department of Agriculture, MoAF

3. Mr. Jambay Dorji, Board member

- Chief Executive Officer, Bhutan Alpine Seed

5. Mrs. Deki Tshomo, Member secretary

- Internal Auditor, Farm Machinery Corporation Limited



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5. Independent statutory audit report





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