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# Kirloskar Oil Engines Limited

## Earnings Update Jun 2016

# Disclaimer



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Statements in this presentation, particularly those which relate to management's views and analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations.

Actual results might differ materially from those either expressed or implied.

# Key Financial Highlights



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- Q1 sales @ Rs. 651 cr was 13% higher than the PY of Rs. 575 Cr.
  - Increase in Power Generation sales driven by favourable economic climate and availability of KOEL's complete product range
  - Government initiatives in Infra sector help bolster Industrial sales
  - Good monsoon forecast triggers Agri offtakes. Mega T acceptability evident as sales pick up
  - Offtake in International markets witness visible dip especially Saudi Arabia where order book has dried up in last two quarters.
- EBITDA margins @ 13% (Rs 82 cr) vis-à-vis PY 11% (Rs 63 cr)
  - Revenue growth backed up with several profit improvement initiatives continued from PY has started paying off
- PBT margin 13% (Rs 82 cr) vis-à-vis PY 9% (Rs 52 cr)
  - Interest from IT refund of previous years ~ Rs 11 cr
- The trend of negative operating working capital continued for the 9<sup>th</sup> consecutive quarter.

# Financials



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All numbers in Rs. cr	Q1 FY2017	Q1 FY2016	∂	FY2016
Net Sales	651	575	13%	2406
Other Operating Income	13	10	28%	67
Raw Material	424	373	14%	1542
Employee Costs	49	48	4%	185
Other Expenses	109	102	7%	469
EBITDA	82	63	30%	276
Non-Op.Income / ( Expenses )	28	19	48%	49
Depreciation	28	26	6%	112
Interest	1	4	-81%	9
<b>PBT</b>	<b>82</b>	<b>52</b>	<b>57%</b>	<b>204</b>
Tax	23	10	122%	40
PAT	59	42	41%	165

# Q1 2016-17 Sales : Segment Performance



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All numbers in Rs. crs	Q1 FY2017	Q1 FY2016	ð
PowerGen	295	276	7%
Agricultural	121	99	22%
Industrial	112	91	23%
Customer Support	98	89	11%
Large Engines	27	22	26%
Total	651	575	13%
Exports out of above	39	55	-29%



# Key Financial Metrics

	Q1 FY 2017	Q1 FY 2016
EBITDA %	13	11
Inventory (Days)	26	29
Receivables (Days)	19	16
Creditors (Days)	48	51
Fixed Asset Turns	7	5
RoCE %	20	16
Operating RoCE %	41	29
Cash & Equivalents	918	906



# A. Power Generation Business Highlights

**Despite the continuing trend of low power deficit, the Indian DG set market witnessed some buoyancy resulting in increased demand.**

- The much awaited indigenously developed 1010 kVA DG set with 16 cylinder CRDi engine launched in June '16 thus further fortifying KOELs 'Make in India' drive.
- KOEL Green emerging as the only brand in India to provide full product range from 2 kVA to 1010 kVA
- 750KVA witnessed good response in the market and expected to contribute to the top line with its healthy order board
- Continuous focus on Bulk and institutional orders has contributed significantly in Q1 CY

# B. Industrial Business Highlights



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**Industrial engines (Off – High way ) market showing signs of improvements on the back of of govt initiatives in road construction and expectations of good monsoon. Following are the key highlights:**

- KOEL Industrial segment witnessed a growth of ~23% over Q1 PY. Applications like Backhoe, transit mixer, Compactors showed positive growth.
- Construction equipment and earthmoving segment registered ~40% growth over Q1 PY
- Tractor market too is recovering from last years dip in anticipation of good rainfall and has registered growth of 6% over Q1 PY

# C. Customer Support Business Highlights



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**Higher usage of existing DG sets together with higher offtakes in PG & Industrial business helps in boosting service and spares in CSBG.**

- CSBG registered a growth of 11% over Q1 PY, driven by increased usage of DG sets and industrial engines, generating demand for oil and filters
- '*KOEL CARE*' as a brand being established in the market. Genuine oil and coolant are launched under this brand in Q1 CY
- Continuous customer focus through van campaigns and Radio advertisements resulted into increased penetration levels
- KOEL focus on acquisition of Corporate customers for AMC continued



# D. Agri Business Highlights

**Expectations of normal monsoon has bolstered the sentiment and resulted in improved oftakes in Agri. Following are the key highlights:**

- Mega T : Against 1443 nos sold in FY15-16, around 1000 Mega T sold in Q1 CY alone. About 180 dealerships operational now PAN India.
- Odhisha now has over 30 authorised dealerships for Mega T and farm implements under the umbrella brand KMW
- Launched Sugarcane series (12 HP) & Delux version of Mega T with self start feature
- In the Crop Irrigation segment, 900+ retailers appointed in Q1 of CY taking the total network strength to 18K+ retailers
- Trading opportunities continuously being explored to leverage on channel & augment ROI of channel partners

# E. International Business Highlights



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**With a Vision of KOEL touching the world by 2025, company's International operations remains one of the key strategic focus areas and growth drivers. Following are the key highlights :**

- PG export sales was impacted during Q1 on a/c of slow down in Middle East and setback in major markets like Saudi Arabia
- Industrial and Agri segment export sales were impacted by slow down in Iraq, Iran and Egypt
- Successful launch of FM/UL (Factory Mutual & Underwriters' Laboratories) approved fire fighting application in USA and Middle East
- Participated in National Fire Protection Association (NFPA) -2016 Show - focused Exhibition on Fire protection in USA ,with FM/UL approved engines exhibits

# F. Large Engine Business



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## Following are the key highlights:

- First export order of Bangladesh for Marine Engines
- Approval for manufacturing proto for auxiliary power unit obtained from Research Designs and Standards Organisation (RDSO)
- Energy systems for RADAR application testing at high altitude completed.
- 8 DG sets of 500 kVA delivered to L&T for Offshore Patrol Vessel (OPV)

# G. Others



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- **The financial results are in compliance with Ind AS subsequent to its adoption. The comparative figures for the previous periods have been restated to conform to the current period**



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**Thank You**