INVasset Corporate Insights

Kirloskar Oil Engines

21st June, 2024

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KOEL: Driving Innovation and Growth in the Engine Industry

Diverse Product Portfolio: Kirloskar Oil Engines Ltd. (KOEL) is a flagship company of the Kirloskar Group, specializing in manufacturing and servicing diesel engines and generator sets. The company's product range includes diesel, petrol, and kerosene-based pump sets, catering to agriculture, power generation, and industrial sectors. KOEL ensures a robust supply chain to meet market demands efficiently.

B2B and B2C Segments: KOEL's B2B segment offers engines, gensets, industrial engines, and power solutions for large institutional clients, including marine and defense sectors. The B2C segment focuses on engine-based pump sets, electric pumps under KOEL and LGM brands, and farm equipment. KOEL also provides financial services through the Arka Group.

Product Mix Overview: In the first half of FY24, KOEL's revenue distribution was led by the power-generating business, contributing 42%. The industrial business followed with 20%, while the distribution and aftermarket business accounted for 16%. Water management solutions, international business, and farm mechanization solutions contributed 11%, 9%, and 2%.

Segment and Geographical Distribution: KOEL reported total Assets Under Management (AUM) of Rs. 4,128 crore and a total debt of Rs. 3,154 crore in H1FY24. In the same period, the company entered the high horsepower (HHP) segment by launching OptiPrime, offering up to 3000 kVA. This move signifies KOEL's commitment to innovation and expanding its product offerings.

Financial Health and New Launches: KOEL reported total Assets Under Management (AUM) of Rs. 4,128 crore and a total debt of Rs. 3,154 crore in H1FY24. In the same period, the company entered the high horsepower (HHP) segment by launching OptiPrime, offering up to 3000 kVA. This move signifies KOEL's commitment to innovation and expanding its product offerings.

Manufacturing and Expansion: KOEL operates eight manufacturing facilities, including subsidiaries, with domestic units in Pune, Kagal, Nasik, Rajkot, and Bhare. The company is expanding its engine range with the K4300 platform, developing 12, 16, and 20-cylinder engines for power generation and industrial applications. This expansion aligns with KOEL's strategy to enhance its product portfolio.

Significant Orders and Capex Plans: In January 2024, KOEL secured a major order from the Nuclear Power Corporation of India Limited (NPCIL) for the Kudankulam project, valued at approximately Rs. 768 crore. The company will supply, erect, and commission 10 units of 6.3 MWe Emergency Diesel Gensets. KOEL plans to invest Rs. 250-350 crore annually in capacity enhancements.

Digital Transformation and Future Targets: KOEL is undergoing a digital transformation at its Kagal manufacturing facility, aiming to convert the entire plant into a SMART manufacturing facility by 2025. This initiative will be implemented in three phases, reflecting KOEL's dedication to leveraging advanced technologies. The company targets achieving Rs. 6,500 crore in revenue by Fy25.

Stock Data	
CMP (21-06-2024)	1,378
52 Week High/Low	1,430/382
Face Value	2.00
Market Cap (In Crs)	19,986
Enterprise Value (In Crs)	23,623
NSE	KIRLOSENG
BSE	533293
Bloomberg	KOEL:IN
Sector	CAPITAL GOODS – NON ELECTRICAL DEPARTMENT

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	41.21	41.22
FII	9.77	9.06
DII	25.17	24.37
Public	23.86	25.36

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	4.00	10.08	25.20
KIRLOSENG	6.06	108.7	238.87

Key Ratios	
P/E	44.3
P/S	3.39
P/B	7.46
Debt To Equity	1.55
ROE	18.1
ROCE	15.2
Dividend Yield	0.36

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	1,660	1,390	1,384	19.42%	19.94%
Expenses	1,357	1,133	1,196	19.77%	13.46%
EBITDA	326	234	199	39.32%	63.82%
Other Income	23	-23	11	-200.00%	109.09%
Net Profit	147	89	79	65.17%	86.08%
EPS	10.25	6.20	5.45	65.32%	88.07%

