"Kirloskar Oil Engines Limited Q1 FY'26 Earnings Conference Call"

August 07, 2025

MANAGEMENT: **MS. GAURI KIRLOSKAR - MANAGING DIRECTOR, KIRLOSKAR OIL ENGINES LIMITED**
MR. RAHUL SAHAI - CEO, KIRLOSKAR OIL ENGINES LIMITED
MR. SACHIN KEJRIWAL - CFO, KIRLOSKAR OIL ENGINES LIMITED
MS. KIRAN KHAPRE - CHIEF HUMAN RESOURCES OFFICER, KIRLOSKAR OIL ENGINES LIMITED
MS. FARAH IRANI - COMPANY SECRETARY, KIRLOSKAR OIL ENGINES LIMITED
MS. RIDHI GANGAR – CFO, ARKA FINCAP LIMITED

MODERATOR: **MR. AMIT SHAH - ANIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Kirloskar Oil Engines Limited Q1 FY'26 Earnings Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participant 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Shah from Anique Stock Broking Limited. Thank you and over to you, sir.

Amit Shah: Yes, thank you, Shruti. On behalf of Antique Stock Broking Limited, I welcome you all to Kirloskar Oil Engines Limited 1Q FY'26 Earnings Conference Call.

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 – CFO of the Company.

I would now hand over the call to Ms. Gauri Kirloskar for her 'Opening Remarks', post which we can open the floor for Q&A. Over to you, ma'am.

Gauri Kirloskar: Thank you very much, Amit. Good evening, everyone and thank you for joining us today. In addition to Rahul Sahai and Sachin, we also have with us Kiran Khapre – our Chief Human Resources Officer and Farah Irani, the Company Secretary and from ARKA, we have Ridhi Gangar, CFO of ARKA.

I will begin with business and operational updates and then Sachin will provide a brief overview of the financial performance, following which we will answer any questions you may have.

We have had a strong start to Fiscal Year 2026. I am happy to share that the 1st Quarter has been a record-breaking one for us. We closed Q1 with the highest ever net sales in KOEL's history at Rs. 1,434 crores for the standalone business and Rs. 1,751 crores for the consolidated business.

What makes this particularly noteworthy is that Q4 has traditionally been our best-performing quarter. To surpass that in Q1 reflects strong demand, sharper execution and a clear alignment to our long-term aspirations under the '2B – 2-Billion Strategies'.

Also, to put the numbers in context, in the same quarter of the last financial year, on the Powergen side, we were at the peak of the pre-buy phase right before the CPCB IV+ transition. Despite the pre-buy impact, we still grew at 6% plus and if we normalize the pre-buy effect, the growth is 22% in comparison with the same quarter of last year. We see that despite all the challenges in global markets, tariffs, geopolitical uncertainties, the Indian economy remains resilient and strong. We see strong tailwinds domestically and we see the demand staying strong for us as a business. During the quarter, we made a regrouping within segments. The farm mechanization business, which was earlier classified under the B2C segment, is now grouped under the industrial business within the B2B segment. Accordingly, you will see the numbers regrouped for the current and prior quarters in the presentation.

Looking at the standalone sales break-up:

The B2B business witnessed 8% year-on-year growth with all sub-segments except industrial recording double-digit growth. The B2C business grew 4% with WMS sales remaining flat at Rs. 154 crores, while international B2C business grew at a strong 76%. In terms of geographic mix across both B2B and B2C segments, domestic sales stood at Rs. 1,298 crores registering a growth of approximately 6% year-on-year. Export sales stood at Rs. 136 crores reflecting a 21% growth year-on-year. EBITDA for the quarter stood at Rs. 190 crores reflecting a margin of 13.2% versus 13% last year. Numbers for the previous period are excluding reversal of provision for overdue receivables made for a customer towards sales made in earlier years. EBITDA margin at standalone levels for the previous period including reversal for overdue receivable provision was 14.8%. In the current period, there is no such reversal.

Let me now take you through what drove this performance:

The power generation business saw strong revival in demand. We recorded our highest ever Q1 sales in this segment at Rs. 609 crores. This renewed demand coupled with a good traction in high horsepower segment helped us build solid momentum. The new products that we launched including the Sentinel range and the Optiprime range is seeing good traction. There is customer acceptance and the products are performing well in the market as per specification. We also hosted our Powergen conclave this quarter which was very well-received. It gave us a valuable platform to reinforce trust amongst our partners and showcase the next leg of our innovation roadmap. As I had mentioned in some of our earlier calls, our product range on the Powergen side is one of the most exhaustive globally and we have products that cover the entire range of the genset industry. We also are making significant inroads into markets where we have not traditionally been strong and we are closely monitoring the progress and this will be a journey.

