



KIRLOSKAR OIL ENGINES LTD.
Analyst & Investor Meet

August 20, 2018

Disclaimer



Enriching Lives

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

Contents



Enriching Lives

- Introduction
- Financial Highlights
- Strategic Objectives and Growth Drivers
- Research & Development
- Future Outlook



Enriching Lives

KOEL : A BRIEF INTRODUCTION

Our Leadership Team



Enriching Lives



Nihal G. Kulkarni
Managing Director



R. R. Deshpande
Joint Managing Director



T Vinodkumar
CFO & CHRO



Sanjeev Nimkar
V.P. – PG, Ind & CSBG



Antony Cherukara
V.P. - Agri & Allied-Domestic



Sheetal K. Kothari
V.P - Large Engines Business



Shrikant Pataskar
Head - International Business



M.N Kumar
V.P. - Corporate Research Engineering

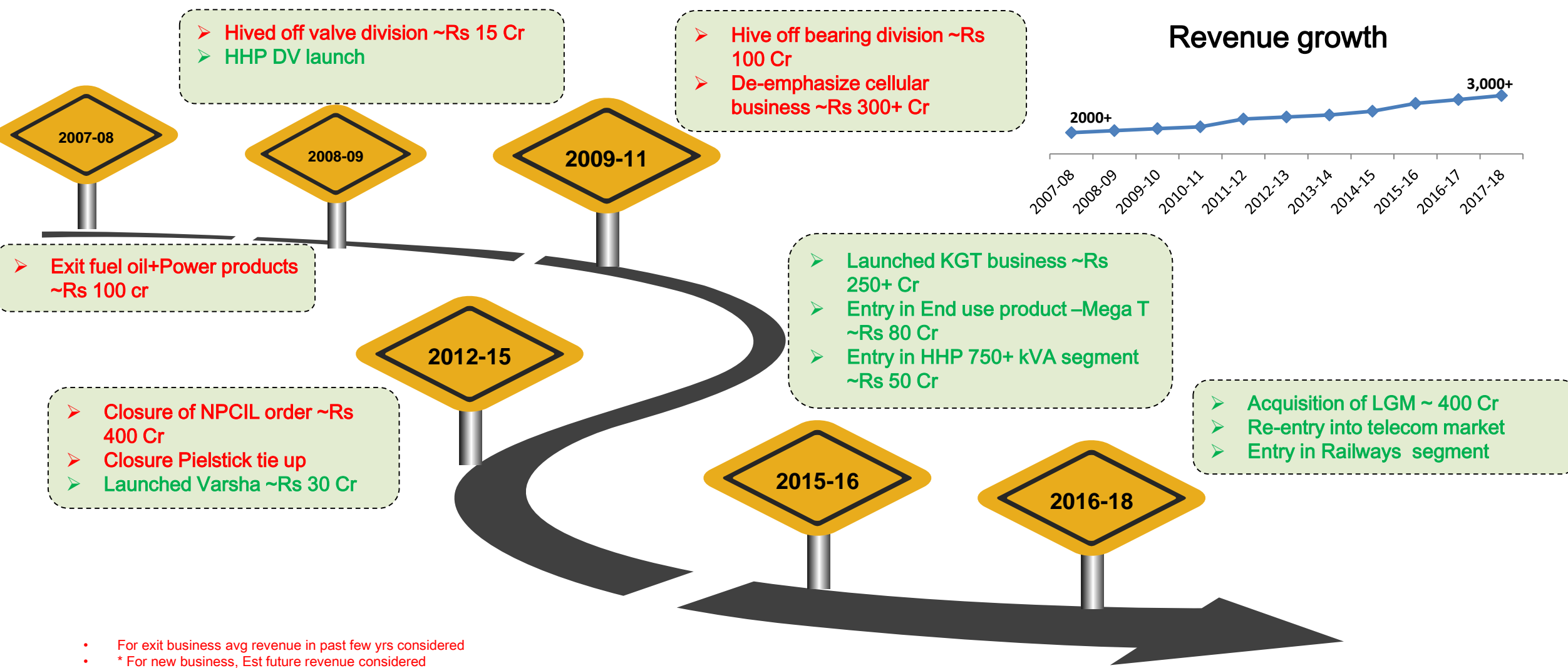
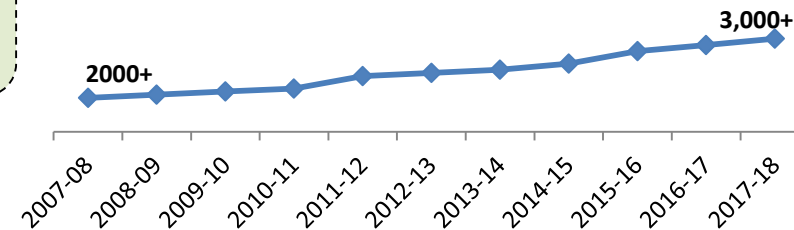


T Parthasarathy
V.P. - QA-Corporate, ME & Projects



Growth has not been linear : efforts relentless

Revenue growth



- For exit business avg revenue in past few yrs considered
- * For new business, Est future revenue considered

Legal Entities



Enriching Lives

- Kirloskar Oil Engines Ltd
- KOEL Americas Corp, USA (incorporated in 2015)
- La-Gajjar Machinerries Pvt Ltd (LGM) (acquired in 2017)

KOEL GREEN Gensets - 2kVA to 1010kVA

Integrated Efficiency – the key driver



Enriching Lives



**KOEL Chhota Chilli
Portable Genset**



Power Tiller – Mega T

Engines & Pumps



Borewell Pumps
(V3 to V8)

Industrial Engines



Enriching Lives

Used in over 80 Applications spread over 9 segments

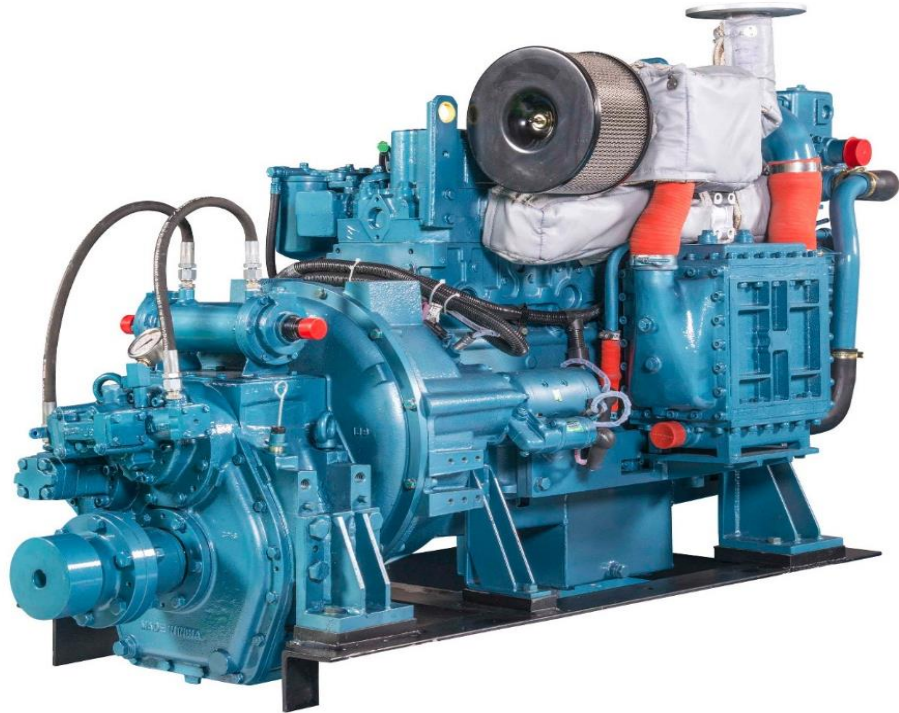


Engines for Fishing Trawlers.

Present market size is around INR 210 Crs and expected to grow at 5% Y-o-Y. KOEL recently entered in this market and expected to gain market share of 25% in next four years by increasing market reach and product offerings.



