



Annual Report

2018

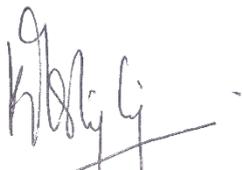
Farm Machinery Corporation Limited

Ministry of Finance (SOE)

Message from Chairperson

I on behalf of the Board of Directors of Farm Machinery Corporation Limited (FMCL), I am privileged to present the Annual Report of FMCL to its shareholder for the year ended 31st December, 2018.

The report highlights the operational, financial and other relevant information pertaining to year 2018.

A handwritten signature in black ink, appearing to read 'Kinlay Tshering', with a horizontal line extending to the right.

Kinlay Tshering

Board Chairman

FOREWARD

Farm Machinery Corporation Limited (FMCL) is pleased to come up with the annual progress report for the year, 2018. 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 progress 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.



Karma Thinley

Chief Executive Officer

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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

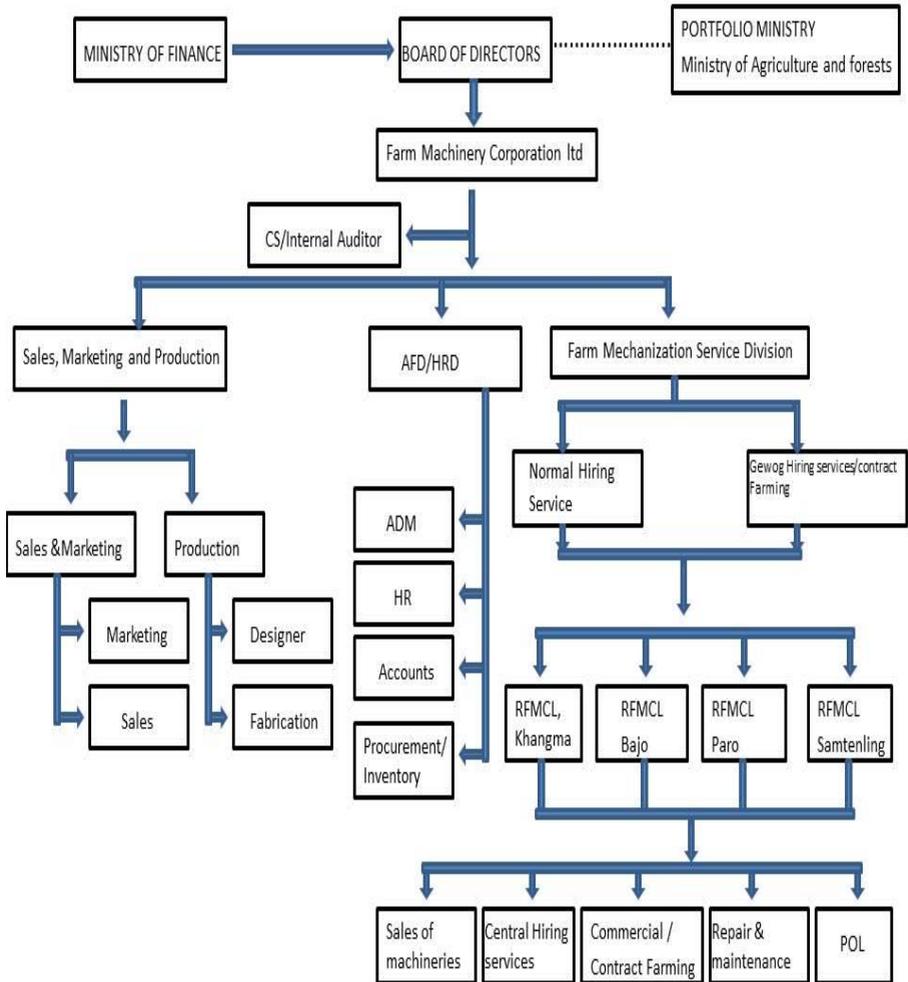
Endeavour to transform farming activity through mechanization into a vibrant and sustainable economic venture.

Mandates

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

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



Financial, Non- Financial and operational activities

Financial Position

The gross asset of the company for the year stands at Nu. **327.313** million as compared to Nu. **240.116** million in 2017. 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.

