

*Discussion with Analysts and
Fund Managers*



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H1 Sales, FY05 Vs. FY04



(All in INR Mio.)	H1, FY05	H1, FY04	Change
Small Engines	915	1,040	-12%
Medium Engines	2,733	2,069	32%
Large Engines	325	391	-17%
Total Engines	3,973	3,500	14%
Bearings & Valves	493	430	15%
Castings	311	229	36%
Fuel Oil	643	377	71%
Coke	111	307	-64%
Power	120	111	8%
Total (includes inter-SBU sales)	5,651	4,954	14%
Inter-SBU Sales	(250)	(200)	
Total External Sales	5,401	4,754	14%

Small Engines Performance



Small Engines



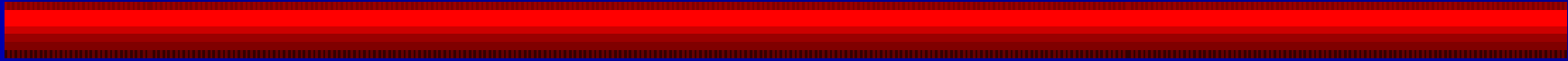
Agri Market

- Diesel Market is affected by
 - Concessions for electricity
 - Increased Diesel prices
 - Partial passing through the increase account Iron and Steel prices
- Though, farmer income is not affected
- New products that are less material intensive are being developed for these markets.

PG Market

- Customers preferring Inverters over gensets for smaller ratings.
- Factory assembled gensets well received by Service Industry.
- Individual buyer is staying away in spite of Power Cuts.
- Sales to Foreign Markets have started picking up

