Kirloskar Oil Engines

Date: 13th August 2026

BSE Scrip Code: **533293**

NSE Scrip Code: **KIRLOSENG**

To
Corporate Relationship Department
BSE Limited
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai – 400 001

To
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C -1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051

Dear Sir/Madam,

This is to inform you that:

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments thereunder and in continuation of earlier communication vide letter dated 3rd August 2026, 6th August 2026 and 7th August 2026, we hereby inform that the Transcript of the Conference Call for Investors and Analysts held on 7th August 2026, at 4.00 p.m. (IST) to discuss the Un-Audited Financial Results of the Company for the quarter ended 30th June 2026, has been uploaded on the website of the Company, viz. www.kirloskaroilengines.com.

The same is also enclosed herewith.

You are requested to take the same on your record.

Thanking you,

Yours faithfully,
For Kirloskar Oil Engines Limited

Farah Tehmton Irani

Digitally signed by Farah Tehmton Irani
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Farah Irani
Company Secretary and Compliance Officer

Encl.: As above.

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“Kirloskar Oil Engines Limited

Q1 FY27 Earnings Conference Call”

August 07, 2026

MANAGEMENT:	**MS. GAURI KIRLOSKAR – VICE CHAIRPERSON & MANAGING DIRECTOR – KIRLOSKAR OIL ENGINES LIMITED** **MR. SACHIN KEJRIWAL – CHIEF FINANCIAL OFFICER – KIRLOSKAR OIL ENGINES LIMITED** **MR. RAHUL SAHAI – CHIEF EXECUTIVE OFFICER – KIRLOSKAR OIL ENGINES LIMITED** **MRS. KIRAN KHAPRE– CHIEF HUMAN RESOURCES OFFICER – KIRLOSKAR OIL ENGINES LIMITED** **MS. FARAH IRANI – COMPANY SECRETARY – KIRLOSKAR OIL ENGINES LIMITED** **MS. RIDHI GANGAR – CHIEF FINANCIAL OFFICER – ARKA FINCAP LIMITED**
MODERATOR:	**MR. SANJEEV ZARBADE – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Kirloskar Oil Engines Limited Q1 FY27 Earnings Conference Call, hosted by Antique Stock Broking Limited. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Zarbade. Thank you, and over to you, sir.

Sanjeev Zarbade: Thank you, Anushka. Good evening, everyone. On behalf of Antique Stock Broking Limited, I extend a warm welcome to all participants joining us for the 1Q FY27 Post-Earnings Conference Call of Kirloskar Oil Engines Limited. We are pleased to have with us the senior management team of the company, comprising Ms. Gauri Kirloskar, Managing Director; Mr. Rahul Sahai, Chief Executive Officer; and Mr. Sachin Kejriwal, the Chief Financial Officer.

The management will begin the call with their opening remarks on the company's performance during the quarter and the business outlook. This will be followed by a question-and-answer session, where participants will have the opportunity to interact with the management.

With that, I would like to hand over the call to Ms. Gauri Kirloskar for her opening remarks. Over to you, ma'am.

Gauri Kirloskar: Thank you, Sanjeev, for the introduction. Good evening, ladies and gentlemen, and thank you for joining us for Kirloskar Oil Engines Limited's First Quarter FY27 Earnings Conference Call. Joining me today are Rahul Sahai, CEO of KOEL; Sachin, our CFO; Kiran, our CHRO; Farah, Company Secretary; and from Arka, Ridhi Gangar, Chief Financial Officer. Thank you all for joining us.

The first quarter of FY27 reflects an important milestone in KOEL's transformation. While the quarter was characterized by significant geopolitical uncertainty and unusually weak export markets, our domestic businesses delivered broad-based growth across all our major operating segments.

This reinforces our confidence that the strategic actions we have taken over the last few years are translating into stronger execution, improved market positioning and a more resilient business model. Our standalone revenue grew 16% year-on-year to INR1,461 crores, led by robust domestic demand across power generation, industrial and distribution and aftermarket businesses.

Power generation grew by 18%, industrial by 19% and distribution and aftermarket business delivered another strong quarter with 20% growth. These are not isolated performances. They reflect sustained execution across our portfolio, continued customer engagement and increasing market competitiveness.

