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Kirloskar Oil Engines Limited

Earnings Update Q1 2019-20

Disclaimer



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Statements in this presentation, particularly those which relate to management's views and analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations.

Actual results might differ materially from those either expressed or implied.

Key Financial Highlights (Apr-Jun)



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- **Sales for the period Rs 756 cr. lower by 7% (Rs 56 cr) over PY of Rs 812 cr**
 - PG sales lower resulting from reduced Telecom orders and HHP volumes
 - Industrial revenue impacted by the lower momentum in infra segment.
 - CSBG revenue grew on the back of enhanced Bandhan subscription and AMC & Extended Warranty.
 - Agri segment – good momentum and growth in Electric pumps more than offset the de-growth in engine based pumps.
 - LEBG revenue muted as general elections impacted orders.

- **EBITDA Margin 9.7% (Rs 73 cr) vis-à-vis 10.1% (Rs 82 cr) of PY.**
 - Fixed expenses lower compared to PY

- **PBT margin 8.8% (Rs 67 cr) lower by Rs 8 cr over PY of 9.1% (Rs 74 cr)**
 - Depreciation reduced, as many assets of Kagal plant fully depreciated.
 - Finance income reduced due to lower mutual fund balance as Rs 500 cr invested in ARKA Fincap Limited (Formerly known as Kirloskar Capital Ltd.)

Financials



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All numbers in Rs. Crs	Q1 FY2020	Q1 FY2019	Δ	FY 2019
Net Sales	756	812	-7%	3,119
Other Operating Income	9	8	15%	86
Raw Material	509	551	-8%	2,071
Employee Costs	54	52	4%	216
Other Expenses	129	135	-5%	565
EBITDA	73	82	-10%	353
Non-Op.Income / (Expenses)	11	13	-10%	60
Depreciation	17	20	-13%	73
Interest	1	1		4
PBT	67	74	-10%	336
Tax	23	24	-7%	111
PAT	44	50	-11%	225

Q1 2019-20 Sales : Segment Performance



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All numbers in Rs. Crs	Q1 FY2020	Q1 FY2019	Δ
PowerGen	340	375	-9%
Agricultural	145	132	10%
Industrial	146	165	-12%
Customer Support	107	102	5%
Large Engines	21	41	-49%
Total	756	812	-7%
Exports out of above	49	45	8%



Key Financial Metrics

	Q1 FY2020	Q1 FY2019
EBITDA %	9.7	10.1
Inventory (Days)	31	25
Receivables (Days)	31	29
Creditors (Days)	46	46
Fixed Asset Turns	8	9
RoCE %	15	18
Operating RoCE %	39	39
Cash & Equivalents	466	811



A. Power Generation Business Highlights

Following are the key highlights :

- PG business sales lower by 9% over PY, due to weak market demand.
- PY Q1 was stronger due to pre price increase sales, as the price increase was done from July '18. Despite this, iGreen has helped retain the numbers in retail segment.
- In HHP, there has been good order booking but off-take is affected due to liquidity issues.
- Special segments like defence & telecom have seen a larger slow-down.



B. Agri Business Highlights

Following are the key highlights :

- Total Agri sales increase by 10% over PY Q1.
- 1523 Mega T sold in CY (PY 1368 nos).
- First bulk order Supply to Assam Govt. for 806 MEGA T12 LW billed to Assam in Q1.
- Electric pumps grew 93% over LY same period. Good sales growth from existing regions coupled with contribution improvement from new regions.
- Service set up for electric pump functioning well.



C. Industrial Business Highlights

Following are the key highlights :

- Industrial engines (Off – High way) sales reduced by 12% due to weak demand in construction equipment. Market effected by lower infra momentum and liquidity crunch.
- KOEL has received Proto orders for BSIV Engines covering:
 - 90% of 74.5 HP power node business
 - 65% of 110 HP power node businessThese 2 nodes cover Key business of wheeled equipment transitioning to BS IV emission norms.
- Tractor segment registered growth of 10%.



D. Customer Support Business Highlights

Following are the key highlights :

- CSBG Sales marked growth of 5% over PY in muted market backed by the customer additions in Koel Bandhan AMC.
- Maintained Customer Delight Index (CDI) score of 91 in Q1.
- 20000+ customers added in Direct online AMC 'KOEL Bandhan'.
- Addition of 7 new corporate customers in KOEL AMC, approx. 1400 assets added under KOEL AMC
- Setting up of Technical Helpdesk at Pune to improve MaxTTR



E. International Business Highlights

Following are the key highlights

- IBG sales grew by 8% over PY, mainly thru sales gains in South East Asia and Southern Africa.
- Genset business started in South Africa. First lot of 16 Gensets shipped. Received first order of DV16 G-Drive engine.
- 3 new OEM's added in the list for FMUL engines supplies in UAE
- First 1010 kVA open DG set shipped to Vietnam.



F. Large Engines Business Highlights

Following are the key highlights

- Navy officially cleared 'KOEL-ABC' in place of 'KOEL-Pielstick' under license cooperation for manufacture and supply Main Propulsion and Aux. Gensets in 1 to 4 MW range for Aux. class of ships such as Tugs, Barges.
- Fisheries boat engines sales improved in Q1'20.

Consolidated Financials

(Includes KOEL, LGM, KOEL Americas & Kirloskar Capital)



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All numbers in Rs. Crs	Q1 FY2020	Q1 FY2019	Δ	FY 2019
Net Sales	890	931	-4%	3,529
Other Operating Income	12	11	7%	99
Raw Material	589	631	-7%	2,329
Employee Costs	64	58	11%	243
Other Expenses	164	166	-1%	681
EBITDA	85	88	-3%	375
Non-Op.Income / (Expenses)	12	15	-19%	65
Depreciation	22	25	-12%	94
Interest	3	5	-32%	15
PBT	72	73	-1%	331
Tax	25	25	-2%	112
PAT	47	48	-1%	220

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



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- During the year, the Company has invested further Rs 500 crs in ARKA Fincap Limited (Formerly known as Kirloskar Capital Limited). With this the total equity investment in ARKA Fincap Limited increased to Rs 526.5 crs.
- ARKA Fincap Limited started business operations in Q1' 19-20.



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Thank You