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“Kirloskar Oil Engines Limited Q3 FY 2016 Earnings Conference Call”

January 28, 2016



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Kirloskar Oil Engines Limited
January 28, 2016

Analyst:

Mr. Bhavin Vithlani -- Axis Capital

Management:

**Mr. R. R. Deshpande – Joint Managing Director -
Kirloskar Oil Engines Limited**

**Mr. T Vinod Kumar - Chief Financial Officer -
Kirloskar Oil Engines Limited**



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Moderator: Ladies and gentlemen, good morning, and welcome to the Kirloskar Oil Engines Q3 FY2016 Earnings Conference Call hosted by Axis Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bhavin Vithlani. Thank you and over to you, Sir!

Bhavin Vithlani: Thank you Lizann. Good morning everyone and at the outset, apologies for a slight delay in starting the call. We welcome the management of Kirloskar Oil Engines for the Conference Call of Q3 FY2016. From the management we have Mr. R.R. Deshpande, Joint Managing Director and Mr. T. Vinod Kumar, CFO. Without much delay, I would now like to handover the call to the management for the opening remarks, post which we will open the floor for Q&A. Over to you Mr. Vinod!

Vinod Kumar: Thanks Bhavin and good morning ladies and gentlemen. We are pleased to present you and discuss the results of the third quarter of the financial year 2015-2016 for Kirloskar Oil Engines. Well, from the macro point, the sluggishness in the economy continued and I would say amidst that we would like to believe that KOEL has kept its head over water and done reasonably well. So I will go through the numbers.

Sales for the quarter at Rs 595 Crores was higher than the previous quarter figure of Rs 484 Crores but marginally lower vis-à-vis the same quarter a year ago, which was 604 Crores. As compared to the third quarter of the previous year, power generation was higher by 5%, and agri by 23%.



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The major drop which came about this year has been in the Large Engine Business and as I have mentioned before, having completed executing the nuclear power order in the previous we see a momentary drop. The cumulative drop was about 112 Crores and revenue from large engine business was Rs 26 Crores which was significantly lower than the previous year's number for the quarter of Rs 68 Crores.

While pressure in the domestic business continued resulting from the staggering economy, our international business on an YTD basis has grown by over 23%.

EBITDA at Rs 49 Crores was in line of the previous quarter figure of Rs 48 Crores but was 9 Crores lower than that of the previous year figure of 58 Crores. Cumulative EBITDA at Rs 150 Crores was 24% lower than the same period last year of Rs 197 Crores. A significant portion of this drop was a result of the lower large engine business sale of Rs 112 Crores which I mentioned earlier.

On a year-to-date basis both fixed and variable costs have been managed well, as a result, all business except for large engines and the new power tiller business EBITDA margins compare favorably as compared to the previous year. The profit before tax for the quarter stood at Rs 30 Crores as against 49 Crores for the previous year. I would like to mention here that resulting from all manufacturing operation moving from Khadki to Kagal, we offered a voluntary retirement scheme for some of our workmen the cost of which has been absorbed in the quarter's results. The good work on working capital management continues and for the seventh consecutive quarter we continue to operate on negative operating working capital.

So with that we will open up for questions. Thank you.



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Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Balchandra Shinde from Centrum Broking. Please go ahead.

Balchandra Shinde: Sir the power gen sales which we have mentioned it includes exports so how much was the domestic sales and how it has done work as last year's domestic sales?

Vinod Kumar: Are you talking of in the presentation?

Balchandra Shinde: Yes.

Vinod Kumar: In the presentation, yes it does include exports but power gen sales per se for the quarter is Rs 183 crores

Balchandra Shinde: Rs 183 Crores versus?

Vinod Kumar: Versus Rs 190 of the previous year but this does not include KGT that is another Rs 55 cr vis-à-vis Rs 48 cr in the previous year.

R. R. Deshpande: But if you add these two it is almost the same.

Balchandra Shinde: DV series will be included in the power generation sales?

Vinod Kumar: Yes.