Moving to the industrial business:

We progressed on two strategic projects, one for NPCIL and another for the Indian Navy. These are deeply aligned with our long-term ambitions. We are very keen to participate in the indigenization program that our defense agencies are focusing on. We believe that this is not just a great opportunity from a business standpoint but also an opportunity to participate in nation building. In our fluid dynamics business or the B2C arm, we had a stable quarter. We believe that operationally we are on good fitting now. We see the business now delivering consistent results with double-digit EBITDA margins and positive cash generation which is good news for us. There has been a lot of work done post the plant consolidation on operational efficiencies and this is showing rewards. We have to make sure that this consistency in results is maintained as we take the next steps of increasing market share.

On the international front:

Our performance continues to be very encouraging. The Middle East and North Africa regions saw strong demand. Our run rate has been consistent in this region which is good news for us. International business remains a key focus area for us and we will continue our journey of building out this business.

Now a few updates on the consolidated business:

Also, within B2C business, we had successfully closed the divestiture of our tables and pipes business, which is called Optiqua. As I had mentioned in my earlier calls as well, we have set out on a strategy that is clear on what is our core and what are the businesses that we will get into and we will focus on those. There is a product roadmap in place and over time, we will build out the product portfolio in line with this roadmap. This action of divestiture of Optiqua is in line with that strategy.

At ARKA, we had outlined a strategy to build out a granular retail book to complement the stable wholesale book that we currently have. In line with the strategy, we are making progress. You will see more presence of ARKA in many Tier-2 and Tier-3 cities across the country. As I mentioned earlier, it is in our ethos to build businesses that sustain generations and it is also our expectation that each of our businesses remain successful in their own right. This principle will apply for ARCA as well as we grow this business.

Looking at the consolidated performance:

Net sales for the quarter was at Rs. 1,751 crores, registering 8% year-on-year growth. Net profit from continuing operations for the quarter was at Rs. 134 crores, that is approximately a 1% increase year-on-year. Please note that the numbers for the previous period are excluding exceptional items and including reversible provision for overdue receivables made for a customer towards sales made in earlier years. Net profit for the previous period excluding exceptional items and excluding reversals for overdue receivable provision was Rs. 133 crores. In the current period, there are no such exceptional items and reversals.

Three years before, I thought of KOEL as a 75-year-old startup and that was how we had to operate to build out the organization that we have today and the product portfolio. Now, I call KOEL a 75-year-old incubator of many startups. We have many areas that we are working on, many products that we are introducing that are new, many new markets that we are trying to enter, non-internal combustion engine technologies that we are trying out to fast-track our progress. Whatever we do is in line with our strategy and we will not lose focus on the path that we have set out for ourselves. I am very confident in Team KOEL to deliver on what we have set out to do.

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

Sachin Kejriwal: Good evening, everyone. Thanks, Gauri, for the update.

I will now give a quick walkthrough of the financial performance for the standalone and consolidated business. The results and the presentation for today's call has already been uploaded on the exchanges and our website.

Q1 topline registered growth of 8% year-on-year and 2% quarter-on-quarter. As Gauri mentioned, we believe this is a good start for the year. Even though we had a really good quarter in Q4 last year, we have surpassed it and grown marginal this quarter.

Coming to the financial performance:

I will start with the standalone performance first. Net sales at Rs.1,434 crores for Q1 FY'26 versus Rs.1,334 crores for Q1 FY25 that is 8% increase year-on-year. EBITDA at Rs. 190 crores for Q1 FY'26 versus Rs.175 crores for Q1 FY'25 that is 9% increase year-on-year. EBITDA margin at 13.2% for Q1 FY'26 versus 13% for Q1 FY'25. Net profit at Rs. 123 crores for Q1 FY'26 versus Rs. 117 crores for Q1 FY'25 that is 5% increase year-on-year. Cash and cash equivalents of Rs. 639 crores by end of this quarter. Please note that cash position is net of debt and includes treasury investments. Numbers for previous period i.e. Q1 FY'25 are excluding reversal of provisions for overdue receivables made for a customer towards sales made in earlier years. EBITDA margin at standalone level for the previous period i.e. Q1 FY'25 including reversal for overdue receivables provision was 14.8%. In the current period i.e. Q1 FY'26, there is no such reversal. With payable at 76 days and receivables around 41 days, we are maintaining healthy working capital levels. Inventory is now at comfortable level of 53 days, marking an improvement over Q2 and Q3 of last year when we were navigating the transition to new emission norms in both the powergen and industrial segments.