Enriching Lives



KOEL Manufacturing Plants, Sales & Service Network



Enriching Lives

Manufacturing Plants

- Kolhapur, Kagal [IMS, ISO 9001, ISO 14001, OHSAS 18001]
- Bhare [IMS, ISO 9001, ISO 14001, OHSAS 18001]
- Nashik [IMS, ISO 9001, ISO 14001, OHSAS 18001]

Sales & Service Network:

POWER GENERATION:

- 171 – GOEMs and Kirloskar Green Dealers

INDUSTRIAL:

- 35 – OEMs

CUSTOMER SUPPORT:

- 422 – Service Outlets
- 125 – Service Dealers

AGRI & ALLIED:

- 30,000 – Agri Retailers
- 550 – Agri Distributors
- 300 – Farm Mechanization dealers





Enriching Lives

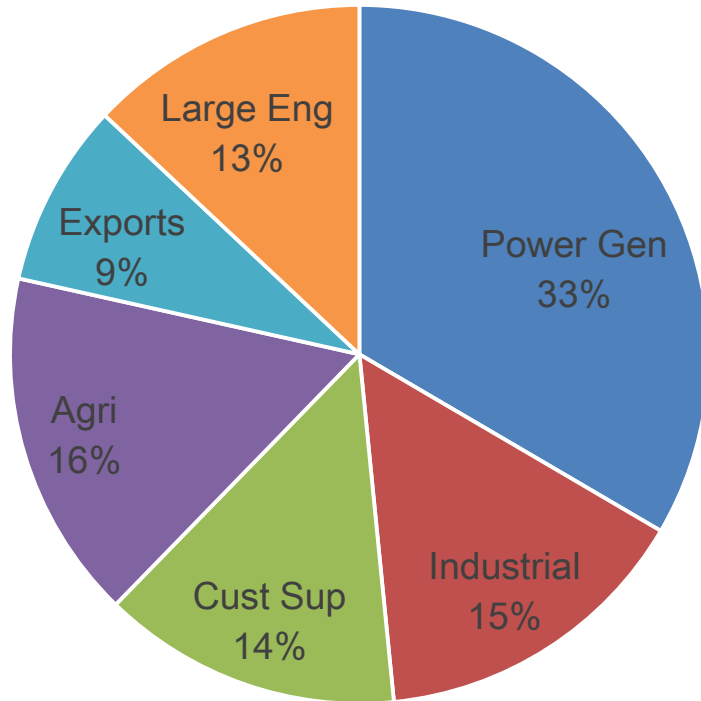
FINANCIAL HIGHLIGHTS

Business : the shift in last 4-5 years



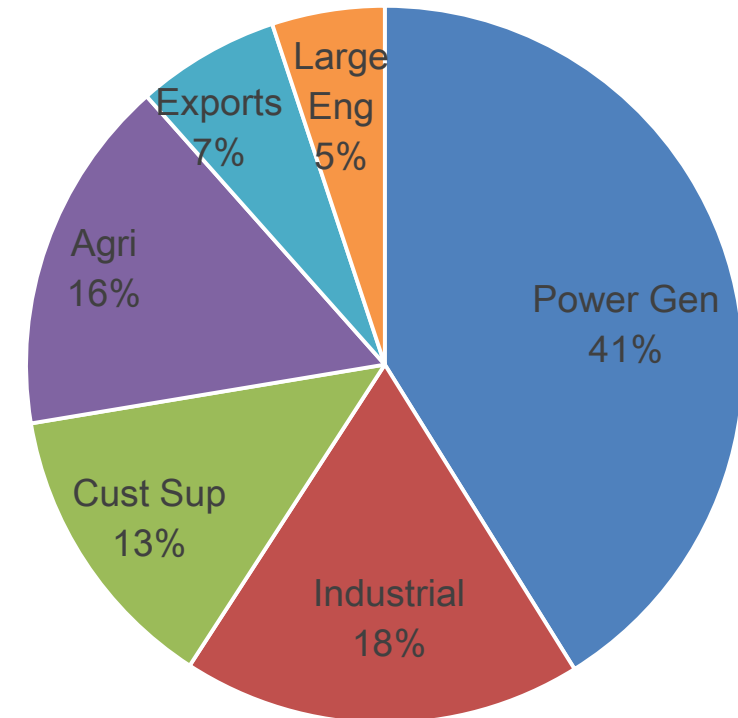
Enriching Lives

FY 13-14



- Power Gen
- Industrial
- Cust Sup
- Agri
- Exports
- Large Eng

FY 17-18

