



Enriching Lives

Kirloskar Oil Engines Limited

Investor Presentation

(All amounts are in "Rs. Crore" unless otherwise stated)

Q1 F.Y. 2020-21

Aug 5, 2020

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Presentation flow

- ❑ Q1 Snapshot and sales performance
- ❑ Standalone Performance
- ❑ Key Financial Highlights
- ❑ Business Highlights
- ❑ Subsidiaries Performance
- ❑ Group Performance
- ❑ COVID-19 : Q1 FY 2021 and Outlook

Q1 Snapshot



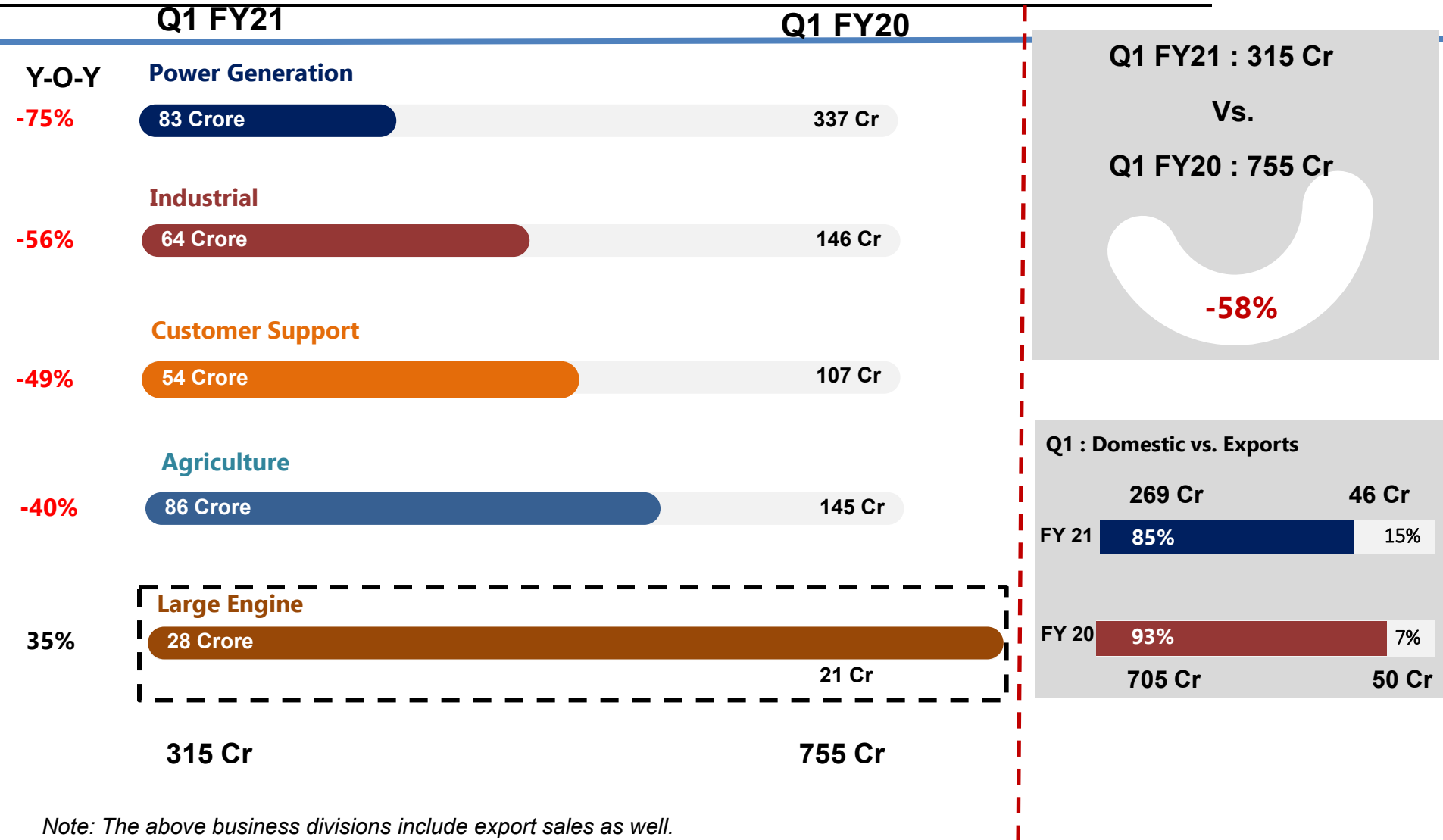
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- ❑ Lockdown led industry slowdown impacted overall Q1 performance.
- ❑ Early signs of revival seen especially in Agriculture & allied segment(s) i.e. Crop Irrigation, Farm Mechanisation, Tractor Parts & Oil, and Tractors division within Industrial BU
- ❑ Post 'unlock', sales have seen recovery and could recover almost ~70% of last year's numbers (i.e. June19)
- ❑ Tractor segment within Industrial segment is recovering well since June 2020 from COVID-19 setback
- ❑ Significantly lower Fixed costs in Q1 FY 2021 vis-à-vis Q1 FY 2020
 - Employees costs lower by 17%
 - Other expenses includes other fixed cost as well (Q1 FY20 ~100 Cr vis a vis Q1 FY21 ~75 Cr; excl provision for doubtful debts).
- ❑ EBITDA Margin **-1.4%** (Rs 4.5 Cr Loss) in CY vis-à-vis EBITDA margin of 9.6% (Rs 72.6 Cr Profit) in Q1 of FY 2020.
- ❑ Rs 6.5 Cr Provision for doubtful debts created in the quarter as per company's policy; however the amount is likely to get collected in subsequent quarters of FY 2021. **Excluding this one time provision, the EBITDA for the quarter is positive.**
- ❑ PBT margin for the Q1 FY 2021 **-4.8%** (~Rs 15 Cr Loss) compared to 8.8% (Rs 67 Cr Profit) in Q1 FY 20
- ❑ Cash generation from operation in Q1 FY 2021 Rs 9.6 Cr compared to Rs 77.6 Cr in Q1 FY 2020