Result Highlights

KOEL's Impressive Q4 FY24 Results: A Closer Look

Sales Growth: Kirloskar Oil Engines Ltd. (KOEL) reported a significant increase in sales for Q4 FY24, reaching Rs. 1,660 crore, up from Rs. 1,390 crore in Q3 FY24 and Rs. 1,384 crore in Q4 FY23. This represents a quarter-on-quarter (QoQ) growth of 19.42% and a year-on-year (YoY) growth of 19.94%, showcasing KOEL's strong market presence and demand for its products. This growth highlights KOEL's ability to capture market share and drive revenue, demonstrating the effectiveness of its sales strategies and market penetration.

Expense Management: KOEL's other income in Q4 FY24 was Rs. 23 crore, a significant turnaround from a negative Rs. 23 crore in Q3 FY24 and Rs. 11 crore in Q4 FY23. This dramatic improvement, showing a 200.00% QoQ change and a 109.09% YoY change, positively impacted the overall financial performance, contributing to higher net profits. This rebound in other income indicates better financial management and ancillary revenue streams, showcasing the company's diversified income strategy and effective financial planning.

EBITDA Performance: The company achieved an impressive EBITDA of Rs. 326 crore in Q4 FY24, up from Rs. 234 crore in Q3 FY24 and Rs. 199 crore in Q4 FY23. This marks a QoQ growth of 39.32% and a YoY growth of 63.82%. The substantial increase in EBITDA reflects KOEL's improved profitability and efficient business operations. This performance underscores the company's strategic initiatives and robust business model, highlighting its capacity to enhance operational margins and sustain long-term growth.

Other Income Impact: KOEL's other income in Q4 FY24 was Rs. 23 crore, a significant turnaround from a negative Rs. 23 crore in Q3 FY24 and Rs. 11 crore in Q4 FY23. This dramatic improvement, showing a 200.00% QoQ change and a 109.09% YoY change, positively impacted the overall financial performance, contributing to higher net profits. This rebound in other income indicates better financial management and ancillary revenue streams, showcasing the company's diversified income strategy and effective financial planning.

Net Profit Surge: The net profit for Q4 FY24 stood at Rs. 147 crore, compared to Rs. 89 crore in Q3 FY24 and Rs. 79 crore in Q4 FY23. This represents a substantial QoQ growth of 65.17% and a YoY growth of 86.08%. The significant increase in net profit demonstrates KOEL's strong financial health and its ability to generate higher returns for shareholders. This surge in profitability reflects the company's operational excellence and market strategy, positioning it for continued growth and increased market share.

EPS Growth: KOEL's earnings per share (EPS) for Q4 FY24 was Rs. 10.25, up from Rs. 6.20 in Q3 FY24 and Rs. 5.45 in Q4 FY23. This marks a QoQ growth of 65.32% and a YoY growth of 88.07%. The robust EPS growth indicates increased profitability and value creation for shareholders, reinforcing investor confidence in KOEL's financial performance and future prospects. This consistent EPS improvement highlights KOEL's commitment to delivering shareholder value and its successful execution of growth strategies, ensuring sustained investor trust and market credibility.

Concall Highlights

KOEL's Ambitious 2X-3Y Growth Strategy: Doubling Revenue in Three Years: Kirloskar Oil Engines Ltd. (KOEL) has embarked on an ambitious 2X-3Y strategy aimed at doubling its revenue within three years, from FY2022 to FY2025. The company started with a revenue of approximately Rs. 32.60 billion in FY22, achieving an EBITDA of 8.1%. By FY23, KOEL's revenue increased to Rs. 40.73 billion with an EBITDA of 11.1%. Continuing this upward trajectory, the company reported a revenue of Rs. 48.06 billion in FY24, with an EBITDA of 11.9%. The ultimate goal for FY25 is to reach a revenue of Rs. 65 billion with double-digit EBITDA. This strategy is driven by key pillars including a robust growth strategy, an effective channel and market path, a comprehensive technology roadmap, operational excellence, and focused people and talent development. KOEL's commitment to these pillars ensures sustained growth and market leadership.