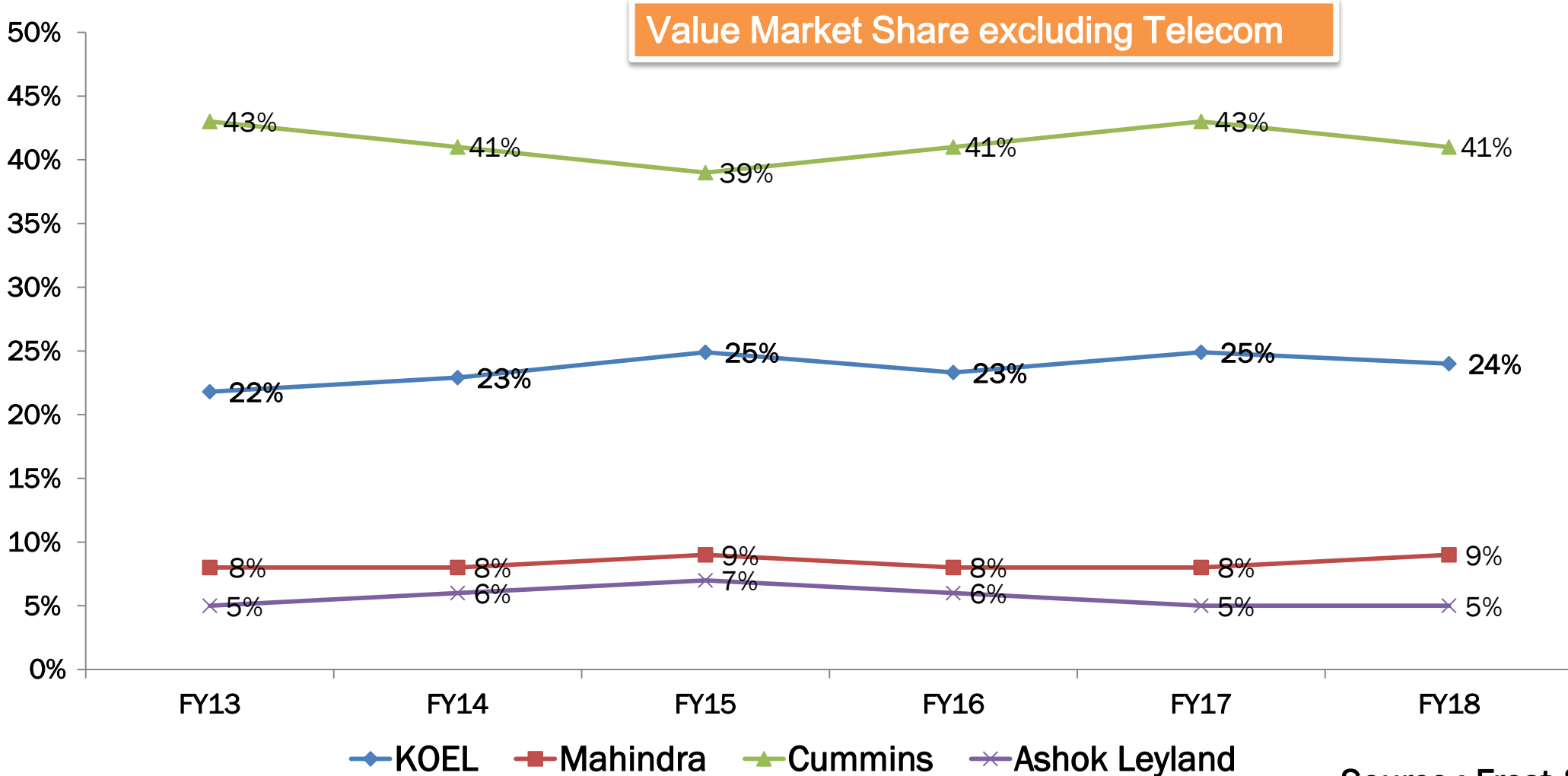


- Power Gen
- Industrial
- Cust Sup
- Agri
- Exports
- Large Eng

Major Players holding onto Market Share



Enriching Lives



Source : Frost & Sullivan Report

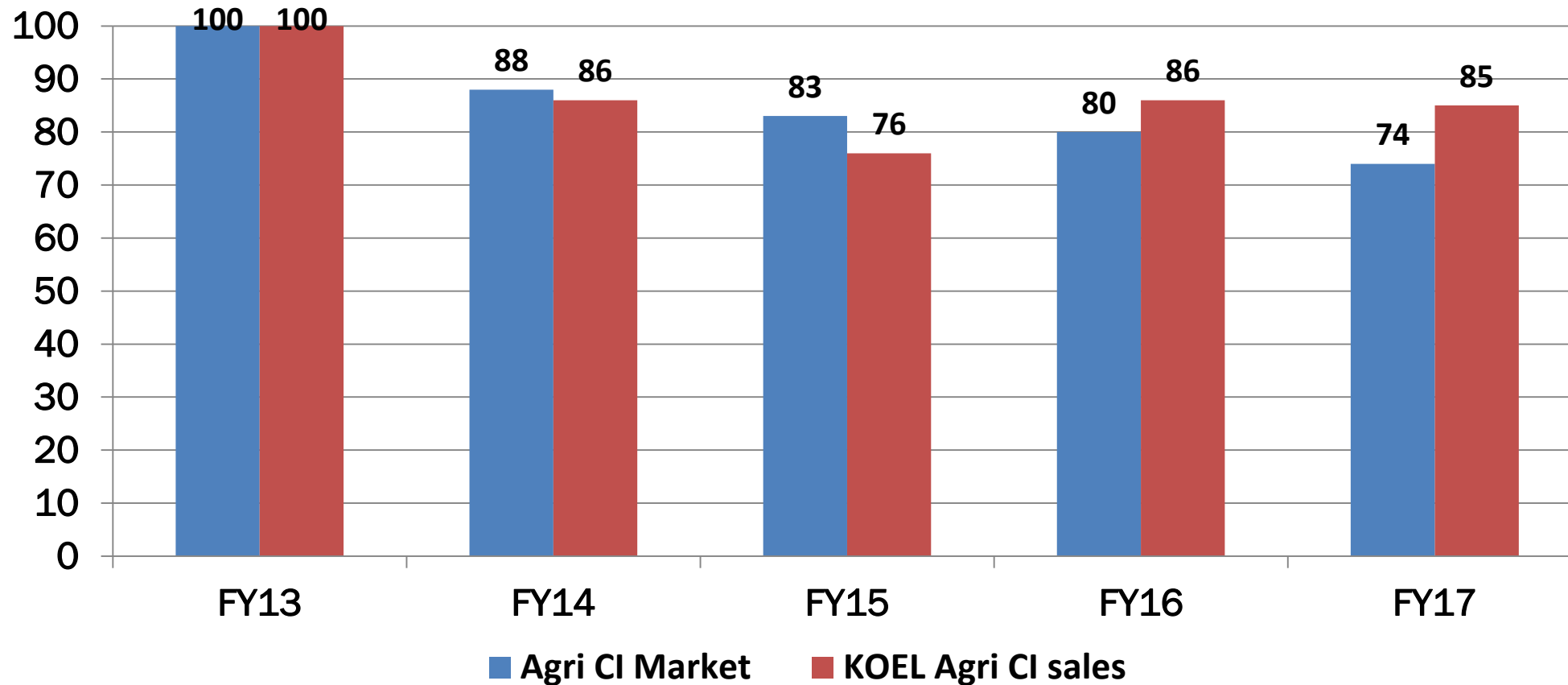
Winning in the Marketplace

KOEL Pumpsets



Enriching Lives

Market size & KOEL Agri Crop Irrigation (CI) sales, both Indexed FY13 = 100

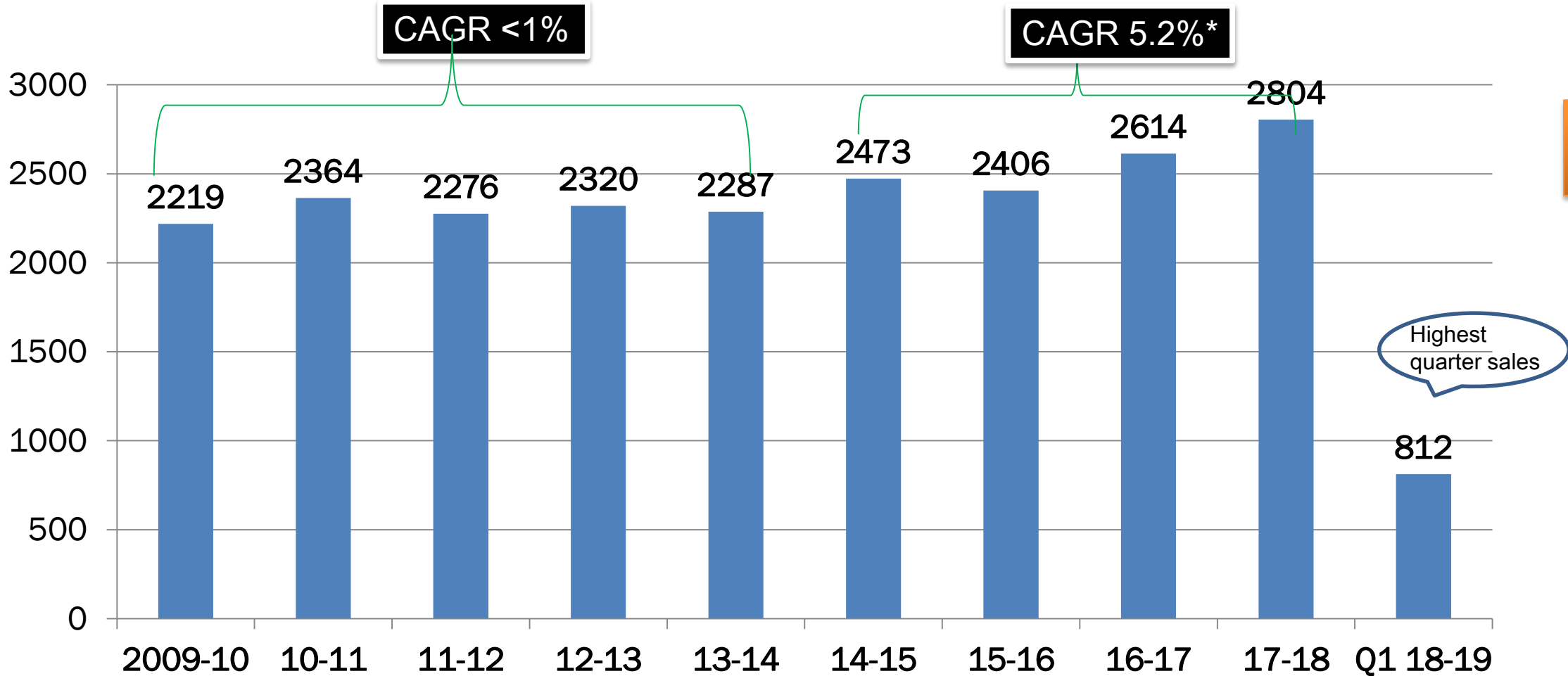


Note: FY 18 numbers for all market participants are not yet published in annual reports, hence updated till FY17.

Sales have accelerated in recent past..



Enriching Lives



Net Sales
Rs Cr

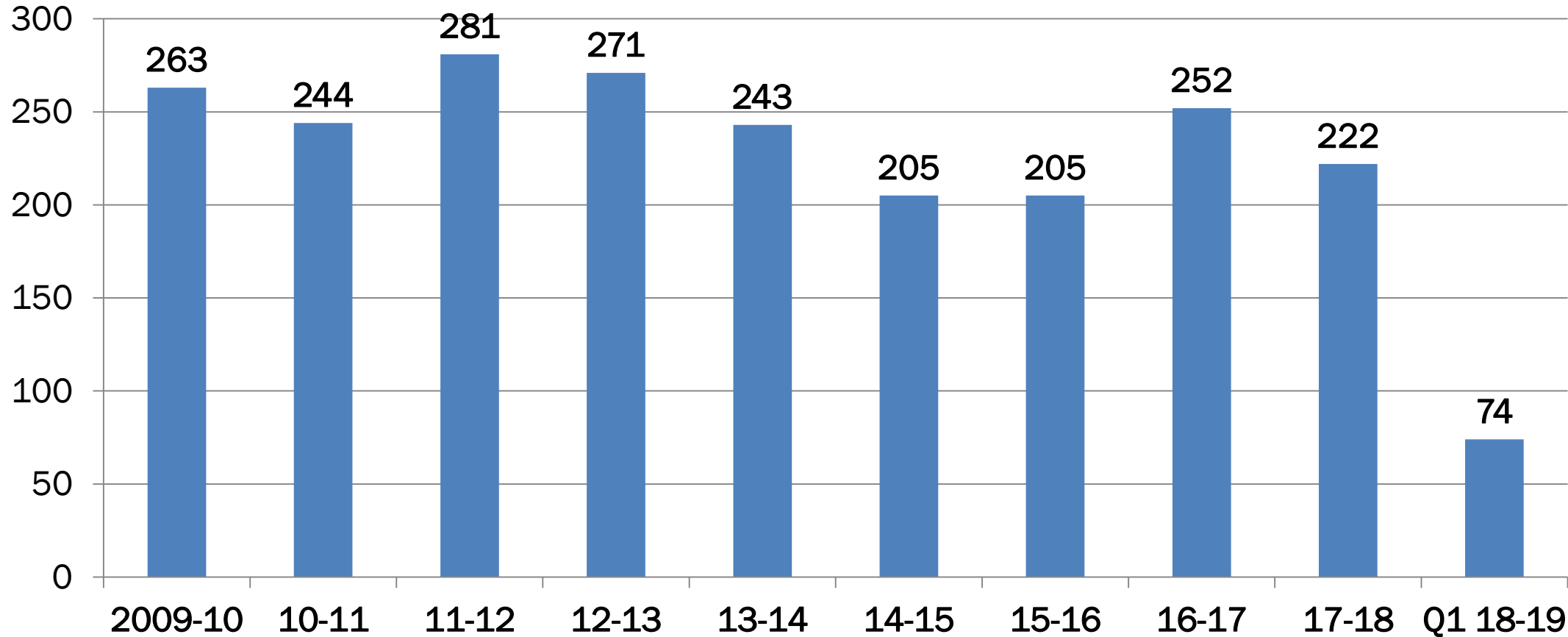
Highest
quarter sales

*1) Including Revenues from subsidiaries 238 Crs for 2017-18, CAGR would be 7.4% in last 4 years.
2) Competition revenue growth CAGR is 6% in 2013-14 to 2017-18.