In the power generation business, one of the highlights of the quarter has been the continued strengthening of our position in the domestic power generation market. Over the last year, we have fundamentally redesigned our approach to the sub-30 kVA market.

Rather than competing with individual products, we have created a comprehensive portfolio architecture covering multiple customer segments, technologies and price points. This strategy has significantly strengthened our competitive position in India's largest genset segment and has contributed meaningfully to our domestic market share gains. Alongside strengthening our core businesses, we continue to invest in building the next generation of growth platforms.

Our Optiprime modular power platform continues to gain momentum as customers increasingly evaluate resilient and scalable power architectures for data centers and mission-critical infrastructure. During the quarter, we secured an important order in the data center segment, validating both the market need and the differentiated capabilities of our modular architecture.

Now coming to the industrial business. Our industrial business grew 19% domestically. Our Construction segment saw double-digit growth in spite of muted growth in the overall construction industry.

Marine segment more than doubled, growing 125%. Railways grew 62%. Both marine and railway segments are businesses where we have built durable platform relationships and a strong spares and service annuity behind the first sale. But the more interesting development in industrial is that our growth is no longer confined to selling engines into applications we have always served.

We received a landmark order from the oil and gas segment for natural gas gensets across ratings up to 500 kVA. This reinforces our presence as a credible gas power solutions partner and further strengthens our position in industrial gas-based power solutions and our investments in advanced fuel-agnostic technologies.

Last quarter, we also established a dedicated subsidiary for our defense business called Kirloskar Advanced Systems Limited. India's defense opportunity is expanding rapidly, and our position here is unusual. The research, development and intellectual property are entirely indigenous. That allows us to offer global standard solutions that directly reinforce national capability. We are building this deliberately and for the long term.

Now coming to the distribution and aftermarket business. The distribution and aftermarket business is in many ways, the truest measure of our franchise. It cannot be bought with a quarter of good pricing. It grows only where the installed base is large, the service network reaches and the customer chooses to come back.

This quarter, it grew across every channel, led by service, which brings resilience and healthy cash generation alongside that loyalty. And we completed our first end-to-end turnkey repowering high horsepower project. A 1,010 kVA installation won in direct competition, a signal of how far the capability now extends.

On the international business, as expected, our international business remained affected by geopolitical developments and delayed customer investment decisions across several regions. The Middle East region is an important export market for us, and it continued to operate below normal levels, impacting both business mix and operating leverage during the quarter.

While these conditions affected our international performance, we remain committed to our EBITDA delivery for the full year. We remain confident in the long-term opportunity and continue to engage closely with customers while preparing for demand normalization.

On KOEL Fluid Dynamics, our Fluid Dynamics business was broadly flat year-on-year at INR294 crores with domestic sales up and exports down. Underneath that flat headline, however, the business strengthened materially. Channel pump business more than doubled, and we delivered our highest ever V8 submersible output.

On the balance sheet, total borrowings reduced from INR167 crores to INR77 crores. Working capital improved by 11 days, and our credit rating was upgraded to AA. This is a business that is being made structurally healthier while it waits for its exports markets to recover.

On Arka, Arka reported revenue of INR210 crores, a growth of 9%. Assets under management stood at INR7,651 crores at the end of the quarter. The team has crossed 1,800 employees across approximately 136 branches, which gives it a considerably stronger platform for the growth ahead.

Now I'll talk a little bit about profitability. Turning to profitability. EBITDA for the quarter reflected 3 primary factors: lower export volumes, elevated commodity costs and the timing difference between cost inflation and price realization. Importantly, this is not a reflection of any deterioration in the competitiveness of our businesses.

Across virtually all of our businesses, we have already implemented pricing actions. However, given the nature of contracts and customer agreements, realization occurs over different time frames. As these pricing actions progressively flow through over the coming quarters, supported by our ongoing cost optimization and operational excellence initiatives, we expect profitability to improve.

On the consolidated level, KOEL delivered revenue of approximately INR1,772 crores during the quarter, reflecting healthy growth despite a challenging external environment. Our Power and Energy businesses continue to perform well, while KOEL Fluid Dynamics maintained stable domestic performance despite export headwinds, and Arka Financial Services continued its growth trajectory with higher revenue, expanding assets under management and a broader national footprint.

