



“Kirloskar Oil Engines Limited, Q2 FY-26 Earnings Conference Call”

November 12, 2025



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Moderator: Ladies and gentlemen, good day, and welcome to the Kirloskar Oil Engines Limited Post Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Amit Shah from Antique Stockbroking. Thank you, and over to you, sir.

Amit Shah: Thank you, Kruna. Good evening, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to post earnings call of Kirloskar Oil Engines Limited. To discuss the results, we have the senior management team of the company represented by Ms. Gauri Kirloskar – Managing Director of the company; Mr. Rahul Sahai – CEO of the company; and Mr. Sachin Kejriwal – Chief Financial Officer of the company.

I will hand over the call to Ms. Gauri Kirloskar for the opening remarks, post which we can open the floor for Q&A. Over to you, ma'am.

Gauri Kirloskar: Yes. Thank you very much, Amit, for that introduction. Good evening, everyone, and thank you for joining us today. Before we start the call, I will just reintroduce my team because there are a couple of more people here. So, Rahul Sahai, CEO at KOEL; Sachin, who is the CFO at KOEL; Kiran, who is the CHRO; Farah Irani, who is the Company Secretary; and from Arka, we have Ridhi Gangar, who is the CFO.

As is customary, I will begin with business and operational updates. Sachin will then provide a brief overview of the financial performance, following which we will open the floor for Q&A.

Business and operational updates:

Q2 has been a strong quarter for KOEL with net sales crossing the INR 1,500 crore mark for the first time. I would like to congratulate the entire KOEL team on achieving this new milestone. This also takes our H1 net sales to INR 3,027 crores, marking another significant achievement as we crossed the INR 3,000 crore milestone for the first half. Overall, the year-on-year growth numbers are encouraging, though they come on the back of a relatively muted Q2 performance last year.

Nonetheless, we have also delivered double-digit growth on a quarter-on-quarter basis, which makes this performance particularly satisfying. On October 10, we announced the restructuring of our B2C business. The Board approved the transfer of B2C business within KOEL stand-alone by way of slump sale as a growing concern to its wholly owned subsidiary, LGM. So, from Q3 onwards, you will see this change taking place in the reporting.

The key objective is to maintain dedicated focus on each segment and drive greater efficiency through structures best suited to their respective customer needs. As we align these businesses, we are adopting new nomenclatures following the restructuring. The B2C business is now referred to as Fluid Dynamics. Accordingly, if I use this term in my speech, please interpret it as the B2C business.

Also, our international business comprises a mix of B2B and B2C exports. Therefore, in certain parts of my speech, the numbers may appear regrouped under this classification. Please feel free to reach out to our team if you require any clarification on these bifurcations.

Now coming to business performance:

Looking at the stand-alone sales breakup. The B2B business witnessed 35% growth year-on-year with all subsegments recording a double-digit growth. The B2C segment grew 28% year-on-year with WMS sales recording 22% growth year-on-year and International B2C business witnessing a 77% growth year-on-year.

In terms mix across both B2B and B2C segments, domestic sales stood at INR 1,406 crores, registering a growth of 35% year-on-year. Export sales stood at INR 187 crores, reflecting a similar 35% growth year-on-year. EBITDA for the quarter stood at INR 214 crores, reflecting a margin of 13.4% versus 12.4% last year. Numbers for the previous period excluding reversal of provision for overdue receivables made for a customer toward sales made in earlier years.

EBITDA margin for Q2 of FY '25 at a stand-alone level, including reversal for overdue receivable provisions was 13.9%. In the current period, there is no such reversal.

Let me now take you through what drove this performance:

The Power Generation business unit anchored the company's performance, delivering a strong 41% year-on-year growth in sales and achieving its highest ever quarterly revenue of INR 678 crores.

This robust performance further strengthens KOEL's market leadership. We are seeing encouraging momentum in the Optiprime initiative and the business secured several notable commercial wins, including multiple 1,500 kVA orders, 2,000 kVA and 2,500 kVA orders, underscoring the depth of customer confidence in our offering.

Looking ahead, we remain focused on the planned rollout of our products in Q3 FY '26, which we expect will further enhance our competitive position across the domestic power generation business.

Moving to the Industrial business:

The Industrial business unit also delivered a strong performance with 40% year-on-year sales growth. This was driven by healthy traction in both defense and railways, where demand remains robust.

Defense business:

Our Defense business continued its positive trajectory, supported by emergency procurement orders and steady progress on key strategic programs. Notably, we completed and submitted the detailed design for the Indian Navy's prestigious Make 1 initiative. We have new product launches in the Railway segment for the 400-horsepower engine for a rail maintenance application for utility track vehicles.

