

Operator

Ladies and gentlemen, good day and welcome to the Kirloskar Oil Engines Limited's Q4 FY '13 earnings conference call hosted by Axis Capital Limited. As a reminder, for the duration of this conference, all participants' lines will be in a listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I'd like to hand the conference over to Mr. Bhavin Vithlani of Axis capital. Thank you and over to you, sir.

Bhavin Vithlani, Analyst

Good morning, everyone and welcome to the earnings conference call for Kirloskar Oil Engines. From the management, we have Mr. R.R. Deshpande, Executive Director, Mr. T. Vinodkumar, the new CFO of Kirloskar Oil Engines. The format of the presentation will be a brief outlook on the business and the quarter gone by, by the management and then we can take over to the Q&A. A request to the participants is since we have a long queue today, we request everyone to limit the questions to two in number and then maybe circle back in the queue.

Over to you Vinod and Mr. Deshpande.

T. Vinodkumar, Chief Financial Officer

Yeah. Good morning.

R.R. Deshpande, Executive Director

Thank you and good morning. I'll do a quick financial highlights summary and then we can move over to the Q&A. Instead of starting with the operating income, I thought, let me tell you right up front that the two years which we are looking at, that is the current year and the previous year, are strictly not comparable for the reason that there was a bearing sale, which we've been repeating I think on each of our con call. In the previous year -- and that accounted for about 62 crores of revenue in the previous year and the profit before tax included 48 crores of that element.

And also the other exceptional item, which we have been highlighting is that in the current year there is a VRS cost of 19 crores. So with that backdrop, let me tell you the total income from operations for the fourth quarter stood at 599 crores as against 589 for the previous year. And for the year as a whole, it stood at 2,357 crores as against 2,326 crores in the previous year.

The net sales were 2,319 crores vis-a-vis 2,276 crores of the previous year with a marginal increase of 1.9%. The EBITDA for the quarter four was 93 crores versus 80 crores of the previous year, and for the year-to-date, it was 346 crores vis-a-vis 304 crores for the previous year.

Before I get into the PBT, the other item I would like to talk about, which is that in the last call, in fact, we did mention -- talk about our long-term debt and we had actually applied to the Reserve Bank for provision to repay our debt. And in March, we did get -- sorry, in February, we did get permission. So (inaudible) which is a borrowing of about -which stood at about 112 crores as in March 2013 was totally repaid and 75 crores of that represents a prepayment, which would have happened in the next year and 37 crores was anyway a normal payment, which was made.

With that, the profit before exceptional items for the quarter stood at 79 crores vis-a-vis 70 crores for the previous year. And for the year as a whole, 290 crores vis-a-vis 233 crores for the previous year, which was a 24% improvement.

I think with that, that's a brief summary and we can move on to the question-and-answer session.

Questions And Answers**Operator**

Thank you very much, sir. Ladies and gentlemen, we'll now begin the question-and-answer session. (Operator Instructions)
We'll take our first question from Amit Sinha of Macquarie. Please go ahead.

Unidentified Participant

Good morning, sir. This is (inaudible) here from Macquarie. My first question is regarding the new product introductions that we've been doing and what kind of products are in the pipeline. I presume that we've been trying to get into the higher horsepower ranges, so can you update on that as to what is the status of these products and how they are doing currently in the market?

R.R. Deshpande, Executive Director

Yeah. Last year, we launched the portable genset product and we launched it first in South India and southern state typically. And then at the latter portion of the year, we started doing it in the northern state. Looking at the response in southern India, it was very good and I think today, I think, we are the leader in to that particular segment.

And coming to the higher horsepower, the DV Series, yes, it continues to have, I can say, good strength, but it is lesser than what was our expectation, but the market also went down, considering the market share, we are holding on to around 17% to 18% market share, which was also there last year. And in the new segment, yes, next year, we want to come into 750 KVA and 1000 KVA segment and that work is going on.

Unidentified Participant

Okay. Just related question on this -- in this 500 KVA thing, are there any issues with stabilization of the product as such or it's more to do with the demand issues in the market?

R.R. Deshpande, Executive Director

See, typically any new product introduction is there, some timing problems are there, and I think all these problems are behind us and we are now working on to the -- gaining more market share. So as a whole, total last year, higher horsepower segment actually for us didn't grow, it is almost flat, but the market share is still 17%.

Unidentified Participant

Okay. My second question is related to margins, which saw, I think, there was a pretty impressive performance in the previous quarter. Do you think that these kind of margins are sustainable and would there be any additional benefit coming from given that we've started to see commodity prices like steel and copper soften?

Operator

Excuse me, Mr. Sinha. Sorry to interrupt. After this question, may we request you to return to the queue please.

Unidentified Participant

Yeah.

Operator

Thank you.

R.R. Deshpande, Executive Director

Yeah. As far as margins are concerned, whether if you look at quarter-on-quarter or whether you look at year-on-year, there are primarily three reasons for the quarter. One is, as I mentioned upfront, there was a VRS and so the employee costs are lower and that is evident in the presentation itself.

We have worked on our internal efficiency, which have led to better margin and the third sector for the quarter as you can see in the presentation itself, the large engine business has shown higher growth because predominantly because two of the engines which were part of the Nuclear Power Corporation sale have taken place in this quarter. So these three have led to better margins and it's pretty much for same reasons when you look at year-on-year also.

Unidentified Participant

Regarding the commodity impact, any potential impact in the future?