Now here is a further breakdown of the standalone sales for the quarter:

B2B sales were at Rs. 1,262 crores i.e. 8% growth year-on-year. Powergen was at Rs. 609 crores which was 15% increase year-on-year. Powergen sales for the quarter first time have crossed Rs. 600 crores. Industrial at Rs. 310 crores i.e. 8% decrease year-on-year. Please note we have reclassified our FMS business into B2B industrial business unit from this quarter which was earlier part of B2C business. Distribution and aftermarket was at Rs. 223 crores i.e. 12% increase year-on-year and international business of B2B was at Rs. 120 crores i.e. 13% increase year-on-year. The B2C sales were at Rs. 172 crores registering a 4% increase year-on-year. WMS was at Rs. 154 crores at almost same level as previous year quarter. International business of B2C was at 18 crores i.e. 76% increase year-on-year.

Now looking at the consolidated performance for the quarter:

Revenue from operation at Rs. 1,764 crores for Q1 FY'26 versus Rs. 1,632 crores for Q1 FY'25 i.e. 8% increase year-on-year. Net profit at Rs. 134 crores for Q1 FY'26 versus Rs. 133 crores for Q1 FY'25 i.e. 1% increase year-on-year. Please note numbers discussed here represent continuing operations only. Numbers for the previous period i.e. Q1 FY'25 are excluding exceptional items and reversal of provisions for overdue receivables made for a customer towards sales made in earlier years. Net profit for the previous period i.e. Q1 FY'25 excluding exceptional items and including reversal for overdue receivables provision was Rs. 151 crores. In the current period, there are no such exceptional items in reversal.

Now let us have a look at consolidated segment performance now:

B2B segment revenue for the quarter was at Rs. 1,276 crores which is 9% growth year-on-year. The segment PBIT was at Rs. 139 crores reflecting approx. 7% decline year-on-year. The decline was due to one-time factors such as reversal of provisions for overdue receivables. PBIT for the previous period excluding reversal for overdue receivable provision was Rs. 126 crores i.e. 11% year-on-year growth. In the current period, there are no such exceptional items in reversal. Operationally, we remain confident in the underlying strength of the business. B2C segment revenue for the quarter was at Rs. 292 crores flat year-on-year. The segment PBIT was Rs. 28 crores i.e. 18% decline year-on-year. Also, within B2C business, the disinvestment of our cables and pipes business Optiqua was effectively completed. This moves free up capital for redeployment into higher growth areas aligned with our core strategy. Financial services segment revenue for the quarter is at 196 crores reflecting 18% year-on-year growth. The segment PBT was at Rs. 14 crores i.e. 28% decline year-on-year. The asset under management was of June 30th, 2025 stood at Rs. 7,231 crores. Please note, numbers discussed here represent continuing operations only and the reclassification of our FMS business into B2B and B2C business. The PBIT and PBT numbers are before exceptional items.

With this overview, I would like to restate that we have made a steady start to the year. As we move forward, our efforts are increasingly aligned with our long-term 2B2B vision. We are progressing with measured steps and shaping a strategic roadmap that not only accelerates growth but also ensures it is sustainable, securing long-term value for the business.

With these key updates, now we will open the forum for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Balasubramanian from Arihant Capital Markets Limited. Please go ahead.

Balasubramanian: Good evening, sir. Thank you so much for the opportunity. So my first question regarding defense and Navy wins and we got some 6 megawatt marine engine orders. I just want to understand what is the pipeline for similar orders and how we will manage execution risk in terms of IP development delays or any other risk we have? My first question.

Gauri Kirloskar: Thanks, Balasubramanian. Thanks for your question. So this order is for the development of a 6 megawatt marine main propulsion medium speed engine. And it's an order for a prototype development. So at this stage, the order is just for prototype development. We have a certain amount of time to be able to execute that and build that engine. And if we do that successfully, then we are in line for further orders of that same type of engine.

Balasubramanian: Okay, madam. And secondly, Sanand plant consolidation B2C margin to double digits. I just want to understand whether it's early double digits or high double digits? And how will agro demand cyclicality impact water management solutions?

Gauri Kirloskar: Yes, that's a good question. So the margins are at low double digits. And we see that sustaining, we do think that it's a margin that we can sustain over the long term and even improve. And in terms of agri cyclicality, it certainly does exist. But I think at the kind of market shares that we are at, we are aiming to improve those market shares. So we will aim for the cyclicality not affecting us too much. Also, as we build out the product portfolio to look for products that could work when the agri cyclicality is not in our favor.

Balasubramanian: Madam, BS-V transitions, we did some 20% kind of price hike. So whether we are gaining volumes, our customers absorbing these price hikes, or we are losing some marginal accounts.

Gauri Kirloskar: Okay, I'll request Rahul to answer that question.

Rahul Sahai: So if you look at the CV BS-V transition that has happened, we have actually very successfully emissionized our full portfolio on the construction equipment side. And we are not only gaining volumes with our customers that we currently have, but we're also slowly gaining traction with customers that were not there with us earlier. And we're also entering new applications. From a revenue impact standpoint, you will see those impacts eventually coming in. But we are seeing a lot of positive response.