Balchandra Shinde: So how much will be the DV series sales?

Vinod Kumar: Quarter about Rs 26 Crores.

Balchandra Shinde: Versus last year Sir?

Vinod Kumar: Almost the same I think.



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Balchandra Shinde: Sir if you can tell us about the margin, our margins have comparatively has stayed low into the single digit?

Vinod Kumar: As mentioned in my opening remarks t resulting from a Rs 112 Crores cumulative revenue shortfall of large engine business, our overall EBITDA has been lower. However, for all our other businesses (except Power Tiller) , our margins, are in double digit and better than the previous year.

Balchandra Shinde: Thank you.

Moderator: Thank you. Next question is from the line of Renu Baidá from B&K Securities. Please go ahead.

Renu Baidá: Good morning Sir. This is Renu from IIFL. Sir just in your presentation you have also highlighted that the overall DG set market remains sluggish and you saw about 12% decline from 2Q to 3Q so that is sequential number which you are indicating?

Vinod Kumar: Yes that was the Frost & Sullivan number which was published.

Renu Baidá: Sir within this now that we had seen Tamil Nadu floods were around and it did impact the retail market and going ahead what kind of demand outlook we are looking in the domestic power gen market what is your outlook and your take on this?

Vinod Kumar: Couple of things, which we talked about and even in the presentation, which we have circulated, one is that the surge, which you saw in the last quarter, was largely on account of telecom orders and that is now kind of normalized. We do not see much momentum, so we expect the private segment to be reasonably flat for some time. In the industrial segment, we see slight momentum in segments like off highway & mining. tAt the same time in the tractor segment we see a drop which has been there



quarter-on-quarter, so I think net-net for the next couple of quarters we do not see much traction happening till the momentum picks up in the economy. We also feel that the power deficit of sub 2% is there to stay for a while and this is going to have some adverse impact on the business.

Renu Baidá: So also essentially if excluding the telecom market you are not looking at the market growing double digit next year for sure it looks like flat to single digit at best.

Vinod Kumar: Yes.

Renu Baidá: On the telecom market side Sir, you have earlier indicated that we might see some volumes uptake happening in the next financial year so taking from a 12 to 18 month perspective do you see the domestic power gen market actually improving both from industry and telecom segment?

R. R. Deshpande: See, this is typically coming from the 4G spectrum towers. I think most of the service providers will be putting investment for the towers in next 12 to 18 months. Around 4000 to 5000 towers are likely to be put up. Reliance has already got their license approval for 4G & others will be following soon. Hence, there will be some requirement for the telecom segment. Your second question was pertaining to Industrial or PG ?

Renu Baidá: The industrial Sir?

R. R. Deshpande: Industrial market, we definitely see an improvement in the road construction equipment machinery as compared to the previous year. Tractor is a different segment, so, other than tractor there is some improvement which will definitely continue in the next 12 months.'

Renu Baidá: Any number, which you would like to put as the growth rate for next year?



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- R. R. Deshpande:** Difficult to say as yet but hopefully will be 5% plus.
- Renu Baidá:** Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Sir Can you just broadly touch up on our launch of 750 kVA engines what is the addressable opportunity that you will be looking at in this and how it is progressing?
- Vinod Kumar:** 750 ?
- Ravi Swaminathan:** 750 and 1000 kVA
- R. R. Deshpande:** We had already informed you of our 750 kVA launch in the last quarter. We are getting a steady stream of orders and our supplies have been regular. We expect to reach a 10% market share within a year. The product is very good and compares favourably with similar products available in the market. Our fuel efficiency is also better and the footprint for the gensets is the smallest. So as we go along, 750 kVA will definitely bring us good revenue. We are targeting our pre-launch for 1000 kVA in March but the complete rollout is expected only in the . next financial year.
- Ravi Swaminathan:** But these two nodes 750 and 1000 both put together what would be the market size Sir approximately?
- R. R. Deshpande:** The market size.
- Ravi Swaminathan:** Yes addressable size.