R.R. Deshpande, Executive Director

Commodity prices, see, it doesn't exactly work because it's not that just the steel prices start coming down, you get an immediate relief in your input prices, because these are negotiated prices, but going forward, if there is a weakening, you'll certainly see that impacting, but this is not to say, it will necessarily have impact on the margin, because there would be also an expectation that the customers will reduce the price.

Unidentified Participant

Okay, sir. Thanks a lot. Thank you.

Operator

Thank you very much. Our next question is from Manish Goel of Enam Holdings. Please go ahead.

Manish Goel, Analyst

Yeah, very good morning, sir.

R.R. Deshpande, Executive Director

Good morning.

Manish Goel, Analyst

Sir, couple of questions. One continuing on the DV Series, sir, would it be possible to share the sales value and the number of engines sold in Q4 and for the full year, sir?

R.R. Deshpande, Executive Director

Yeah, DV series for the quarter, 22 cores as against 34 for the previous year and for the --

Manish Goel, Analyst

For the full year as well as number of engines, sir.

R.R. Deshpande, Executive Director

Yeah, full year is, sorry 91 -- yeah, full year, 91 cores versus 99 in the previous year.

Manish Goel, Analyst

Okay. And sir on the portable genset, which has been launched. So is there any strategy shift for us where we are probably now looking to sell gensets directly into the market and what is the range we have introduced and what are the plans going forward and

would it be possible to share in terms of what is the current sales of the gensets as a percentage of total engines sold and what is the target going forward? Sorry, lot of questions, but -

R.R. Deshpande, Executive Director

See, I will try to answer the -- the portable genset product today, what we launch is around 5 KVA genset and being a small KVA product, we have got our own distribution channel along with our GOEM brands and their dealer network. So it is not that direct, but definitely it's a Kirloskar dealer network.

And we have leveraged that and looking at it, the sale is good, but percentage wise, I cannot say, because I think it has started latter half of the last -- I can say in May-June of '12, we started and it was a cautious start, because we started with a, I can say, some states in south and then to north, may be in January-February of 13. So as a percentage of sale, I cannot give you that figure as such right now, but you can say this year, our major focus is on that and another product may come, which is again a lower KVA than that, which is again in demand for the portable genset. And this is what we are looking for.

Manish Goel, Analyst

Yeah. Sir, what I was also looking for was that is there a kind of strategy shift where earlier we used to sell engines to GOEMs, which in turn used to sell gensets and now we are probably directly looking to sell gensets through our own dealer network. So are we increasingly going to probably move from selling engines to probably directly to the consumer?

And second is, will it require more focus in terms of distribution network as well as the dealer network and as well as servicing, sir?

R.R. Deshpande, Executive Director

It typically, Kirloskar Green is our brand and it is sold through our dealer network and the GOEM network. The point is ultimately it is a Kirloskar Green, which is brand, which is selling, it is through direct network or indirect network. Ultimately, it is the sale to the Kirloskars. So, looking at that, right now, there is no such strategic shift as such, because we are interested more in selling these as a Kirloskar brand, Kirloskar Green brand.

Manish Goel, Analyst

So this year, what you said you'll be launching more products, so what range it could be, sir?

R.R. Deshpande, Executive Director

Maybe last year, I just indicated around 750 KVA is in the pipeline.

Manish Goel, Analyst

No, I was looking for Genset?

R.R. Deshpande, Executive Director

Genset, no, no, no. Genset is still Kirloskar Green genset, which all the range -- total range is available.

Manish Goel, Analyst

Okay, okay.

R.R. Deshpande, Executive Director

So, the whole range -- for today, suppose 5 KVA to 625 KVA, what we are selling, it is a total genset range, which is available under Kirloskar Green brand.

Manish Goel, Analyst

Okay, got your point, sir. Okay. And sir, when do you think you will be able to launch 750 KVA and 1000 KVA, sir?

R.R. Deshpande, Executive Director

750 KVA maybe at the latter half of this financial year, and 1000 KVA maybe next year.

Manish Goel, Analyst

Okay. And last question on the agriculture, sir. We've seen that, no doubt, there is some seasonality, but Q4 per se, we've seen a significant fall in revenues both Y-o-Y as well as sequentially, so because first three quarters have seen very strong growth, but this particular quarter, we saw fairly good drop in the sales, so if you -- was it any particular reason, would you like to highlight?

R.R. Deshpande, Executive Director

Yes, actually the -- if you see typically for some states, that actually didn't come, which was expected in the last quarter. And the second major problem was with the rabi crops, there were unexpected waves and the crop actually was not there. So there were some mishaps. Looking at that, the demand went down. And last quarter, as I rightly said, there was some drop in the agriculture, though there was a good increase in the first three quarters.

Manish Goel, Analyst

Okay, sir. I'll come back for more questions. Thank you very much.

R.R. Deshpande, Executive Director

Yeah.

Operator

Thank you. Our next question is from Kirti Dalvi of Enam Asset Management. Please go ahead.

Kirti Dalvi, Analyst

Good morning, sir.

R.R. Deshpande, Executive Director

Good morning.

T. Vinodkumar, Chief Financial Officer

Good morning.

Kirti Dalvi, Analyst

Just, first question would be on your sales. If you could just give us a break up between industrial in OEM tractors and same thing in agri, Varsha and others for quarter as well as year would be helpful.

R.R. Deshpande, Executive Director

Yeah. In the industrial, there was actually a drop as of compared to the last year, around 21% drop.

Kirti Dalvi, Analyst

In which segment, sir?

R.R. Deshpande, Executive Director

Typically in industrial, all the segments. If you see, industrial is comprising of typically the engines going for the different OEMs as well onto the engines going to the tractor, which is we supply it to the Mahindras. And in both these segments, there is a significant drop as compared to the last year and you know that tractor industry this year was down.