Balasubramanian: Got it, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Yes, thank you so much for taking my question and congratulations on a good set of numbers. First question just pertains to, I mean, PG segment, the power generation segment has done really well with the 15% growth. Just wanted to know, in terms of verticals, in terms of the infra verticals, where is the demand emanating from? And like, for example, real estate, or is it broad based? Just some color on that.

Gauri Kirloskar: Yes, thank you for your question. So yes, I mean, the same segments, which is infrastructure is essentially real estate, and whether it's commercial or residential developments, these are the normal sectors that we look at in terms of demand. And it's actually broad-based, it's across the board that we have seen better demand.

Jason Soans: Yes, okay. Thanks for that. And my next question just pertains to, we're seeing some, after some good growth in the industrial segment, we saw degrowth in the 1Q, some weakness here. And similarly, on the same lines, we saw good growth in the international, where I can see, if you club the thing, it's basically a 19% YOY growth. So just wanted to know what an international was seeing some weakness, in the past quarters. So just wanted to know the reason why the pickup in the international one and why the weakness in the industrial side of things?

Gauri Kirloskar: Yes, so the industrials, what we're seeing, actually, is if you compare it to last year, there was a pre-buy that we saw in railways in the last year for industrial for Q1. So that was impacting the increase that you see. And on the international side, if you recall, on some of the earlier calls, we had talked about the business model change that we had done in the Middle East region, which was essentially to appoint a genset OEM called Myspan in that region, and we will be operating through them and we had aligned all of our dealers and distributors in the Middle East and North Africa region to Myspan. So there was some, essentially as that business settled down, because we had introduced one more party in the mix. So what we're seeing now is the pickup happening, that whole thing has settled down, we're seeing that the strategy that we had for the Middle East market in terms of appointing a GOEM, and that being the right strategy for powergen and growing a powergen market in the Middle East is playing out. So it's settled down, we're seeing that traction, and I think we will continue to see that traction as we go forward.

Jason Soans: Yes, thank you so much. And just also, just wanted to know, I mean, the last quarter you had given the HHP sales. So will it be possible to give it for this quarter as well, the HHP sales for 1Q?

Rahul Sahai: Generally, we don't share the volume, share the value for each segment within the powergen. And we have given overall value for the powergen business. So stick to that at the moment.

Gauri Kirloskar: Yes, but we're tracking HHP node-by-node very closely as it's obviously a new market for us. And I can say that we are seeing our market shares increase node-by-node with our presence in those segments with the product portfolio that we have now.

Jason Soans: Yes, sure. Last year, you had given that it's a 110 crore of sales in the whole year. So I just thought, anyways, sure. And just lastly, for this first set, I just want to know, when I go to the annual report, the loss for the Kirloskar Americas Corporation KAC has widened, compared to '24. And it has widened by quite a large amount. So just wanted to know what is the reason for the same? I understand you have Wildcat etc. as well in that subsidiary. So, yes, just wanted to know what is the reason for that?

Gauri Kirloskar: Happy to answer that question. So, the US business and the US market is the largest genset market in the world. And it is a market where which is new for us and we have to continue to invest in building out what we want to build up there to have a significant presence. So today our presence is pretty negligible. And what we will see is we will continue to make investments and that's why you're seeing the gap in the numbers. But it's a strategic call where I think that we have to continue to do that. So that at some point, we are present in that market in a meaningful way. So that's what you're seeing.

Jason Soans: Sure. Thanks for that. Thanks. I'll come back in the queue for further questions. Thank you.

Gauri Kirloskar: Sure. Thank you.

Moderator: Thank you. Our next question is from the line of Suraj Malu from Catamaran. Please go ahead.

Suraj Malu: Hello. So when we gather that multinational companies spend over $1 billion in developing a new engine platform, my question was, what is our plan in developing new engine platforms for let's say 1,500 kVA, 2,000 kVA, kind of high node single engines? Obviously, we have this through our Optiprime offering right now. But if you could talk about like some timelines and budget for developing these platforms, these large engine platforms.

Gauri Kirloskar: The platform you've talked about, we already have single engine nodes for 1,500, as well as for 2,000 kVA shortly. So of course, we're not spending the same amount of money, as you mentioned, for the global companies. But we continue to invest in our R&D programs across the product portfolio that we want to build. And, we already have some of the nodes that you mentioned.

Suraj Malu: Could you share some sort of client wins or any success stories with these nodes or large engine nodes in the recent quarter?

Rahul Sahai: Yes, so for example, if you look at 1,500 kVA, we routinely do several of these on a month-to-month basis. And we are selling it to government clients as well as to private companies. It may not be appropriate for me to give out names of customers. But it's almost a routine for us at this point.

Suraj Malu: Could you share some industry applications like which industry is going into?

