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# Kirloskar Oil Engines Limited

## Earnings Update Sep 2017

# 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-Sep)



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- **Sales for the period ( Rs 1346 cr) was marginally higher than PY by 3% as the market appears to be decelerated with the GST transition**
  - PG & KGT registered growth on the back of bulk telecom order
  - Industrial growth momentum continued as both infrastructure and construction projects remained buoyant
  - Though major markets remained sluggish, foray into new markets begin to augur well for exports
  - Agri crop sales plummeted in Q2. GST uncertainty, flood situation in major states and non availability of subsidy impacted off-takes.
  - Agri farm was also marginally lower than PY
  
- **EBITDA Margin 9.1% ( Rs 122 cr) lower by Rs 34 cr over PY H1 of 12.1% ( Rs 156 )**
  - PY included Kagal Incentive Rs. 18 cr (1.4% of sales)
  - Commodity price rise results in pressure on margins
  - CY includes front-loading of expenses related to projects and acquisition
  
- **PBT margin 7.3% (Rs 98 cr) lower by Rs 47 cr over PY H1 of 11.2% (Rs 146 cr)**
  - PY included interest income on income tax refund of AY 10-11 and AY 11-12 - Rs 11 cr

# Financials



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| All numbers in Rs. Crs       | Q2<br>FY2018 | Q2<br>FY2017 | ∂           | 6M<br>FY2018 | 6M<br>FY2017 | ∂           | FY<br>2017 |
|------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|------------|
| Net Sales                    | 641          | 650          | -1%         | 1,346        | 1,301        | 3%          | 2,614      |
| Other Operating Income       | 5            | 14           | -63%        | 10           | 28           | -62%        | 57         |
| Raw Material                 | 414          | 417          | -1%         | 873          | 841          | 4%          | 1688       |
| Employee Costs               | 53           | 51           | 6%          | 104          | 100          | 4%          | 202        |
| Other Expenses               | 122          | 123          | -1%         | 257          | 232          | 11%         | 500        |
| <b>EBITDA</b>                | <b>57</b>    | <b>74</b>    | <b>-23%</b> | <b>122</b>   | <b>156</b>   | <b>-22%</b> | <b>281</b> |
| Non-Op.Income / ( Expenses ) | 16           | 18           | -13%        | 34           | 46           | -27%        | 85         |
| Depreciation                 | 28           | 27           | 2%          | 56           | 55           | 1%          | 111        |
| Interest                     | 1            | 1            | -           | 2            | 1            | 14%         | 3          |
| <b>PBT</b>                   | <b>44</b>    | <b>64</b>    | <b>-31%</b> | <b>98</b>    | <b>146</b>   | <b>-32%</b> | <b>252</b> |
| Tax                          | 14           | 21           | -34%        | 32           | 44           | -28%        | 79         |
| PAT                          | 30           | 43           | -30%        | 66           | 101          | -35%        | 174        |

Note : For better interpretation of ratios, sales are disclosed net of excise duty

# Q2 2017-18 Sales : Segment Performance



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| All numbers in Rs. crs | Q2 FY2018 | Q2 FY2017 | Δ    |
|------------------------|-----------|-----------|------|
| PowerGen               | 309       | 291       | 6%   |
| Agricultural           | 97        | 126       | -23% |
| Industrial             | 130       | 115       | 13%  |
| Customer Support       | 83        | 92        | -9%  |
| Large Engines          | 24        | 28        | -15% |
|                        |           |           |      |
| Total                  | 641       | 650       | -1%  |
| Exports out of above   | 48        | 45        | 7%   |

# YTD FY2018 Sales : Segment Performance



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| All numbers in Rs. Crs | YTD FY2018 | YTD FY2017 | Δ    |
|------------------------|------------|------------|------|
| PowerGen               | 633        | 586        | 8%   |
| Agricultural           | 210        | 247        | -15% |
| Industrial             | 262        | 227        | 15%  |
| Customer Support       | 192        | 190        | 1%   |
| Large Engines          | 53         | 56         | -4%  |
|                        |            |            |      |
| Total                  | 1,346      | 1,301      | 3%   |
| Exports out of above   | 93         | 84         | 11%  |



# Key Financial Metrics

|                    | H1 FY 2018 | H1 FY 2017 |
|--------------------|------------|------------|
| EBITDA %           | 9          | 12         |
| Inventory (Days)   | 35         | 33         |
| Receivables (Days) | 24         | 22         |
| Creditors (Days)   | 51         | 50         |
| Fixed Asset Turns  | 8          | 7          |
| RoCE %             | 12         | 18         |
| Operating RoCE %   | 21         | 32         |
| Cash & Equivalents | 700        | 905        |
|                    |            |            |



# A. Power Generation Business Highlights

## Following are the key highlights :

- Markets slowed down in Q2 as per seasonality and deferment of orders by real estate business in view of GST and RERA ( Real Estate Regulation Act) Compliance
- Despite slow down PG registered growth of 8% over H1 PY
- 750-1010 kVA continues to gain market by securing large orders
- SlimPOWER series helps to gain share in sub 15kVA segment





## B. Agri Business Highlights

**Following are the key highlights :**

- For Mega T, around 1500+ nos sold in H1 against 1400+ in H1 of PY despite adverse conditions in rural market
- For Agri crop, both engine and parts off-take plummeted post GST & further accentuated by flood situation in some states and non release of subsidy
- Electric pump increased its foot prints with launch in Gujrat, Odisha & Rajasthan

# C. Industrial Business Highlights



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Following are the key highlights :

- Industrial engines (Off – High way ) registered a growth of 15%
- KOEL has built healthy order board for HHP fire fighting pump application with DV engine
- Awarded by Sany Heavy Industry and Atlas Copco for sustainable performance and contribution towards quality improvement
- Tractor segment registered strong growth of 18%
- “ Platinum OEM Meet” A New Customer Engagement program launched.

# D. Customer Support Business Highlights



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## Following are the key highlights :

- Parts and Oil off-take impacted with GST, H1 remained flat over PY
- 'KOEL Bandhan', a direct online AMC product launched for PG retail customers, a move towards digitization
- 4th Regional training center inaugurated at Bangalore
- KOEL's focus on acquisition of corporate customers of AMC continued

# E. International Business Highlights



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## Following are the key highlights

- Major markets like Middle East and Saudi Arabia are taking longer than expected time to recover due to Oil price fluctuations
- USD remained at sub 64 level throughout H1 of CY as compared to 67 level in PY
- Focus on introduction of new applications and acquisition of new customers begin to auger well for Export business
- New markets in Vietnam, Myanmar and Latin America are being explored



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# Thank You