I'll make some remarks now on Engineering and Technology. Beyond delivering another quarter of strong domestic execution, we continue to build the next generation of growth platforms that will define KOEL's future. Our investments in modular Optiprime power systems for AI data centers, gas-based distributed power, defense, high horsepower engines and advanced industrial applications are steadily expanding our addressable market and creating new avenues for long-term growth.

The Optiprime hybrid power systems, although developed with AI data centers in mind, the architecture is also relevant to microgrids, industrial prime power, utilities and other applications where fast-changing loads and resilient operations are essential.

As we look ahead, we remain encouraged by the underlying momentum across our businesses. India continues to present attractive opportunities across infrastructure, industrialization, power reliability and manufacturing. At the same time, we are building entirely new growth engines through our global expansion, data center power solutions, gas-based power systems, defense, high horsepower engines and advanced combustion technologies.

These initiatives, combined with the strength of our domestic franchise and disciplined execution, position KOEL well for sustainable long-term growth. In summary, while the external environment remains dynamic, the fundamentals of our business have strengthened considerably. Our strategy is delivering results. Our domestic businesses continue to outperform, and we remain confident in our ability to create long-term value for all our stakeholders.

With that, I will now hand over to Sachin, who will take you through the detailed financial performance for the quarter. Thank you.

Sachin Kejriwal: Good evening, everyone, and thanks, Gauri, for the update. I will give a quick overview of the financial performance for standalone and consolidated business. The results and the presentation for today's call have already been uploaded on the exchanges and on our website.

Adding further on Gauri's remark, Q1 demonstrated the resilience of KOEL's business model, while exports faced global headwinds, our robust domestic performance confirms that our strategic transformation is delivering real execution and long-term value.

Coming to the financial performance overview, I will start with standalone performance first for the quarter. Net sales at INR1,461 crores for Q1 FY27 versus INR1,262 crores for Q1 FY26, 16% year-on-year increase.

EBITDA at INR165 crores for Q1 FY27 versus INR172 crores for Q1 FY26, 4% decrease year-on-year. EBITDA margin at 11.2% for Q1 FY27 versus 13.5% for Q1 FY26. Net profit stood at INR99 crores for Q1 FY27 versus INR110 crores for Q1 FY26, that is 9% decrease year-on-year.

Net cash position, net of debt and including treasury investment stood at INR485 crores. Our cash conversion cycle remained highly efficient at 25 days, while inventory days increased slightly at 264 to support business expansion. Our strong working capital position continues to ensure robust operational liquidity.

Coming to the further breakdown of the standalone sales for the quarter. The strong sales momentum was backed by a double-digit growth across all the business units in the domestic business. So within B2B, power gen was at INR720 crores, 18% increase year-on-year. Industrial was at INR368 crores, 19% increase year-on-year. Distribution and aftermarket was at INR268 crores, 20% increase year-on-year, and international business was at INR106 crores, 11% decrease year-on-year.

Now moving to the consolidated performance for the quarter. Revenue from operation at INR2,000 crores for Q1 FY27 versus INR1,762 crores for Q1 FY26, 13% increase year-on-year.

Net profit at INR111 crores for Q1 FY27 versus INR134 crores for Q1 FY26, 17% decrease year-on-year. Please note numbers reported are for continuing operations only.

Let us have a look at consolidated segment performance for the quarter now. B2B segment revenue for the quarter was at INR1,488 crores, which is 17% growth year-on-year. The segment, PBIT was at INR115 crores, reflecting 18% decrease year-on-year. Moving to B2C. B2C segment revenue for the quarter was at INR301 crores, which is 3% growth year-on-year. The segment PBIT was at INR26 crores, that is 7% decrease year-on-year.

Now moving to the Financial Services. Financial Services segment revenue for the quarter is at INR210 crores, reflecting 9% year-on-year growth. The segment PBT was at INR9 crores, that is 31% decrease year-on-year.

In summary, our strong domestic execution and expansion into high-value mission-critical applications continue to drive top line performance while mitigating geopolitical volatility through disciplined cost optimization and operational excellence, we are confident that our strategic investment across our key operating segments position KOEL well for sustainable growth and value creation.