Rahul Sahai: Yes, so it goes right across, it goes into manufacturing, it goes into airports, it goes into construction, so real estate developments all across.

Suraj Malu: Great, thank you.

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

Umesh Rao: Hi, good evening. My first question is pertaining to power generation segment. So if I look at current demand for power generation, especially from reality segment, so in your view, how we are seeing that demand currently looking like, whether we are more closer to peak kind of a demand, how we are setting it in terms of cyclicality? And also, if you can talk about other emerging sectors as well, data center, QSR, retail, hospitality, how do you see demand over the period of, say, next one year or so?

Gauri Kirloskar: So as I mentioned in my opening notes, we see sustained demand in the domestic market, and it's actually across all of these segments. And specifically, and you mentioned some of these segments like real estate, etc, we're not seeing any cyclicality, we're seeing sustained demand.

Umesh Rao: Got it. And the reality demand, is it broad based in terms of geographies, or are you seeing differential demand with respect to any one particular region or any one particular kind of a breakup between urban, rural? And similarly, I mean, if there is any action on the pricing side during the quarter, have you seen any discounts given to the distributors? Because we have seen correction in the raw material price, that is big iron and other things?

Rahul Sahai: Yes. So, if you look at in terms of pricing actions, we're watching the market closely. And we are correcting in case when there are minor corrections required, but there's nothing significant that we have done. And there are no significant changes that have happened. The market is stabilizing.

Gauri Kirloskar: And your first part of your question, which is on demand, we're seeing it across, certainly in terms of the higher kVA nodes, it would be more prevalent in urban centres rather than rural because of the kind of developments and the size of developments we're talking about. But yes, no particular location or pockets. It's across the board.

Umesh Rao: Got it. My second question is pertaining to distribution or aftermarket. So, do you see a consolidation happening in terms of branded players now more and more since last few quarters? And especially with the launch of CPCB IV+, where electronic content could be relatively higher. So, demand prospects could be relatively better for distribution business going forward?

Gauri Kirloskar: Yes. So, I think, you know, on the aftermarket and distribution side, what's happened with the CPCB IV+, emissions change and which you mentioned in your question is that all of the platforms, all of the engine platforms have moved to electronic engines. And that means the service has become proprietary. So, certainly, wherever there would have been freelancers or people who are out of our service dealer system who are servicing the engine, that's not really possible anymore. So, to that extent, yes, consolidation has happened on the aftermarket and distribution side where the service for our engines has become proprietary for the CPCB IV+ range.

Umesh Rao: Got it. One clarification here, if you can share whether you are servicing aftermarket for new engines through your in-house team or you are doing it more on the outsourcing basis?

Rahul Sahai: Yes. So, when it comes to our service operating model, we do both. So, we have our own service dealers and we have service engineers that are part of the dealership organizations, but then are certified and trained by us. So, we do service via them. And then we have service contract and service manpower that we also have directly on Kirloskar Oil Engines. So, it's a composite model depending on what kind of contract or what kind of service operations need to be done.

Umesh Rao: Got it. My last question is pertaining to power generation again on the bookkeeping side. If you could share number of percentage contribution from CPCB IV+ products in terms of overall turnover for power generation?

Rahul Sahai: So, see, we have transitioned completely to the CPCB IV era. So, up to 800 kilowatt, all our products that get shipped out are CPCB IV+ compliant. Anything over and above that qualifies under the pollution state pollution control norms and our products comply with that. We're not really giving out segmental cuts at this point. But just to answer your question, every product that is CPCB IV compliant is being shipped out. So, only CPCB IV compliant products up to 800 kilowatt are being shipped out.

Umesh Rao: Exactly. So, my question was your revenue contribution from kVA rating below 800 within power generation?

Rahul Sahai: Yes, we're not going to go into the segmental split.

Umesh Rao: Okay, sure. Thank you. Thank you so much. All the very best.

Moderator: Thank you. Our next question is from the line of Tina from Motilal Oswal Financial Services Limited. Please go ahead.

Tina: Hi. Thanks for taking my question and congrats on the good set of numbers. My questions are related to the industrial and the distribution segment. So, on the industrial segment, what would be the levers for long-term growth in this particular segment? Like, what kind of traction can you expect from the existing projects, which are like NPCIL and even the marine order and even from the newer areas? So, if you can elaborate a little bit more on how different segments are looking in this particular industrial side.

Rahul Sahai: Hi, Tina. Hope you're doing well.

Tina: Yes, thanks, Rahul.