Maintaining Profitability in a highly competitive market...



Enriching Lives



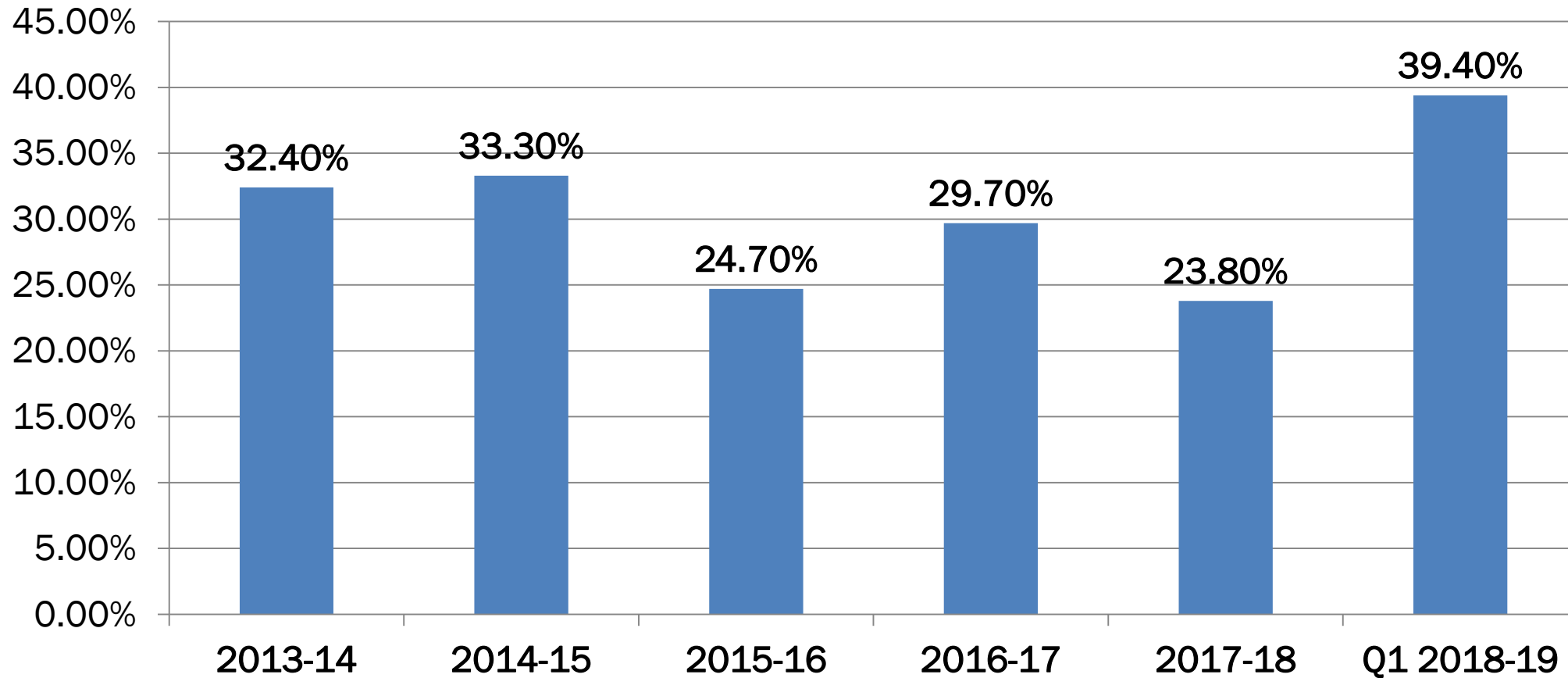
PBT,
Rs Cr

* Kagal incentive ended in March 2017. (~ 36 Crs pa)

Operating RoCE



Enriching Lives

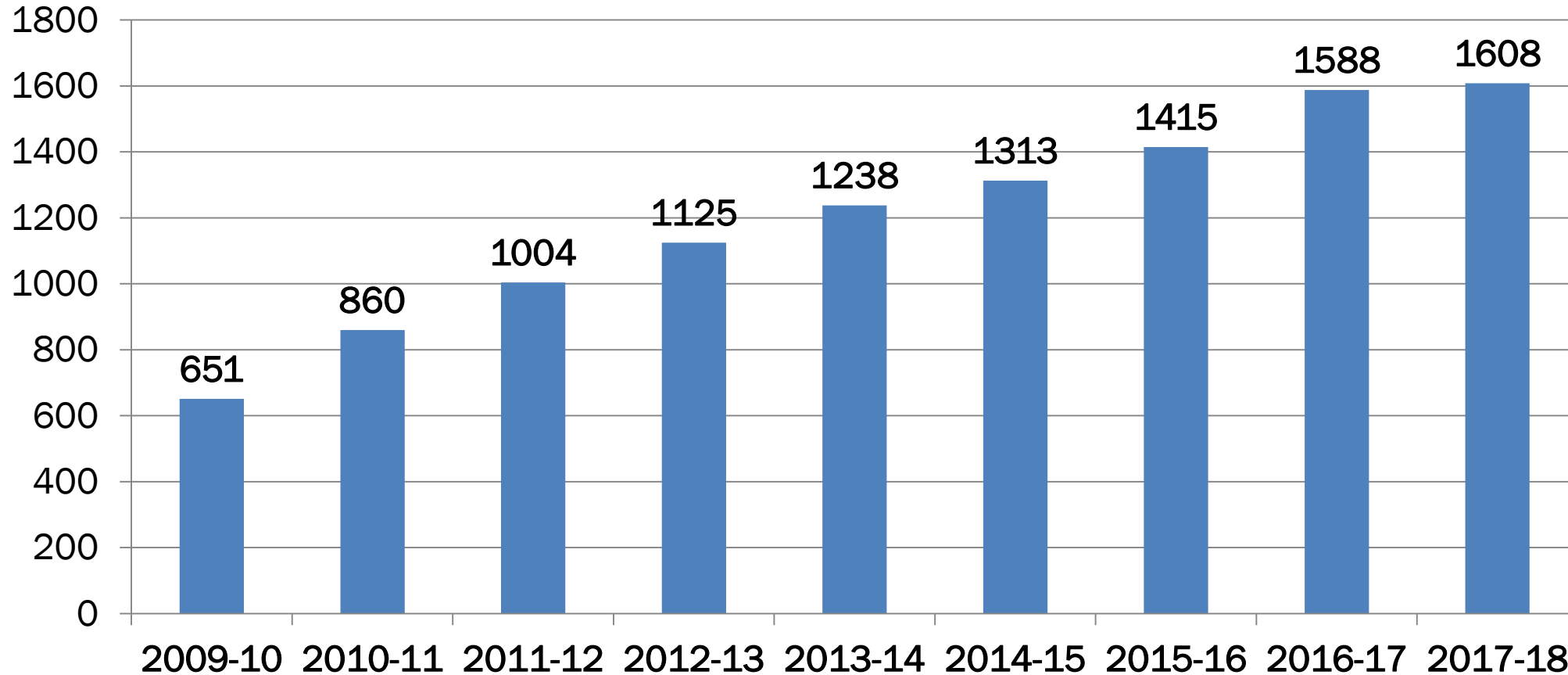


Annualized, %
operating RoCE

Reserves have shown healthy growth..