KOEL Sales Q1 FY 21 vs. FY 20



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Comparative Sales Performance



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Business	Q1 FY 20-21	Q4 FY 19-20
PowerGen	83	294
Agriculture	86	114
Industrial	64	129
Customer Support	54	107
Large Engines	28	56
Total	315	700
Export out of Above	46	60

Standalone P&L



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Q4 FY20	Particulars	Q1 FY21	Q1 FY20	∂	% change
700	Net Sales	315	755	(440)	-58%
11	Other Operating Income	6	9	(3)	-34%
711	Revenue from operation	320	764	(443)	-58%
446	Raw Material	204	509	(305)	-60%
50	Employee Costs	45	54	(9)	-17%
147	Other Expenses	76	128	(52)	-41%
67	Operating EBITDA	(5)	73	(77)	
	9.6%% to sales	-1.4%	9.6%	-11%	
11	Other Income	5	12	(7)	-60%
16	Depreciation	15	17	(2)	-14%
1	Interest	1	1	(0)	-24%
61	PBT	(15)	67	(82)	
	8.7%% to sales	-4.8%	8.8%	-14%	
14	Tax	(4)	23	(27)	
47	PAT	(11)	44	(55)	
	6.7%% to sales	-3.4%	5.8%	-9%	

Note: Other income include finance income as well.

Key Financial Indicators



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Q4 FY20	Particulars	Q1 FY21	Q1 FY20
9.6	Operating EBITDA %	(1.4)	9.6
35	Inventory (Days)	77	32
46	Receivables (Days)	95	41
44	Creditors (Days)	30	47
324	Cash & Equivalent	329	456

Notes:

1. Debtors and Inventory days have been calculated on the basis of their respective average values on per day sales basis for the respective quarters

2. Cash & Cash Equivalent includes Cash, Bank Balance, FDR and Mutual Fund Investment; however, it does not include unclaimed dividend.



A. Power Generation Business

Q1 Business Performance

- LHP segment showed sign of recovery from June 2020.
- i-Green continues to be market leader with significant improvements in IoT activations and is getting encouraging response from customers.
- Product approval received from NBCC and RRTS (Regional Rapid Transit System)
- Remote monitoring activated for all Gensets on moving power car

B. Agri Business Highlights



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Q1 Business Performance

- Power Tillers sold in Q1 CY 1133 no's vs. 1534 no's in Q1 PY .
(12 HP qty in Q1 CY grew from Q1 LY by 11%)
- 12HP Power Tiller SRFMTTI approved and enlisted under govt. subsidy schemes in major states.
- Repeat bulk order from Assam Govt. for 12HP power tiller.



