



Enriching Lives

# Kirloskar Oil Engines Limited

## Earnings Update Sep 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. 1,301 cr was 13% higher than the PY of Rs. 1,151 Cr.
  - Agri Business led the pack with 20% growth over PY on the back of better market penetration and good monsoon.
  - Tailwinds continue through Q2 coupled with peak season demand, augurs well for Power Gen, Industrial engines and spares business
  - Good response from farmers for Mega T
  - Defence projects augur well for LEBG growth
  - International business impacted due to slow down in major markets especially Middle East resulting in a visible dip over PY
- EBITDA margins 12% (Rs 156 cr) vis-à-vis PY 10% (Rs 115 cr)
  - Superior sales performance backed up by lean cost structure paid off well for H1
- PBT margin 11.2% (Rs 146 cr) vis-à-vis PY 8.3% (Rs 95 cr)
- Operating ROCE improves from 19% in Sept 15 to 32% in Sept 16

# Financials



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All numbers in Rs. Crs	Q2 FY2017	Q2 FY2016	∂	6M FY2017	6M FY2016	∂	FY 2016
Net Sales	650	577	13%	1,301	1,151	13%	2,406
Other Operating Income	13	12	12%	27	22	19%	67
Raw Material	417	367	13%	841	740	14%	1,542
Employee Costs	51	50	1%	100	98	2%	185
Other Expenses	122	119	2%	231	221	5%	469
<b>EBITDA</b>	<b>74</b>	<b>52</b>	<b>42%</b>	<b>156</b>	<b>115</b>	<b>36%</b>	<b>276</b>
Non-Op.Income / ( Expenses )	18	20	-8%	46	39	20%	49
Depreciation	27	27	3%	55	53	4%	112
Interest	1	2	-68%	1	6	-76%	9
<b>PBT</b>	<b>64</b>	<b>43</b>	<b>50%</b>	<b>146</b>	<b>95</b>	<b>54%</b>	<b>205</b>
Tax	21	6	251%	44	16	169%	40
PAT	43	37	17%	101	78	29%	165

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

# Q2 2016-17 Sales : Segment Performance



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All numbers in Rs. crs	Q2 FY2017	Q2 FY2016	ð
PowerGen	291	265	10%
Agricultural	126	107	18%
Industrial	115	99	17%
Customer Support	92	83	10%
Large Engines	28	25	13%
Total	650	577	13%
Exports out of above	45	64	-31%

# YTD FY2017 Sales : Segment Performance



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All numbers in Rs. Crs	YTD FY2017	YTD FY2016	Δ
PowerGen	586	541	8%
Agricultural	247	206	20%
Industrial	227	190	19%
Customer Support	190	172	10%
Large Engines	56	47	19%
Total	1,301	1,151	13%
Exports out of above	84	119	-30%



# Key Financial Metrics

	H1 FY 2017	H1 FY 2016
EBITDA %	12	10
Inventory (Days)	33	31
Receivables (Days)	22	18
Creditors (Days)	50	50
Fixed Asset Turns	7	6
RoCE %	18	14
Operating RoCE %	32	19
Cash & Equivalents	905	835



# A. Power Generation Business Highlights

**Buoyant market conditions & momentum in economic activities continued in Q2, triggering better off-take for DG sets, especially HHP series**

- PG registered a sales growth of 8% over H1 PY
- Successful execution of bulk orders contributed to top line in Q2 with a healthy flow of orders ahead
- 750 kVA market acceptance evident as sales pick up and order board continues to grow
- Power deficit nosedived below 1% resulting in demand contraction for smaller kVA portable Gensets





# B. Agri Business Highlights

**On the back of better *kharif* season, Agri Business witnessed a growth in H1 FY 17:**

- Mega T-
  - Against 1443 nos sold in FY1516, around 1500 nos sold in H1 Alone. Approx 180 dealerships operational now PAN India
  - Won prestigious Good Design award in Japan
  - KOEL and State Bank of India entered into a MOU for the benefit of small and marginal farmers with retail finance options for Mega T
  - Mega T, with its first official launch in Bangladesh has entered into International market
- Agri, Crop Irrigation, with its active penetration coupled with successful execution of bulk orders continued to maintain healthy top line despite better power availability
- *K-Shakti* gear oil and two wheeler oil launched
- Supermono LP sets launched across India
- New pumpset developed using *Chhota Chilli* engine @ 350 PLM discharge

# 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. Following are the key highlights:**

- KOEL Industrial segment witnessed a growth of ~19% over H1 PY.
- Significant road construction activities and awarding of infra projects by Govt, helped bolster Industrial sales
- KOEL Construction equipment registered ~46% growth over H1 PY mainly driven by growth in engine sale for transit mixer and backhoe applications.
- Tractor market has marginally grown and is expected to grow due to good monsoon.



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# D. Customer Support Business Highlights

**With improved market situation for DG sets and increased demand for Industrial engines, CSBG came up as a significant contributor to the top line**

- CSBG registered a growth of 10% over H1 PY, driven by buoyant market conditions and increased customer connect
- Higher usage of existing DG set and better off-take of Gensets and Industrial engines helped in boosting service and parts sales in CSBG
- '*KOEL CARE*' Genuine Oil and coolant very well accepted by market
- KOEL's focus on acquisition of Corporate customers for AMC continued

# E. International Business Highlights



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Following are the key highlights :

- International business impacted for the second quarter in running as the Saudi Market remained tight
- Some silver lining was observed through successful execution of institutional orders from Ethiopia and bulk orders of FMUL engines in Middle East
- Break through in repowering business of Bell Loader Application in South Africa
- Regular business continued in Sri Lanka from newly appointed Channel partner

# F. Large Engine Business



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**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 :**

- Entry into a new segment of propulsion engines for fishing boats - first order received for the same
- Development of 500 KWe marine Genset powered with DV12 engine is complete



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# Thank You