With this update done, I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Priyankar Biswas from JM Financial.

Priyankar Biswas: Congratulations to you that despite let's say, the export headwinds, I would say, a very strong performance on the domestic side, first of all. My first question is, we have had this announcement on this large hyperscaler order. Can you just elaborate a bit more about that? Because there is this concern that probably the customer that from which we have secured the order from may not be having like significant experience in this space.

And furthermore, otherwise, how do you see the data center prospects for you in particular because in the coming years, given that we have a very strong incumbent in the market? That's the first question?

Sachin Kejriwal: Thanks for your question. So data center represent an important structural opportunity because they require high reliability and rapid response, robust control and strong life cycle support. All areas that are aligned with KOEL's power system capabilities.

Q1 was strategically significant because as you mentioned, we secured our first hyperscale data center order of approximately 192 megawatts. We view that as a reference point rather than endpoint. Our immediate objective is to execute this order extremely well and establish KOEL as a credible HHP ultra-high horsepower alternates for hyperscalers, co-location players and EPC partners.

We are strengthening product capability, testing, supply chain readiness, controls and service support around this opportunity, and we will be disciplined about distinguishing pipeline from actual orders and actual revenue.

Priyankar Biswas: No. What I meant was, let's say, the customer profile for this particular order. So do they have any relevant experience in construction of data centers or what's the track record? So where do we get comfort on the customer in this particular case? And is there further orders that you are in negotiations on that we can see visibility in the coming, let's say, quarters. So the question was more around that.

Rahul Sahai: Yes. I think, look, on the customer end, we continue to work with multiple customers. And in this case, there is one that has materialized with the purchase orders. Now we do checks and balances. Beyond that, on further orders, that is internal and proprietary information. But at this point in time, there are many customers who are entering the data center segment, and we get queries all the time. So it's not unusual for us.

Priyankar Biswas: Okay. That's very helpful. And also, sir, if I squeeze one more in before I fall back into the queue. In this particular quarter, I see that, on the standalone numbers specifically, I see that there is a sharp increase in the employee cost. So roughly around, if I may say, like 22% quarter-on-quarter and let's say, close to 40% Y-o-Y. So is this the run rate that we should look at? Or is there some one-off element within that, if you can clarify?

Sachin Kejriwal: I will elaborate this. So employee-related expense increased materially year-on-year. So our Q1 bridge indicates an increase of approximately INR31 crores, and you rightly mentioned that is a 40% increase. And there are several components basically to this increase.

The number one is annual increments. Number two is ESOP-related expense because we want to reward our high-performing employees. Then there is a capability additions and investments supporting future growth programs.

So some of these costs are structural and some are timing related, and we don't want to characterize all of them as one-off. What matters is the return on that cost base as revenue scales, particularly in international high horsepower and aftermarket business, we need to demonstrate better fixed cost absorption going forward and productivity. And this is an explicit management priority right now.

Moderator: We take the next question from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congratulations on a good set of numbers. First question on the revenue growth, especially on the power gen and the industrial side. Just trying to get your sense on, one, have we started seeing the revenue contribution from NPCIL and Defense, the marine contract that we had won in this quarter?

And secondly, if you can directionally give some thoughts on what is driving the growth? Is it largely led by the Optiprime or the HHP series or the LHP, MHP, how the growth is panning out there?

Sachin Kejriwal: Ankur, just to give you clarity on this NPCIL order execution, we have mentioned in the past several times that those are milestone-based, and we are at the execution stage right now. And some of the revenue will start flowing in this financial year and the remaining will come in coming quarters or coming years basically. And on Defense and Marine, we see a lot of opportunity, even Gauri spoke in her opening remarks. So we'll continue to focus on those segments.

Ankur Periwal: So no contribution in this quarter specifically, right?

Sachin Kejriwal: No, No, Ankur. Especially on this NPCIL order, there was no contribution in this quarter.

Ankur Periwal: Sure. And on the growth in HHP and the mid and smaller ones, if you can suggest that. Is the largest part of growth coming from HHP or it's well distributed across?