Actually, there is a dip after four years. And in the -- typically whatever the sale is to the OEMs, the OEMs, where in the first half of the last financial year, there were huge stocks in the pipeline for them and ultimately, these stocks have now come down. But the road completion projects has not actually taken place, which was actually envisaged by the government, maybe around 8500 kilometers was to be done. Hardly, 1,200 or 1,300 kilometers is done. So there is a huge drop in the demand, I think, but the market share, still we are holding on to the industrial, so this was a 21% drop as compared to the last year for the industry.

Kirti Dalvi, Analyst

Would it possible, sir, to get absolute figures to OEMs, tractors and the other segment of your industrial?

R.R. Deshpande, Executive Director

Roughly 20% of the OEM.

Kirti Dalvi, Analyst

Tractors. Okay. And then there is other segment and OEM segment, right sir?

R.R. Deshpande, Executive Director

Yeah.

Kirti Dalvi, Analyst

So for the year as the whole also --

R.R. Deshpande, Executive Director

Direct numbers, we can not give, in the percentages, we've given actually.

T. Vinodkumar, Chief Financial Officer

Almost the same.

Kirti Dalvi, Analyst

Almost the same as a percentage.

R.R. Deshpande, Executive Director

Yeah.

Kirti Dalvi, Analyst

Okay. Second question would be, if you could give us the outlook on your power genset segment in private as well as on the cellular, what is the outlook going forward and how do you see the demand?

R.R. Deshpande, Executive Director

In the power generation segment, we had a growth last year around, I can say, 10% to 15% in different segments. Cellular, we didn't have focus, but at the same time, demand was also less. But if you compare -- as compared to last year, it was almost 50% down.

Kirti Dalvi, Analyst

Sure.

R.R. Deshpande, Executive Director

So, if you ask me, still there is a supply demand gap of around 8% to 10% across India. And we hope that the market should grow at least by 10% over last year.

Kirti Dalvi, Analyst

Would it be fair to assume that we will grow with the industry or will beat the industry growth rate?

R.R. Deshpande, Executive Director

On an average, we should grow with the industry.

Kirti Dalvi, Analyst

Okay. And this doesn't include, sir, any price hike which you would envisage going forward, because you're talking purely on the volume front?

R.R. Deshpande, Executive Director

Yeah. Coming to the price hike, actually what last year last times when we were actually sharing with you, the CPCB stage two, whenever it will come, there may be some I can say drastic increase, because of the difference in technology.

Kirti Dalvi, Analyst

Sure.

R.R. Deshpande, Executive Director

That whenever it will come, there will be some impact on to the, I can say, hike in the price.

Kirti Dalvi, Analyst

Okay. Sir in your agricultural segment, you club your spares within the agri segment, which you earlier used to give it in the customer support, would it be possible to get that spares numbers, I mean spares as a business or customer support as a business as a whole compared -- as a percentage of sales?

R.R. Deshpande, Executive Director

No actually we have not been looking -- we've been looking at it as -- agri as a total, so it's not possible to really we giving those

numbers often.

Kirti Dalvi, Analyst

Sure, sir. I'll get back in the queue, sir. Thank you very much.

Operator

Thank you. Our next question is from (inaudible) of Motilal Oswal Securities. Please go ahead.

Unidentified Participant

Good morning, sir.

R.R. Deshpande, Executive Director

Good morning.

Unidentified Participant

Thank you very much for the opportunity sir. My first question pertains to capacity utilization, which was there across the manufacturing units. I wanted that capacity utilization number for the 4Q FY '13 and for FY '13 as a whole.

R.R. Deshpande, Executive Director

Last year, we had around 60% as capacity utilization.

Unidentified Participant

Full year?

R.R. Deshpande, Executive Director

Full year, yes.

Unidentified Participant

And in the fourth quarter?

R.R. Deshpande, Executive Director

Fourth quarter is almost same.

Unidentified Participant

Yeah, so second question pertains to the CapEx that you are -- you have undertaken last year and the proposal when the proposed CapEx that you were going to take in the next year.

T. Vinodkumar, Chief Financial Officer

The total CapEx was about 110 crores in the previous year and going forward also, the way we look at CapEx is whether we look at what is required for maintenance and sustenance, what is required in terms of R&D and technology and then in terms of other improvement. So whatever, we've got capacity and so whatever is required towards these is broadly what we will spend, it will be

not very different from what we've been spending in the last couple of years.

Unidentified Participant

Thank you very much, sir. My query has been answered.

Operator

Thank you. Our next question is from Mahesh Bendre of Quantum Securities. Please go ahead.

Mahesh Bendre, Analyst

Hi, sir. Just now you mentioned that the capacity utilization is 60%.

R.R. Deshpande, Executive Director

Yes.

Mahesh Bendre, Analyst

So any incremental growth will come without any addition of further CapEx or anything. So is it fair to assume that there is operating leverage present in the system, which will further help us to improve our margin going forward?

R.R. Deshpande, Executive Director

Well, the way you define margin, because when your capacity utilization improves, it's your fixed cost which get distributed and absorbed better. So at margin level if you're talking of contribution level, you are talking about your at a variable cost level. So as early, don't see how the margin per se will improve, but if you are talking about the bottom line, in terms of between the products, yes, the answer is yes.

Mahesh Bendre, Analyst

Okay. Sir, the Nuclear Power Corporation order, earlier, you had indicated that the 50% of that will get executed in this current year that is FY '14, the remaining will be FY '15.

R.R. Deshpande, Executive Director

Yes.