Statement of Financial Position as at 31st December, 2018					
Particulars	Schedule No.	As at 31.12.18		As at 31.12.2017	
		Nu.	Ch.	Nu.	Ch.
ASSETS					
Non-Current Assets					
Fixed Assets	3				
Property, Plant & Equipments		63,788,402.33		15,349,285.12	
CPWIP- POL Stations		14,182,891.41			
Land development and field preparation		99,190,132.41		46,886,955.37	
CWIP				211,490.00	
Total Non-Current Assets		177,161,426.15		62,447,730.49	
Current Assets					
(a) Inventories	4	123,902,469.09		114,012,793.36	
(b) Sundry Debtors	5	21,824,928.01		5,388,637.87	
(c) Cash & Cash Equivalents	6	1,434,268.99		52,967,781.18	
(e) Loans & Advances	7	2,989,607.72		5,298,760.25	
Total Current Assets		150,151,273.81		177,667,972.66	
TOTAL ASSETS		327,312,699.96		240,115,703.15	
EQUITY & LIABILITIES					
Shareholders' Equity					
(a) Share Capital	1	33,322,000.00		33,322,000.00	
(b) Reserves & Surplus	2	234,088,257.49		169,863,844.46	
Total Shareholders' Equity		267,410,257.49		203,185,844.46	
Current Liabilities & Provisions					
(a) Current Liabilities	8	59,902,442.47		36,929,858.69	
Total Current Liabilities & Provisions		59,902,442.47		36,929,858.69	
TOTAL SHAREHOLDERS'S EQUITY & LIABILITIES		327,312,699.96		240,115,703.15	

- a) Financial Performance Highlights:
- i.** Annual turnover for the year was Nu.9. 628 million with the total expenses of Nu.308.822 million Before tax.
 - ii.** The company has received fund support of Nu. 54.640 million From Ministry of agriculture and forest against commercial farm development.
 - iii.** The company has received fund support of Nu.15.18 million from Ministry of Labour and Human resources for the staff salary and TADA.
 - iv.** The Company has received Nu. 12.157 million Against fabrication of trailer, cadge wheel and transportation expenses for 353 general grant power tiller.

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

contract and commercial farm to meet the annual target of the year 2018.

The important mile stone undertaken by the company in last two years are:

- i. 851 acres of land is brought under cultivation under 5 contract and 5 commercial farms.
- ii. 724 acres of land cultivated with spring paddy and 350 acres of land cultivated with normal paddy.
- iii. 40 PoL or gewog services centres has been activated.
- iv. Few spare parts (Plough finger and shear) manufactured within the company.
- v. Website and inventory and HR data base has developed, further GPT hiring services and mobile apps has also been developed.

Non-Financial Achievement

The table below shows the total achievement against the set targeted in the year 2018.

#	Activities	Target	Achieved	% Achieved
1	Area Covered under Hiring Services(Central and Gewog Hiring Services)	16817	16963	101%
2	Area Cultivated under commercial Farming.	522	445	85%
3	Area Cultivated under spring paddy	135	139	103%
4	Gewog Service Centre/PoL Establishment	42	40	95%
5	Installation and Testing	362	285	79%

Corporate Governance

Name of the Directors and CEO



Name: KinlayTshering
Designation: Director (Chair Person) Department of Agriculture.
Email ID: kinlaytshering@moaf.gov.bt



Name: TandinTshering
Designation: Director General, Department of Small and Cottage Industry.
Email: ttshering@moea.gov.bt



Name: DekiWangmo
Designation: Chief Budget Officer, Department Of National Budget.
Email ID: Dwangmo@mof.gov.bt



Name: Kuenzang L Sangey
Designation: Chief Planning Officer, Gross National Happiness Commission.
Email ID: klsangey@gnhc.gov.bt



Name: Karma Thinley
Designation: Chief Executive Officer, Farm Machinery Corporation Limited
Email ID: ceofmcl@gmail.com

The Board of Directors, Board Meeting and Procedures

The company complied with the requirement of the Companies Act of Kingdom of Bhutan 2016 and other statutory requirement. The Board of Directors has entrusted with the ultimate responsibility of guiding the strategic document and performance of the management.

The FMCL Board consists of five Directors including the chairperson and the CEO as member secretary assisted by Company Secretary. During the year 2018, FMCL has conducted nine board meetings and the gap between two meetings did not exceed three months in accordance with company's act of Bhutan 2016. The CEOs 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. 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.

Composition of the Board and attendance in 2018.