Rahul Sahai: We don't give out the individual numbers, but the largest chunk of growth, I mean, while it's coming from HHP, it's still lower, because of the base. So I don't have anything specific to call out other than HHP, actually, we're seeing growth right across.

Ankur Periwal: Okay. Fair enough. And just secondly, on the RM inflation pass-through. Now we are seeing around 60, 70 basis point decline on a year-on-year basis in our gross margin. One, was there any benefit of price hike in this quarter? And if you can suggest on the price hike side, are we largely covered off post the recent price hikes that we took?

Rahul Sahai: Yes. So we have been proactively taking price rises. So if you look at power gen, it's different. It's different in industrial because in industrial, you have customer-wise contracts. It's different in distribution and aftermarket. And of course, on fluid dynamics side, it's totally different.

Not all of the realization will come in this quarter. So the realization is going to be staged. But our effort is to ensure that we pass on the inflation to the extent that we can and protect our margins.

Moderator: We take the next question from the line of Jeetu Panjabi from EM Investo Capital Advisors Private Limited.

Jeetu Panjabi: Look, 2 pointed questions. One, we've seen weakness in the international business. Now can you give us a little bit of color which geos this happened in? And what are the current trends you're seeing? And what is your view on how this plays out over the next 3, 6 months?

And two, the raw material attribution, Gauri, that you talked about in your opening comments as the reasons for margin decline along with possibly mix. Can you talk a little bit about if the pass-ons have happened? And when do you see reversion to recent trends in 6 months, 12, 9 months, I don't know. I would love your thoughts on that.

Rahul Sahai: Jeetu, so just from the regions, a lot of our business today comes from the Middle East region. And due to the conflict in West Asia, we had logistics queues that were choked. And as a result, even where we had orders, some of the fulfillments could not happen. So that's one.

And just from an inflation attribution standpoint, our endeavor, like I said, is just to ensure that we proactively pass on the price increases. Realization of that has varied. So in Q1, we've seen some impacts. But as management, our full endeavor is to ensure we pass on price increases.

Jeetu Panjabi: Is there a time line when you see this more normal? I mean, greater normalization of both these metrics? Is a 3, 6-month horizon reasonable to broadly say that happens?

Rahul Sahai: Yes, I think so. I mean, look, we're all keenly watching out. We do see the queues opening up. So it's more a question of just ensuring that the supply chain and the fulfillment is happening properly. We do have demand, and we do have opportunities also available for execution, but we're carefully watching. But I would say 3 to 6 months is a fairly reasonable assumption.

Moderator: We take the next question from the line of Teena Virmani from Motilal Oswal Financial Services.

Teena Virmani: So my question is related to the demand traction that you would have seen in Q1 and even going forward also. Like how is the demand traction panning out for KOEL in nodes below 750 kVA and also in the above 750 kVA nodes, particularly from the other HHP type of requirements may not be completely from hyperscaler or data center, but how is the demand panning out for your Optiprime products and even the below 750 kVA nodes?

Rahul Sahai: Teena, so nice to hear from you. Look, just from a domestic franchise that we are building out and the level of, I would say, strength that we are showing on the domestic side, especially if I, for a moment, leave out data center, we're quite satisfied with that.

We're present in all the opportunities that we need to be in. We may not win everything, but I think we're certainly gaining in strength in terms of our market presence, below 750 kVA for sure, I mean, overwhelmingly so. And our full focus is to also build that out over 750 kVA.

Teena Virmani: So basically that you mentioned that in your PPT that you have gained market share. So this gain in the market share would primarily be coming in, in the below 750 kVA nodes?

Rahul Sahai: Yes. So that would be correct. Even above 750 kVA, we've gained market share, but it's just a smaller base. So it's not significant at this point.

Teena Virmani: Right. And also, you don't specify generally the pricing element. But in this 18% growth in Powergen revenue, will that be possible to broadly quantify not maybe an exact indication, but a broad indication, how much can be the pricing-led element and how much can be the normal volume-led growth?

Rahul Sahai: Teena, we don't normally specify that. And also the realization has varied across the quarter. So it's going to be hard for us to truly comment on that convincingly.

Teena Virmani: Okay. But the price increases that you would have taken, you have taken both in the HHP side also and even in the non-HHP side also. Is that the right understanding?