Enriching Lives

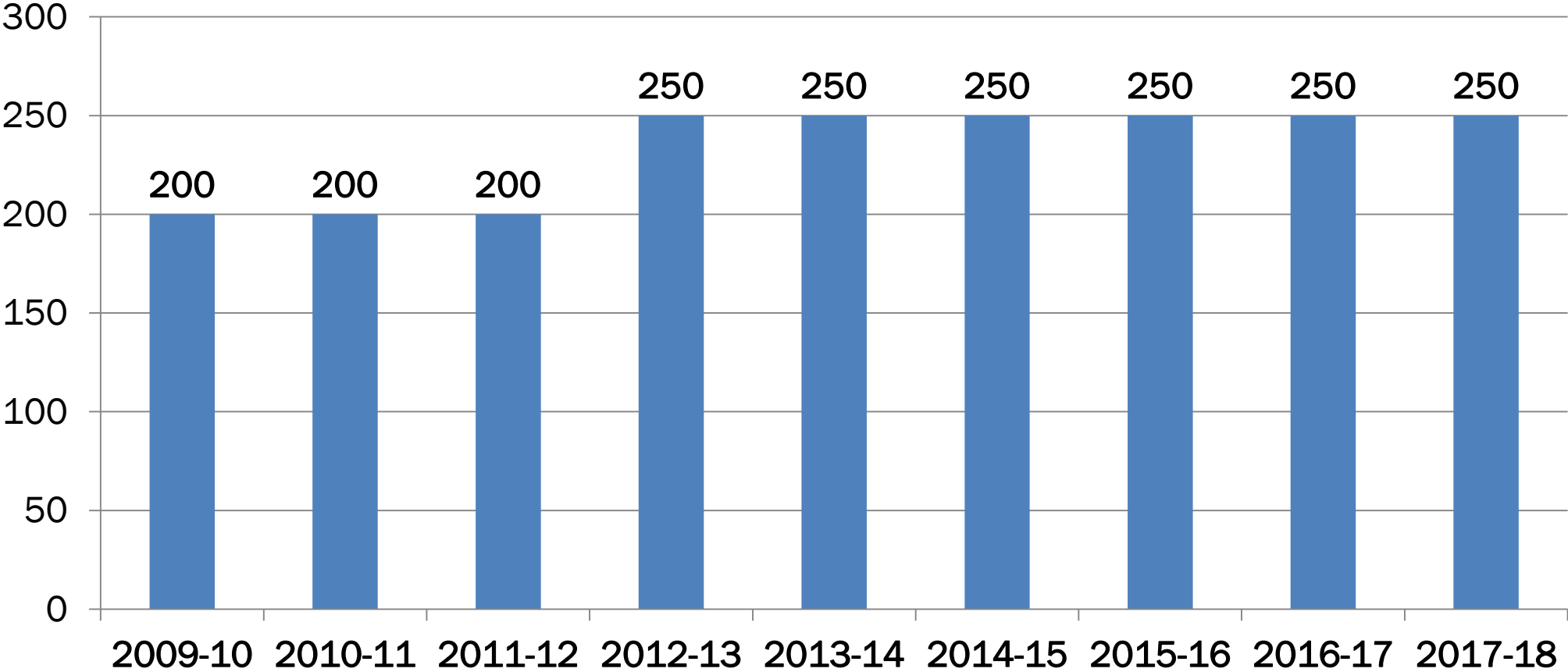


Reserves
& Surplus,
Rs Cr

Consistent returns to shareholders : Dividend %



Enriching Lives



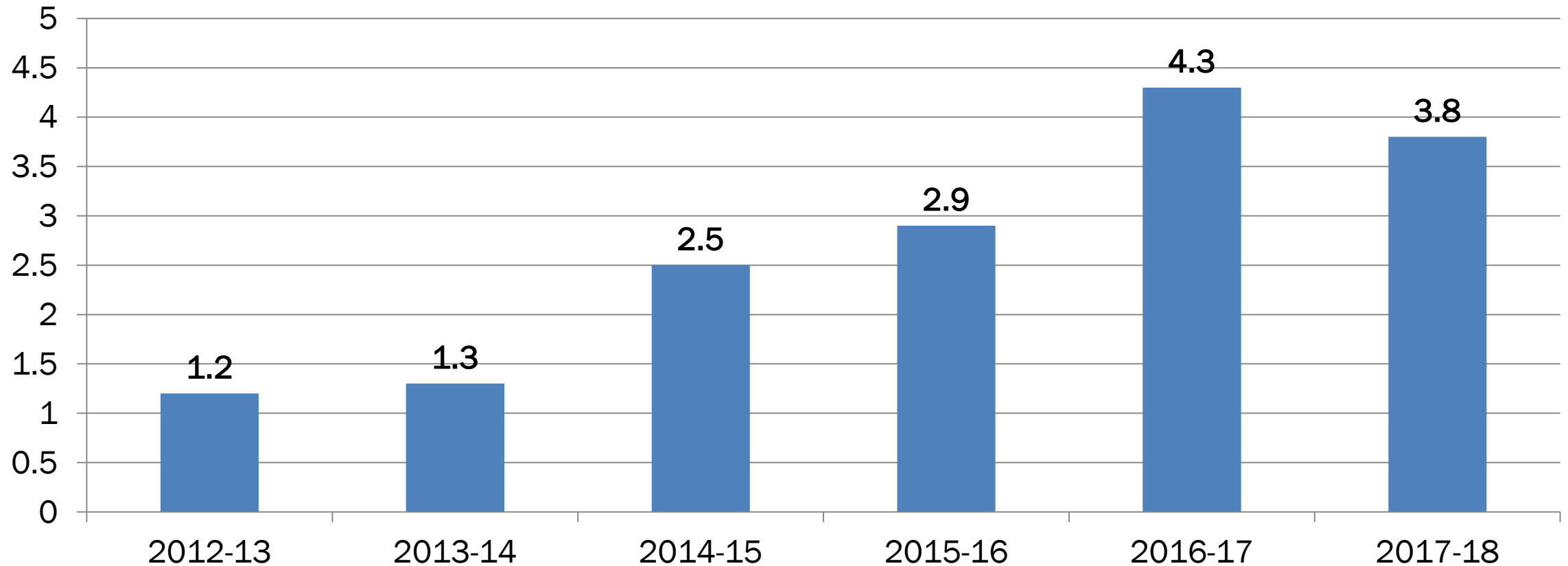
Dividend %

Investing in world class R&D capability..