Now coming to Distribution and Aftermarket:

Distribution and Aftermarket business unit reported a 13% year-on-year growth, reflecting the benefits of our ongoing organizational strengthening.

During the quarter, we implemented a revised field structure with an increased focus on key account management and advanced service offering. Our extensive service network continues to be a key differentiator with service requests reaching an all-time high of approximately 92,000, demonstrating both the scale of our installed base as well as our commitment to customer support across the life cycle.

Moving on to Fluid Dynamics:

The Fluid Dynamics business delivered a 28% year-on-year growth, supported by its highest ever monthly billing in September, following the appointment of new leadership and a structural realignment of the business. However, on a sequential basis, the segment experienced a decline versus the immediately preceding quarter.

This quarter-on-quarter degrowth was primarily due to lower sales volumes, which impacted fixed cost absorption. Addressing these factors remains a priority as we work towards strengthening our performance in coming quarters.

Lastly, our International Business:

International business continues to demonstrate strong diversification and strategic progress. Overall, the International B2B sales grew by 39% year-on-year, while B2C sales registered an impressive 77% year-on-year increase.

Exports for the first half of the year exceeded INR 320 crores, reflecting broad-based strength across markets. The Middle East and North Africa region remained our largest international contributor, accounting for approximately 60% of the international sales mix and it continues to

progress well. Since we are talking about our business segments, I will also give a quick update on our NBFC business, Arka.

At Arka in the beginning of the year, we had outlined a strategy to build out a granular retail book to complement the stable ROA-accretive wholesale book that we have built out previously. This plan needs a very strong on-ground team and a widespread network of branches to increase our reach across 7 states that we have selected in the country.

In Q1, we built the risk management frameworks and credit assessment guardrails for granular secured retail lending for wheels financing as well as LAP financing. We also prepared the tech stack for the loan origination to happen in a fully digital environment, which promotes superior credit decisions in a timely manner.

In Q2, we started pivoting our business model from wholesale to retail as the business started in July. A new leadership team is now fully in place to manage governance, operations and distribution. My recent visit to Rajasthan branch openings gave me firsthand experience to witness the retail distribution model, which is fundamentally different from the previous approach.

In the last 4 months ending October, the granular retail AUM has now touched INR 140 crores with monthly disbursements of INR 60 crores. We have opened 85 branches in the last 6 months. And as we speak, there are 1,400 employees who are working at Arka, which is an increase of 900 employees in the last 6 months.

Our incremental cost of borrowing has also come down to 8.3% in Q2 from a 9.76% exit in fiscal year '25. Arka Q2 audited financials are reflective of the investments made in new granular retail financing journey that has started without compromising on the focus of the existing wholesale and SME book performance.

With the business updates done, let us look at the overall consolidated performance. Net sales from continuing operations for the quarter were at INR 1,933 crores, registering a 30% year-on-year growth. Net profit from continuing operations for the quarter was at INR 159 crores, which is a 51% increase year-on-year.

Please note that numbers for the previous period, excluding exceptional items and reverse of provision for overdue receivables. Net profit for the Q2 FY '25, excluding exceptional items and excluding reversal for overdue receivable provisions was INR 125 crores.

In the current period, there are no such exceptional items and reversals. Last quarter, I spoke about our focus on new product introductions and our plans to enter emerging areas, particularly in non-internal combustion engine technologies, to accelerate our progress. I would like to assure you that we are taking measured and deliberate steps on this journey.

The recent restructuring of our B2C business is one such step, and we expect to share further developments in the coming quarters. Our objective is to keep the business aligned with evolving market landscape by leveraging our strong technology and talent base. These initiatives are expected to position the company for steady and sustainable growth over the long term.

With that, I will now hand over to Sachin, who will walk you through the financial performance in detail. Thank you.

Sachin Kejriwal:

Good evening, everyone, and thanks, Gauri, for the update.

I will give a quick update of the financial performance for stand-alone and consolidated business. The results and the presentation for today's call has already been uploaded on Exchange and our website.

As mentioned by Gauri earlier, KOEL delivered a strong performance in the 2nd Quarter of FY '26, reflecting steady progress in the company's operational and financial journey. We crossed INR 1,500 crores mark first time ever, registering a 35% net sales growth year-on-year and 11% quarter-on-quarter. Net profit for the quarter was at INR 141 crores, registering a 44% growth year-on-year and 15% quarter-on-quarter.

Coming to a quick overview of financial performance:

I will start with stand-alone performance first for the quarter. Net sales at INR 1,593 crores for Q2 FY '26 versus INR 1,184 crores for Q2 FY '25, that is 35% increase year-on-year. EBITDA at INR 214 crores for Q2 FY '26 versus INR 148 crores for Q2 FY '25, 45% increase year-on-year. EBITDA margin is at 13.4% for Q2 FY '26 versus 12.4% for Q2 FY '25.

