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Kirloskar Oil Engines Limited

Earnings Update Dec 2014

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.

Financials



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| All numbers in Rs. Crs | Q3 FY2015 | Q3 FY2014 | Δ | 9M FY2015 | 9M FY2014 | Δ | FY 2014 |
|------------------------------|--------------|--------------|-------------|--------------|--------------|------------|------------|
| Net Sales | 604 | 562 | 7% | 1,856 | 1,655 | 12% | 2,287 |
| Other Operating Income | 8 | 7 | 18% | 23 | 23 | 3% | 33 |
| Raw Material | 395 | 352 | 12% | 1,220 | 1,031 | 18% | 1,444 |
| Employee Costs | 50 | 42 | 18% | 144 | 127 | 13% | 163 |
| Other Expenses | 109 | 97 | 13% | 318 | 299 | 6% | 410 |
| EBITDA | 58 | 78 | -25% | 197 | 221 | -11% | 304 |
| Non-Op.Income / (Expenses) | 16 | 9 | 91% | 42 | 28 | 50% | 38 |
| Depreciation | 26 | 24 | 5% | 76 | 73 | 3% | 98 |
| Interest | 0 | 0 | - | 0 | 0 | - | 0 |
| PBT | 49 | 62 | -21% | 164 | 175 | -7% | 243 |
| Tax | 15 | 17 | -11% | 47 | 46 | 1% | 65 |
| PAT | 34 | 45 | -25% | 117 | 129 | -9% | 178 |



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Q3 FY2015 Segment Performance

| All numbers in Rs. Crs | Q3 FY2015 | Q3 FY2014 | Δ |
|------------------------|-----------|-----------|------|
| PowerGen | 255 | 179 | 42% |
| Agricultural | 105 | 97 | 8% |
| Industrial | 93 | 88 | 6% |
| Customer Support | 82 | 75 | 9% |
| Large Engines | 68 | 122 | -44% |
| | | | |
| Total | 604 | 562 | 7% |



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YTD FY2015 Segment Performance

| All numbers in Rs. Crs | YTD FY2015 | YTD FY2014 | Δ |
|------------------------|------------|------------|-----|
| PowerGen | 809 | 585 | 38% |
| Agricultural | 310 | 321 | -4% |
| Industrial | 286 | 282 | 2% |
| Customer Support | 258 | 258 | - |
| Large Engines | 190 | 207 | -8% |
| | | | |
| Total | 1,856 | 1,655 | 12% |



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Key Financial Metrics

| | YTD FY 2015 | YTD FY 2014 |
|----------------------------------|-------------|-------------|
| EBITDA % | 10.6% | 13.3% |
| Inventory (Days) | 28 | 32 |
| Receivables (Days) | 11 | 32 |
| Creditors (Days) | 51 | 59 |
| Fixed Asset Turns | 5.0 | 4.0 |
| RoCE | 15.7% | 18.1% |
| Debt | - | - |
| Cash & Equivalents | 776 | 509 |
| Cash & Equivalents (Net of Debt) | 776 | 509 |

A. Power Generation (PG) Business

While Q1 FY15 of Power Generation market was mainly driven by uncertainty of the general election results and Q2 by change over of CPCB-2 emission norms. Following are the key highlights of the Q3 FY15-

- Launched new products in portable genset segment
- “KOEL Green” is the new brand identity for the power generation business
- To reflect the focus in the business, a revamped brand identity – ‘Efficiency Integrated’ is unveiled to reiterate the promise of enhanced efficiency along with proven reliability to its customers.
- KOEL new emission products are featured with best-in-class fuel efficiency, lower running costs, high reliability and durability.
- In spite of uncertainty in the market, KOEL maintained its market share in competitive environment
- KOEL’s market improvement efforts were supported by strong initiatives such as,
 - Enhancement of product features in new emission norm regime.
 - Launching of new variants of the products.

B. Agri Business

- Delay in subsidy disbursement post election coupled with delay in rain impacted business
- Launched MEGA-T (52 units sold during the quarter)
- Built a distribution network of over 1468 retailers and 81 distributors (Both engines & Spares)
- Achieved over 45% growth in the oil business & over 17% growth in the parts business in Q3 FY15 over Q3 FY14
- Gained market share in state of UP, Maharashtra etc. in engine pump set business
- Launched 2 new brands namely KMW and Varsha.

C. Industrial Business

Overall Industrial business market was stable in FY15. Below are some highlights of the market :

- Stable demand for construction and fluid handling equipment
- Delayed monsoon impacted tractor market negatively
- Delayed Infrastructure projects are showing early signs of improvement
- Despite the above KOEL has retained the market share in the OFF HIGH way markets
- Introduced 2 new engine variants for Tractor segment

D . Customer Support

- Lower power deficit across the nation impacted spares consumption
- The Company's commitment to provide quality service to all its customers continued with further expansion of service channel networks
- Implemented new win –win initiatives through customer education about Coolants usage . This has given significant growth for this product line

E . Exports

- New markets/ market segments explored during the quarter
 - Order for 226 Nos. engines from MTN, South Africa
 - Order for 125 Nos. DG sets in the range 17-225 kVA received from Saudi Arabia
- Appointed new Distributor in Bangladesh for Agri business and first consignment dispatched
- CE marking for SL 90 model of FMUL engine completed. This will help us to access the customers in Europe
- Identified channel partner in Australia for Industrial segment and first lot of engines supplied

Highlights



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F . Large Engines

- NPCIL order (16 Engines) execution completed as per schedule

G . Others

- The Board of Directors has approved the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (KBIL - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited (KOEL - Transferee Company)
- The BSE Limited and National Stock Exchange of India Limited vide its observation letter dated 3 December 2014 and 4 December 2014 respectively, conveyed their no-objection to file the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited, Pneumatic Holdings Limited and the Company, with Hon'ble High Court of Judicature at Bombay
- Meeting of Shareholders is scheduled on 18th February 2015 as per order of Hon'ble High Court of Judicature at Bombay



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Thank You