Enriching Lives

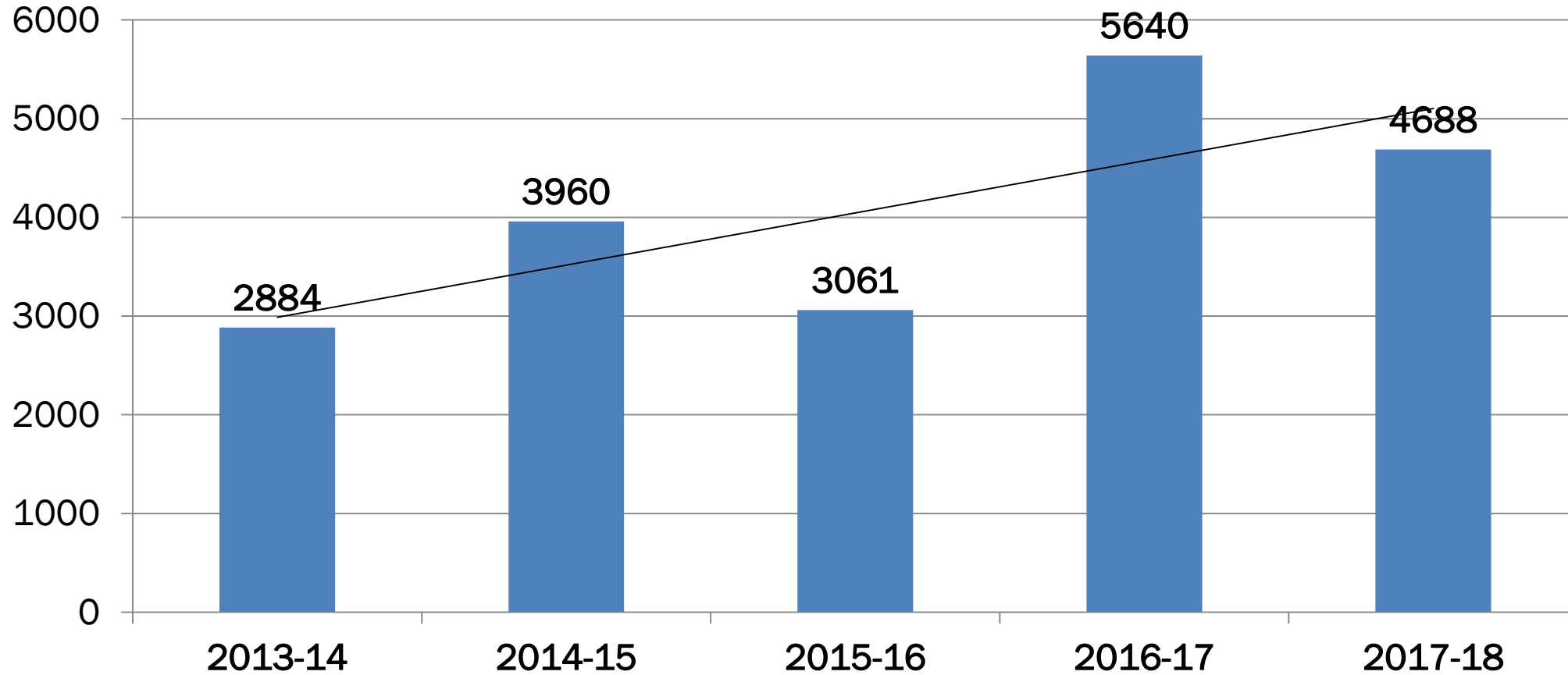
R&D expenses as % of sales



Market Capitalization



Enriching Lives



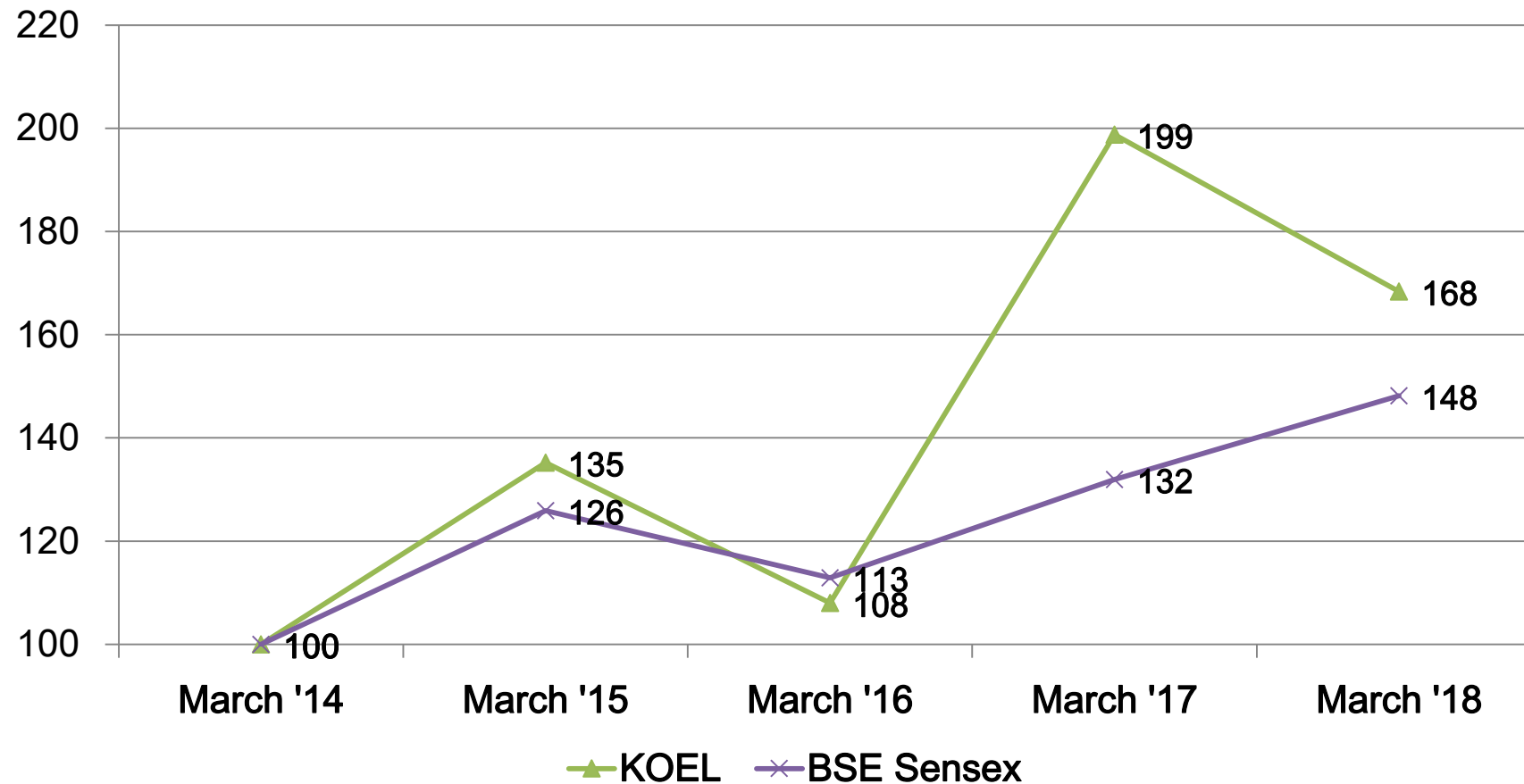
Market cap, Rs Cr

Share price has outperformed BSE Sensex FY 2014 to FY 2018



Enriching Lives

KOEL share Price (End of FY) trend for last five years relative to BSE Sensex – Index March 2014=100





Enriching Lives

STRATEGIC OBJECTIVES & GROWTH DRIVERS

Three Drivers of Value Creation ...

Using Theory of Constraints for releasing working capital

Value Engineering & Cost Optimization

Using Critical Chain Project Management (CCPM) for New Product Development



Superior Products

Best in class service

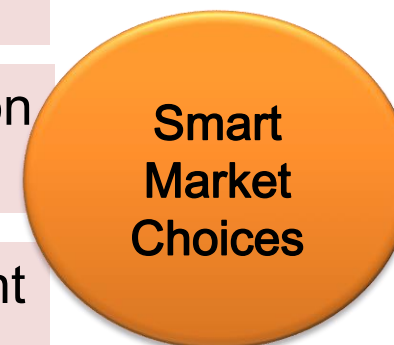
Competitive pricing



Growth segments aligned with India story

Capitalizing on megatrends of urbanization and farm mechanization

Foothold in International markets with right product platforms



Theory of Constraints :

Focussing on secondary sales & creating demand pull



Enriching Lives

THE OPPORTUNITY

- Enhancing efficiencies across the value chain
- Unlocking working capital across the value chain

THE OUTCOME

- Supply Chain (Manufacturing, Procurement, Logistics) replenishes to actual consumption in market.
- Assured 7 day delivery (established industry standard is 4 - 6 weeks)
- Working capital significantly reduced



Value Analysis & Value Engineering (VAVE)

THE OPPORTUNITY

- Creating enhanced value for our customers
- Sustainability in the competitive market

THE OUTCOME

- ~ 400 feasible ideas generated
- Strengthened supplier partnerships
- Cost reduction
- Capability building across functions

Critical Chain Project Management for New Product Development



Enriching Lives

THE OPPORTUNITY

- Reduce time to market
- Improve prioritisation & resource allocation
- Functional alignment

THE OUTCOME

- Improved speed of execution of short & long term projects
- Ongoing process improvement

Building on our Core Strengths




Enriching Lives

- Indigenous Technology backed by strong R&D
- Ability to customize products as per customer requirement
- State of the art manufacturing Facility at Kagal
- Strong Supplier Partnerships
- Enduring Customer Relationships
- Wide Distribution Network backed by best in class service network

Our Strategy for Growth (1/4)




Enriching Lives

Strategy	Key Initiatives	Growth Drivers & Platforms
<p>Focus on High Horse Power</p> 	<ul style="list-style-type: none">• Consolidating market share in 320-625 KVA• Establishing 750, 900 and 1010 KVA in market- footprint, fuel economy, service – gain 15% market share over next 3 years• Platform development 1250, 1500 & 2000 KVA	<ul style="list-style-type: none">• Infra push by Government• Datacenters to cater to data explosion• Railways modernization• Make in India• Growth in services & real estate regulations

Our Strategy for Growth (2/4)




Enriching Lives

Strategy	Key Initiatives	Growth Drivers
<p data-bbox="12 529 491 575">International Business</p>  A world map showing the continents in white against a light blue background, highlighting the Americas, Middle East, and South East Asia.	<ul data-bbox="563 534 1589 1089" style="list-style-type: none">• EPA certification paving way for American market• FM/UL approved portfolio – only four companies in the world – entry into high margin fire fighting engines• Targeting double digit market share in ten focus markets such as Americas, Middle East and South East Asia	<ul data-bbox="1656 534 2440 975" style="list-style-type: none">• Global economy on recovery path, including US• Preference for listed Firefighting equipment increasing• De-risking from traditional Middle East markets

Our Strategy for Growth (3/4)



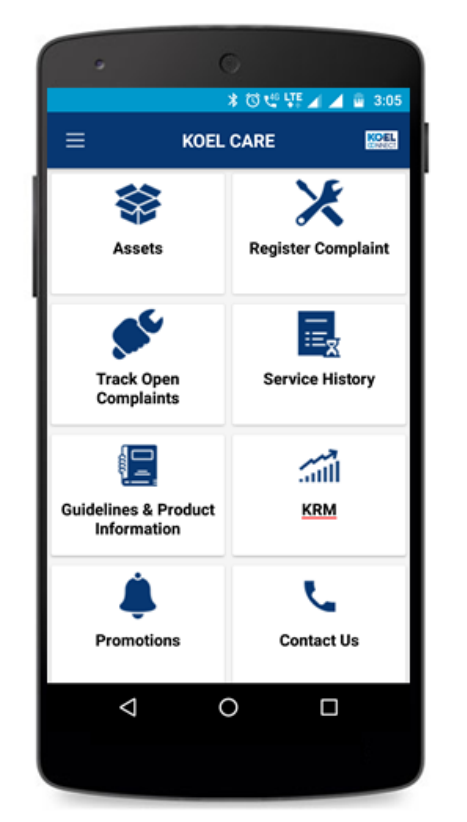
Enriching Lives

Strategy	Key Initiatives	Growth Drivers
<p>End Products</p> 	<ul style="list-style-type: none"> • Acquisition of LGM (Varuna Pumps) with a strong foothold in pumps , while continuing to increase reach and range in conventional diesel pumpsets • Power Tiller and its variants – established in market • Marine gensets and propulsion engines • Entry into telecom & new Slimpower range 	<ul style="list-style-type: none"> • Need of the hour to mechanize farms • Rural electrification • Push for Energy Efficient Pumps by replacing old pumps • Govt. initiatives for port development, river integration and <i>Sagarmala</i> project • Construction & tractor segments • Telecom consolidation & 4G/5G

Our Strategy for Growth (4/4)