Mahesh Bendre, Analyst

So is the schedule same or is there any change in that.

R.R. Deshpande, Executive Director

No, no. It's same.

Mahesh Bendre, Analyst

Okay. Sir, last question is, so what could be the tax rate for this FY '14 sir.

T. Vinodkumar, Chief Financial Officer

Effective tax rate, 32.15.

Mahesh Bendre, Analyst

But sir for last quarter, it was around 25% and full year also, it was probably similar to that. So --

T. Vinodkumar, Chief Financial Officer

Full year was -- the effective rate was, for the full year, 32.15% and for the previous year, it was about, I think, it's lower this year by about 0.5% and it's primarily because the dividend, which was higher this year, which is tax free income and on our account of R&D, which we get a tax break, so we look only to this, but I don't know 25% doesn't seem to be the right figure.

Mahesh Bendre, Analyst

Okay. So based on the R&D expenses we are incurring, do you expect the tax rate could be lower than 30% this year?

T. Vinodkumar, Chief Financial Officer

No. We will incur only what is required and we will not be incurring expenditures, because there is a tax break.

Mahesh Bendre, Analyst

Sure. Thank you, sir.

Operator

Thank you. Our next question is from (inaudible). Please go ahead.

Unidentified Participant

Hello.

R.R. Deshpande, Executive Director

Hello.

Unidentified Participant

Yeah. Good morning, sir. Most of the queries have been answered. I just wanted to know why is the employee cost down on Q-on-Q and Y-o-Y sir?

R.R. Deshpande, Executive Director

I think I mentioned it, two reasons. One is that there was a VRS scheme in the last year and second is in the previous year, there was roughly about 13 cores, which was attributable to the bearing division, which is not there in this year.

Unidentified Participant

Okay. And sir, can you throw some light on the demand scenario going forward for gensets as well as on the engine side, what kind of demand scenario are you -- have there been bracketed by the diesel prices being brought up on the -both side, so how do you think that the demand would be shaping up in these segments?

R.R. Deshpande, Executive Director

Yes. There is a rise in the diesel prices, but ultimately what happens is genset nowadays is a capital equipment and whenever a customer buys for it, it is a necessity of him -- his, I can say, regular requirement and from that point of view, maybe the usage will be lower, what we call as that is as a standby application. So previously it used to be a block -- major base load application, which is now converted into the standby application. And for standby maybe in a day or -- in a day suppose or in a week, it can be two hours, three hours for a day or 10 hours for a week.

The usage has come down, but I think whatever we are seeing, it is majorly driven by the demand supply gap situation in the power demand. So we couldn't see any, I can say, dip in the demand because of the rise in the diesel prices.

Unidentified Participant

Okay, okay. Thank you.

Operator

Thank you. Our next question is from Bhalchandra Shinde of B&K Securities. Please go ahead.

Bhalchandra Shinde, Analyst

Hello, sir. I would like to know how many OEMs we added in this year in fourth quarter?

R.R. Deshpande, Executive Director

In the fourth quarter, we have not added any in fourth quarter.

Bhalchandra Shinde, Analyst

Would you tell how many OEMs we have for industrial segment?

R.R. Deshpande, Executive Director

Maybe around 15 plus.

Bhalchandra Shinde, Analyst

15 plus. So sir, in FY '14, what kind of outlook will you see for industrial segment, especially on the construction equipment and other segments like power?

R.R. Deshpande, Executive Director

I can see some -- the enquiry levels are going up as compared to the last year. So for industrial segment, it should be better year than the last year. And whatever has actually happened last year, there will be huge stocks with the OEMS which if you see today, these OEMS are not holding those many stocks and then the movement of the production -movement of the equipment and that is showing some good, I can say, demand. The same is for the tractor. The first quarter, that is in April or May, June, whatever the demand looks like, it is better than the last year. So industrial should be better this year likely by 10%.

Bhalchandra Shinde, Analyst

But for -- as what I've heard, road construction activities is revising, so why we are not seeing that kind of a growth in road construction equipment?

R.R. Deshpande, Executive Director

Typically, road construction activity, when it goes up, I think there is a shift of because of the diesel prices in the equipment, the rental fare now is also going up as compared to the basic, I can say, buying of the equipments. So usage has now -- there is a shift and from that point of view, people are more and more utilizing the recruitment.

So, there is more focus on utilizing equipment than to buy. So I can see some improvement, that's what I said 5% to 10% not beyond that, because already there are huge number of equipments lying idle in the system. And that's why I think the rental rates, if you see, they've not dropped that much. It is actually the same of the last year.

Bhalchandra Shinde, Analyst

And sir in power genset segment, can you give it market share KVA wise low, medium and high speed?

R.R. Deshpande, Executive Director

See, last year, we gave some figures actually, but considering the start of the year, I can say we are holding on to this market share. We have not dropped to any of the segment, though there is a huge competition coming up from the outside and from the domestic players also. So you can take the same thing, what previously we used to have below 30 KVA and 30 to 125 and beyond that. The same market share we are continuing.

Bhalchandra Shinde, Analyst

Sir, last time, you quoted around 40%, 50% market share on below 300 KVA and above 300 KVA, you have almost 20%. So that kind of market share will you still maintain?

R.R. Deshpande, Executive Director

Okay. Some figures I can say, but below 30 KVA is around 35 plus and up to 125, that is from 30 to 125, it is again around 35 plus. And in the higher KVA segment, from 250 KVA onwards, it is around 20%.

Bhalchandra Shinde, Analyst

Okay. Okay. And sir, about CPCB norms, what is the outlook, means, will it -- I think it won't be possible in July '13, but will it be possible in Jan '13 or Jan '14 or when do you expect it to implement?