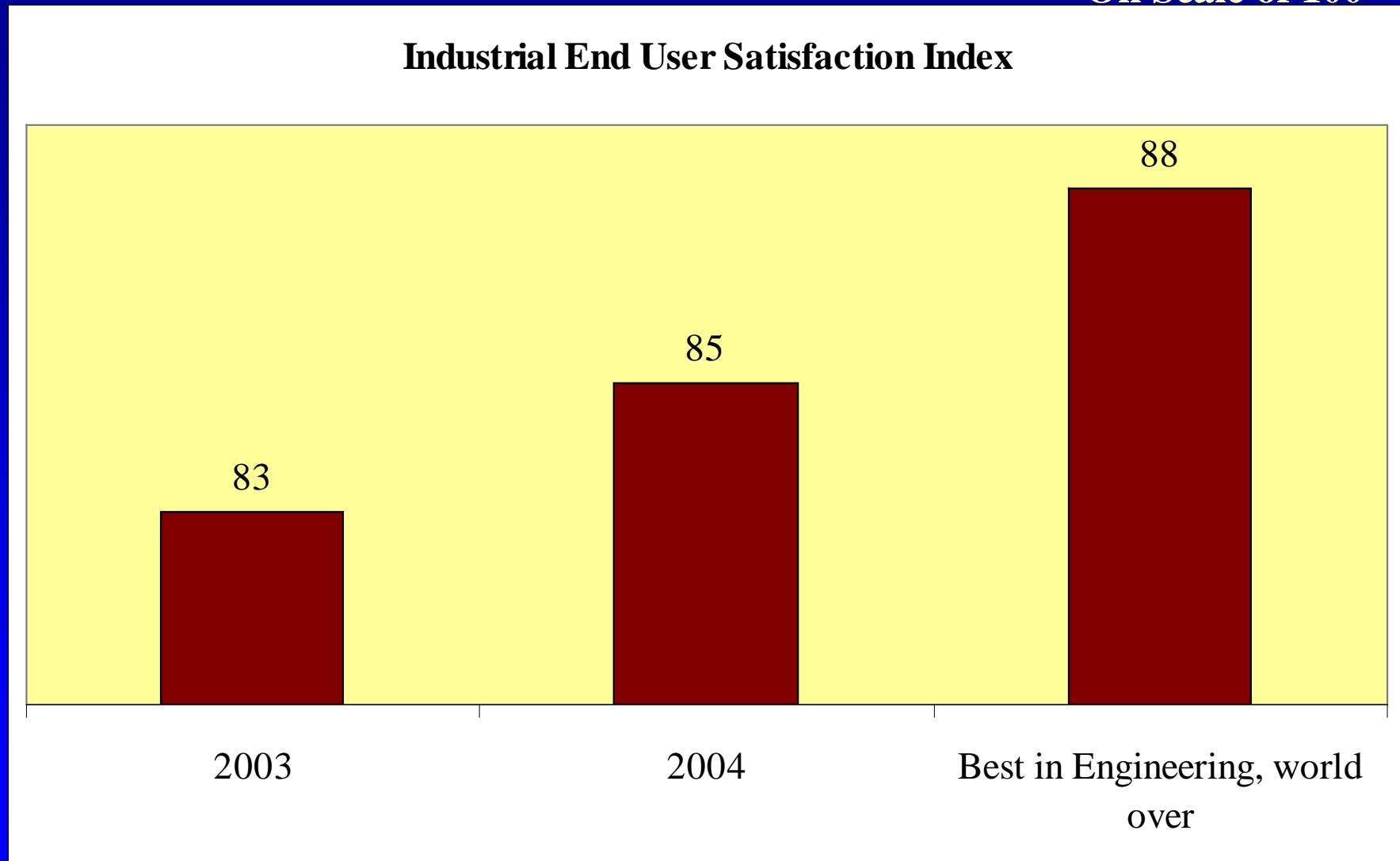
Medium Engines Performance



Medium Engines Customer Satisfaction Increased



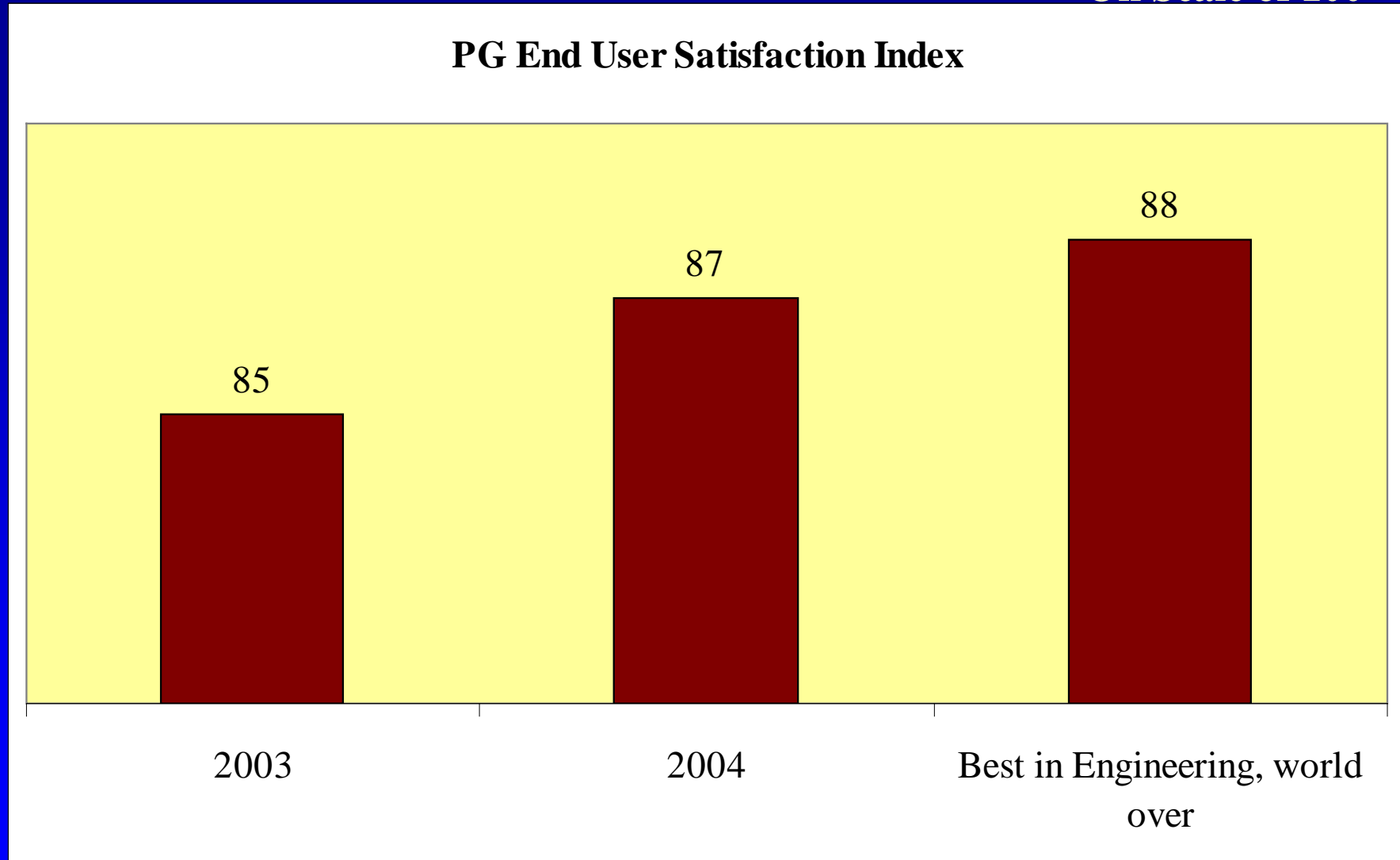
On Scale of 100



Medium Engines Customer Satisfaction Increased



On Scale of 100



Domestic Market - Medium Engines



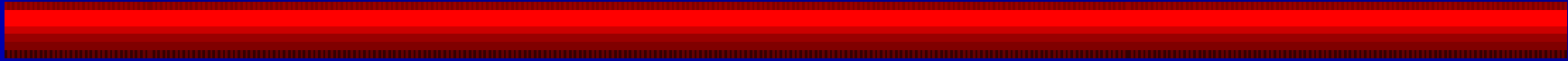
- 8% increase in market share of 15 to 82.5 kVA DG sets.
- About 10% share in 2nd year of introduction of 250 – 600 kVA DG set range.
- 28% increase in supply to Construction and Industrial Machinery OEMs and 4 new OEMs signed up.
- 19% increase in supply to tractor OEM - Punjab Tractors
- Received large orders from TELECOM and Service Sector
- Increased supply to Armed Forces for wider range of applications.
- Exports of tractors with our emission compliant engines are increasing.