Enriching Lives

Strategy	Key Initiatives	Growth Drivers
<p>Go Digital</p> 	<ul style="list-style-type: none">• Leveraging technology to drive spares and services business• Improving customer retention through innovative offerings like <i>Bandhan</i>• Electronic Field Service Report - service requests tracking end to end- helping improve productivity of service network• Agrifast – rural network coverage for faster deliveries	<ul style="list-style-type: none">• 500K Gensets and 200K industrial engines in market as installed base• Cross selling opportunities of AMC contracts, apart from customer ‘top of the mind’ positioning for new requirements

Powering Modern India : Chennai Metro Offering unique proposition



Enriching Lives

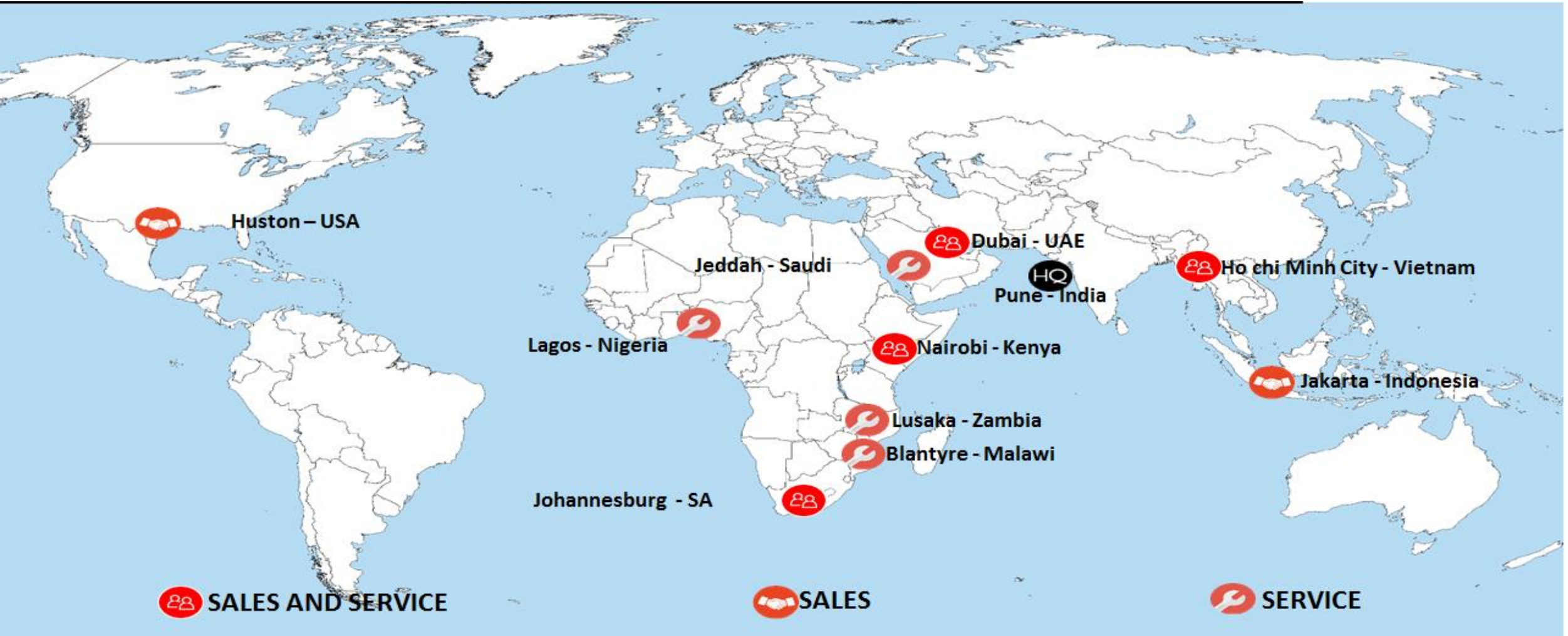


- Unique offering of 910 kVA
- High reliability
- Remote monitoring system
- Service commitment – 4 hr. resolution

International Business : Penetrate in focus markets



Enriching Lives



Varuna Pumps : Strategic Case for KOEL



Enriching Lives

- Natural extension to KOEL's Agri sector
- De-risking Agri portfolio
- Robust industry growth on back of rising urbanization, land under irrigation and replacement demand by efficient pumps
- Established capacity with quick ramp-up possibility

Estimated Market & LGM (Volume)



Enriching Lives

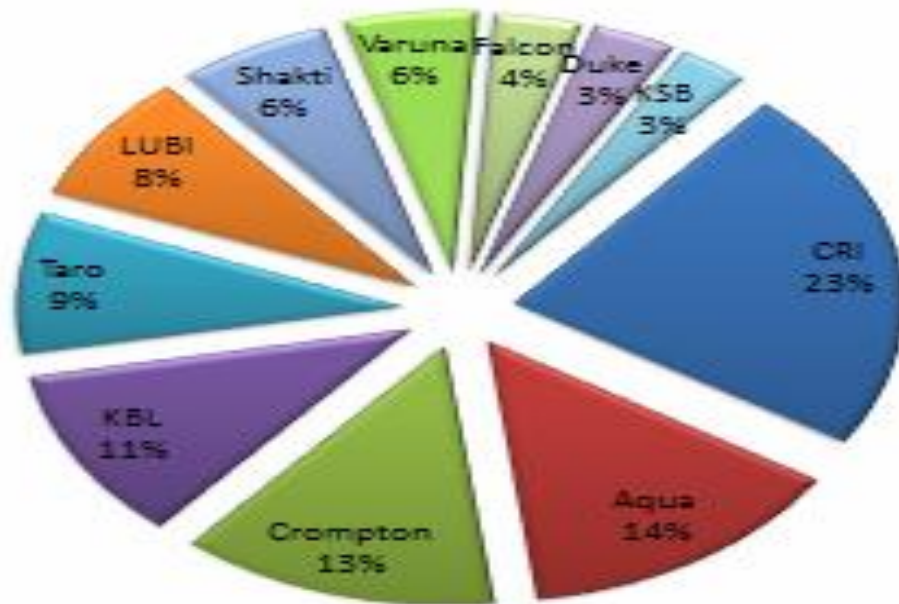
Pump seg.	Market FY16	Market FY17	Market FY18	Market FY19	LGM Capacity Annual	LGM FY 18 vol
Bore well	28,37,160	31,20,876	34,32,963	37,76,259	735,000	356,256
Open Well	522,751	533,206	543,870	554,748		
Mono block	938,568	891,640	847,058	804,705	390,000	138,879
Total	42,98,479	45,45,722	48,23,891	51,35,712	11,25,000	495,135

Varuna : Amongst the top 10 brands in submersible pumps



Enriching Lives

Environmental scan : FY 18 Top brand turnover



Brand	Revenue FY18 in Cr	Remarks
CRI	1550	Pipe - 200 Crores
Aqua	950	
Crompton	900	MMB - 300 Crores
KBL	735	MMB - 250 Crores
Taro	600	
LUBI	550	
Shakti	484	Solar - 283 Crores
Varuna	380	
Falcon	250	Pipes - 170 Crores
Duke	235	Pipes - 140
KSB	200	
Total	6784	

Organized sector sales FY 18 : 6784 Cr
Total market Size - 20,000 Cr.

Data Source : IPMA



La-Gajjar Machineries Pvt. Ltd.

CORE STRENGTH

- Strong brand & market leader in UP & among top 5 in 12 states
- Established capacity @ 45% utilization - 400+ 5 star rated models; top 3 stainless steel pumps in India
- Established distribution setup in focus markets - 180 distributors, 1300 dealers, 100+ service centres

STRATEGIC THRUSTS

- Strengthen backend to yield better efficiencies: supply chain, ERP, continuous improvement projects....
- Quantum leap in exports : value added products
- Plant consolidation : enhancing efficiencies
- Ensure profitable growth

Farm Mechanization : Focus on small & Marginal farmers



Enriching Lives

- In India more than 85% farmers are small & marginal farmers
- Average land holding is reduced from 1.23 Ha to 1.15 Ha per farmer
- Average Farm Power is expected to increase 1.5 HP /KW to 2 HP /KW
- Farm Food grain Production is directly proportional to Farm Power

Kirloskar Mechanisation Works (KMW) : Product Portfolio



Enriching Lives



MegaT 15 – Over 50% market share in the the > 12 HP segment

12 HP launched July 2018

MINT 8 deluxe power weeder

8 HP weeder launch Aug 2018

- R& D established for small farm mechanisation
- Products from 5 HP to 15 HP
- Focus on small and marginal farmer segment



Kubix: Brush Cutter

THE OPPORTUNITY

- Create end to end control of enquiry pipeline
- Agility to respond to market dynamics
- Improving conversion and customer retention
- Enhancing customer experience at each touch point