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R. R. Deshpande: Give me some time because right now I do not have figures may be after some time I can answer your question.

Ravi Swaminathan: Thanks.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Sir I have two questions. One is on the broader KMW Kirloskar Mechanisation Works approach we have, so in that you indicated the tiller, if you can indicate the tiller performance for Q3 and for the whole year and is that product available for subsidy and you also highlighted that we have also applied for a 12HP variant so what is the broader approach when we look at KMW into the product expansion because we have opened 150 outlets and the tiller availability at the moment may not be that rate so what is the broader thought process we have about next two to three years?

R. R. Deshpande: First of all when we actually started the 15 horsepower product, I think the major driver for the sales revenue was the product has to be approved for the subsidy for individual state government and that exercise is right now being done and I think in two-three major states like Tamil Nadu, Orissa, Maharashtra etc. we have applied for the subsidy but the subsidy process itself is a long drawn process. Each of the States have a different approach & modality and we are in the process in each of the States. Our price has got approved in the government but the subsidy fund is yet to be released and in the coming I think two to three months' time, we are expecting Tamil Nadu, Bihar, Orissa & West Bengal. Subsidy is an important ingredient for increasing sales & so also retail finance. We will continue to work on both these. We are now working on the different variants because when we launched the product in Maharashtra they wanted it for sugarcane. Different crops have different requirements



and hence the variants will be developed. The 12 hp tiller will also be launched within the next couple of months

Viraj Kacharia: On the volume side how much we have done in the quarter and how does this compare vis-à-vis the market performance and once you say subsidy being eligible it means that we have been already approved in any of the states or we are waiting for some of the states to play out in next two to three months and then the rest probably in FY2018?

Vinod Kumar: No, in the three states which we spoke about which is West Bengal, Orissa and Bihar our price has already been improved already been approved and we just waiting for the disbursement which would happen in the next couple of months.

Viraj Kacharia: So before the Kharif season we will be ready with the product approval for subsidy?

Vinod Kumar: The product has already been approved As mentioned, it is the subsidy approval & disbursement which is awaited. it On your second question, we have cumulatively sold 1000 nos.

Viraj Kacharia: That is on a nine-month.

Vinod Kumar: Nine-months.

Viraj Kacharia: And vis-à-vis the market performance?

Vinod Kumar: Market performance as in?

Viraj Kacharia: I mean the industry the tiller industry how much they would have done the first nine-month or the first?

Vinod Kumar: VST is the leader and they have currently about 40%, 45% of market share.



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Viraj Kacharia: No, what I am going to tell is that there is an industry degrown or the industry grown if you would have any idea on that?

Vinod Kumar: While we have seen significant de-growth in the tractor segment, the tiller market has also been affected but not probably to the extent of tractors. With 2 consecutive years of poor monsoon the entire agriculture segment has been affected.

Viraj Kacharia: On the broader approach for Kirloskar Mechanized Work so what we are looking at because at the moment it just seems to one tiller product and one variant so are we looking at x tillers other products in the near-term?

R. R. Deshpande: Yes we are looking for different horsepower tillers typically 15 horsepower, 12 horsepower, 9 horsepower and may be up to 5 horsepower so the point in different variants also are equally important because the soil conditions are different in different states so accordingly the different variants are being developed, so this is on the power tiller. On the rotavator and other equipment we are right now in the development stage.

Viraj Kacharia: Thank you.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Way2Wealth Securities. Please go ahead.

Mahesh Bendre: Sir in the first five months despite of brand business condition our power genset business has remained flat however it has declined by 5% for first nine-month for the entire company basis so what is the outlook for FY2017?

Vinod Kumar: I think Mahesh that was the very first question which was answered on the call. For 2017 it appears that the next couple of quarters are expected to be flat. While it does not look like there is



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going to be a huge growth the the plus from a KOEL perspective is that we have got in the entire range of KCC and you will see them panning out in the next year in totality. Also the 750 kVA is now stabilized and you will see that panning out, towards the second half of the year we will see the 1000 kVA. So from our product portfolio we will see the 3 kVA to 1000 kVA in totality & hence we believe that this is going to bring us extra volume.

