



Enriching Lives

Kirloskar Brothers Limited.

Financial Analysts Presentation

Q2 - FY 2015-16

Disclaimer



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These materials may contain forward-looking statements regarding Kirloskar Brothers Ltd. (KBL), our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. KBL undertakes no obligation to revise any such forward-looking statements to reflect any changes in KBL's expectations with regard thereto or any change in circumstances or events after the date hereof.

Companywide Highlights



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- Central government investment in infrastructure and power seems to have gained traction, with roads and power sectors leading the way. No new tenders in the market for water distribution projects.
- The organization has been restructured to create a dedicated team for execution and closure of projects.
- Continued focus on selective sale depending upon customer financial position, pricing & terms of payment
- Company has launched several new initiatives for focused marketing to increase the market and customer reach, presence in global markets rationalization of product range etc



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Sector Highlights

Irrigation:

- Due to the formation of two states of Telangana and Andhra Pradesh, there is fast tracking of certain new projects.
- Lift Irrigation Scheme opportunities are also emerging in the states of MP and Haryana.

Water Resource Management:

- Jawaharlal Nehru National Urban Renewal Mission (JNNURM) funding has been discontinued, and there are no funds being disbursed from Atal Mission for Rejuvenation and Urban Transformation (AMRUT) coming in from the central government for new projects.



Sector Highlights

Power

- Chinese manufacturers are aggressively capturing a share of the Indian hydro electric market.
- We are witnessing beginning of a consolidation phase in the power sector, which consist of PSU's and a few established private players.
- There is no improvement in the legacy issues including pending decisions, land acquisition, and coal linkages in private sector.

Oil & Gas

- Oil prices are expected to stay around \$50 for at least the next one year, affecting investments in upstream projects.
- Big investments in refineries planned, but overall progress slow.
- Government has given approvals for expanding capacities of phosphate based fertilizers, e.g. IFFCO
- Approvals for urea based fertilizers may be given in the Q4. No major capex expected over the next 2 years in petrochemical sector.
- ONGC will continue their policy of replacement of old equipment which should provide good opportunities to KBL for fire water packages.

Sector Highlights



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Defense & Marine

- Market is slowly showing signs of opening because of Make in India, however orders will take 6-8 months to fructify in FY17.

Industry

- Capex in the Steel industry has picked up.
- New Sugar projects declared have seen only 30% uptick because of the drop in sugar prices and lower profitability.
- Big ticket capex that was expected ever since the formation of the new government, has not seen movement or progress on the ground. There does not seem to be any initiation at the basic level.

Building & Construction

- Commercial real estate market continues to de-grow due to which the HVAC (Air conditioning) market has been down.
- Residential market growth continues to be stagnant and firefighting and HYPN systems demand is subdued.
- The current situation is likely to continue for the next 2 years.



Sector Highlights

Customer Services & Spares

- Main spares business is from Power sector. State government run power plants are being closed down due to high generation cost, and because cheaper power is available from private power producers. The generation cost for Private power producers is higher than their selling price but they are running their plants due to power purchase agreements made by them and they are incurring losses. As a result, they are restricting their purchases..

Valves

- Water, Power and Irrigation projects continue to face operational and financial challenges thereby affecting manufacturing clearances and finalization of new orders.
- Small players are becoming more competitive and getting various approvals.
- Highly indebted large EPC contractors are preferring such players who give very long credit periods.



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Factory Highlights

Kirloskarvadi

- Kirloskarvadi Plant has won 'Excellent Energy Efficient Unit' Award in the national competition for Excellence in Energy Management
- Kirloskarvadi Plant has achieved the N and NPT Re-Certification

Dewas & allied Plants

- Received Safety award in regional level Manufacturing Today competition.



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Companywide Pending Orders

Pending Order Board as on September 2015

Sector (Rs. Crs)	3Q Dec-14	4Q Mar-15	1Q Jun-15	2Q Sep-15	2Q % of Total
Irrigation	722	747	729	777	49%
Water Resource Mgmt	232	189	190	179	11%
Power	362	324	361	307	19%
Gas & Oil & Defence	92	76	47	38	2%
Marine & Defence			14	13	1%
Industry	56	66	76	35	2%
Building & Construction	28	38	35	25	2%
Distribution	40	41	38	40	3%
Customer Support & Spare	26	22	24	26	2%
Valves		88	88	70	4%
Export Excellence Cell (EEC)				65	4%
TOTAL	1,558	1,589	1,601	1,576	100%

Rs. In Crs

	Dec-14	Mar-15	Jun-15	Sep-15
KBL Standalone	Q 3	Q 4	Q 1	Q 2
Orders Received	422	532	463	344
Pending Orders on Hand	1,992	2,030	2,137	2,096

Orders of irrigation sector not commenced for execution amounting to Rs. 395 Cr are excluded from pending orders on hand



Q2 Financials – Standalone Highlights

Positive factors:

- 9% rise in sales over H1 of PY (6% rise in Q2 over PY Q2)
- H1 PBT stands at Rs.2.3 Cr against a loss of Rs. 23.2 Cr in H1 of PY
- Net reduction in retention Debtors by Rs. 9.9 Cr during H1.
- Receipt of PVC and extra work claims of Rs. 11.4 Cr during H1.
- Net Reduction in BG exposure by Rs. 51 Cr. over end Jun 15 position.