Net profit at INR 141 crores for Q2 FY '26 versus INR 98 crores for Q2 FY '25, 44% increase year-on-year. Cash and cash equivalents of INR 475 crores. Please note that cash position is net of debt and includes treasury investments. Numbers for the previous period, that is Q2 FY '25 are excluding reversal of provision for overdue receivables made for a customer towards sales made in earlier years. In the current period, that is Q2 FY '26, there is no such reversal.

EBITDA margin at stand-alone level for Q2 FY '25, including reversal for overdue receivable provision was 13.9%. With payable at 71 days and receivables around 40 days, we are maintaining healthy working capital levels. Inventory is slightly higher at 62 days to cater the business growth.

Here is a further breakdown of stand-alone sales for the quarter. The B2B sales were at INR 1,449 crores, that is 35% growth year-on-year. We registered a double-digit growth across all the business units. So, within B2B, Power Gen was at INR 678 crores, which was 41% increase year-on-year.

Industrial at INR 373 crores, that is 40% increase year-on-year. Distribution and Aftermarket was at INR 227 crores, 13% increase year-on-year and International business of B2B was at INR 171 crores, that is 39% increase year-on-year.

The B2C sales were at INR 144 crores, registering a 28% increase year-on-year. And within B2C, WMS was at INR 120 crores that is 22% growth year-on-year, International business of B2C was INR 24 crores, that is 77% increase year-on-year.

Please note, on October 10, we announced transfer of our B2C business into LGM via slump sale as a growing concern. So, from next quarter onwards, you will see that accounting changes reflecting our books.

Now looking at the consolidated performance for the quarter:

Revenue from continuing operation at INR 1,948 crores for Q2 FY '26 versus INR 1,499 crores for Q2 FY '25, which is 30% increase year-on-year. Net profit for continuing operation at INR 159 crores for Q2 FY '26 versus INR 106 crores for Q2 FY '25, which is 51% increase year-on-year. Numbers for the previous period, that is Q2 FY '25 are excluding exceptional items and reversal of provision for overdue receivables made for a customer toward sales made in earlier years.

In the current period, that is Q2 FY '26, there are no such exceptional items and reversals. Net profit for Q2 FY '25, excluding exceptional items and including reversals for overdue receivables provision was INR 125 crores.

Let us have a look at consolidated segment performance for the quarter now:

B2B segment revenue for the quarter was at INR 1,457 crores, which is 34% growth year-on-year. The segment PBIT was at INR 163 crores, reflecting approx 27% increase year-on-year. PBIT for the previous period that is Q2 FY '25, excluding reversal for overdue receivables provision was INR 111 crores, which is 47% growth year-on-year. And in the current period, there is no such reversal.

B2C segment revenue for the quarter was at INR 258 crores, which is 23% growth year-on-year. The segment PBIT was INR 18 crores against PBIT loss of around INR 1 crores for the same quarter last year.

Financial Service segment revenue for the quarter is at INR 233 crores, reflecting 17% year-on-year growth. The segment PBIT before exceptional item was at INR 34 crores, that is 9% increase year-on-year.

Please note, numbers discussed here represent continuing operation only and after reclassification of our FMS business into B2B from B2C business. The PBIT and PBT numbers are before exceptional items.

In closing, I would say it's been a strong quarter for us and steady progress during the year with strong H1 performance, backed by healthy market demand and encouraging results across our key product segments. Our new product launches are being well received, and we are steadily moving ahead on strategic priorities outlined in our 2B2B vision.

We remain optimistic about the coming quarters. And as Gauri mentioned, you will be hearing more from us on strategic initiatives outlined in our 5-year plan.

With that, I will open the floor for Q&A session. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Jason from IDBI Capital. Please go ahead.

Jason Soans: Team, thank you so much for taking my questions. And first of all, congratulations on a very strong set of numbers. So, ma'am, first, my question actually pertains to just wanted to understand in the Power Gen segment, which sectors is growth emanating from? Is it more broad-based? Or do you see some strength in certain business verticals? Or does the growth continue to stay broad based?

Gauri Kirloskar: Thank you. So, to answer your question, the growth continues to stay broad-based, and we are seeing demand across all of our customer segments in Power Gen.

Jason Soans: Sure. And ma'am just from an on-ground business perspective, this up cycle has lasted for some time now. Just from an on-ground business perspective, I just wanted your sense on how sustainable do you see this up cycle continuing for.

Gauri Kirloskar: So, what we are seeing so far is that at least in the domestic market, the demand is sustaining. And internationally, I would say that we have very negligible market share. So, a lot of what is going on macroeconomically outside has not really affected us as a company. So, we are cautiously optimistic, because obviously, there has to be caution given the current environment we are in, but we do see this demand sustaining for some time.