Rahul Sahai: So the way to think about it is price increases can be readily passed on when the product is more distribution led. Otherwise, it is contract and tender specific. But as a theme, that could be a fair understanding.

Moderator: We take the next question from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: The first question would be, since we have announced this order, right, in data center, how has been the interest from the prospective customers change, right? Because in a way, this is like a first proof of the pudding in some sense.

So how has the conversation changed? And in the same breath, can you just tell us the journey through which Kirloskar Oil has been to arrive at this state, right? Because it required a significant change in the way we sell things and also on the product side, right, in terms of our product offering.

So could you just help us understand how has the conversations changed since we have announced this order? And also how has been the journey so far and what all needs to be done from here to achieve our targeted market share in the high horsepower and specifically for the data center part of it?

Rahul Sahai: Just focusing on the data center segment, there's been a lot of effort that we put in. There are a lot of upskilling programs that we've internally driven. We are engaged with most data centers today. We've also executed a whole bunch of orders, whether it's edge or enterprise data centers. So all of that has already happened. This particular order just happens to be an order which is with the larger data centers.

Now the conversations continue to progress with a lot of our customers. We are looking at a whole bunch of different solutions ranging from behind-the-meter solutions to hybrid solutions for our customers as well as Optiprime that we spoke of earlier. So we have a fairly strong suite of products now. And we're fairly confident that we will continue to gain traction as we move ahead because the efforts are going in.

Prolin Nandu: Okay. And on the employee cost side, right, while you mentioned that there have been some hikes and some capability building, but 40% is usually a very large number, right, in some sense, while it's a quarterly number, I agree with that.

But there has to be some kind of a specific capability also which you are building, right, in some sense. So just some more texture on this 40% year-on-year growth in employee cost. Is it like a specific capability that we are building and which should probably normalize and probably either lead to revenue or normalize over the coming quarters? Some more color on that hike or that rise would help?

Sachin Kejriwal: So as an organization, we mentioned that we'll continue to invest in our capability addition and invest in supporting future growth programs. And as I mentioned that as the revenue scales, particularly in the international HHP and aftermarket business, we need to demonstrate better fixed cost absorption and productivity.

Moderator: We take the next question from the line of Bharat C. Shah from BCS Capital Ideas Private Limited.

Bharat C. Shah: Just wanted to revisit our view of the future. So barring our financial services business on rest of the manufacturing activity from a turnover of about INR7,200-odd, let us say, last year. Should we say in 3 years' time, there should be kind of doubling given all the opportunity in the product portfolio that now we are rapidly developing? And if that is the case, will the margin and the profitability likely to inch up from where it has been till now?

Sachin Kejriwal: So we have already laid down our 5-year strategic plan, Mr. Bharat. So you recall that we announced our aspiration to be a $2 billion revenue enterprise by FY30. But we are not going a year-wise breakup. So by FY30, we should be close to INR16,600 crores company. And on the margin front, definitely, we would like to earn a higher double-digit EBITDA margin.

Bharat C. Shah: No. The higher double-digit EBITDA margin, we already are at since last 2, 3 years in the band of 17%, 18%. So I'm saying with the journey, the $2 billion more or less INR16,500 crores is what that doubling of in 3 years that I was talking about, so which is fine. But margin, I suppose with that journey improve or do you believe the current margins are satisfying and more or less, it should be on these lines?

Sachin Kejriwal: So Mr. Bharat, our endeavor is to improve the margin from here on. So even if you look at our journey for the last 3 years, we have improved our margin by more than 400 basis points, and we'll continue to work on margin improvement going forward also. But I don't want to give a specific range that where we'll land at FY30.

Bharat C. Shah: Sure. Suffice it to say it will be better than where we have been in these couple of years?

Gauri Kirloskar: We hope so.

Sachin Kejriwal: We hope so.

Moderator: We take the next question from the line of Priyankar Biswas from JM Financial.

Priyankar Biswas: So my question is related to the distribution and the aftermarkets. So one of your peers in the con calls had commented that they have significantly developed their distribution aftermarkets in India. So for mission critical, they can provide service engineers within 2 hours of logging a complaint and generally within 4 hours, pan India.