KOEL's Strong Financial Performance in Fy24: Kirloskar Oil Engines Ltd. (KOEL) has demonstrated robust financial performance in FY24, marked by an 18% top-line growth and achieving a revenue of Rs. 4,806 crore. The company's EBITDA margin stood at an impressive 11.9%, reflecting efficient operational management. KOEL reported a significant 26% year-on-year (YoY) growth in both EBITDA and Profit After Tax (PAT), showcasing its profitability and financial health. Additionally, KOEL maintained a strong net cash position of approximately Rs. 269 crore, underscoring its liquidity and financial stability. The company has also achieved seven consecutive quarters with revenue exceeding Rs. 1,000 crore, indicating consistent performance and growth. This solid financial footing positions KOEL well for future expansion and sustained success, reflecting its effective strategic initiatives and operational excellence.

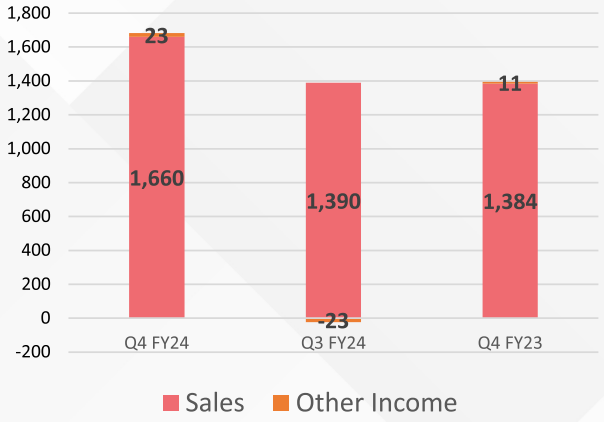
KOEL's Stellar B2B Segment Performance and Strategic Initiatives: Kirloskar Oil Engines Ltd. (KOEL) showcased outstanding performance in its B2B segment, achieving the highest ever monthly, quarterly, and yearly revenues in Q4 FY24. The segment revenue reached Rs. 1,221 crore, with domestic contributions at Rs. 1,043 crore and exports at Rs. 178 crore. Power Generation led the revenue composition at 43%, followed by Industrial at 25%, Distribution & After Market at 17%, and International at 15%. Domestically, KOEL saw strong demand for CPCBII gensets and significant growth in gas genset sales, driven by orders for OptiPrime. The industrial sector showed traction from construction and railways. Internationally, KOEL registered its highest annual revenue, with exports being the fastest-growing segment. The company appointed GOEMs for MENA and the US markets, with shipments commenced and Wildcat integration progressing as planned. These strategic initiatives underpin KOEL's robust growth trajectory.

KOEL's B2C Segment: Robust Growth and Strategic Advancements: Kirloskar Oil Engines Ltd. (KOEL) has demonstrated remarkable performance in its B2C segment for FY24. The segment revenue reached Rs. 276 crore in Q4, with domestic sales at Rs. 222 crore and exports at Rs. 54 crore. The Water Management Solutions (WMS) dominated the revenue composition at 94%, while Farm Mechanisation Solutions (FMS) contributed 6%. The segment profit grew by an impressive 73%, driven by a more than fourfold increase in LGM's Profit Before Tax (PBT) from Rs. 8 crore to Rs. 34 crore year-over-year. KOEL's deepening and widening channels contributed Rs. 22 crore and Rs. 26 crore, respectively. WMS pumps and small engines experienced growth rates of 25% and 29%. Additionally, LGM's new plant construction progressed as scheduled, and LGM exports now constitute over 30% of the revenue, with a 15% YoY growth and improved margins. These strategic efforts highlight KOEL's successful expansion and profitability in the B2C market.