Rahul Sahai: So, if you look at the industrial business and as you're aware, each of the segments have their core business as well as projects that we're working on. Now, the industrial segments comprise of our construction segment. Now, within the construction, we have also been working on adding engines for mining equipment into that. So, construction, mining, there is defense, marine and nuclear. That's another segment that we focus on. And even there, so if you look at whether it is the NPCIL order or Make-I, which is the main propulsion engine proto order that we have got with the Indian Navy, there are strategic opportunities that could open up for us upon our successful completion of these projects. So, defense, marine and nuclear presents interesting project type opportunities for large engines. Now, we also have railways and in railways, we largely do power cars. But we're also looking at other applications at this point. So, if you look at each of the segments, and I won't go into every segment at this point, there is a core business that we routinely do and we continue to focus on that, as well as there are strategic programs that we have launched. And we hope to see some positive impact coming up in the subsequent quarters or years.

Tina: So, within these segments, you continue to see a fairly decent traction, particularly for your construction, mining and even for the marine side and railway side?

Rahul Sahai: Yes, absolutely.

Tina: And how would the revenue recognition from this NPCIL and marine projects pan out over next 1 to 2 years, because it is only after that you are saying that the bigger opportunities also will open up from these two areas?

Rahul Sahai: Actually, Tina, it would be difficult for me to answer that question at this point in time.

Gauri Kirloskar: Yes, essentially, it's milestone-based, the revenue, milestone-based. And apart from that, I think it depends on successful completion. So, to give you more detail on that would be very speculative.

Tina: Okay, but the work would have already started on these projects, in the existing projects, which are already awarded to you?

Rahul Sahai: Yes, of course, absolutely.

Tina: Okay. And one more thing on the presentation side, you have mentioned that you are doing some restructuring in the distribution and aftermarket. So, can you please elaborate on the same on the kind of restructuring on this particular segment?

Rahul Sahai: So, that was to do with the channel restructuring that we have been doing. That journey is more or less complete now. So, that was more to do with the channel.

Tina: Okay, maybe addition of new people, addition of new partners on the channel side?

Rahul Sahai: Correct. So, we restructured the service channel. And so, there's a lot of work that we have done there to enhance our service capabilities and our coverage.

Tina: Understood. Thank you. That's it from my side. I'll come back in the queue.

Moderator: Thank you. Our next question is from the Jeetu Panjabi from EM Investco Capital Advisors Private Limited. Please go ahead.

Jeetu Panjabi: Hi, Gauri. Hi, Rahul. Good going. Two questions here. One, your international numbers, growth rates seem pretty good. So, question is, can you give some color on what was driving that and whether it's sustainable and how do you see the rest of the year? And the second question is on ARKA. Can you, again, just throw some numbers on how the balance sheet is building up? How's the new business shaping up? And just a few more details on how that entire thing is expected to go.

Gauri Kirloskar: Yes, great. Thanks, Jeetu. So, on the international business, the main traction that we're seeing and the pickup that we're seeing over last year is from the Middle East region and that's because the GOEM that we have appointed, MySpan, which we appointed about two years ago, is now settled down. And we're seeing them sort of grow in a good way. And I think that is something that we can expect to sustain over the course of the year and going forward. Ridhi, would you be able to take the question on ARKA and the numbers in terms of the balance sheet, etc.?

Ridhi Gangar: With respect to the balance sheet, the on balance sheet AUM remained at Rs. 6,000 crores. And the on plus of AUM remained at Rs. 7,200 crores. With respect to building of the secure granular retail. Quarter 1, we focused on building the distribution and the infrastructure and hiring the people. So, as we speak, we have got 32 odd branches open for secure retail. And in Quarter 2, you will see more progress around it.

Jeetu Panjabi: Okay. And tell me something. Do you have numbers on what the ROA is looking like and a little bit on quality, if anything, any trends that are emerging that are different from where they were?

Ridhi Gangar: So, we are more or less, as far as the asset quality is concerned, we are more or less in line with the numbers that we reported from us. So, the gross NPAs are in the range of 0.9% and NPAs are in the range of 0.3% as of 30th June. And the ROAs, Quarter 1 generally is a softer quarter for the NBFC. So, our ROAs came at 0.7% for Quarter 1.

Jeetu Panjabi: Okay, lovely. Thank you, Ridhi. Thank you, Gauri.

Gauri Kirloskar: Thank you, Jeetu.

Moderator: Thank you, Jeetu. Thank you. Our next question is from the line of Umakant Sharma from Viansh Ventures.

Umakant Sharma: Hi. Thanks for the opportunity. Most of my questions have been answered. I just got two set of questions. Firstly, is there any timeline that we are looking on ARKA in terms of any strategic action over there?

Gauri Kirloskar: So, I think it's a step-by-step journey. At this point, looking at building out the retail part of the book and we will continue to update you on the progress as we do that and we will then look at the next steps to making the organization stand independently. But it would be premature for me to say anything unless we have plans firmly in place.

Umakant Sharma: Okay. Sure. And the second question, we have started, we have gotten into the higher horsepower segment, it's been like 2-2.5 years now. So, could you just show some color Gauri, in terms of numbers or some quantitative metrics, how we are tracking that and what kind of market share are we looking at currently and how are we seeing that business scaling up?