Mahesh Bendre: On the margin front, we are shifting our factory from Pune to Kagal so how & when will the benefit will get reflected in the financials is it FY2017 or it will happen in FY2018?

Vinod Kumar: We have already been manufacturing from Kagal for quite sometime now and our manufacturing in Pune has totally stopped. Hence, we do not see large further benefits as we go ahead.

Mahesh Bendre: Thank you Sir.

Moderator: Thank you. The next question is from the line of Charandeep Singh from B&K Securities. Please go ahead.

Charandeep Singh: Sir if you can please help us with the pricing trend in the Genset industry over the last nine-months and where we have seen more pressure in terms of the pricing?

R R Deshpande: There is severe competition in the lower kVA segment, typically below 62.5 kVA and price pressures are there. People have dropped prices and for some manufacturers it is as good as CPCB-I prices. In the higher range yes major competitors have definitely dropped the prices by 5% to 10% and CPCB-II when it was actually launched, the prices went up by at least 10% to 15%, it has come down now and the difference lies hardly 5% to 10% over CPCB-I.



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Charandeep Singh: Sir how has been the performance of our DV series have we started seeing a significant pickup in the volumes over there?

R. R. Deshpande: Not really because the market continues to be sluggish., However, if you see our market share in the higher kVA like SL90 and DV we are almost 24% to 25% of market share, so this has definitely improved in this last one year by 2% to 3%.

Charandeep Singh: Sir this 24% to 25% market share, this is basically in which rating segment ? is it only in the 500 kVA?

R. R. Deshpande: No it is 250 to 750.

Charandeep Singh: Okay 250 to 750 kVA they are saying the 24% to 25% market share?

R. R. Deshpande: Yes.

Charandeep Singh: Sir just one last question from my side. On this 750 kVA and 1000 kVA ratings are there any changes we are making on our distribution channel or how we are approaching the market on this?

R. R. Deshpande: While GOEMs have the capability to manufacture the entire range of Gensets, currently all 750kVA sets are manufactured and distributed by us from our Kagal plant. However, as volumes pick up the GOEMs will commence manufacturing based on our design and specs.

Charandeep Singh: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Saurabh Shah from AUM Advisors. Please go ahead.



Saurabh Shah: I just wanted to get a sense of the international markets and I understand it is more, but for the next a year or two where do see that going? Is it going to be a significant part of the strategy and what kind of products you are conjugating sending over there and currently what are the margins compared to the domestic margins?

R. R. Deshpande: See in the international market today our major presence is in the Middle East and African countries and we have around 10% market share in countries like Saudi Arabia and South Africa. Our focus in coming years will definitely be for developing new products, new geographies and entering new markets. Last year we have set up our subsidiary in US & this year started our office and operations. We are actually gearing up for the product readiness and EPA compliance which then opens up an entire market for us. Second is the development of different OEMs like firefighting. Our product is getting ready for the complete portfolio and that portfolio will be addressed across the globe because we have got FMUL approval for our range. We also want to cut down the cost of our agriculture pump sets which today we are supplying to the Middle East and African countries and thereby be more competitive. So these are the three areas where we want to focus more and more from a product perspective.

Saurabh Shah: Seeing where you want to expect this to be kind of the next two, three years going ahead at least 30% year-on-year we will be tried of the opportunity that you just mentioned?

R. R. Deshpande: Yes what happens is today if you see some of the markets like African country which we see the devaluation of the currency actually that hampers the market price itself because the people cannot afford but the point is when we add a new market or a new product that helps us so if you ask me potential wise yes there is a potential for 20%, 30% year-on-year growth and accordingly we are working on it and I think that should



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be our main target for the coming two to three years and we are confident that we will achieve that.

Saurabh Shah: Sir and I am not asking about the margins how do you look at margins, on export margins Sir anything if you would like to say?

R. R. Deshpande: On export margins, it actually varies and is volatile because of the currency devaluation in different countries. There is constant pressure for price drops and hence not a comfortable situation.