So how are we in terms of service levels currently versus our peers? And also to grow the distribution, what are the initiatives that we are taking? What whitespaces are there that we still need to address? If you can give some sort of a road map?

Rahul Sahai: So look, I mean, as far as the distribution business is concerned, we have been driving a lot of initiatives. And what you will appreciate is that the business has consistently grown double digit every quarter for the last 12 quarters.

Now the initiatives that we have taken for that is upskilling of the service engineers. We have restructured our service channel. There are new product launches that are happening there. And then there is a lot of technical capability that we have driven for replacement and repowering with our engines.

So overall, if I look at, what is the right way to look at the results of a lot of these initiatives, it is increasing number of service contracts that we are seeing. So a larger asset base is now under our service contract than what it used to be. And distribution and aftermarket is something that is hard to build out. So it takes time, it takes effort.

Today, we are here to support our customers even on mission-critical applications. In several cases, even we offer 2-hour service response guarantees. So I would say we are fairly satisfied with the progress thus far. We still have a long way to go.

Priyankar Biswas: Okay. If I can just ask, like you have shown a very healthy growth, like 20% in this particular quarter. And I understand there may have been shortage of spare parts also is what we learned from the channel. So is it possible that this sort of 20%, maybe even higher growth may be sustained in the upcoming quarter? What is your sense on that?

Rahul Sahai: Look, we will continue to aspire towards the $2 billion vision or the ambition. And all businesses have an important role to play there, including distribution and aftermarket.

Moderator: We take the next question from the line of Sourabh Arya from Oaklane Capital.

Sourabh Arya: Am I audible?

Moderator: Yes, sir. We hear you.

Sourabh Arya: Congrats on reasonable strength in domestic business. My 2 questions are, first is, again, it's a good step that we are declaring some color on our industrial business, construction, double digit, Marine doubling, and railway 62%. So the first question is, so this trend in Marine and Railways, of course, on a quarterly basis, these seem pretty strong, right? So is there some quarter-related thing or what exactly is happening here? Is it sustainable?

And how should we think about these new capabilities which you have written in the annual report also that industrial is no more about one segment, but much beyond than that. So if you could share some thoughts here on each and every segment from their outlook perspective, that would be helpful?

Sachin Kejriwal: Thanks for the question. So again, within industrial, you remember that we operate out of various segments. So more specifically on railway. So railways had a strong Q1 with revenue growing materially year-on-year. And beyond the quarterly numbers, the opportunity is supported by new engine application and repowering opportunities.

As you remember, railways are attractive because qualification creates relatively long product life cycle, but program timing can make quarterly revenue uneven. So our focus is on converting qualification and order into repeatable execution rather than extrapolating one strong quarter. Rahul, can you answer on the Marine?

Rahul Sahai: So look, on the Marine, it was just a question of execution. This is one of those quarters which was heavy on execution and it just how the billing happens. So I wouldn't read into it more than that.

Sourabh Arya: Okay. And secondly, like Gauri mentioned in her remarks that the ONGC genset, the new opportunity where we have got this order. Can you double-click on that, like, so how big is this opportunity like we were not there before because we did not have gas gensets? And maybe some color there?

Rahul Sahai: Yes. So Sourabh, the way I would want us to think about is less in terms of how big this opportunity was, but more in terms of the capabilities it presents. Today, we have probably the largest range of gas engine gensets that are CPCB IV compliant. We've executed across a wide variety of gas applications. This includes biogas, wellhead gas, piped natural gas and even in smaller ranges, LPG, Liquefied Petroleum Gas. So the capabilities that we've deployed across gas are significant.

And we go through some of our Optiprime solutions right up to 2 megawatts. And that is significant. So just for us, while this order is important and obviously significant, which is why we mentioned, but what is more significant is it presents in the form of capabilities that are already demonstrated in CPCB IV compliant gas solutions.

Sourabh Arya: Sure. But this comes on the industrial side, right, this particular business, what we do with ONGC?

Rahul Sahai: So the oil and gas segment is under industrial, yes.

Sourabh Arya: Understood. And if I can maybe ask one more. So we talked a lot about this new power architecture, etc., microgrids. So can we share some high level exactly what do you mean by this power architectures changing? And what exactly we were not doing and we will be doing?