Jason Soans: And ma'am my next question just pertains to Optiprime. Now you did mention that you have bagged several high horsepower orders like 1,500 kW, 2,000 kW as well. Now just wanted to understand which sectors is the growth coming from? How do you see the traction from the data centers, whatever you can share from the high horsepower perspective and the Optiprime series. Just wanted to know something.

- Gauri Kirloskar:** Yes. So, it's a great question, I think. As we have talked on previous calls as well, high horsepower is not just about having the product, but also how we sell it. It's a technical sale. So, I think having these wins demonstrates that we are able to prove to the customer that product is worthy, and can also compete in that space. So, it's pretty big win for us.
- And if we look at where we get it from, where we are getting these orders from, it's across mostly, I would say, infrastructure and what I mean by infrastructure is large real estate projects, whether it's commercial or residential real estate project.
- Jason Soans:** Okay. Sure ma'am. So, I have further questions, but I will come back in the queue. Thank you so much for answering my questions.
- Gauri Kirloskar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit from ICICI Securities. Please go ahead.
- Mohit:** Good evening, and thanks for the opportunity. My first question is what was the HHP sales in H1 and Q2? Is it possible to quantify or give the contribution in the quarter?
- Gauri Kirloskar:** We are not giving that breakup, sorry.
- Mohit:** Broad number ma'am? So, last year, full year, I think we did INR 1 billion, right, INR 100 crores, right? Is it fair to assume that we have done better than the full year number of last year in H1?
- Gauri Kirloskar:** Sir, I won't be able to give you a number. What we do track is how we are incrementally moving up in terms of market share node by node. And what I can tell you is that we are incrementally moving up node by node in the high horsepower segment.
- Mohit:** Understood. My second question on the Industrial. I think Industrial, the construction has been down, the mining is down. I think in this quarter, we have sold most of the Defense and Railways, right? How do we see this business from the H2 perspective or let's say medium term? I thought this business will be weak in Q2. I am just trying to figure out the sustenance of the growth.
- Gauri Kirloskar:** Yes, I got your question. So, I would say we remain optimistic on the Industrial segment. So, we see this momentum continuing.
- Mohit:** It's mostly Defense led or Railways led? Or do you think it will get more broad-based as you progress in the future?
- Gauri Kirloskar:** More broad-based. So, not only Defense and Railways, but from Construction and Mining as well.
- Mohit:** Understood. Lastly, on the export, could you just talk about the North America market, how it is taking off and how is sustenance of the growth?

- Gauri Kirloskar:** So, the North America market is not taking off for us. That is what I would say, and the reason I say it that way is because the North American market is a market which we have just invested in and just entered. Although it's the largest genset market in the world, it will take some time, and we do see the returns on that only coming over the medium to long term.
- The reason I say this is because it's not only about getting the right partner in that market, but it's also about building distribution, building out our entire product portfolio. So, although we have products, the products have to be certified. So, all of this takes time. So, the U.S. market for us is a market that is important. It is a market that we will continue to invest in and focus on, but we will not see the uptick in volume and value for some time.
- Mohit:** Understood. Thank you and all the best, ma'am. Thank you.
- Gauri Kirloskar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Teena from Motilal Oswal. Please go ahead.
- Teena Virmani:** Hi. Thanks for taking my question. And congrats for a great set of numbers. My question is more on the Power Gen side. On the Power Gen, the growth of 40%, will it be possible to quantify like is it entirely volume-driven increase or there is some kind of pricing impact or maybe some kind of, let's say, a higher share of HHP. Like you mentioned that HHP is gaining traction, but 40% growth, I mean, how is it broken down between demand pricing and HHP, a broad indication?
- Gauri Kirloskar:** Thanks Teena for your question. So, the growth is broken down between volume as well as HHP. No pricing difference.
- Teena Virmani:** Okay. So, HHP, the way you have been taking initiatives, so now has it started reflecting in the numbers for the company?
- Gauri Kirloskar:** Yes, I would say that.
- Teena Virmani:** Okay. And on the Industrial business side, you mentioned that you had done certain emergency procurement orders also and Railway orders also. So, is that emergency procurement order over in 2nd Quarter? Or will it continue in the coming months and quarters also? Just wanted to understand the trend in the Industrial business, because this quarter has been phenomenally well as compared to the industry players.
- Gauri Kirloskar:** Yes. It can continue, Teena. It's not a one-time thing.
- Teena Virmani:** It's not a one-time thing. And the NPCL order has started contributing or that will take some time to contribute to the numbers in the Industrial business?