Gauri Kirloskar: Yes. So Umakant, what we generally do is, historically as a Company, we have been on the low and medium side. And over the years, we have added node-by-node on the higher side. And we do see as soon as we have a product available that we are able to capture, say, a low double digit market share just by being present. Now, what we have seen is as we move into the high horsepower segment, service becomes really, really critical. So, it's not just, for example, in the low and medium horsepower segment, price is a big deciding factor. But as we move up, service becomes really, really critical. And because we have a good service network across the country, we do believe we have the right to win, of course, assuming that the product quality and reliability is there. So, what I can say is that we have built out the high horsepower portfolio very quickly in the last 3 years. Normally, these developments take many years to complete. But I think because of some of the innovation, say around Optiprime etc., we were able to introduce products in the high horsepower range, because obviously, that's where we're seeing the largest growth rates. So, it's important for us to be present there. We are seeing traction across all segments. We are seeing that because we have the service capability, we have a right to win and what we do as a management team is that node-by-node, we do track that we are making that progress quarter-on-quarter in terms of market share improvement on a node-by-node basis. And I'd say I am satisfied with the progress that we have been making. But there's a lot of headroom for us, right? We're a Company that has just started to introduce products. So, there is a lot of headroom available for us to grow. And we just see that as an opportunity. But that's how we track it. We track it on a node-by-node basis and we look at quarterly making progress and upskilling these teams and service organization to be able to meet customer expectations in those segments.

Umakant Sharma: Got it. And Gauri, just from an aspirational standpoint, would you be having any numbers, let's say, if you're not able to share currently, that's absolutely fine. But let's say, three years or four years down the line, if you're looking at '27-'28, what kind of numbers should this business be contributing to us? Any thoughts if you guys disclose that?

Gauri Kirloskar: I think, when we're talking about our broad goals, which is over the next five years, and it's a longer term goal that we have taken this time, right? Like, I mean, last time we took a three year goal. And I think if I look at how we landed compared to what we said we were going to do, and last time we gave quite a clear breakdown of where we thought the growth would come from, it landed really differently, it's very, it's very difficult for me to predict or answer questions like these, because we are in a super volatile environment, geopolitically, of course, the domestic economy seems to be resilient and strong. But it's hard for me to give you a three year view on what this should be.

Umakant Sharma: Okay, no worries. Thank you so much.

Gauri Kirloskar: Thank you.

Moderator: Thank you. Our next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Yes. Hi, Gauri. You mentioned about the strategic focus earlier and in view of that, the business of pipes and cables was divested. So that's good news. On ARKA, I wanted to understand your long term thoughts. How does it strategically fit with our core business? And kind of given the size of the balance sheet there, the level of performance leaves quite underwhelming in terms of actual numbers. And it actually clouds the picture on a consolidated business basis of the real business performance. I wanted to understand what are the long term thoughts on ARKA and how does it strategically add value and fit in well?

Gauri Kirloskar: Yes, thank you very much for your question. I think as we look forward on ARKA, building out the retail strategy that we have spoken about in the last couple of quarters, since the leadership at ARKA has changed. The idea also to leverage, say, the KOEL distribution system that we have in place and look at where we have overlapping, office areas, etc. that we can build out over the medium term, that's one. In terms of the results and the expectations in terms of return, I think that we have clearly a certain return happening on the core business and that is what we will aim for in terms of return on capital over a certain period of time from the ARKA business as well in terms of the capital that we have invested. But when we look at it, we would want the business to stand on its own two feet in a certain period of time, but we will support the business as it does that. We have a very clear plan with the new team in place, with a team that has done it before and has demonstrated very good results before and I'm very confident that we will be able to earn the return that we would expect even in our core business from this business as well.

Bharat Shah: But if we go by the 1st Quarter numbers or even earlier numbers and given the amount of capital that we have already put in, a little less than Rs. 1,100 crores into the business, the returns are very, very underwhelming and it's not a particularly short period, you know, a net profit of mere Rs. 10 crores in the 1st Quarter on the injected capital by the group of less than somewhere around Rs. 1,100 crores. It sounds barely 3%-4% kind of an outcome at a return on equity. That doesn't sound to be good enough. Plus, standalone on a size of asset book of some Rs. 7,200 crores to make a piffling Rs. 10 crore net profit leaves a lot of questions actually.

Gauri Kirloskar: Yes, I understand your question and on a quarter-to-quarter basis, I don't think that you're going to be satisfied with my response because I remember you asking me this last quarter as well. But in the medium term, we do have a plan to look at how we grow this business and have it stand on its own two feet. So I would encourage you to just wait for that.