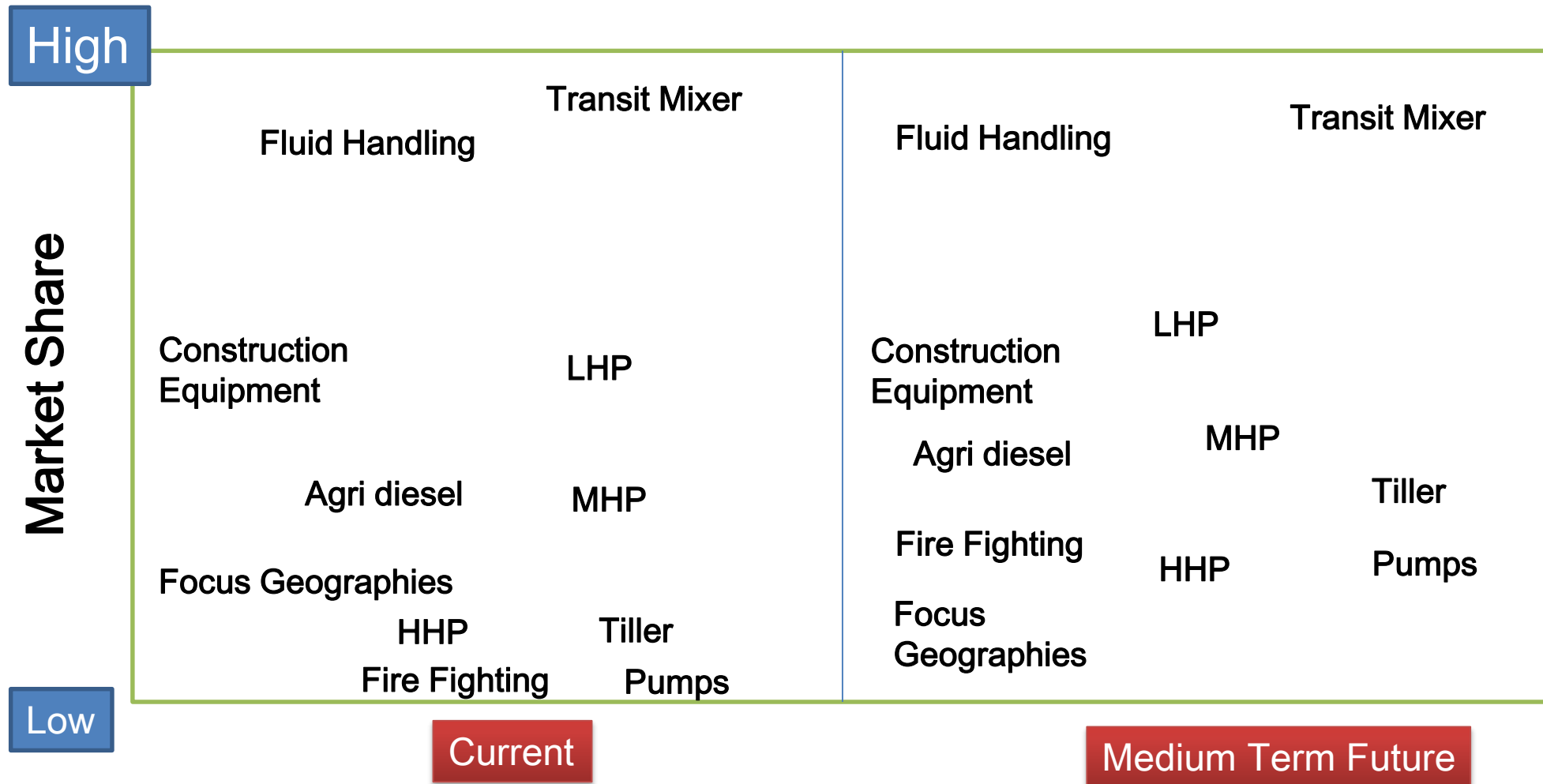
THE OUTCOME

- Complete front ending processes (sales/service) on single platform
- Data driven market interventions – product/price/promotion
- Enabling & controlling processes dovetailed on basic business platform
- Participating in market place despite indirect selling model

Product-Market position matrix..



Enriching Lives





Enriching Lives

RESEARCH & DEVELOPMENT

- Proven track record of indigenously developed products at competitive cost e.g. CPCB II transition by cost efficient mechanical solutions over CRDi; 910 KVA genset for metro rail application
- Strong application engineering capability to provide customizations for highly advanced applications in power generation, industrial and strategic sectors
- Around 100 member strong & committed team backed by increasing investment in R&D

Design Prowess : Faster time to market

1st time in industry – multi application suitability



Enriching Lives

Seeder



Sprayer



Puddling



Non - Tipping trailer



Tipping trailer



Potato Digger



Ridger



Potato Planter



Stone Cutter



Hopper



Power Plough



MegaT 15 : Files claims for 4 patents & 3 design registrations

KMW MEGA T 15 : Innovation awards..



Enriching Lives



KMW MEGA T 15 Wins the Good Design Award 2016 held by Japan Institute for Design Promotion (JDP) at Tokyo, Japan



Customer focused products

Innovative compact & lightweight gensets



Enriching Lives

5 KVA

Order received for 24 nos. DG sets from M/s BEL for Army's Communication Project



69 % volume reduction
56 % weight reduction

10 KVA

Order received & executed for 6 nos. DG sets from M/s ICOMM for Army's Radio Relay Project. Proto is CQAL 640A qualified



38 % volume reduction
20 % weight reduction

40 KVA

Order received & executed for 2 nos. DG sets from M/s BEL for Army's BSS Project. CQAL640A qualification is in progress



51 % volume reduction
30 % weight reduction

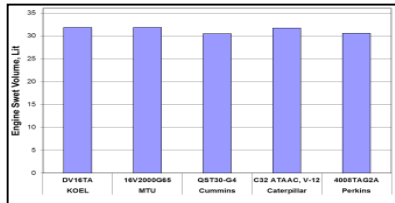
DV16 1010 kVA Engine : A unique proposition



Enriching Lives

1st V16 Engine designed and developed in INDIA

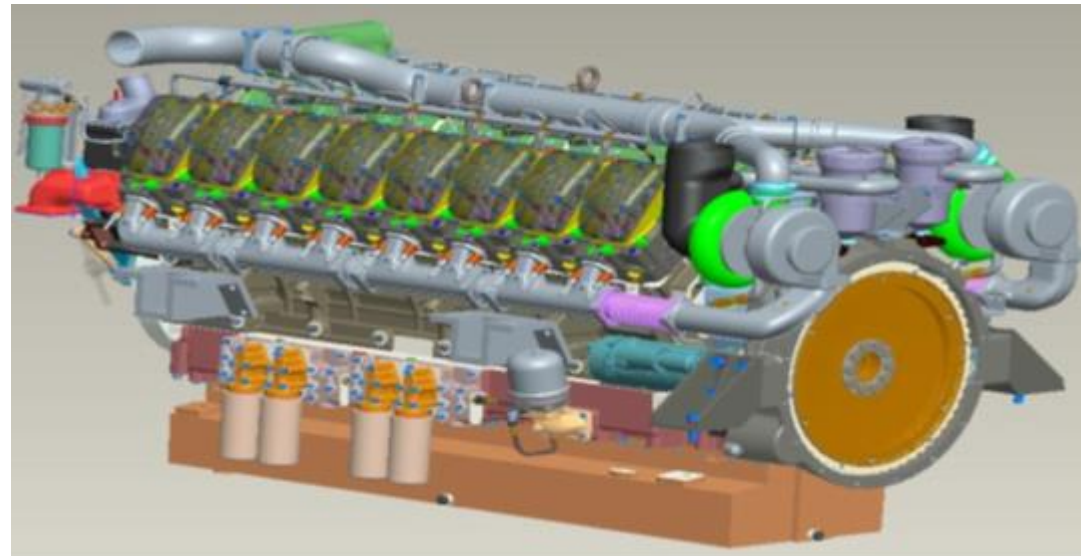
Global Benchmark



Latest Technology CRDI



- Gallery cooled pistons
- Sputter bearings



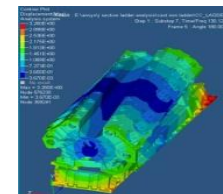
Latest Manufacturing Technologies



Latest Simulation Technologies

Unique Features

- Ultra low vibrations
- Lowest weight in the class
- Smallest foot print





Enriching Lives

FUTURE OUTLOOK

Future Outlook (1/2)



Enriching Lives

- PG growth aligned to potentially healthy economic growth
- Readiness to address regulatory changes driven by revised emission norms (BS IV in industrial segment and CPCB III in Powergen segment)
- KOEL's pumps and farm mechanization products poised to address Government's agenda of doubling farm income

Future Outlook (2/2)



Enriching Lives

- KOEL's strategic positioning in marine, railways and telecom segments, where Govt's focus offers significant opportunities
- KOEL has consciously decided to penetrate international markets beyond its traditional strongholds. This is likely to pay rich dividends in medium & long term.
- Inflationary pressures to continue. KOEL has created differentiators beyond price through product, delivery speed & service, whilst simultaneously working on cost optimization internally
- Financial services business will potentially yield higher returns as compared to current investments -Improved RoE



“Don’t worry about the future, create it”

- Mr Shantanurao Laxmanrao Kirloskar