Operator

Excuse me, Mr. Shinde, sorry to interrupt, after this question is being answered, may we request you to return to the queue please.

Bhalchandra Shinde, Analyst

Sure, sure.

Operator

Thank you.

R.R. Deshpande, Executive Director

As on date, July is out of question, but because normally Government gives around, when they declare, there is a gap of six months. So looking at that, maybe Jan '14 should be the probable date.

Bhalchandra Shinde, Analyst

Okay. Thank you, sir. Thank you very much.

Operator

Thank you very much. We have our next question from Manish Goel of Enam Holdings. It's a follow-up question. Please go ahead.

Manish Goel, Analyst

Yeah, sir. My question is on the industrial segment, what we see is that after --

R.R. Deshpande, Executive Director

Manish, we can't hear you.

Manish Goel, Analyst

Sorry. On industrial, what we saw in the quarter was that the sales have probably stabilized after falling continuously for last few quarters. So can we say that the worst is over and we expect that going forward, the sales would probably more or less consolidate and see uptick from here?

R.R. Deshpande, Executive Director

Yes, you are right. The fourth quarter, we could see the, what was the, demand was dropping. It has now stabilized and I also earlier said that we could see some improvement into the, I can say, consumption of these particular engines to different OEMs and it should be better by last year by around 5% to 10%, this is what we feel. And stocks which were at the OEM's level have now come down, so there is a movement in the market.

Manish Goel, Analyst

Okay. And sir, just was reading your corporate sustainability report, which was filed on the stock exchange, which says that we are probably aiming for a 5000 crore turnover. So by when we are looking for that number sir and what will drive that, number one.

And number two, over there, we have mentioned margins of 15%, so is it at TBT level, 15% margin. And what is your view on this?

R.R. Deshpande, Executive Director

In the corporate sustainability report, it is a general direction and guideline given for that and it is, I can say, a long-term thing, what we normally look for some aspirational point of view for the team and for the stakeholders.

From that point of view, these figures -- we stick to that figures. It is not that we cannot -- we can comment right now, the TRP, the operating margins is still as a -- I can say, general figure for that to know where we should be.

Manish Goel, Analyst

Yeah, sir, but just probably with a longer-term perspective, three to five years horizon and probably 5,000 number is doubling of sales, so just wanted to have some perspective on a longer-term basis, what will drive that? Would it be power gen, would it be new products like gensets or agri products? What will drive, sir, that strong growth momentum?

R.R. Deshpande, Executive Director

See, every company has got a aspiration and --

Manish Goel, Analyst

Sure.

R.R. Deshpande, Executive Director

-- and when we talk about 5,000 figure, no doubt, we are going to continue, in the business, what we are in. At the same time, if -- definitely, we see that we can also add a few products, but as on date, we are not finalized it, so I cannot comment -

Manish Goel, Analyst

Sure, okay.

R.R. Deshpande, Executive Director

-- at this point of time. Definitely, it is our aspiration and that's correct.

Manish Goel, Analyst

Okay. And sir, on exports, sir, would it be possible to say how much turnover was in quarter four and for the full year and what is the growth likely for FY '14 sir?

R.R. Deshpande, Executive Director

I think as compared to last year, yeah, I think it was around 7% as compared to the last year, because some of the --

Manish Goel, Analyst

7%.

T. Vinodkumar, Chief Financial Officer

No, 7% of total sales.

R.R. Deshpande, Executive Director

Yeah. 7% of the total sales and as compared to the last year, there is a growth of --

T. Vinodkumar, Chief Financial Officer

There is a marginal growth of about 10%.

R.R. Deshpande, Executive Director

Around 10%.

Manish Goel, Analyst

Okay. And how do we see it going forward, sir, because we have been kind of, even the sustainability report talks about a large focus on the exports and exports growth from product launches. So how do we see going forward in the current year sir?

T. Vinodkumar, Chief Financial Officer

I don't know whether we put product launches as the area of our export growth, but suffice it to say that, yes, it will be an area of focus for us and going forward also, we will continue to focus and try to ensure that a larger share of the pie comes from exports going forward.

Manish Goel, Analyst

Thanks sir. Thank you very much sir. Thanks sir.

Operator

Thank you. Our next question is from Ankur Sharma, Phillip Capital. Please go ahead.

Ankur Sharma, Analyst

Yeah. Good morning, sir.

R.R. Deshpande, Executive Director

Good morning.

Ankur Sharma, Analyst

Sir, just two questions from my side. One within your power gen segment, what proportion of sales comes from the south, that's South India and you spoke about a 10% growth for FY '14. Again which sectors, which end market sectors would be driving this growth, would this be again textiles, pharma, if you could just tell us a little bit more in terms of the end sectors, which would drive this growth for you going into '14 please?

R.R. Deshpande, Executive Director

Yeah, yeah. I can say around 35% of the sales comes from southern part of India and the segments typically if you ask me today, the service industry, the IT industry, the hospital and this segment, some real estates also are coming up, huge multiplexes are there. So I can say, real estate also -- is also, there are some mainly are which today we could see there is a growth. The dairy segment, agri related the industries are there, so that also we could see rise.

The lower KVA segment, typically, there is a, I can say, rise, the usage of the lower, so small clinics or small bungalows, so below 30 KVA, the requirement seems to be good as compared to last year also.