Name of the Board of Directors.	Profile	No. of BM attended in 2018.	Date of Appointment	Sitting fees
Ms. Kinlay Tshering	Chairperson, FMCL Director, DoA	9	31 st October, 2016	Nu 5,000
Mr. Tandin Tshering	Director, Director General, DCSI	8	31st October,2 016	Nu 5,000
Ms. Deki Wangmo	Director, Chief Budget Officer, DNB.	9	18 th May, 2017	Nu 5,000
Ms. Kuenzang L Sangey	Director, Chief Planning Officer, GNHC.	9	31st October, 2016	Nu 5,000
Mr. Karma Thinley	Member Secretary, CEO, FMCL.	9		Nu 5,000

Human resource development

Human Resource management

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, five commercial farms, four contract farms, eight machinery service centers and 40 Pol stations located across the country with following staffs strength:

SL	Designation	Total No	Status
1	Regular Staff	63	Regular
2	Contract Operator	44	Contract basis
3	FMCL Contract Employee	13	Contract basis
4	Secondment	1	Contract
5	Temporary Staff	9	Temporary
	MoLHR employee		
6	DES employees	257	Contract Basis
7	DES (Gewog Power tiller Operators)	74	Contract Basis
8	Total FMCL Employee	461	

Institutional Development

The FMCL has supported with skill development of its employees by providing them training and out sourcing capacity development of staffs. During the year 2018, following in country and out country training have been availed by the staffs:

in-Country Training				
Sl.	Training Types	No. of participants	Source funds	Duration
1	Advance Mgt. Training 6th Batch	5	FMCL	5 days
2	Spawn Production Training	2	NHC	5 days
3	3-D Auto CAD Training	4	FMCL	5 days
4	SIAM KUBOTA TRAINING	14	AMC	8 days
5	Power Tiller Training	18	AMC	10 days
6	In House Training on Record Keeping & HR Online Data(1st Batch)	12	FMCL	2 days
7	In House Training on Record Keeping & HR Online Data(2nd Batch)	9	FMCL	6 days
8	Client Care Training 9th Batch	25	FMCL	5 days
9	Advance Mgt. Training 7th Batch	24	FMCL	5 days
10	Farm Economy Training	12	FMCL	5 days

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11	Bhutanese Accounting Standard Training	9	FMCL	5 days
12	Procurement Management	4	FMCL	5 days
13	In House Training on record keeping & HR Online Data(3rd Batch)	54	FMCL	2 days
14	In House Training on record keeping & HR Online Data(4th Batch)	21	FMCL	1 day
15	Commercial Vegetable Farming 1st Batch	26	RDTC	10 days
16	Power Tiller Engine Overhauling Training	20	FMCL	8 days
17	Commercial Vegetable Farming 2nd Batch	18	FMCL	12 days
18	Advance Citrus Production Mgt. Training	1	FAO-Bhutan Project	5 days
19	Summer School(Seminar II)	10	FMCL	5 days
20	Intensive Farm Mechanization	10	FMCL	10 days
21	Intensive Farm Mechanization	15	FMCL	10 days
22	ICT Training 1st Batch	13	FMCL	2 days
23	Bhutanese Accounting Standard Training	3	FMCL	5 days

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	Total	329		
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Ex- Country training				
Sl.	Types of training	No. of participants	Duration	Source Fund
1	ICT Training(Japan)	1	3 Months	SFaMP II
2	Buck Wheat Technology Development(Nepal)	3	5 days	National Biodiversity of Bhutan
3	Technical Training(Japan)	4	12 days	M/s Mistubishi Mahindra Agriculture
4	Business Trip	6	10 days	FMCL
5	Agriculture Training (Israel)	16		MoAF
	Total	30		

Suppliers and availability of machines

Central hiring availability of machine

The mandate of providing services is categorised into two:

1. Hiring services (Central hiring services) provided from the four regional centres; Paro, Bajo, Samtenling and Khangma with the availability of various machine.
2. Hiring services (Gewog Power tiller hiring services) provided from twenty Dzongkhags are of 2 types of machine; Power tiller and Mini tiller.

The details of hiring services provided from the four centrals and twenty Dzongkhag are as shown below:

Central hiring services					
SL	Particular	Paro RFMC L	Bajo RFMC L	Khangma RFMCL	Samtenling RFMCL
1	Powertillers	30	43	20	7
2	Mini Power Tiller	0	1	2	1
3	Tracrtror 18 HP	8	3	6	25
4	Tractor 34 HP	6	2	5	15
5	Tractor 50-60 HP	1	0	2	3
6	Combine Harvester	7	1	2	5
7	Paddy Reaper	42	17	11	7
8	Bhutanese Power Thresher	21	6	4	6

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9	Paddy Thresher-Paddle	6	0	0	3
10	Trans-planters	11	8	6	6
11	Water Pump with Engine	4	5	0	1
12	Water Pump without Engine	2	3	0	0
13	Power Paddy Weeder	25	1	0	0
14	Engines	5	0	0	0
	Grand total	171	91	58	79

