



Enriching Lives

Kirloskar Oil Engines Limited

Earnings Update Dec 2019

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.

Awards and Accolades



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CII EXIM Award for Business Excellence - 2019



Key Financial Highlights (Apr-Dec)



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- **Sales for the period Rs 2142 cr. lower by 8% (Rs 190 cr) over PY of Rs 2332 cr**
 - PG Sales impacted by slack in Telecom segment though partially compensated with the gains in Power Car segment
 - Industrial sales impacted by the continued sluggishness in infra segment
 - Agri sales of engines and pumps severely affected by the floods across major part of country.
 - CSBG revenue grew due to higher subscription of Bandhan AMC & Extended Warranty
 - LEBG revenue impacted due to deferment of Govt. orders

- **EBITDA Margin 8.1% (Rs 174 cr) vis-à-vis 9.2% (Rs 214 cr) of PY.**
 - Tight control on fixed cost helped contain margin erosion resulting from lower contribution (lower sales)

- **PBT margin 7.7% (Rs 164 cr) lower by Rs 35 cr over PY of 8.5% (Rs 199 cr)**
 - Finance income reduced due to lower mutual fund balance - Rs 500 cr invested in our wholly owned subsidiary ARKA Fincap Limited (Formerly known as Kirloskar Capital Ltd.)
 - PBT includes the gain on sale of Nagar property Rs 16.5 cr.

Financials



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All numbers in Rs. Crs	Q3 FY2020	Q3 FY2019	∂	9M FY2020	9M FY2019	∂	FY 2019
Net Sales	714	766	-7%	2,142	2,332	-8%	3,119
Other Operating Income	8	8	0%	28	24	15%	86
Raw Material	473	512	-8%	1,428	1,563	-9%	2,071
Employee Costs	57	54	6%	168	160	5%	216
Other Expenses	135	142	-5%	401	420	-4%	566
EBITDA	57	66	-14%	174	214	-19%	351
Non-Op.Income / (Expenses)	6	14	-56%	27	43	-37%	62
Depreciation	17	17	-3%	50	56	-9%	73
Interest	1	1	-8%	3	3	6%	4
Exceptional Item	-	-		16	-		
PBT	45	62	-27%	164	199	-17%	336
Tax	3	20	-87%	41	66	-38%	111
PAT	43	42	2%	124	133	-7%	225

Q3 2019-20 Sales : Segment Performance



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All numbers in Rs. Crs	Total		
	Q3 FY2020	Q3 FY2019	Δ
PowerGen	328	300	10%
Agricultural	119	158	-25%
Industrial	112	165	-32%
Customer Support	104	104	0%
Large Engines	53	42	28%
Total	714	766	-7%
Exports out of above	58	56	3%

YTD 2019-20 Sales : Segment Performance



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All numbers in Rs. Crs	Total		
	YTD FY2020	YTD FY2019	Δ
PowerGen	975	1,018	-4%
Agricultural	379	402	-6%
Industrial	376	486	-23%
Customer Support	317	309	3%
Large Engines	104	126	-18%
Total	2,142	2,331	-8%
Exports out of above	174	150	16%



Key Financial Metrics

	YTD FY2020	YTD FY2019
EBITDA %	8.1	9.2
Inventory (Days)	32	31
Receivables (Days)	37	35
Creditors (Days)	46	46
Fixed Asset Turns	7	7
RoCE %	11	15
Operating RoCE %	28	31
Cash & Equivalents	412	618



A. Power Generation Business Highlights

Following are the key highlights :

- PG business sales lower by 4% over PY, due to weak market demand.
- PY included good orders in telecom segment (CY Rs 17 crs vs PY Rs 76 crs).
- Power car segment gaining momentum (CY Rs 41 crs vs PY Rs 16 crs).
- KOEL '**Anubandh**' (a comprehensive warranty package) launched.



