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# Kirloskar Oil Engines Limited

## Earnings Update Jun 2015

# 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.

# Financials



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All numbers in Rs. cr	Q1 FY2016	Q1 FY2015	∂	FY2015
Net Sales	577	629	-8%	2,473
Other Operating Income	4	10	-57%	34
Raw Material	373	416	-10%	1,626
Employee Costs	48	46	4%	188
Other Expenses	108	102	6%	444
EBITDA	53	75	-30%	249
Non-Op.Income / ( Expenses )	19	14	39%	59
Depreciation	26	24	7%	102
Interest	0	0	-	0
<b>PBT</b>	<b>46</b>	<b>65</b>	<b>-30%</b>	<b>205</b>
Tax	10	17	-44%	62
PAT	36	47	-24%	143

# Q1 2015-16 Sales : Segment Performance



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All numbers in Rs. crs	Q1 FY2016	Q1 FY2015	Δ
PowerGen	276	291	-5%
Agricultural	99	92	8%
Industrial	91	99	-8%
Customer Support	89	91	-3%
Large Engines	22	55	-61%
Total	577	629	-8%



# Key Financial Metrics

	Q1 FY2016	Q1 FY2015
EBITDA %	9	12
Inventory (Days)	29	29
Receivables (Days)	9	20
Creditors (Days)	51	55
Fixed Asset Turns	5	4
RoCE %	13	19
Operating RoCE (annualized) %	21	38
Debt	-	-
Cash & Equivalents	886	780



# A. Power Generation Business Highlights

## **Sluggishness in India's DG market continued in Q1. Market decline by ~17% over last year Q1. Following are the key highlights:**

- KOEL takes the first move in giving 7 days assured delivery for its Gensets to the customers.
- Economic slow down continues to affect the demand and also leading to intense price cuts by fringe players in LHP & MHP segments .
- Power deficit in the country was historically lowest in Q1 FY16 (~2 %)
- Telecom market showed some upsurge
- KOEL's market improvement efforts were supported by strong initiatives such as :
  - Enhancement of product features and launching of new variants in new emission norm regime.
  - Optimization and automation of existing system and processes to fasten the speed of operations.
  - Implementation of Customer satisfaction measurement system.



## B. Agri Business Highlights

Unseasonal rainfall in UP in Q4 of FY15 has affected sales of engines and spares in Q1 of current FY as the crops were damaged. Abundance of electrical power has impacted demand for diesel engine pump set. However, the business has taken several steps to revive the market and reverse declining trends. Following are the key highlights:

- Focused approach to make substantial impact in the farm mechanization space. **Kirloskar Mechanization Works (KMW), taking shape as a new brand identity.**
- **Mega T** has been well accepted in the market. Reached 7 states, 124 dealership and around 300 Nos ( Rs 3.1 Cr)
- New segment for tractor drawn implements with Brand called 'Univator'
- Varsha Mini Diesel received encouraging response in Light weight pump set category
- Built a distribution network of over 867 retailers and 65 distributors (Both engines & Spares) for crop irrigation business in Q1 FY16
- Appointed 147 nos KSK (Kirloskar Krishi Sewa Kendra) for service and spares in Q1 FY16.

# C. Industrial Business Highlights



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**Industrial engines (Off – High way )market declined by more than 15% in FY15 Y-o-Y basis. Following are the key highlights:**

- Slight recovery in the demand of fluid handling equipment.
- Tractor market negative trend continues.
- With the government focus on infrastructure / Construction, Road infrastructure projects are now picking up. This has resulted in demand surge for construction equipment business in Q1 FY16.
- KOEL introduced new engine variants for specific applications.
- Despite competitive environment, KOEL is focussed on retaining its market share in the OFF HIGH way segment.

# D. Customer Support Business Highlights



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**The improved power situation resulting from the continued economic slowdown, has led to low usage of DG sets and consequent low service load and lower spares consumption in PG segment. Following are the key highlights:**

- Despite lower power deficit and lesser economic activities, customer support business is stable due to KOEL's high customer engagement and customer support activities.
- KOEL continues with new initiatives to improve its high service standards further, such as:
  - implementation of automated customer satisfaction measurement system for all the customers.
  - Automating the existing processes to enhance the speed of response to the customer
  - Customer centric service campaign
  - Empowerment of service engineers to handle high end products.

# 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 :**

- In a challenging macro-economic environment the Company's exports registered a growth of 9.6% in Q-I as compared to the previous fiscal. Exports to markets like South Africa, Saudi Arabia and entry into New markets have contributed to growth.
- Middle East & Africa continued to be the largest contributors for the International business. The company's business in South Africa grew in Power Generation segment increased in Q-I of the current fiscal over last year.
- Work in progress on emission certification in compliance of regulation norms for entry to the American and European markets in FY 2016 and beyond.
- In order to provide focus in the US and Latin America market, a 100% subsidiary " KOEL Americas Corp " incorporated in USA.

# F. Large Engine Business



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**The large engine business caters to a niche segment where demand is based on the launch of large government projects and defence power and propulsion requirements. Some of the business highlights were :**

- Defence & Marine business remains focused area for LEBG. Manufacturing of this segment shifted to Nashik from Apr-15
- KOEL encourages green fuel. KOEL signed MOU with BioCube, Canada for manufacturing & after sales service of Bio Diesel manufacturing plant in India.
- KOEL signed MOU with Anglo Belgium Corpn, Belgium for high horsepower ensigns for railway segments.

# G. Other matters



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- The Company has invested USD 250,000 in "KOEL Americas Corp" (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp" is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.
  
- KBIL – KOEL merger complete w.e.f 1<sup>st</sup> April.
  - KBIL ceased to be the holding company of KOEL. Equity shares held by KBIL in KOEL are cancelled and same number of equity shares are allotted to the shareholders of KBIL on 14<sup>th</sup> July 2015
  - In pursuance to scheme of amalgamation, unutilised MAT credit of Rs 22 cr of KBIL is now available to KOEL. Rs 6.78 cr has been adjusted in the current quarter from advance tax.



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**Thank You**