Gewog Power tiller hiring services				
SL	Row Labels	Sum of Saimkubota (2018)	Sum of Mini tiller (2018)	Sum of Tractor(2018)
1	Bumthang	0	0	4
2	Chukha	20	9	0
3	Dagana	7	13	0
4	Gasa	6	0	0
5	Haa	9	9	0
6	Lhuntshe	10	6	0
7	Mongar	24	14	0
8	Paro	27	2	0
9	Pemagatsel	27	6	0

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10	Punakha	18	2	0
11	S/jongkhar	20	5	0
12	Samtse	30	0	0
13	Sarpang	36	0	0
14	Thimphu	10	5	0
15	Trashigang	9	21	0
16	Trashiyangtse	14	9	0
17	Trongsa	5	10	0
18	Tsirang	9	7	0
19	Wangdi	0	0	0
20	Zhemgang	18	1	0
	Grand Total	299	119	4

Imports and Local Supplier through tender

SL	Type of machine	Country of Origins					
		India	Japan	MAM Japan	Thailand	Wangchuk Agro, Paro	Yanmmar Japan
1	Brush Cutter	1					
2	Corn Flake	50					
3	Electric motor	70					
4	Engine	80					
5	Milk Perculator	5					
6	Mini Mitsubishi Power Tiller set			192			
7	MINI-Flour Mill	32					
8	Power Thresher						
9	Power Tiller					173	20
10	Reaper	12					
11	Rice Milling Machine	20					

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12	Sprayer	134					
13	Tractor	4					
14	Weeder	5					
15	Brush Cutter (Normal)				9		
16	Chaft Cutter	1					
17	Combine Harvester		3				
18	High Pressure Water Pump 6.5 HP				10		
19	Rice Milling Machine		1				
20	Water Pump Paramveer 3 HP Diesel engine	3					
21	WINNOWER Manual type BTY	1					
22	WINNOWER without motor Manual type ATY	1					
	Grand total	419	4	192	19	173	20

Supply from manufacturing unit

Fabricating and manufacturing of farm machinery implements and spare parts is one of the main mandates under FMCL where production Unit plays the vital role in fulfilling the mandates by producing and fabricating fast moving spare parts and highly potential farm machineries that are required in our country.

Further it plays an important role in an economy where FMCL tends to reduce the import form the third countries and achieve self-sufficiency by producing the required spare parts and farm machinery in country and fulfilling the needs of individual farmers.

SL	FMCL Product	Quantity
1	A Beam_1	52
2	Cage Wheel (Siam Kubota)	150
3	Depth adjusting frame	40
4	Paddy Wheel for Kubota	27
5	Plough Share	610
6	Saddle (Hitch Plate)	1000
7	Coupling Pulley (Corn Flake)	60
8	Rotary for Brush Cutter	25
9	Weedier for Brush Cutter	25
10	Cage Wheel for Mini tiller (Production)	126
11	Mini Power Tiller Plough	12
12	Paddy Wheel for Yanmar P/Tiller	20
13	Power tiller plough	72
14	Power Thresher	7

Audit Report

Statutory Audit Report

The company was audited by M/s Mitra and Co. Chartered Accountant, Kolkata, India. The audit has qualified the following opinion:

The financial statements of Farm Machinery Corporation Limited, which comprise the Statement of Financial Position as at December 31, 2018 and the Statement of Comprehensive Income and statement of Cash flows for the year ended, Statement of Changes in Equity during the year and notes to the financial statements, including a summary of significant accounting policies.

In the audit opinion, except for the effects of matters described in the Basis of Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows, Statement of Changes in Equity for the year ended in accordance with Bhutanese Accounting Standards (BAS) - SMEs issued by the Accounting & Auditing Standards Board of Bhutan (AASBB)

1. Basis for Qualified Opinion:

- i)** Advance of Nu.33,322,000 received from the Ministry of Finance has been recognized as “Paid up Capital” pending allotment of shares in the name of Royal Government of Bhutan.
- ii)** Employee Benefit costs in respect of Gratuity and Leave etc. were not recognized in these financial statements. Therefore, directives of BAS – 19 were not complied with.
- iii)** BAS-2 requires comparison between cost and realizable value and lower amount needs to be considered for the purpose of inventory valuation. The company could not ascertain the realizable value and inventory was valued at weighted average cost.
- iv)** As per BFRS -1 (First time adoption of Bhutanese Financial Reporting Standards), Financial Statements ought to have been recast with respect to the years 2016 AND 2017 and accordingly

Reconciliation Statement showing the differences between local GAAP and BAS was required to be attached with these statements.

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Land development done 17,464Acres



*H/h benefited through hiring services
12,421*



Manufacturing of Cage wheel for Power tiller



*Some spare parts and accessories are
manufactured to substitute the import*