Moderator: Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel: Sir Agriculture has seen a very strong growth after very long time so can you highlight what has really driven the growth and how do you see it going forward?

Vinod Kumar: Manish, I think it needs to be looked in perspective while the numbers do suggest there is a strong growth you have to also remember ultimately it is a numerator/ denominator equation. While the previous year was not very good at least this year is looking much better. I think we still have a long way to go. I think it is important to understand that the diesel pump set has been on the decline and it is the electric pump sets which are actually growing in sales because of rural electrification improving. So, what we have done is begun focusing on farm mechanization as a separate segment. We are also making sure that the wide Agri channel has a stream of new products in the pipeline albeit some thru the traded route. Very early to say but at the appropriate time will share and we do have plans in place for ensuring not only that we derisk our product portfolio and our basket but also that the channel and our channel partners also get a decent ROI.



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Manish Goel: Sir on large engines we have started getting some inflows even the last update was talking about some order inflows so are we expecting a decent revenue contribution coming in from next year from defence and marine segment?

R. R. Deshpande: See defense typically, I will tell you this business has got a long gestation period so you have to enter into different projects but you also have to have patience for that because it takes two to three years for some orders to fructify, But the point is yes we have been working at it and every year we are increasing our presence in the defense and marine sectors. I think that this year the defense marine all put together we are adding 70 to 80 Crores of the revenue which previously it was I think 30 to 40 Crores so we are almost doubling the revenue maybe the figures are small, next year yes we want to cross 100 Crores into this segment. We are also waiting for the first order for the Nuclear Power Corporation because recently there was some declaration for the Jaitapur from France Government. If nuclear comes out I think the market will also be open for us because as we are known in that market and we have got capable partners to jointly offer a solution.

Manish Goel: Sir, last call you had mentioned that three to four orders are in pipeline in this particular category, so any development on that?

R. R. Deshpande: That is what we are saying that the gestation period is long for this.

Manish Goel: I was referring to NPCL.

R. R. Deshpande: That is what NPCL itself. From the intent to the tender and the tender opening to the place of order it could take one or two years.

Manish Goel: Thank you so much Sir.



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Moderator: Thank you. The next question is from the line of Dewang Patel from IL&FS. Please go ahead.

Dewang Patel: You mentioned earlier there has been a 5% to 15% price drop in nine months and yet our margins across most segments are higher compared to previous year. Would it be fair to assume that the price drop has been mounted by falling material prices?

R. R. Deshpande: Definitely material prices have helped everybody in this year. So the point is typically for different power nodes we are focused now into different solutions because once we were through with the CPCB-II we started looking at the products and the other features also. So, make the power node more, I can say efficient that is what we are doing and I think that is giving us the benefit, because our first goal last July the CPCB-II to clear that and after that then to settle the product, get it matured, and this is what we are doing. The point is that in the lower KVA this price drop is also affecting the margins. The margins are eroding and this is what is happening for everybody.

Dewang Patel: Sir, generally the gross margins are still higher than let us say six to eight quarters back. Given that growth is sluggish, do you expect more such kind of behavior in the market where there is the competition, the number of players is high, and margins are still better than eight quarters back?

R. R. Deshpande: The previous year whatever the margins were there.

Vinod Kumar: I am not sure six to eight quarters back our margins were significantly lower than what it is right now. So it is not only the cost, it is improvement in the overall efficiencies across the supply chain, be it manufacturing, selling expenses, etc. essentially making the rupee run the mile. It also depends on the sales mix and so, if you are looking at



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an aberration in a particular quarter, I do not know, but I am not sure whether we were significantly better now than what we were six to eight quarters back.

Dewang Patel: Sir, to put it differently is the worst of pricing cuts behind us now?

Vinod Kumar: No. It is not over, more to come.

Dewang Patel: Thank you so much.

Moderator: Thank you. The next question is from the Balchandra Shinde from Centrum Broking. Please go ahead.