- Sachin Kejriwal:** Yes. So, Teena we are in the execution of that NPCL orders. So, the revenue for those NPCL orders will start getting recognized from the next financial year.
- Teena Virmani:** Okay. Understood. I have more questions, but I will come back in the queue.
- Gauri Kirloskar:** Sure.
- Moderator:** Thank you. The next question is from the line of Suraj Malu from Catamaran. Please go ahead.
- Suraj Malu:** Thank you for this. Can you please help understand what was the industry volume growth in this quarter across LHP, MHP, and HHP?
- Gauri Kirloskar:** I am not able to answer that question. I don't know.
- Suraj Malu:** Got it. Okay. And how big would be Africa and Middle East opportunity for you?
- Gauri Kirloskar:** It's sizable. The Africa and Middle East markets are very important to us. As I mentioned in my opening notes, it's also the largest contributor to our International business being 60% in this quarter. And it's not that we have significant market shares in these regions. So, they are very important areas of focus for us.
- Suraj Malu:** Got it. Okay. Thank you.
- Gauri Kirloskar:** Thank you.
- Moderator:** The next question is from the line of Jeetu Panjabi from EM Investco. Please go ahead.
- Jeetu Panjabi:** Hi Gauri, Rahul and team. Great going. So, 2 pointed questions. One, your exports, the Middle East and Africa side, can you give us color whether whatever bump we went through a couple of quarters ago, whether that's normalized now, the growth rates you expect over the next 6, 12 months should be more normal? Or you expect the heavy growth rates to continue?
- And two, on Arka, can you give us little more details on where are we on the goals that we had set out and whether the fundraising plan that was under works, if that is on schedule? And how do we see the next 12 months there?
- Gauri Kirloskar:** Hi Jeetu, thanks for your question. So, the first question on the Middle East and Africa and whether that has stabilized, and the sort of ups and downs we went through some time ago. The big thing that happened there for us and the reason you are seeing these kinds of numbers is, because the genset OEM who we talked about earlier that we had appointed there.
- We had made a business model change in the Middle East, if you remember, which is that we have gone from directly going to distributors there to actually appointing a genset OEM in the Middle East. What has happened is that genset OEM has stabilized, which is why we are seeing

the traction coming in. And I think now going forward, we will continue to see that traction because they have essentially set up well in that area.

As you can imagine, putting in that change did have its difficulties, whether it was with realigning distributors to a third party or whether it was with finding talent, retaining talent, et cetera. So, that hard work and challenging work is actually complete. So, we are quite optimistic now about the growth that we will see from that region. So, that's on your first question.

On your second question, which was on Arka. Yes, they are going as we have planned. I can't say too much on a call until there is an update to give you. But I would say that what is important is that in defining a new strategy, it's always very important to see the execution of that strategy get traction, right? So, we had talked about pivoting to a retail book.

And the reason I gave a little bit more color on either the new leadership team that's in place or the traction that we are seeing in terms of the branch openings, the people who have come on board, and the kind of disbursements that we are making, it's extremely important, especially as we look at fundraising, because we can't just be selling a story. There has to be some numbers demonstrated behind that. So, I would say that I am happy with the progress that we have made in this area. And when there is an update to give you, we will give it.

Jeetu Panjabi: Okay. Super good wishes as always. Thank you.

Gauri Kirloskar: Thank you.

Moderator: Thank you. The next question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Yes. Hi team. Good evening, and congrats for very good set of numbers. My first question pertains to price hike that industry has taken, especially after CPCB IV+ norms, given that now transitioning is fully completed. So, where exactly those price hikes have now settled in, in the industry?

Gauri Kirloskar: The price hikes have settled down. So, what I was saying is that there was a price hike with CPCB IV+, which was between 25% and 40% depending on the node. And that price stabilization has occurred and the prices have stabilized going forward.

Umesh Raut: Any particular level at which those have stabilized or it is broadly in the range of 25% to 40% for different nodes?

Gauri Kirloskar: Yes, it's broadly in the range of 25% to 40% for different nodes.

Umesh Raut: Got it. And considering that key raw material prices, especially in the last few months are kind of moving up now, especially related to, say, copper or iron prices. So, how do you think pricing

action going forward? And do you think given the steady demand and which is more broad-based now in this cycle, especially price hike would be easier to take than the last cycle?

Sachin Kejriwal: So, we will assess the situation. If the prices moves going forward, we will take a calculated decision and think of the price increase.

Umesh Raut: Understood. My second question is pertaining to Industrial segment, where I want to kind of get a breakup in between, say, demand from existing products as a part of industrial product offering and demand which has been there on the account of new product launches? And any color over here in terms of how inherent demand is there, especially in the Railway market, considering that post electrification also, we have seen very good growth from Railway business.

