



Enriching Lives

# Kirloskar Oil Engines Limited

## Earnings Update Mar 2016

# Disclaimer



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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



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- CY sales @ Rs. 2419 cr was 2% lower than the PY of Rs. 2473 cr.
  - Significant portion of this drop was on account of lower LEBG sales (Rs 131 cr. )
  - Despite sluggish economy and uneven rainfall, Agri segment higher by Rs 52 cr & Exports higher by Rs 25 cr
- EBITDA margins
  - While revenue growth was under pressure, several profit improvement initiatives ensured Company maintained EBITDA margins in line with PY
- PBT margin 7.3% (Rs 177 cr) vis-à-vis PY 8.3% (Rs 205 cr)
  - CY includes extraordinary expenses of Rs 10 cr for VRS & Rs 14 cr for stamp duty provision for KBIL merger.
- The trend of negative operating working capital continued for the 8<sup>th</sup> consecutive quarter.

# Key Business Highlights



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- As per published data, Overall DG market declined by ~ 1.5 % in FY 15-16 (Y-o-Y basis ) . Q4 was up ~ 6% compared to Q3
- In Industrial segment : Off-highway & Construction segment witnessed positive trend. However Tractor segment continues to decline
- Despite un-favourable market conditions and uneven rainfall, Agri crop has shown ~ 13% growth over PY
- Mega T bagged the prestigious 'India Design Mark' award
- KOEL Americas started its operations in Q4
- For Large Engines – focus on defence & marine beginning to pay dividends

# Financials



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All numbers in Rs. Crs	Q4 FY2016	Q4 FY2015	∂	FY2016	FY2015	∂
Net Sales	663	617	7%	2419	2,473	-2%
Other Operating Income	21	11	93%	36	34	5%
Raw Material	419	406	3%	1543	1,626	-5%
Employee Costs	37	44	-17%	186	188	-2%
Other Expenses	138	127	9%	486	444	9%
EBITDA	90	51	75%	240	249	-4%
Non-Op.Income / ( Expenses )	2	17	-90%	48	59	-18%
Depreciation	32	26	21%	112	102	9%
Interest	0	0	-	0	0	-
<b>PBT</b>	<b>60</b>	<b>42</b>	<b>44%</b>	<b>177</b>	<b>205</b>	<b>-14%</b>
Tax	13	15	-16%	36	62	-42%
PAT	47	26	78%	141	143	-2%

# Q4 2015-16 Sales : Segment Performance



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All numbers in Rs. crs	Q4 FY2016	Q4 FY2015	ð
PowerGen	301	289	4%
Agricultural	121	94	29%
Industrial	114	97	18%
Customer Support	93	85	9%
Large Engines	33	52	-37%
Total	663	617	7%
Exports out of above	55	63	-13%

# YTD FY2016 Sales : Segment Performance



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All numbers in Rs. Crs	YTD FY2016	YTD FY2015	Δ
PowerGen	1,109	1,097	1%
Agricultural	456	404	13%
Industrial	396	383	3%
Customer Support	346	344	1%
Large Engines	111	242	-54%
Total	2,419	2,473	-2%
Exports out of above	231	206	12%



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# Key Financial Metrics

	YTD FY 2016	YTD FY 2015
EBITDA %	10	10
Inventory (Days)	24	22
Receivables (Days)	16	6
Creditors (Days)	49	53
Fixed Asset Turns	5	5
RoCE %	12.3	15.3
Operating RoCE (annualized) %	20.7	33.3
Debt	-	-
Cash & Equivalents	825	902





# A. Power Generation Business Highlights

**Overall DG market continued to decline. Market decreased by ~ 1.5 % in FY 15-16 (Y-o-Y basis). However Q4 showed some traction and market increased by ~ 6% over Q3 :**

- Power deficit continued to be low in Q4 (~1.5%)
- Infrastructure segment witnessed increase in demand mainly in 100 to 320kVA range
- Non Telecom segment witnessed drop of 6.5% in FY16 Y-o-Y basis
- New product introductions :
  - 750 kVA Genset
  - KOEL CHHOTA CHILLI range of 2 to 5 (KwA/kVA) petrol & diesel variants
- Continued focus on institutional sales



# B. Agri Business Highlights

Following are the key highlights:

- Around 1500 Mega T in operation with 150+ fully operational dealerships in 12 states including J&K, within 1 year of launch
- Bagged Prestigious 'India Design Mark' Award
- New products :
  - Sugarcane special and Deluxe variants of Mega T.
  - New high discharge pumps and range of adhesives and sealants under Agri Crop segment
- *KIRLOSKAR SHAKTI* brand introduced for full range of alternators and oil

# C. Industrial Business Highlights



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**Industrial engines (Off – High way ) market showing signs of improvements on account of Govt initiatives in Road construction and Mining. Following are the key highlights:**

- Construction equipment growth continued in Q4
- Marginal growth in seen in earth moving segment.
- Fluid handling equipment is showing early positive trend.
- Tractor segment impacted due to un even rains. Segment is de-growing by 4%
- Despite competitive market, KOEL retained market share in OFF highway market.

# D. Customer Support Business Highlights



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**Due to sluggish DG market, CSBG business on YoY basis remained flat. However, Q4 registered growth of 9% over Q4 PY :**

- Lower spares consumption in PG segment due to low usage of DG set.
- With Increased customer connect, Customer support segment maintained its top line as compared to PY
- *'KOEL CARE'* as a brand being established in the market

# E. International Business Highlights



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**KOELs International operations remains one of the key strategic focus areas and growth drivers. Following are the key highlights :**

- KOEL Export sales up by 12% over PY
- International markets remain highly competitive
- Huge currency devaluation in several countries like South Africa & Mexico dried up orders and also led to pricing pressures
- Major break through for FMUL engines in UAE

# F. Large Engine Business



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**The large engine business caters to a niche segment where demand is based on 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 :**

- Entered in technical collaboration with Bio Cube Corp, Canada for sales and service as a step towards green energy
- Developed compact DG set upto 100 kVA required for various Army projects. These products were displayed in recent “Defexpo” exhibition in Goa.

# F. Others



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- CY Extraordinary expenses includes Rs. 10.5 Crs on account of VRS and Rs. 14 Crs on account of stamp duty provision as part of KBIL amalgamation

# Consolidated Financials (includes KOEL Americas)



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All numbers in Rs. Crs	FY2016
Net Sales	2,420
Other Operating Income	36
Raw Material	1,543
Employee Costs	186
Other Expenses	486
EBITDA	240
Non-Op.Income / ( Expenses )	48
Depreciation	112
Interest	0
<b>PBT</b>	<b>177</b>
Tax	36
PAT	141





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# Thank You