Ankur Sharma, Analyst

Fair enough. Okay. And sir, also on the competition you say that you've seen some increase on that side, specifically on your DV Series, the higher KVA series, have you seen any increase competition from Cummins, specifically, I mean because that is something we heard from our channels X. So have you seen Cummins getting very aggressive on the higher KVA series in recent times?

R.R. Deshpande, Executive Director

Yeah. See, they are the leaders in the higher KVA segment. So, whenever there is a competition, whenever head-to-head competition is there, they see that they can -- they want to win the orders by dropping the prices also. So, this is what the strategy they adopted and looking at this, no doubt, they are holding their market share.

Ankur Sharma, Analyst

Okay, okay. Great, sir. That's all from my side. Thank you.

Operator

Thank you. Our next question is from Mahesh Bendre of Quantum Securities. Please go ahead.

Mahesh Bendre, Analyst

Sir, just a follow-up question. During this financial year, the customer support has grown only by 6%, while the power genset, which is a private business has grown 15%. Agri has also grown by 16%, but this part of the business has really shown very low growth. Any specific reason for that sir?

R.R. Deshpande, Executive Director

See, as a whole, if you see the usage of the equipment, the usage of the power generation, genset, has gone down last year compared to previous year. When the usage goes down, the requirement of the spare parts and I can say the service contract also, the people are not focusing on to this. And that's why there is a, I can say, single digit growth into the customer support business. The usage has gone down.

Mahesh Bendre, Analyst

Okay. Sir, in 2012, we had agreement with Daihatsu of Japan for a 40 kilowatt and above for the commercial shapes, any development on that side sir?

R.R. Deshpande, Executive Director

No, we are still trying to get our first order into that segment, which is, I can say, Merchant Marine business, what is called as. And there is also a huge competition from the imported brands and the Indian brands. So still we have to yet to get on order on the Daihatsu front, but we are definitely hopeful in the first quarter, we should get some order.

Mahesh Bendre, Analyst

Sir, do you think this potential -- this business has a potential to become scalable going forward and contribute more than 5% over next three years?

R.R. Deshpande, Executive Director

See, when we look at the Daihatsu business, typically, it's, I can say, complementing business for our large Indian business group and this business definitely as far as large business group turnover is concerned, it is considerable. So -and that's why we are focusing on to this. But it is again looking at the Merchant Marine, there are lot of other factors also, which control, because the usage of the ships, the shipbuilding capacities and other things also play a major role. So looking at that, it is complementing business. So we are also focusing on the business. It is not that high what you're looking for.

Mahesh Bendre, Analyst

Sure. And sir this NPC order, the Nuclear Power Corporation order, will that be booked in power segment or industrial segment or large engine segment?

R.R. Deshpande, Executive Director

It is a large engine business segment.

Mahesh Bendre, Analyst

Large engine, okay. And sir, is it possible for you to share how much engine genset we sold last year compared to previous year?

R.R. Deshpande, Executive Director

What -- which --

Mahesh Bendre, Analyst

Number of Gensets we sold?

R.R. Deshpande, Executive Director

Number of Gensets for power generation you're talking?

Mahesh Bendre, Analyst

Yes, Power generation. Any rough cut numbers are fine sir?

R.R. Deshpande, Executive Director

See, but we sell gensets through our, I can say, GOEMs as well as the dealer network, for which figure you're asking?

Mahesh Bendre, Analyst

GOEMs, how much we sold sir?

R.R. Deshpande, Executive Director

All put together, around, I can say, domestic around 60,000 to 70,000.

Mahesh Bendre, Analyst

And this will be a 10% growth over last year sir, is it fair?

R.R. Deshpande, Executive Director

Yeah.

Mahesh Bendre, Analyst

Sure. And sir last question, in our presentation, we've mentioned that we have received AMC contract from ICICI Bank for maintenance of entire genset population?

R.R. Deshpande, Executive Director

Yes.

Mahesh Bendre, Analyst

Sir, what -- in terms of Quantum, what will be the possible revenue, annual revenue contribution sir?

R.R. Deshpande, Executive Director

I cannot give that figure right now, because it is in a different segment, so maybe around 1,000 plus gensets AMC we're talking about.

Mahesh Bendre, Analyst

Okay, but will that add a substantial amount to your -- after civil service business.

R.R. Deshpande, Executive Director

No, no, no. In the AMC business, yes, it will be substantial, but as far as the total consumer support business, it will be not to that high extent.

Mahesh Bendre, Analyst

Sure, yeah. Thanks, sir.

Operator

Thank you very much. Our next question is from Kirti Dalvi of Enam Asset Management. Please go ahead.

Kirti Dalvi, Analyst

Sir, couple of question. What is the pending subsidy now? Are sales tax benefits yet to come from (inaudible) facility?

T. Vinodkumar, Chief Financial Officer

We have got 85% of '11, '12, which is pending and it will be roughly about 37 crores.

Kirti Dalvi, Analyst

Which is still pending, so after that there won't be, we --

T. Vinodkumar, Chief Financial Officer

From whatever we build this year --

Kirti Dalvi, Analyst

Sure.

T. Vinodkumar, Chief Financial Officer

That will be also, it will come in after a year. So there it comes in two trends, 85% and 15%. So the first 85% will get and then after a year, we'll get about the balance 15%.

Kirti Dalvi, Analyst

So 37 is in --

T. Vinodkumar, Chief Financial Officer

The total --

Kirti Dalvi, Analyst

Sure.

T. Vinodkumar, Chief Financial Officer

It depends on the tax within the state as well as the total capital expenditure. So it's not a straight forward figure.

Kirti Dalvi, Analyst

Okay, okay. So this 37 crore is still showing in our balance sheet in current asset somewhere.