Balchandra Shinde: Sir, regarding our cash and equivalence, we have around 846 Crores cash and equivalence. I would like to know means are we looking out for any further plans to invest this cash in increasing our opportunities of business growth?

Vinod Kumar: The answer is yes. We have to get the right opportunity and we will invest sensibly.

Balchandra Shinde: But particularly in which business you are looking out for good inorganic growth?

Vinod Kumar: In our line of business.

Balchandra Shinde: In the large engine business we were earlier also trying to get into the marine business, private shipping business, so that part we have discontinued or we are still into that plans?

R. R. Deshpande: You are talking about the the merchant marine business. I think the last three years when we were trying very hard for getting this order, the market was down and in the competition, global competition, I think we could not get the orders for that and I think still if you ask



me that is there, but as on date we are not successful in getting order in that area till date, merchant marine.

Balchandra Shinde: So, merchant marine and Indian marine defense will be different product type requirement or it is almost similar?

R. R. Deshpande: It is completely different. For Indian defense and naval requirements it is completely different because previously it was used to give for the main propulsion, nowadays we are looking for the gensets, so this is what the difference is. Today, we are targeting genset as such; previously we used to give main propulsion engine.

Balchandra Shinde: Sir, last question about the 125 kVA which you have mentioned by when you think that product will come online?

R. R. Deshpande: Which one?

Balchandra Shinde: You have mentioned in the large engine's business that you are working on the 125-kVA prototype.

R. R. Deshpande: Yes, we were talking about the compact genset.

Balchandra Shinde: Yes, compact genset for defense?

R. R. Deshpande: It is already there and we got one order also from defense for the compact gensets that is Project Atulya, what is called.

Balchandra Shinde: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Thank you for the opportunity. Just had one more question. When we talk about the industrial segment seeing some signs of positive



growth, can you just give a sense of where the things are getting stuck in terms of the project announced and also the work on for the rail and road sectors, you know where exactly things are getting stuck and how and what kind of improvement we are seeing there?

R. R. Deshpande: The road construction in the last meetings also we used to say this that government has declared in two years they will touch 30 kms a day. Today, I think they are at somewhere around 12 to 13 kms a day. This is what the latest figure is and it has moved from 3 kms onwards. So, we could see now if the improvement happens in the same way what is there in the last one to one and a half years, I think this industry will start again coming up and the requirements for the new equipments will start happening. Today, majorly whatever is coming up is typically for the transit mixture/concrete mixtures, All these requirements are coming up, but the backhoe and I can say the excavators, earthmoving is not coming up. If you ask me, if people are working on to the 40% to 50% of the capacity, but no doubt, looking at the plants and looking at I can say the road projects, which were stuck up for the money and I think they are on and we could see a good improvement over the last year in this area, but the tractor is down because normally we talk about tractors in the industrial area itself, the tractor is down for the last maybe two monsoons, two years monsoons. it is not happening and therefore the market has gone down considerably and the requirement has gone down, so this coming year, there is a hope that this will come up again to the track. So industrial I can say do well in the coming years.

Viraj Kacharia: Again, on cash level, you indicated that we might probably also look at some acquisitions in the current business operations, apart from that is there a thought process to increase your payout ratio for or we are just primarily focus on acquisition in the near term?



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Vinod Kumar: I think as of now it is very preliminary to talk about payout ratio. We have been giving dividend of 250% in the last two years, which is good.. I am not sure that is the area of focus. So inorganic growth yes but like I said we have to get the right target, we have to get the right price, we have to get the right fit, and these things do tend to take time. It does not happen overnight.

Viraj Kacharia: Thank you very much.

Moderator: Thank you. The next question is from the line of Charandeep Singh from B&K Securities. Please go ahead.

Charandeep Singh: Just a follow on question on this new segment of 3 kVA and 5 kVA smaller petrol gensets, which we are entering into, Sir, what are the kind of underlying margins in this category and how is the market structured specifically in this category?