Rahul Sahai: So, it's a combination of both, but I would say largely the demand continues for our core products. We have a whole bunch of new products either already launched or in process, and we are seeing traction there. But to answer your question, largely from our core traditional products.

Umesh Raut: Understood. And on the Railway business side, how do you see it, especially post electrification now that it is continuously doing well for us. So, how do you see outlook in Railways, whether this momentum will continue, say, beyond FY '26 into next couple of years as well?

Rahul Sahai: Yes. So, we remain committed to supporting the Railways with their requirements and whether it is through existing applications that we are in or developing new ones, such as what Gauri mentioned, the 400 HP product that we have recently launched, we will continue to support our customer and endeavor to grow that business.

Umesh Raut: Understood. Thank you so much. I will join back the queue. All the best.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternative. Please go ahead.

Prolin Nandu: Yes. Hi. Thank you so much for giving me the opportunity. So, my question, Gauri, is to understand how are things shaping out for us in data center? Because when we do some channel checks with, let's say, a solution provider for data centers or people selling some other equipment to data centers, KOEL's name does not come across as one of the contenders there. So, could you help us understand where are we in the journey where we have some significant wins in data center as a category?

Rahul Sahai: So, look, data centers is one of the segments that we look at. And we have had a few wins in data centers. As you will appreciate, the data center market is also very, I would say, closely set and controlled market driven by U.S. specification. So, I understand what you are saying. There are times where you might not find our name, but what you will also see is plenty of times and more so as we move along, you will start seeing our name.

- Prolin Nandu:** So, is it start with, let's say, 8 data centers and you move up? How do we get into that specification kind of a thing, right? As you mentioned, it's a U.S.-driven specification. So, does it start with edge data centers before we move, just want to understand our strategy, right? I understand it's a tougher market, but is it just the case of our DG sense it's being used in some data centers, the performance being monitored? Or are there any other strategies that we are adopting, right, to penetrate this market?
- Participant:** Sure. And I think you have kind of laid out exactly what we are also thinking. The non-spec customers and there are plenty of them as well, we are targeting them and we are trying to work closely with them. Yes, I was just saying not just Edge data centers.
- Prolin Nandu:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhijeet Singh from Systematix. Please go ahead.
- Abhijeet Singh:** Thank you for the opportunity, ma'am. So, ma'am, my question is on the Power Gen business in the Domestic segment. And as we are moving up the AVA chain and trying to gain more and more market share in the higher nodes. And there the competition is pretty intense. We have well entrenched players there, big players, big brands. So, what are the key challenges we are facing in trying to gain market share from them? And what is our strategy in order to be able to do that?
- Rahul Sahai:** Yes. So, what I would say is that even we are a reasonably strong brand and we have been entrenched into the Domestic Power Gen market. And if you look at the numbers that we are doing, it would give you an idea that once we commit to a particular node and we have the product, we are able to figure out a way to grow our share of wallet and market presence. Beyond that, I will not be able to say more in this conversation, but we remain committed to growing our market share.
- Abhijeet Singh:** Sure. Thanks for answering. I will get back in queue.
- Gauri Kirloskar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Goswami from SUD Life. Please go ahead.
- Anupam Goswami:** Hi ma'am. How will you look up the HHP sales growth from here? If you can give some color, and probably take out our numbers. And what leads to your margin expectations being stable and sustainable at this level?
- Gauri Kirloskar:** Could you repeat the first part of the question about HHP you said something. The second part was on margins growth being sustainable. What did you say on HHP?

- Anupam Goswami:** Ma'am, how do we look at the HHP numbers from here? What sort of growth should we take? And how are we building our foray in the market?
- Rahul Sahai:** So, look, we have some very exciting products that we are currently working with and launching. So, we remain focused. And I think if you look at our track performance, along with the way our last quarter has been, our HHP performance is something that we are clearly focusing on. So, I think beyond that, it's going to be hard to say.
- And on margins, I will let Sachin answer.
- Sachin Kejriwal:** Yes. So, Anupam, if you see our margin improvement over the last 3.5 years, we have improved to by more than 400 basis points. And going forward also with the product mix changes we are aiming for as well as the export growth we are aiming for, we do think there's a headroom for margin and we can improve thereon.
- Anupam Goswami:** Okay. I got it, sir. I will join back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Hi team. Congratulations on a great quarter. So, my first question is this growth of Power Gen. So, this was a transition quarter last year. So, just want to understand how much was the volume growth in this.
- Gauri Kirloskar:** Yes, we don't give that out.
- Parikshit Kandpal:** Because what I understand large part of prebuy happened, and because of that the growth looks too high. But on an adjusted basis, if I have to ask what could be the core power gen growth in this quarter Y-o-Y?
- Gauri Kirloskar:** This is the core power gen growth.
- Parikshit Kandpal:** Gauri, last year, we had this volume, which was not 100, right, because of the prebuy, it was tracking below 100. So, there was this recovery to 100 and then the growth on top of it. So...
- Gauri Kirloskar:** No. So, all I can tell you is that volumes have come back and have normalized. It's difficult for me to tell you what to adjust that number for you.
- Parikshit Kandpal:** There is such impact because of that and there has been because of that number.
- Gauri Kirloskar:** I can't hear you. Sorry, there's a lot of static on your line, so I can't hear you very clearly.
- Parikshit Kandpal:** (Inaudible)