T. Vinodkumar, Chief Financial Officer

Yeah.

Kirti Dalvi, Analyst

Okay. So second question sir, given our status of our balance sheet with 440 crore of free cash available and our CapEx is also only 100 odd crores. So any plans further, any kind of acquisitions or giving additional dividend?

R.R. Deshpande, Executive Director

Well, like in any organization, we would always look at opportunities to make sure that this is invested wisely. So the appropriate time, we will decide.

Kirti Dalvi, Analyst

Okay. Third question again on the balance sheet front, if I see sir, inventory levels have gone up by the year-end. Any specific reason?

R.R. Deshpande, Executive Director

No, well two things. One is that the large engine business --

Kirti Dalvi, Analyst

Okay.

R.R. Deshpande, Executive Director

-- there was -- because we've got the order which we are going to execute in the current year and so lot of that material would have come in together and so that would be part of the inventory in March.

Kirti Dalvi, Analyst

Okay.

R.R. Deshpande, Executive Director

And I think privately that's it.

Kirti Dalvi, Analyst

So more or less, I think our working capital will remain in the same state in the year, in the FY '14?

R.R. Deshpande, Executive Director

Yeah, it will be around that level.

Kirti Dalvi, Analyst

And how many engines we supposed to supply sir, in FY '14 for this year?

R.R. Deshpande, Executive Director

It will be around eight in this financial year.

Kirti Dalvi, Analyst

Eight engines?

R.R. Deshpande, Executive Director

Eight engines.

Kirti Dalvi, Analyst

Okay.

R.R. Deshpande, Executive Director

Eight gensets typically.

Kirti Dalvi, Analyst

Okay. So total order if I'm not wrong was around 18.

R.R. Deshpande, Executive Director

16.

Kirti Dalvi, Analyst

16.

R.R. Deshpande, Executive Director

Yeah.

Kirti Dalvi, Analyst

So, we supply two out of it. And eight, we will supply this year?

R.R. Deshpande, Executive Director

Yeah.

Kirti Dalvi, Analyst

Okay. And would it be possible, what was the total quantum we must have supplied to NPCIL last year?

R.R. Deshpande, Executive Director

Last year, we supplied two gensets.

Kirti Dalvi, Analyst

No, no, in terms of value?

T. Vinodkumar, Chief Financial Officer

I don't -- I think it's part of the total engine business, we don't have that separately, sorry.

Kirti Dalvi, Analyst

Okay. Fine, sir. Thank you very much and good luck.

R.R. Deshpande, Executive Director

Thank you.

Operator

Thank you. Our next question is from Rahul Agarwal of Systematics [ph]. Please go ahead.

Unidentified Participant

Sir, this is a repeat of what you answered in the call earlier, I missed it. How much is the sales to tractor engines, sales of tractor engines as percentage of total revenue?

R.R. Deshpande, Executive Director

Roughly 20%.

Unidentified Participant

Of total?

R.R. Deshpande, Executive Director

Of the segment.

Unidentified Participant

This falls under Agriculture segment?

R.R. Deshpande, Executive Director

Industrial.

Unidentified Participant

Okay. And sir, how many OEs you have for the tractor engine?

R.R. Deshpande, Executive Director

Right now, there are three.

Unidentified Participant

Okay. So that includes Mahindra?

R.R. Deshpande, Executive Director

Major is Mahindra.

Unidentified Participant

Okay. And you would be supplying to both the brands, that is Mahindra and Swaraj brands?

R.R. Deshpande, Executive Director

No, we supply to Swaraj engines.

Unidentified Participant

Okay.

R.R. Deshpande, Executive Director

They supply it ultimately -- sorry, we supply it to the Punjab -- previous Punjab Tractor, which is now owned by Mahindra.

Unidentified Participant

Okay.

R.R. Deshpande, Executive Director

So, their tractor brand is Swaraj brand. So we supply it (inaudible) to Mahindra.

Unidentified Participant

Okay.

R.R. Deshpande, Executive Director

And the brand is Swaraj brand.

Unidentified Participant

Okay, okay. Thanks a lot sir.

R.R. Deshpande, Executive Director

Yeah.

Operator

Thank you. Our next question is from Devang Patel of Avendus. Please go ahead.

Devang Patel, Analyst

Sir, the power gen private revenues have grown 15% in FY '13. Could you break this up into what is the volume growth and what was the realization growth?

R.R. Deshpande, Executive Director

Right now, we cannot give that figure, but major segment is coming from below 30 KVA and the --

Devang Patel, Analyst

What I meant was that what is the price increases you've taken during the year and how much average realizations have gone up? The revenues have gone up 15%, the whole power gen segment.

R.R. Deshpande, Executive Director

Yeah.

Devang Patel, Analyst

How much is the volume growth for the year and how much price increases were taken during the year?

R.R. Deshpande, Executive Director

Volume growth is around 10%.

T. Vinodkumar, Chief Financial Officer

Around 10% is the volume growth.

Devang Patel, Analyst

Okay. Sir, secondly, the presentation mentions you've got approval for weighted deduction or R&D, if R&D is about 1% of revenues, how much did you plan to scale it up in the years going forward?

T. Vinodkumar, Chief Financial Officer

I think we'd answered this earlier also. It will be, like I mentioned, it's not going to be scaled up, because there is a weighted deduction. What was appropriate for the business, we will expand and leverage on this deduction.

Devang Patel, Analyst

Right. Would that -- so there won't be any meaningful deduction in the effective tax rate because of that?

T. Vinodkumar, Chief Financial Officer

No, the impact of that is, it will be roughly at anywhere between 0.5% to 1% on the total effective tax rate.