Bharat Shah: Sorry for persisting, but I'm honestly unable to see that because if I see it over various quarters, including for this current quarter, if you see, the financial services have contributed only about Rs. 13 odd crore to the bottomline to the segment results, while last year 1st Quarter it was 19 crores. Now, this is not our line of real core strength, in my opinion, and therefore, it may occupy much more time and give underwhelming results is my fear. And how does it strategically actually fit in with our business is not very clear to me.

Gauri Kirloskar: Yes, so I think a couple of points on what you said, that it's not our core, I think, even in terms of the kind of targets that we're taking on, say, the core business, there are many things that we haven't done before. And I firmly believe that as long as we have, and can attract and retain the right kind of talent and leadership to do things that are new, we will be able to build businesses. If you're looking at the results for ARKA just over the last couple of quarters, we are also in a period of time where we are pivoting from going from a largely stable wholesale book to a book that is more has a more retail focus. And that is going to take some time. There are some clear goals that we have stated in terms of the ARKA medium term plan as well. And that will take some time to see results. But I firmly believe and I'm confident that the team that we have in place will be able to deliver that.

Bharat Shah: Gauri, pardon me if I'm sounding annoying or persistent, but strategically, how does it fit in with our core business is something that I am unable to comprehend, even if we get good results over the period of time, which judging by results in the last few quarters doesn't seem to indicate that. But even if assuming that we derive good results over the period of time, how does this fit in with our core activity? From a strategy point of view, it is not very clear to me.

Gauri Kirloskar: Yes, I respect your opinion, but there's not much further comment I can make besides what I've already said. Thank you.

Bharat Shah: Okay. And one last thing. The results need to be put in a little more simplified fashion. If we go by these, just the current quarter, there are so many footnotes and there are so many exclamation marks and so many references in order to really look at businesses and the performance in a very simple, elegant way. On relatively small numbers, too many adjustments and too many numbers have to be looked at and correlated to get a picture. This is not comment on how we have done on the business, which we have done fairly, but I think we can state our results in a more simplified way. Anybody going through finds it a bit way much to correlate so many footnotes and exclamation marks. I think we can simplify it a whole lot, I feel.

Gauri Kirloskar: No, I think that's really great feedback and I think for us it's a balance between simplifying and some of the mandatory disclosures that we have to make, but thank you. We have taken this point and I think we will look at next time if there's any way that we can simplify it better. Thank you.

Bharat Shah: Sure. Thank you, Gauri. And on ARKA, I still leave the poses with you.

Gauri Kirloskar: Yes. Thank you, sir.

Moderator: Thank you. Our next question is from the line of Sourabh Arya from Oaklane Capital. Please go ahead.

Sourabh Arya: Hi, Gauri, congrats on good numbers, and the team. Just a couple of questions. First is, can you comment on in Powergen? Are the volumes back like in last few calls, we have referenced that industry volumes are running at lower numbers. So if one adjusts the CPCB IV pricing of 20% to 25%, it seems volumes are still running low. So can you comment on that? And second, how has the market done and how has our market share has been in this particular quarter?

Rahul Sahai: Hi, so I would say that the volumes have in the market more or less returned to normalcy. So the cadence at which they used to be prior to the CPCB IV transition, we have slowly come back to those more or less those volume levels. I cannot comment specifically on the market share. I don't think I would do that. We don't have any formal reports or anything out yet. But I think we have performed fairly well, I would say.

Sourabh Arya: Okay. And related, like obviously on HHP, we have not given precise numbers. But any qualitative comment there, let's say PowerGen has grown 15%. Has HHP grown much faster than that? Or anything there would be helpful?

Rahul Sahai: Yes, it has.

Sourabh Arya: Okay. And lastly, a little bit curious that, why did we move this farm mechanization to B2B and specifically at a time when it had already bottomed? So a little bit curious here, what's the reason for this moving it to B2B?

Rahul Sahai: Yes. So overall, we look at it as one Company. Now in the B2B, basically the industrial business, we already had an agri segment and we saw a lot of operational synergy with the industrial business within B2B. And hence, we decided to consolidate and so the farm business and the agri business are parts of the industrial business now.

Sourabh Arya: Okay. Perfect. Thank you very much. All the best.

Moderator: Thank you. Our next question is from the line of Pratik Dharamshi from Union Mutual Fund. Please go ahead.

Pratik Dharamshi: Yes. Thanks a lot for giving the opportunity. Many congratulations, Gauri and team. Just one question specifically on data centers. In terms of product introduction, can you give more color on the work we are doing around the data center business?

Rahul Sahai: Yes, so we are working with a lot of data centers and we're in the process of executing a few orders as well. At this point in time, I wouldn't give any more detail than that. But there is work that we are doing with data centers.

Pratik Dharamshi: Fair. Thanks. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you.

Gauri Kirloskar: Yes. Thank you very much for your interest in the Company and your questions. See you next time.

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.