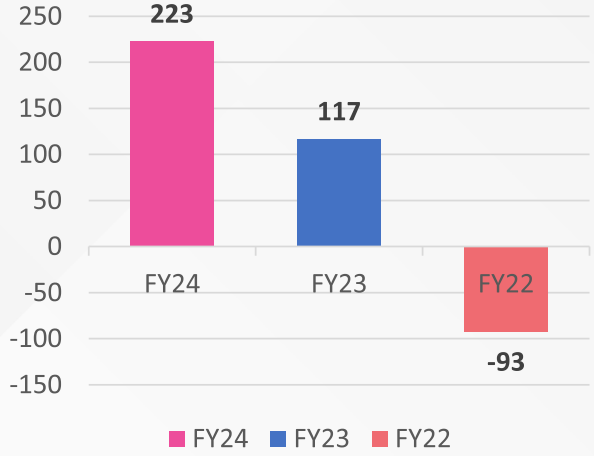
KOEL's Financial Services Segment: Strong Growth and Strategic Investments: Kirloskar Oil Engines Ltd. (KOEL) has achieved significant growth in its financial services segment in Q4 FY24. The segment's revenue increased to Rs. 162 crore, marking a 41% year-over-year (YoY) growth. KOEL's total investment in Arka Fincap Ltd. (AFHPL) as of March 31, 2024, stood at Rs. 1,052.7 crore. AFHPL's Profit After Tax (PAT) for Q4 FY24 was Rs. 28 crore, reflecting a 129% YoY growth. This impressive growth occurred despite a Rs. 15.6 crore provision reversal related to ARKA's Alternate Investment Fund due to regulatory changes. The total debt as of March 31, 2024, was Rs. 3,821 crore, including Rs. 300 crore from non-convertible debentures (NCDs) issued in Q3 FY24. The debt-to-equity ratio improved to 3.3. Total Assets Under Management (AUM) reached Rs. 4,803 crore by the end of FY24. These financial metrics underscore KOEL's robust performance and strategic investment initiatives in the financial services sector.

KOEL's Financial Resilience Reflected in Q4 FY24 Profit and Loss Statement: Kirloskar Oil Engines Ltd. (KOEL) showcased robust financial performance in Q4 FY24, with net sales reaching Rs. 1,643.6 crore, marking a 27% quarter-on-quarter (QoQ) and 20% year-on-year (YoY) growth. Total revenue from operations stood at Rs. 1,660.0 crore, reflecting a 27% QoQ and 20% YoY increase. The company's EBITDA before exceptional items was Rs. 182.7 crore, up by 73% QoQ and 68% YoY. Net Profit Before Tax (PBT) surged to Rs. 198.3 crore, an 88% QoQ and 82% YoY growth. Despite facing exceptional expenses, KOEL managed a strong PAT of Rs. 146.8 crore, showcasing an 88% QoQ and 86% YoY increase. The PAT margin improved to 8.8% from 6.4% in Q3 FY24 and 5.7% in Q4 FY23. This financial resilience is attributed to effective cost management, increased sales, and strategic investments, positioning KOEL for continued growth and profitability.

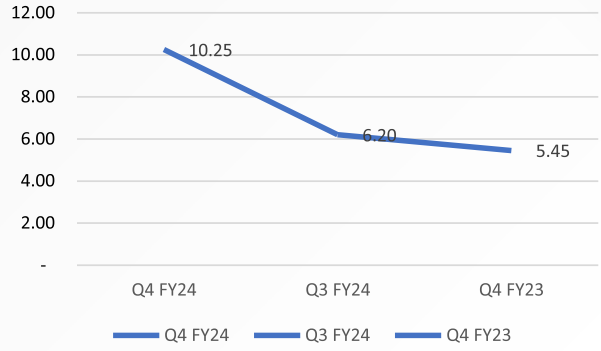
Sales & Other Income (In Cr)