Devang Patel, Analyst

Okay. Thank you so much, sir.

R.R. Deshpande, Executive Director

Thank you.

Operator

Thank you. Our next question is from Bhalchandra Shinde of B&K Securities. Please go ahead.

Bhalchandra Shinde, Analyst

Sir, in agri pumpsets, you said that because of the bad rabi growth for, your pumpset sales were down. What kind of outlook you see in FY '14. (inaudible) monsoons remains weaker, can we expect a lower growth on the agri pumpsets or are we seeing the demand -- the revival?

R.R. Deshpande, Executive Director

Yeah, actually lot of things depend on the subsidy, which is given by the government to different states. Last year, there were four or five major states, where the subsidiary was not actually received from the government, which also dropped the sale, typically you can say North eastern states.

So this year, we could see that, okay, the monsoon will be good, that's what today's indication. So business should be there, around 5% growth should be there.

Bhalchandra Shinde, Analyst

Okay, that's it, sir. Thank you very much.

R.R. Deshpande, Executive Director

Yeah.

Operator

Thank you very much. As there are no further questions from the participants, I'll now hand the floor back to Mr. Bhavin Vithlani. Over to you sir.

Bhavin Vithlani, Analyst

Yeah. Sir, if you can permit, I have a couple of questions. Sir, in the last call, you said the earning, the power generation growth expected in FY '14 should be about 10% to 15% and you highlighted that while January, as a month, looked weak, you were seeing sequential improvement in the month of February.

So I would like to understand how has been the trend in the March, have you seen sales picking up in the month of February and March? And the question specifically relates to because we've seen, our challenges indicate that the month of March was a sudden drop in the momentum. So how do you see that?

Second is on the power generation, on price hikes, what kind of price hikes are you expecting in fiscal '14 and what I understand usually is in the month of April and May, the industry takes price hikes. So what is the plan on that?

R.R. Deshpande, Executive Director

Bhavin, firstly for the quarter, (inaudible) business was flat as compared to the previous year, and so there wasn't -neither there were substantial drop nor an exit. So like I said, it was flat. I think in terms of the price hike going into the coming year, what you would see and that's what we've been saying is while the expectation was that initially that CPCB 2 would come in October and now that seems, that's ruled out and it looks like somewhere is January. So the large hike which you would see would largely come in the last quarter of the current financial year.

Bhavin Vithlani, Analyst

Okay. And in previous calls, you've given detail of breaking up the power generation into various segments, such as below 30 KVA, then 30 to 125 or 125 to 325 and DB Series. Is it possible to give the breakup of that segment, ballpark percentage wise breakup of

the power generation?

R.R. Deshpande, Executive Director

I'm not too sure whether we had that break up last time also, but often I don't.

T. Vinodkumar, Chief Financial Officer

Right now, we don't.

R.R. Deshpande, Executive Director

I don't have it often.

Bhavin Vithlani, Analyst

Okay. Fine. And lastly on the CPCB, your competition has been speaking about price increases in the ballpark of 15% to 20%. So would the same be the price hikes from calendar year or first quarter of calendar year 2014?

R.R. Deshpande, Executive Director

See, first of all, whatever is the mandatory thing, it should come from Jan, if it comes, there will be some hike and it will vary from manufacturer to manufacturer, because it depends upon what type of technology he is using for getting this emission through. So that band 15%, 20% I think is okay.

Bhavin Vithlani, Analyst

So that's the price hike one should be looking at.

R.R. Deshpande, Executive Director

Yes, yes.

Bhavin Vithlani, Analyst

But sir, is there a trend per -- if you take your memory back historically, when there is a -- I mean such a new change in the emission norms and this time, you said it is a big leap up, would there be a situation where just before the change in emission, there is a big spot is the sales pre-buying and after the new norms are implemented, there is a big drop in the volumes.

R.R. Deshpande, Executive Director

Yes. Some people want to buy it before the price rate is there, but that percentage is not that high. If you ask me, you can say 5%, 10% rise in the last quarter of that particular, suppose it's going to come in Jan, so third quarter should, actually it's in November-December, you can have good sales. People will stock it for the future and then it is temporary. And the drop will be there for the first two months for -- when actually CPCB 2 gets implemented. So it is a normal phenomenon that before actually it gets implemented, you get sale rise in two months and then there is a dip temporarily for sales in -- after you implement it. So that's a normal phenomena.

Bhavin Vithlani, Analyst

Okay. So that is the reason why -- see, is that that your 10% guidance versus 10% to 15% guidance now is because, the CPCB norms have been pushed back by a quarter versus your expectations?

R.R. Deshpande, Executive Director

Yes.

Bhavin Vithlani, Analyst

Okay. And a last question, the run rate of DV series, last quarter, you mentioned about it, 50 engines a month, what has been the run rate in the current quarter?

R.R. Deshpande, Executive Director

It is, I can say, better but not up to our expectation.

Bhavin Vithlani, Analyst

Okay. So it was about 60 to 70 engines a day or?

R.R. Deshpande, Executive Director

Plus that.

Bhavin Vithlani, Analyst

Higher than that?

R.R. Deshpande, Executive Director

Yes, yes.

Bhavin Vithlani, Analyst

Okay, fine. Yeah. Sir, my questions are answered and we thank all the participants to take time out and specifically the management of Kirloskar Oil Engines for giving us the opportunity to host the conference call and we wish them best of luck for the future.

R.R. Deshpande, Executive Director

Thank you. Thank you very much.

T. Vinodkumar, Chief Financial Officer

Thank you.

Operator

Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.