C. Industrial Business Highlights

Q1 Business Performance

- COVID-19 has impacted OEM market in a big way
- Industrial engines (Off – High way) saw a steep decline due to weak demand in construction and earth moving equipment segments. Engine off-take at OEMs remained low due to low secondary off-takes as a result of nationwide lockdown.
- Good demand coming from the Tractor market; gradual recovery expected in Off Highway market as well but not as quick as in Tractor segment
- BS-IV program progressed well in Q1 and is on track.



D. Customer Support Business Highlights

Q1 Business Performance

- Continued to Maintain Customer Delight Index (CDI) score of 90+ in Q1.
- Service load & secondary consumption started to recover from June onwards (80%+).
- Direct online AMC 'KOEL Bandhan' is gaining momentum again from May 2020.
- Reached 40,000+ assets under KOEL AMC.
- New orders of AMC from Railway received.



E. Export Business Highlights

Q1 Business Performance

- Export sales declined marginally in Q1 over PY
- Good sale growth in GCC countries
- Industrial business within export grew by 49%.
- Repeat orders in FMUL engines.
- Repeat orders from East Asian countries in Telecom and HHP segment.



F. Large Engines Business Highlights

Key Q1 Highlights:

- Large Engine business saw a growth of 35% in Q1 YOY
- In fisheries boat engine segment, market share grew to 24% (PY 12%)
- New orders worth 35 Cr received during the quarter.
- Navy project (Whale) proto engine testing successfully completed, order will be executed in Q2 / Q3.

Performance of Subsidiaries



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La-Gajjar Machinerics Pvt Limited (“LGM”)

- Sales impacted by COVID; major impact witnessed in OEM segment.
- Tight cost control and efficient working capital management helped protect profitability and manage cash flows
- EBITDA margin maintained.
- Positive PBT achieved.

KOEL Americas Corporation

- Healthy order board at beginning of Q2.
- EPA certified engines supplied to Gen-set OEM in Canada were built into Gen-set and supplied to the end users.

Arka Fincap Limited

(Formerly known as Kirloskar Capital Limited)



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- Operations on track, cautiously treading on the development in NBFC sector.
- Revenue from operation in Q1 FY 2021 : Rs 16.6 Cr vs. 8.7 Cr in Q1 of FY 2020.
- PBT for Q1 FY 2021 Rs 5.1 Cr vs. Rs 1.3 Cr in Q1 of FY 2020.
- Debt Rating:
 - Total Bank Loan Facilities rated Rs 500 Cr
 - Long term rating CRISIL AA-/ Stable
 - Short term rating CRISIL A1+
 - 175 Cr NCD CRISIL AA-/Stable
 - 50 Cr commercial Paper CRISIL A1+
- AUM (Loan, NCD and CP) of 572 Cr [31.3.20: ~450 Cr]
- No Asset Liability Mismatch

Consolidated Financials

(Includes KOEL, LGM, KOEL Americas & Arka Fincap)



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Q4 FY20	Particulars	Q1 FY21	Q1 FY20	∂	% change
816	Net Sales	415	889	(474)	-53%
11	Other Operating Income	7	12	(5)	-42%
827	Revenue from operation	422	901	(479)	-53%
501	Raw Material	261	589	(328)	-56%
65	Employee Costs	57	64	(7)	-11%
181	Other Expenses	93	163	(70)	-43%
80	Operating EBITDA	11	84	(74)	
	9.8% to sales	2.6%	9.5%	-7%	
11	Other Income	5	13	(8)	-60%
22	Depreciation	20	22	(2)	-10%
5	Interest	5	3	2	76%
63	PBT	(9)	72	(81)	
	7.8% to sales	-2.2%	8.1%	-10%	
10	Tax	(3)	25	(27)	
54	PAT	(7)	47	(54)	
	6.6% to sales	-1.6%	5.3%	-7%	