- Gauri Kirloskar:** I am sorry. I just can't understand what you are saying. It is very jumbled.
- Moderator:** Sir, we can't hear you properly. May I request you to rejoin the queue. Thank you. The next question is from the line of Mehul Joshi from BCG. Please go ahead.
- Mehul Joshi:** So, wanted to just understand the outlook or performance of the Firefighting engines business Q-o-Q and Y-o-Y. And how is the outlook looking forward for that business?
- Rahul Sahai:** Yes. So, for Firefighting, it's not a reported segment separately, so we don't give out the numbers separately, but we are looking at product enhancements and growing that portfolio. So, Firefighting segment is quite exciting for us.
- Mehul Joshi:** Thanks.
- Moderator:** Thank you. The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.
- Jason Soans:** Yes. Thanks for taking my question again, please. Just wanted to understand, we do hear about increasing competitive intensity in every segment in terms of the LHP or the MHP or HHP, more players getting ready with more nodes. So, just wanted to understand from that perspective in terms of how do you see the pricing intensity going in the market just as of now? How do you see the picture on the ground as of now?
- Rahul Sahai:** We see pricing fairly stable. So, we don't see drastic variation in pricing. So, if anything, we see things as having stabilized.
- Jason Soans:** Okay. And in light of the same, do you think the demand is enough to take care of the near to midterm.
- Rahul Sahai:** The demand seems fairly reasonable at this point in time, and we remain optimistic.
- Jason Soans:** Okay. Sure. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Parikshit from HDFC Securities.
- Thank you. The next question is from the line of Anupam Goswami from SUD Life. Please go ahead.
- Anupam Goswami:** Hi. Just one more question. How ready are we with our HHP products in terms of nodes and availability and competitiveness in this?
- Rahul Sahai:** So, we are already executing several HHP orders. So, availability is not really as much of a problem.

- Anupam Goswami:** And are we currently present in all the nodes that is there in the market.
- Rahul Sahai:** Yes, we have a fairly large portfolio now. We are also executing orders of 6 megawatt gensets. So, we have a pretty big portfolio.
- Anupam Goswami:** So, just one I need to clarify. How do I see the competitive intensity our product prices are a little lower than the competitive peers, how hard to break into that HHP? What's the challenge that is coming?
- Rahul Sahai:** I think it's a specification driven market. It's more technical market and requires a particular type of customer support and presales to be created. So, if you ask what is a challenge, a challenge should be creating the right ecosystem to drive that business. Of course, this is on the basic assumption that the product is ready. So, in our case, we are working on both areas. We have product readiness. We have capabilities that are developed and we are seeing the wins. So, all of that is already happening.
- Anupam Goswami:** Is it a market through distributors and channel partners or somewhere, if you can give some color?
- Rahul Sahai:** So, it could involve channel partners, but heavy engagement from our end is needed for front-ending.
- Anupam Goswami:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Teena from Motilal Oswal. Please go ahead.
- Teena Virmani:** Yes. Thanks for taking follow on questions from my side. One thing I wanted to check on the market share of KOEL, which got impacted last year in the second half of FY '25. So, has KOEL regained the market share which got impacted? Because when we compare the revenue numbers, KOEL has grown by 40% in 2nd Quarter, and Cummins similar portfolio has grown by 20% in the 2nd Quarter.
- There could be some base impact also for both the companies. But even adjusted with that, it seems that KOEL has grown much better. So, that basically indicates that market share would have been gained by KOEL. So, what would be your comments on the same? And if you have gained, whether it is sustainable given the competition that is standing out?
- Rahul Sahai:** Hi Teena. So, I think you know our business pretty well, and we are completely aligned with the comment you made on the market share, that would be our assessment too. And we will watch the competition intensity. So, we are keeping a close eye on it, and we will take the actions that we need to.

