



Enriching Lives

Kirloskar Oil Engines Limited

Earnings Update Mar 2018

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Actual results might differ materially from those either expressed or implied.

Key Financial Highlights (Apr-Mar)



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➤ **FY'18 registered highest ever sales of Rs 2804 cr. Higher by 7% over PY of Rs 2614 cr**

- Significant portion of this growth contributed by Industrial BU on the back of momentum in infra activities
- Telecom orders and growth in HHP boosted revenue for PG and KGT
- For exports, foray into new markets and introduction of new products muted the impact of slow recovery in core markets.
- Rural markets were most impacted post GST resulting in sluggish Agri Crop sales. However introduction of electric pumps was a boost for the segment.
- Increased reach and product acceptability augured well for Mega T
- LEBG marginally better than PY

➤ **EBITDA Margin 9.5% (Rs 265 cr) vis-à-vis 10.8% (Rs 283 cr) of PY.**

- PY included Kagal incentive Rs 36.6 cr
- KOEL retained PY operating margin (without Kagal Incentive) amidst competitive pressure and commodity price inflation

➤ **PBT margin 7.9% (Rs 222 cr) lower by Rs 30 cr over PY of 9.7% (Rs 252 cr)**

Financials



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All numbers in Rs. Crs	Q4 FY2018	Q4 FY2017	∂	FY2018	FY2017	∂
Net Sales	779	684	14%	2,804	2,614	7%
Other Operating Income	12	16	-27%	28	57	-51%
Raw Material	511	440	16%	1,817	1,688	8%
Employee Costs	49	49	-1%	206	202	2%
Other Expenses	153	142	8%	544	498	9%
EBITDA	78	69	14%	265	283	-6%
Non-Op.Income / (Expenses)	14	19	-29%	69	83	-17%
Depreciation	25	28	-12%	109	111	-2%
Interest	1	1	-	3	3	-
PBT	67	60	12%	222	252	-12%
Tax	22	15	44%	72	79	-8%
PAT	44	44	0%	150	174	-14%

Note : For better interpretation of ratios, sales are disclosed net of excise duty

Q4 2017-18 Sales : Segment Performance



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All numbers in Rs. crs	Q4 FY2018	Q4 FY2017	Δ
PowerGen	323	297	9%
Agricultural	139	111	26%
Industrial	162	133	22%
Customer Support	109	98	11%
Large Engines	49	49	
Total	779	684	14%
Exports out of above	43	33	30%

YTD FY2018 Sales : Segment Performance



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All numbers in Rs. Crs	YTD FY2018	YTD FY2017	Δ
PowerGen	1,241	1,162	7%
Agricultural	483	476	2%
Industrial	556	470	18%
Customer Support	391	375	4%
Large Engines	143	141	2%
Total	2,804	2,614	7%
Exports out of above	182	152	20%



Key Financial Metrics

	YTD FY 2018	YTD FY 2017
EBITDA %	10	11
Inventory (Days)	27	26
Receivables (Days)	27	20
Creditors (Days)	43	48
Fixed Asset Turns	8	7
RoCE %	14	16
Operating RoCE %	24	30
Cash & Equivalents	741	1004



Margins Impacts

- Commodity price increases and intense competition especially at lower end
- Profit Improvement Programs help negate the impact of lower other income i.e. Kagal Incentive which ceased effective April 17 (~ Rs 36cr)
- Several costs which are largely one time in nature negate the additional contribution resulting from higher sales :
 - Higher R&D expenses Rs 11 cr (power-pack development for tank Rs 5 cr, higher oil consumption Rs 3 cr mainly for US emission norms testing, DV related exp. Rs 3 cr)
 - Higher professional fees of ~ Rs 3 cr
 - Bhubaneswar entry tax receivable written off Rs 2.5 cr
 - Provision for Doubtful Debts of @ Rs 5 crs which are likely to be received in 2018-19
- Lower Financial income of Rs 11 cr reduces PBT
 - Rs 5 cr due to decrease in mutual fund balance post LGM acquisition (CY avg Rs 800 cr Vs PY avg Rs 875 cr)
 - Rs 6 cr due to lower returns by 0.7% (CY returns at 6.7% Vs PY 7.4%) with overall market liquid return drop.



Working Capital Impacts

- Increase in year end working capital was a result of the change in composition of sales rather than a change in inventory/receivable norms
- Year end Telecom and Industrial engine sales were with 60-90 days of credit thereby causing a surge in receivables by ~ Rs 75 cr
- Surge in export sales in last quarter with 90-120 days credit ~ Rs 15 cr
- March billing to BPCL increases receivable by Rs 11 cr in Large Engines
- Deferment of Telecom and Large Engines sales to April 18 results in higher inventory at YE by ~ Rs 35 crs



A. Power Generation Business Highlights

Following are the key highlights :

- While markets recovered from GST impact towards end of Q3, overall demand remained sluggish, as a result market witnessed single digit growth over PY.
- PG registered 7% growth over PY
- In FY1718 major growth drivers have been Slim Power range, 750-1010 kVA range and telecom customer acquisition.
- PG demonstrated turn-key solution capabilities in HHP space.
- PG business now engaged with all major telecom accounts and also entered the railways power car business which holds promise for the future



B. Agri Business Highlights

Following are the key highlights :

- 3000+ nos Mega T (PY 2653) sold in CY
- Mega T LW 12 (revolutionary light weight series), KUBIX (hand held machines for farmers) & Min T 8 Dlx (stylish power weeder) launched during the year
- Mega T bagged prestigious Golden Peacock Innovative Product award for 2018
- Due to sluggish first half of the year and impact of GST , Agri crop sales were impacted.
- Electric pump received good market response in the first full year of trading



C. Industrial Business Highlights

Following are the key highlights :

- Industrial engines (Off – High way) registered a growth of 20% on the back of considerable progress in infra projects
- HHP DV fire fighting pump engines launched successfully
- Hyundai Construction Equipment (India) Pvt Limited has awarded KOEL for “ Strategic and long term partner for Excavator”
- Tractor segment registered growth of 12%



D. Customer Support Business Highlights

Following are the key highlights :

- CSBG registered marginal improvement (4%) over PY. Lower DG utilization had its impact on the service business.
- Recently launched 'KOEL Bandhan', a direct online AMC and 'Online Extended warranty' products continued to receive good response.
- Dealership network climbed to 431 touch points PAN India
- 100% dealer migration completed for eFSR (Electronic field service report)
- KOEL's focus on acquisition of corporate customers of AMC continued.



E. International Business Highlights

Following are the key highlights

- IBG registered a growth of 20% over PY despite challenging conditions in major markets and unfavorable dollar
- Intensified efforts to develop new markets paid off & contributed about 14% of revenue
- New customers acquired in Venezuela, FIJI and Vietnam in Q4.

Consolidated Financials (includes KOEL Americas & LGM)



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All numbers in Rs. Crs	FY2018	FY2017
Net Sales	3,022	2,617
Other Operating Income	34	57
Raw Material	1,955	1,688
Employee Costs	222	202
Other Expenses	614	501
EBITDA	264	282
Non-Op.Income / (Expenses)	72	85
Depreciation	112	111
Interest	12	3
PBT	213	253
Tax	70	79
PAT	143	174



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Thank You