Rahul Sahai: Yes. So under our new energy vertical, there are a whole bunch of initiatives that we've been driving as far as product development is concerned. And in fact, gas units has been one of those developments. Now when we say microgrids, we have within the group, a sister company also Kirloskar Solar.

So we are looking at deploying microgrids across customers, but Power systems and gensets continue to be the mainstream. The new energy vertical is more for program management office at this point, where we focus on development of different kind of fuel power systems. This includes ethanol, methanol, isobutanol, natural gas, all of that, hydrogen.

Sourabh Arya: Sure. Perfect. Just maybe if you can point this number. So what was the ESOP expense actually in this quarter that would help us try to come up with the right...

Sachin Kejriwal: Yes, Sourabh, so we don't give that specific details.

Moderator: We take the next question from the line of Aditya from Kotak Institutional Equities.

Aditya: The first question that I had was on your gross margins for the quarter, which are not very different versus, let's say, the average numbers seen over the last 7, 8 quarters. And this happens in spite of unprecedented price increases, cost increases that are happening on both the RM side, the supply chain side, freight side, so much is happening.

So could you give us a sense as to how the company has been able to navigate those costs? Is it more that the company has been able to kind of trim down its own cost structure? Or is it that there is sufficient room to take timely price increases?

Sachin Kejriwal: Aditya, you must have heard that, yes, the margin has contracted in this quarter. And predominantly, this has happened because of massive increase in the global commodity prices, and that has impacted our margin. And to counter that, we have taken a price increase also.

And as Rahul mentioned that there is a lag between the price increase and the price realization. So we are working on that. And secondly, we are also working on our cost control and the operational excellence. So that will help us to improve the margin going forward also.

Aditya: So maybe I'll check my numbers because I thought that at least at the gross margin level, the numbers were very comparable for the quarter on a Y-o-Y and Q-on-Q basis. But moving ahead, I wanted to also get a sense from you that as you think through the year. At least our sense is that the peer over here is able to extract a fairly good pricing premium in the market.

As Kirloskar has been improving its offering, is it finding it easier to then argue for price increases for itself in the market for the better offering that it's able to provide? That will be my second and last question?

Rahul Sahai: Yes. So look, a lot of what the last quarter was is about being proactive in having conversations with customers on price increases, while the realization has lagged for most players, I believe we were amongst the first ones to start the conversation. So it's just being prudent and being fair to the business.

Moderator: We take the next question from the line of Darshan Parmar from Jefferies.

Darshan Parmar: My first question is on the data center order, right? So could you give some sense on the execution time line of the contract? And by when will it start contributing to our numbers?

Sachin Kejriwal: So this is a composite contract. Basically, this includes the supply of the gensets plus the O&M contract, which is for a longer period of time. So I think for genset supply, the revenue recognition will happen in this financial year. And for the O&M contract, this will continue for at least 5 to 6 years.

Darshan Parmar: Got it, sir. And secondly, on the Financial Services business, Arka, what are our long-term plans? And are we planning to hive-off the business going ahead or what's our strategy for the Financial Services business?

Ridhi Gangar: Yes. On Arka, I've stated the plans a couple of times in terms of the capital part. So from a strategic point of view, last year, we pivoted into a secure...

Moderator: Ma'am, we are not able to hear you.

Ridhi Gangar: So the question was on Arka and if we have plans to hive-off this business. So that is the long-term plan, but it takes time and there's a stage-wise way to get there, and those are the options that we are pursuing. So we will do it in a stepwise manner. And when there's an update for you, you will obviously hear about it. Thank you.

Moderator: Ladies and gentlemen, we take that as the last question for the day. I would now like to hand the conference over to Mr. Sanjeev Zarbade for closing comments. Over to you, sir.

Sanjeev Zarbade: Thank you, moderator. Let me take this opportunity to thank the management of Kirloskar Oil Engines for giving us the opportunity to host this call. Before I close, may I invite Ms. Gauri to the final comments, and then we can close the call. Thank you.

Gauri Kirloskar: Thank you very much, everyone, for your support and interest in the company, and I hope you have a nice weekend.

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.