



Enriching Lives

# Kirloskar Oil Engines Limited

## Earnings Update Dec 2015

# Disclaimer



Enriching Lives

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



Enriching Lives

- YTD Dec-15 sales @ Rs. 1757 cr was 5% lower than the PY of Rs. 1856 Cr.
  - Significant portion of this drop was on account of lower LEBG sales ( Rs 112 cr.) The sluggish economy & consequently low power deficit, resulted in lower Power Gen sales ( Rs. 35 cr), KGT (Rs. 10 cr) & CSBG (Rs. 9 Cr)
  - International business was higher by Rs 33 cr. (23%) ; Industrial by Rs 7 cr & Agri Crop by Rs. 14 cr
- EBITDA margins :
  - For most business segments, EBITDA margins better than the PY
  - impacted negatively largely on account of lower LEBG sales and planned fixed costs which are more in the nature of investment for future growth projects.
- The trend of negative operating working capital continued for the 7th consecutive quarter. Dec 15 was negative Rs 71 cr vs PY negative Rs 59 cr.

# Key Business Highlights



Enriching Lives

- As per published data, DG market declined by ~ 12% from Q2 FY16 and marginally increased by ~1.3 % in YTD FY16 Y-o-Y basis
- In Industrial segment : Off-highway remains flat; Construction & Fluid handling is beginning to show early signs of revival; Tractor continues to decline
- Despite un-favourable market conditions, Agri crop has shown ~ 6% growth over PY
- Mega T bagged the CII Industrial Innovation Award 2015 for "One of the Top 25 innovative Organizations"
- For International business, new markets opened in countries like Senegal, Philippines
- For LEBG – focus on defence & marine beginning to pay dividends & new orders beginning to come in.

# Financials



Enriching Lives

All numbers in Rs. Crs	Q3 FY2016	Q3 FY2015	∂	9M FY2016	9M FY2015	∂	FY 2015
Net Sales	595	604	-2%	1,756	1,856	-5%	2,473
Other Operating Income	6	8	-28%	16	23	-32%	31
Raw Material	383	395	-3%	1,124	1,220	-8%	1,626
Employee Costs	51	50	2%	149	144	3%	188
Other Expenses	118	109	8%	350	318	10%	441
<b>EBITDA</b>	<b>49</b>	<b>58</b>	<b>-16%</b>	<b>150</b>	<b>197</b>	<b>-24%</b>	<b>249</b>
Non-Op.Income / ( Expenses )	8	16	-51%	47	42	11%	59
Depreciation	27	26	6%	80	76	5%	102
Interest	-	-	-	-	0		-
<b>PBT</b>	<b>30</b>	<b>49</b>	<b>-39%</b>	<b>117</b>	<b>164</b>	<b>-29%</b>	<b>205</b>
Tax	8	15	-45%	23	47	-50%	62
PAT	22	34	-36%	93	117	-20%	143

# Q3 2015-16 Sales : Segment Performance



Enriching Lives

All numbers in Rs. crs	Q3 FY2016	Q3 FY2015	ð
PowerGen	267	255	5%
Agricultural	129	105	23%
Industrial	92	93	-2%
Customer Support	81	82	-1%
Large Engines	26	68	-62%
Total	595	604	-2%
Exports out of above	57	42	34%

# YTD FY2016 Sales : Segment Performance



Enriching Lives

All numbers in Rs. Crs	YTD FY2016	YTD FY2015	Δ
PowerGen	808	809	-
Agricultural	335	310	8%
Industrial	282	286	-2%
Customer Support	253	258	-2%
Large Engines	78	190	-59%
Total	1,756	1,856	-5%
Exports out of above	176	143	23%



# Key Financial Metrics

	Q3 FY2016	Q3 FY2015
EBITDA %	9	11
Inventory (Days)	32	28
Receivables (Days)	10	11
Creditors (Days)	48	51
Fixed Asset Turns	5.8	5.0
RoCE %	10.8%	15.7%
Operating RoCE (annualized) %	15.5%	26.6%
Debt	-	-
Cash & Equivalents	846	776





# A. Power Generation Business Highlights

**India's DG set market sluggishness continued in Q3FY16. Market decline by ~ 12% from Q2 FY16 and marginally increased by ~1.5% on YTD FY16 Y-o-Y basis:**

- Power deficit continued to be low in Q3 F2016 ( below 2%)
- Telecom market which showed an upsurge in H1 FY16 , back to normal in Q3
- KCC range of diesel and petrol gensets is fully operational with exclusive dealerships



## B. Agri Business Highlights

### Following are the key highlights:

- Mega T crossed 1000 nos land mark with 150+ fully operational dealerships in 9 states within 1 year of launch
- Bagged CII Industrial Innovation Award 2015 for "One of the Top 25 innovative Organizations"
- Breakthrough Product Innovation R&D at AIMA innovation Practitioners Summit 2015
- Certification by SRFMTTI received for 12HP variant also
- For Agri crop segment, 2600+ retailers appointed YTD Dec 15 which takes us to a network of more than 17K retailers with 700+ distributors
- Alternators range of 2 KVA to 82.5 KVA established under the brand KIRLOSKAR SHAKTI.
- 14% rainfall deficit hit the kharif food grain production by 1.8%

# C. Industrial Business Highlights



Enriching Lives

**Industrial engines (Off – High way )market is flat in Q3 FY16 Y-o-Y basis. However, KOEL continued to maintain share. Following are the key highlights:**

- KOEL introduced new engine variants for specific applications.
- Construction equipment is showing marginal growth over PY.
- Fluid handling equipment is showing early positive trend.
- Earth moving equipment market decline continues in 4th year in a row
- Tractor market continues to show negative trend
- Despite competitive market, KOEL retained market share in OFF highway market.

# D. Customer Support Business Highlights



Enriching Lives

**India's DG set market sluggishness continued to impact sale of spares. Following are the key highlights:**

- Lower spares consumption in PG segment due to low usage of DG set.
- KOEL focus increased on acquisition of Corporate customers for AMC continued
- KOEL new Service Brand 'KOEL CARE' is well appreciated by the market.
- In spite of lowest power deficit in the country, customer support business is stable due to various ground activation programs

# E. International Business Highlights



Enriching Lives

**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 :**

- Export sales up by 23% over PY
- Major breakthrough with Cellular company MTN, South Africa
- New markets opened in countries like Senegal, Philippines

# F. Large Engine Business



Enriching Lives

**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. New Product development for Defence and Marine is the focus area of this business. Some of the business highlights were :**

- First order for Bangladesh for supply of Marine Generating sets 250 kVA( 12 nos) and 87.5 kVA ( 6 nos )
- Bagged order for 7 ship sets for Coastguard OPV to built by L & T , each ship set comprises of 4 X 500 KWe Marine DG sets
- 125kVA compact genset for defense proto under development



Enriching Lives

---

**Thank You**