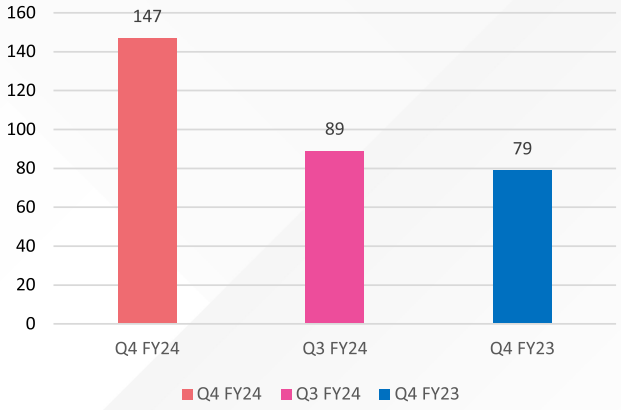
Cashflow(In Cr)



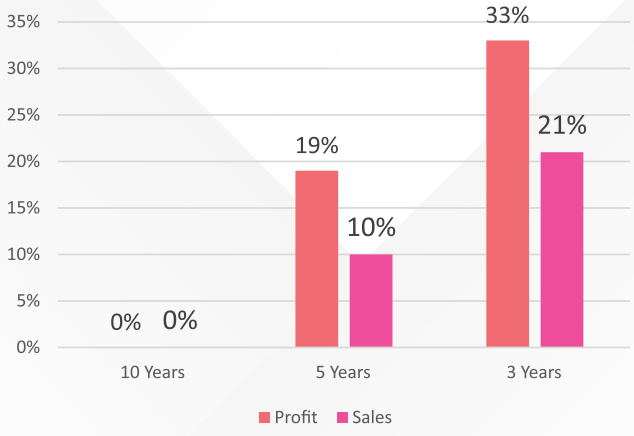
EPS



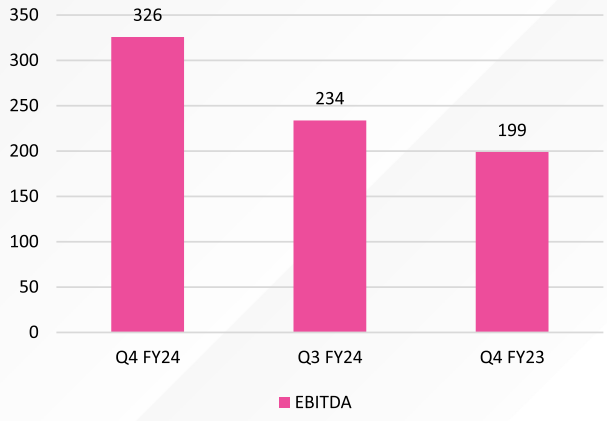
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The technical analysis of Kirloskar Oil Engines Ltd. shows a robust bullish trend in the weekly timeframe. The stock has experienced a significant rise from the support zone around ₹420, consistently breaking through resistance levels. Currently trading at ₹1,377.80, the stock is near its recent high, with an ascending trendline indicating strong upward momentum. Volume analysis suggests increased buying interest during the stock's upward movement, reflecting strong investor confidence.This indicates potential for continued growth but also suggests that a near-term correction may be possible due to the high RSI values. Overall, the technical indicators and price patterns suggest sustained growth potential for Kirloskar Oil Engines Ltd., with a need for caution as it approaches overbought territory.
Based on the analysis of Kirloskar Oil Engines Ltd, the stock shows strong momentum. The 5-day SMA and EMA are 1,340.0 and 1,339.3, respectively, indicating robust short-term performance. The 20-day averages confirm strength at around 1,272.

Kirloskar Oil Engines Ltd. shows strong momentum, with a daily RSI of 69.06 and a weekly RSI of 84.37, indicating the stock is nearing overbought conditions. The high RSI values suggest strong buying pressure and potential for further gains, but also a possibility of a near-term correction due to overbought status.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1,340.0	1,339.3
10	1,303.7	1,313
20	1,272	1,273.9
50	1,136.8	1,160.9
100	988.9	1,021.6
200	782.7	846.4

Pivot Levels : FIBONACCI		
R1 1414.8	Pivot 1384.98	S1 1348
R2 1451.8		S2 1318.1
R3 1481.7		S3 1281.1

	Daily	Weekly
Relative Strength Index (RSI)	69.06	84.37

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