R. R. Deshpande: We have got basically two segments into this when we talk about the Chhota Chilli and that is a petrol genset and a diesel genset. Diesel is 3.5 and 5 kVA and petrol genset is 1.5, 3 and 4 kVA. So typically this market is all put together is around 100 Crores, and major player is on the petrol side is Honda, and on the diesel side it is I can say three or four players are there, but as on date, you ask me our market share is almost 20%.

Charandeep Singh: Sir, what are the kinds of margins? Is it a very lower margin profile product segment?

Vinod Kumar: Still early to say because this is a product, which is getting stabilized so maybe a couple of quarters down the line we probably be able to give you better idea. It is probably not fair to talk about the margins at this early stage.



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Charandeep Singh: But Sir, what is the kind of revenue ramp up which we are looking forward to maybe going forward in FY 2017, just give an estimate on the value what we would be targeting?

Vinod Kumar: Sorry we did not get that question?

Charandeep Singh: What is the revenue target, which you would have for the segment?

Vinod Kumar: For KCC?

Charandeep Singh: For Kirloskar?

Vinod Kumar: We are targeting almost Rs 50 to 60 Crores.

Charandeep Singh: 50 to 60 Crores, okay. Fine. Thank you, Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Can you comment on how has been the capacity utilization during the last nine months and especially during the quarter?

Vinod Kumar: Quarter last time it has not been very different, but our Kagal capacity utilization has been hovering around 45% to 50%.

Deepak Agarwal: Has it changed versus the last quarter?

Vinod Kumar: No it has not.

Deepak Agarwal: It is almost the same?

Vinod Kumar: Yes.

Deepak Agarwal: Secondly, can you comment on the volumes side, how it has been done on the Power Gen division?



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Vinod Kumar: We have talked. What do you want to know specifically on the volumes?

Deepak Agarwal: Like what kind of volume growth we have seen on the Power Gen side?

Vinod Kumar: It is almost flat.

Deepak Agarwal: It is almost flat.

Vinod Kumar: Yes.

Deepak Agarwal: Thanks a lot.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Bhavin Vithlani for closing comments. Please go ahead.

Bhavin Vithlani: Sir, I have one question if you may. If you can pardon me for ignoring this, if you can help us understand basically this is for the tillers, tillers versus the tractors, if you can give your perspective and how do you see this market over the next three to five years as you are focusing more on the farmer mechanization?

R.R. Deshpande: I will just talk about our experience in the tiller. If you ask me, as on date whatever we have sold 60% of the tillers are sold to the present tractor owners and the 80% of our whatever the customers are having below 5 acres of his land holding, With the fragmented segment of the landholding and the different crops being produced in a smaller landholding, the requirement of the farmer is now definitely changing to a smaller machinery and which will have greater versatility. So slowly the market of tiller is going to grow. There are 28 tractor manufacturers but on the typically power tiller, rotavator and other seeder, rice planters such type of productive equipments for the farmers I think they are very



few. So they look for this and if a proper product is available definitely there is a market and that is what they are looking for.

Bhavin Vithlani: What I was seeing the number of tractors in the industry because the ticket size of the tiller is much smaller but the volume of tractor is exponentially higher than the tillers. So that is so I was wondering if you can give some color on how you see the industry ramping up over the years. You given some color but are there some number in the mind that you see the growth in the industry could be significant?

R.R. Deshpande: Tiller, when we got a last 10 years data it is definitely growing at least by 10% and this is actually the manufactures are less and that is why there is a scope. That is what we are looking for because if you have got a productive machine against the competition and at a reasonable price affordable price I think you can get major market and this product is once you developed it is required by and you can export also because lot of requirements come from export.

Bhavin Vithlani: Thanks. On behalf of Axis Capital I would like to thank the management of Kirloskar Oil Engines for taking time out and patiently answering investors question and like to hand over the call to the management for any closing remarks.

Vinod Kumar: I think we are good, Bhavin. Thank you.

Bhavin Vithlani: Thank you Vinod. Thank you Mr. Deshpande.

Moderator: Ladies and gentlemen, on behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.