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B. Agri Business Highlights

Following are the key highlights :

- Agri sales lower by 5% over PY.
- 503 Mega T sold in Q3 and cumulatively 3179 sold in CY (PY 3161 nos).
- Second bulk order (2149 nos – Rs 34 Cr) for supply to Assam Govt. for power tiller received & supply initiated.
- Electric pumps delivered strong growth in West Bengal & Rajasthan overall sales higher by 40% over PY.



C. Industrial Business Highlights

Following are the key highlights :

- Industrial engines (Off – High way) sales lower by 23% over PY due to weak demand in construction and earth moving equipment. Engines offtake from OEM's remained low due to low secondary offtakes.
- Tractor segment sales lower by 20% over PY.
- BSIII to BSIV transition developments progress on track.
- Supplies to new OEM Doosan Bobcat initiated & being streamlined.



D. Customer Support Business Highlights

Following are the key highlights :

- CSBG registered growth of 3% over PY. The growth is primarily driven by “Koel Bandhan” (Online AMC) and Extended warranty.
- Maintained Customer Delight Index (CDI) score of 92 in Q3.
- MaxTTR achievement in 24 hrs now at 66% against target of 60 %.



E. International Business Highlights

Following are the key highlights

- IBG sales grew by 16% over PY, mainly through sales gains in Middle East, East Africa and South Africa.
- Agreement signed with Origin Engines, USA to supply DV series long blocks for conversion to Gas Engines.
- R series Long Block protos shipped to Arrow Engines, USA, for conversion to Gas Engines.
- Our ontime service & market presence was instrumental to get repeat order of 100 gensets from Telecom sector in Myanmar



F. Large Engines Business Highlights

Following are the key highlights

- Execution started against recent order of Rs. 70 cr from Bharat Electronics Limited, Bangalore for Naval Air Strip Integrated Security System (NAISS) project.
- After 4 months of deferment Navy (Vizag) released spares order worth Rs. 13 cr in November, pending orders expected in Q4.

Consolidated Financials

(Includes KOEL, LGM, KOEL Americas & ARKA Fincap Ltd)



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All numbers in Rs. Crs	Q3 FY2020	Q3 FY2019	∂	9M FY2020	9M FY2019	∂	FY 2019
Net Sales	824	858	-4%	2,519	2630	-4%	3,529
Other Operating Income	11	11	5%	37	32	15%	99
Raw Material	532	570	-7%	1,641	1755	-7%	2,329
Employee Costs	71	60	17%	206	179	15%	243
Other Expenses	164	166	-1%	500	497	0%	681
EBITDA	69	72	-4%	210	231	-9%	375
Non-Op.Income / (Expenses)	7	14	-49%	30	47	-36%	65
Depreciation	22	23	-2%	66	71	-8%	94
Interest	3	3	4%	10	11	-12%	15
Exceptional Item	-	-		16	-		
PBT	51	60	-15%	181	196	-7%	331
Tax	5	20	-76%	47	67	-30%	112
PAT	46	41	14%	134	129	4%	220



LGM – Business Highlights

- Industry growth at around 6-8 %
- Q3 growth impacted by heavy rains across several states
- Q3 growth over PY @ 7%
- Good traction seen in Mini n Mono Block segment
- Assam tender executed for 9000 pump sets

Updates on ARKA Fincap Limited (Formerly known as Kirloskar Capital Limited)



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- During the year, the KOEL invested Rs 499.5 crs in ARKA Fincap Limited (Formerly known as Kirloskar **Capital** Limited) in Q1. With this the total equity investment in ARKA Fincap Limited increased to Rs 526.5 crs.
- CRISIL rating for ARKA obtained:
 - Long Term Bank borrowing 500 Cr AA(-)
 - Commercial Paper 50 Cr A1(+)
- Disbursements till date to the tune of Rs 663 crores
- Loan book as of 31st Dec is Rs 386.95 crores
- Digital journey on track – loan management, loan origination, digital SME



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Thank You