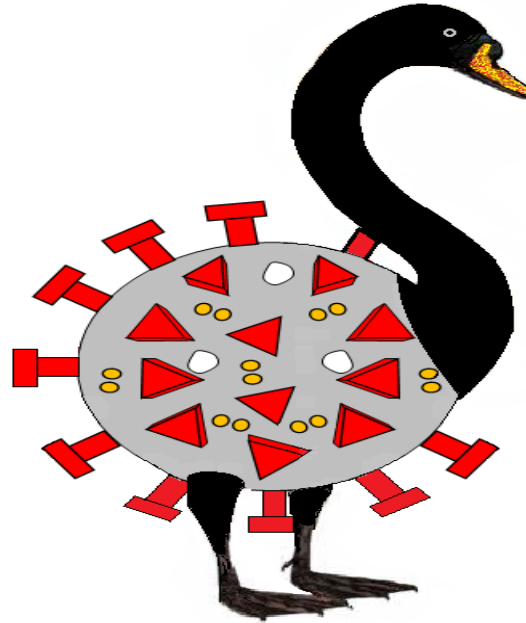
Consolidated Financials

Segment Information



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Q4-20	Particulars	Q1-21	Q1-20	∂
	SEGMENT REVENUE			
662	Engines	267	689	-61%
118	Electric Pumps	104	159	-35%
16	Financial Services	17	9	92%
30	Others	34	44	-22%
1	Unallocated	1	0	82%
827	REVENUE FROM OPERATIONS	422	901	-53%
	SEGMENT RESULTS			
61	Engines	(15)	65	-123%
0	Electric Pumps	2	8	-71%
6	Financial Services	8	2	409%
(3)	Others	(1)	(4)	-79%
4	Unallocated	1	5	-72%
68	Total	(4)	75	-105%
	Less:			
5	Finance Cost	5	3	76%
-	Exceptional Item	-	-	0%
63	Profit Before Tax	(9)	72	-113%



COVID-19 : The Black Swan event of 2020

Q1 FY 2021 and beyond...

Q1 FY 2021: Fall out of COVID-19 led lockdown



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Business in a state of suspended animation since March 24, 2020

Negligible Sales in April 2020

Stage-1

Safe shut down protocol activated across locations

WFH & BCP
Safety & Security protocols in place
100% Compliances

Stage-2

KOEL factories have progressively opened and became partially operational

Depots, warehouses, channel is gradually becoming operational;
Improvement in Sales is visible

Stage-3

GOVERNANCE

- Periodic meetings of top management and close monitoring of the situation
- BCP activated for various functions

EMPLOYEES

- WFH enabled across organization
- Continuous health tracking of employees; regular sanitization of work places
- Regular communication on health advisories, COVID-19 awareness & Company updates
- Virtual training and learning

CUSTOMERS

- Email Communication regarding the restart of operations and status of pending orders
- Digital seminars and training on product features
- Electronic inspection of finished goods ready for shipment

REGULATOR & GOVT.

- Periodic filings with Stock Exchanges and local authorities regarding lockdown / resumption of operations and impact of COVID-19
- Strict adherence to government guidelines



Q1 FY 2021: Operating model

Cash conservation and generation

Focus on collections



Optimize working capital



Optimize RM and WIP consumption



Drive productivity and optimize capacity



Sweat assets and judicious capex spend



Maintain Liquidity

is
the
only
way
to

Business Sustenance

Zero base budgeting



Re-allocate resources to get ROI



Relook at Manpower costs



Relook at spend areas under
“new way of working” model



- ❑ Extended and intermittent lockdown in multiple states has disrupted business operations and general slowdown seen in Q1 across business segments
- ❑ April 2020 was a washout due to lockdown;
- ❑ Despite the headwinds of the pandemic, May and June saw gradual recovery in sales
- ❑ Sequential recovery witnessed in most business segments except Power Generation and Industrial segments.
- ❑ Early signs of revival seen in most other businesses including Customer support, and Exports; green shoots visible in Agriculture and allied segment since June 2020 onwards
- ❑ Good project pipeline and order book position in Large Engine business
- ❑ Leveraged strong balance sheet to financially support vendors and channel partners during these difficult times



- ❑ Cost rationalization across business units; eliminated or deferred non priority expenditures. Redeployed resources to optimize costs
- ❑ Logistics and adequate manpower availability for operations may pose challenges depending upon how COVID-19 pans out in coming months/quarters
- ❑ Due to challenging macro economic environment, the demand in Power Generation and Industrial business is likely to remain under pressure in the near term
- ❑ Fixed cost saving programs launched in early Q1 would drive efficiency gains in SG&A in coming quarters as well
- ❑ Cash, Fixed Deposits and Mutual Funds investments at Rs 329 Crore as on 30.06.20 as against Rs 324 Crore as on 31.3.2020. The cash positive balance sheet enables the pursuit of inorganic opportunities, subject to valuations. The focus would be on companies having product and / or distribution range synergies.



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Thank You