- Teena Virmani:** Okay. And last year, same quarter, third quarter, when we compare the performance, the demand was impacted across the industry. And to an extent, KOEL's numbers were also impacted. So, what is the general traction that you are witnessing so far in 3Q in the month of October and so far in the month of November versus what you would have seen, let's say, in the last October and till mid-November?
- Rahul Sahai:** Yes, Teena. So, you know that the focus we will have for this conversation will be Q2. I can't really give out anything on Q3 at this point.
- Teena Virmani:** No. Just a general sense on the market demand, I mean nothing specific to company. Overall demand scenario, nothing specific to company?
- Rahul Sahai:** I think it will be hard for me to comment right now. But yes, maybe once the quarter is closed.
- Teena Virmani:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Pandey from Citigroup. Please go ahead.
- Mohit Pandey:** Yes. Thank you for the opportunity and congratulations on a great set of numbers. First question is on the Railway offering. If you could please give some more color on what has been driving growth here for KOEL.
- Rahul Sahai:** So, I think it's a lot of effort that we have put in as far as our sales and order book generation is concerned, along with execution. So, heavy execution ended up happening in this quarter, which has helped from a sales standpoint.
- Mohit Pandey:** Okay. So, any specific offerings you would like to call out, which has stood out for you for Railway.
- Rahul Sahai:** Yes. So, amongst our existing products, power cars have really stood out. They are the ones that are driving a lot of the growth from an application standpoint.
- Mohit Pandey:** Understood. And the second question was on the higher HP nodes, 1,500, 2,000 that mentioned earlier. So, at this point of time, are they more concentrated in particular end markets? I think Real Estate was mentioned one for you, in terms of the wins? Or yes, how is it playing out?
- Rahul Sahai:** Yes. So, Real Estate is an important market for us. We are seeing early wins there as well. So, the segments vary, but Real Estate definitely would be an important market.
- Mohit Pandey:** Okay. And last question would be on the current power gen up cycle in your view, what would be the biggest risk to this ongoing up cycle demand?
- Rahul Sahai:** So, can you ask me the same question in another way? I don't quite understand it.

- Mohit Pandey:** Okay. What could precipitate a slowdown? So, we have been seeing an up cycle for quite some time now in power gen demand. What could lead to a slowdown in your view, the biggest risk?
- Rahul Sahai:** So, I think the biggest risk probably will be geopolitical at this point, given the volatility that we see. But as long as there is enough consumption in the economy, we feel fairly optimistic from a domestic standpoint.
- Mohit Pandey:** Okay. Thank you so much, and wish you all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Sourabh Arya from Oaklane Capital. Please go ahead.
- Sourabh Arya:** Hi, everyone. Congrats on a good set of numbers. Just a couple of questions. First is this B2C, so we have done this restructuring and obviously name that has been dynamic. So, something changing with this main focus, etc., of the business or it's just a nomenclature.
- Gauri Kirloskar:** Yes. So, the reason we have done this restructuring is for efficiencies in the business, because it was essentially very similar businesses. So, we just wanted to consolidate them together, so that we can drive the business more effectively.
- Sourabh Arya:** So, efficiencies would move, then margin improvement there or the TAM, etc., of the business also, that won't change, right?
- Rahul Sahai:** So, efficiency, see the idea is to improve our performance, both in terms of business growth as well as our margin.
- Sourabh Arya:** Okay. Got it. Thanks. And second is, obviously, we all are trying to understand what has happened in this quarter? Is it sustainable or not? And related question is the last 3 years, maybe we are doing this product improvement, launching new products, et cetera. So, can you divide that, let's say, standing today versus 3 years back, how our new products have contributed till now, and what should one think about the new product contribution going ahead.
- Rahul Sahai:** It's going to be very hard to answer that question over this call, but maybe I can answer it another way. Three years ago, our presence beyond 500 kV odd was limited. Today, we have a very large product portfolio and we are making reasonable presence in almost every mode. And you see the results that you are seeing. So, maybe that would be a good triangulation point.
- Sourabh Arya:** See, the point we are all trying to understand is it is just getting started, or all these is the result of base effect. That is what obviously everybody is trying to get and this is helpful. And lastly, on the distribution side, so obviously we have seen momentum in sales in Industrial, Exports as well as Power Gen. So, when does this translate to distribution revenue?

- Rahul Sahai:** Distribution business, so if you look at last few years, see each business operates a little differently. The Distribution and the Aftermarket business has been a stable double-digit growth performer, and we continue to have that expectation of consistency from our Aftermarket business. So, I think from a double-digit growth performance, we have done fairly well. And I honestly don't see it as a challenge.
- Sourabh Arya:** Okay. Fine. Thank you. All the best.
- Rahul Sahai:** Thank you.
- Moderator:** Thank you. Due to time constraints, we will take that as the last question for today. I now hand the conference over to the Management for closing comments.
- Gauri Kirloskar:** Yes. Thank you very much, everyone, for joining the call today, and thanks for your interest in the company.
- Moderator:** On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.