Concerns:

- Results of operations for are still negative – Rs. 8.8 Cr. After considering other income of Rs. 11.7 Cr there is PBT of Rs. 2.3 Cr.
- Rise in inventory continues in Q2 also. Inventory has gone up by Rs. 24.6 Cr in H1.
- Rise in borrowings by Rs. 20.3 Cr at the end of the half year over March 2015.
- Q2 results show a loss of Rs 3.34 Cr as compared to Rs. 1.03 Cr in PY

Sales:

- Revenue from operations is Rs. 737.7 Cr as against Rs. 677.3 Cr in PY – Rise of 9%
- Product sectors sales are at Rs. 584.3 Cr as against Rs. 495.3 Cr in PY, (rise of 18%). Project sector sales are at Rs. 150.0 Cr as against Rs. 178.0 Cr in PY, (fall of 16%).
- Product sector sales are now around 79% of total sales



Q2 Financials – Standalone Highlights

Material Cost:

- For H1 material cost as % to sales has remained at same level of PY. (63.9%)
- For Q2 it was 64.45 % as against 61.81 as in PY

Employee Benefit Expenses:

- There is an increase of 10. 2% for H-1, on account of wage settlements at various plants and normal increments and promotions to managers w. e. f . June, 2015.

Depreciation:

- Depreciation is at Rs. 20.1 Cr as against Rs. 24. 0 Cr in PY. PY depreciation included one time impact on account of restatement of depreciation based on useful lives as prescribed under the companies Act, 2013.

Finance Cost:

- Total finance cost including bank charges is at Rs. 17.6 Cr as against Rs. 20.2 Cr in previous year. Reduction is on account of control over utilization of borrowing limits and impact of lower rates.

Non-Operating Income:

- Non-operating income is Rs. 11.7 Cr as against Rs. 6.8 Cr in previous year mainly due to higher dividend from subsidiary companies.



Q2 Financials – Standalone Highlights

Balance sheet:

Fixed Assets:

- Additions to fixed assets (net of deductions) are Rs. 7.4 Cr

Inventories:

- Increased by Rs. 24.6 Cr over March 15.
- Inventory at Kirloskarvadi plant has increased mainly due to materials procured for execution of some Large Pump orders

Debtors:

- Trade receivables were at Rs. 362.98 Cr as against Rs.394.67 Cr in March 2015.

Investments:

- Total investments are at Rs.243.4 Cr as against Rs. 233.4 Cr in March 2015. Rise is on account of subscription to cumulative preference shares of Rs. 10.0 Cr issued by The Kolhapur Steel Limited.

Loan Funds:

- Short term borrowings have increased to Rs. 254.43 Cr as compared to Rs. 234.19 Cr as on March 2015.

Creditors for Suppliers:

- Creditors are reduced to Rs. 355.07 Cr as against Rs. 405.01 Cr in March 2015.



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Q2 Key Financials – Standalone

Rs. Crs

Particulars	Half year ending			Year Ended Mar 31, 2015
	Sep-15	Sep-14	Sep-13	
KEY FINANCIALS				
Total Income	756	690	830	1,637
P B D I T	39	17	50	92
P B T	2	(23)	19	6
P A T	5	(20)	13	8
CASH PROFIT	25	4	30	58
KEY FINANCIAL RATIOS				
P B I D T % AGE	5.2%	2.5%	6.0%	5.6%
P B T % AGE	0.3%	-3.4%	2.3%	0.3%
R O C E % AGE	3.1%	-1.4%	6.6%	4.1%

Q2 Key Financials – Standalone



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Rs. Crs

Particulars	Half year ending			Year Ended Mar 31, 2015
	Sep-15	Sep-14	Sep-13	
Total Assets	1,060	1,036	1,053	1,035
Gross Current Assets	1,358	1,348	1,446	1,356
Gross Current Liabilities	866	881	948	885
Net Current Assets	491	468	498	471
Borrowings	258	260	265	238



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Q2 Key Financials – Consolidated

Particulars	Half year ending			Year Ended Mar 31, 2015
	Sep-15	Sep-14	Sep-13	
KEY FINANCIALS				
Total Income	1,199	1,115	1,202	2,745
P B D I T	38	33	62	208
P B T	(19)	(29)	13	63
P A T	(16)	(29)	4	45
CASH PROFIT	19	9	29	140
KEY FINANCIAL RATIOS				
P B I D T % AGE	3.2%	2.9%	5.2%	7.6%
P B T % AGE	-1.6%	-2.6%	1.1%	2.3%
R O C E % AGE	0.6%	-0.8%	5.4%	8.3%

Q2 Key Financials – Consolidated



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Rs. Crs

Particulars	Half year ending			Year Ended Mar 31, 2015
	Sep-15	Sep-14	Sep-13	
Total Assets	1,318	1,341	1,293	1,363
Gross Current Assets	1,907	2,014	2,032	2,027
Gross Current Liabilities	1,182	1,256	1,308	1,262
Net Current Assets	726	757	723	765
Borrowings	347	380	357	348



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Thank You