Medium Engines – Export Strategy

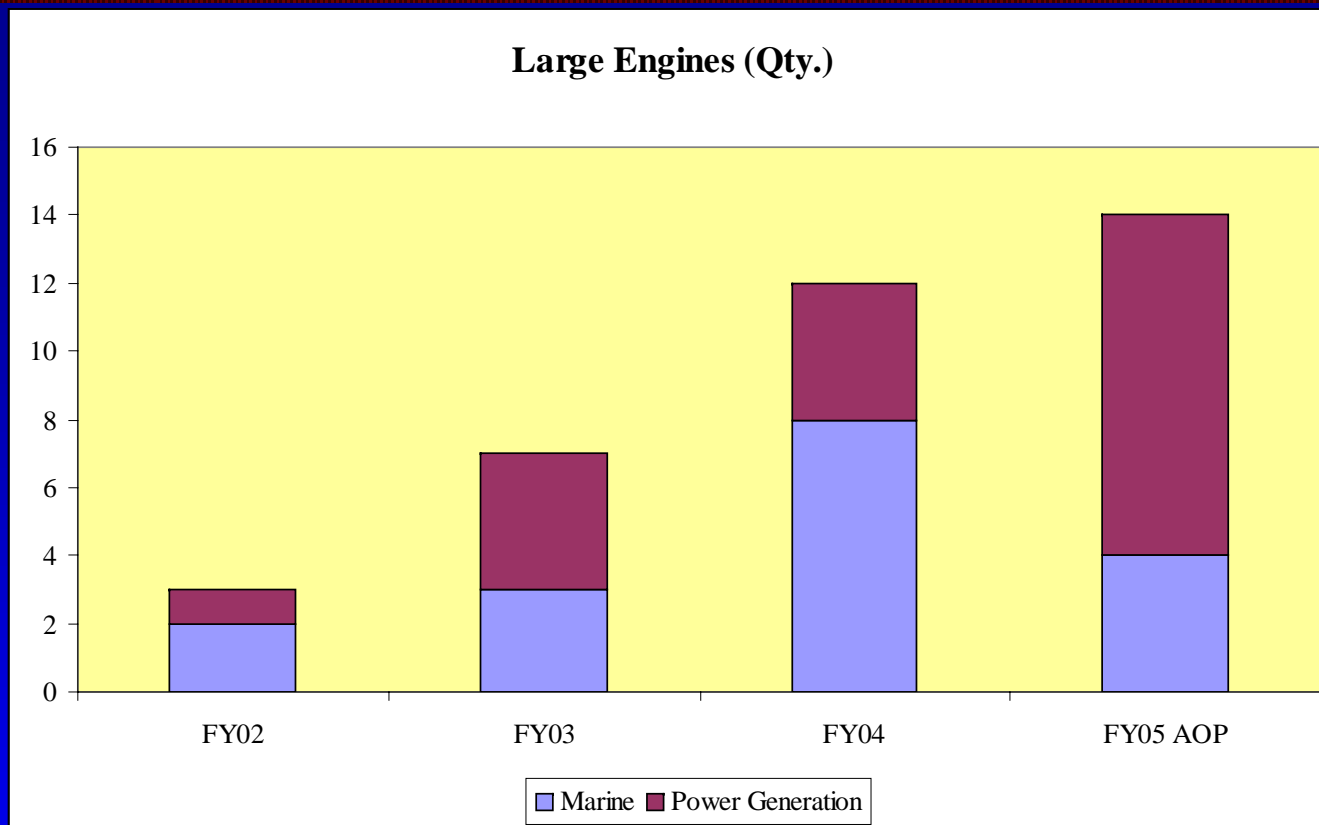


- De-risk Export Revenue Stream by developing foreign OEMs. We are experiencing initial acceptance of our engines by OEMs while evaluation of samples by more OEMs continues.
- Time consuming but essential activity of setting up Sales and Service network continues

Large Engines Performance



Large Engine Sales



FY05 Genset Sales will be similar to FY04.

- ✓ Genset customers have returned. And, we have 60% share of 2.5 MW HFO Market
- ✓ Marine Engines shipped in FY04, but Marine shipments are less in FY05

Domestic Market – Large Engines



- Sales are to -
 - shipyards for Naval and Coast Guard ships, and shipments of marine engines depends on ship building programmes
 - And, Diesel and Heavy Fuel generating sets to Industry
- Year on year Product Mix varies substantially
- In FY04, shipments of Marine engines were good, and some generating sets were also shipped to repeat customers
- Overall growth in sales - 88 % over FY03 to INR 1,034 M.

Large Engine



- With higher Sales in FY04, the SBU turned in Profits, and improved Cash Flow
- We are cutting costs of 2.5 MW DG set aggressively
- Good potential for Marine engines, but shipments are after FY05.
- We are exploring Gas engine market in 1 to 3 MW, and addition of 6 MW HFO DG Sets

Export of Engines

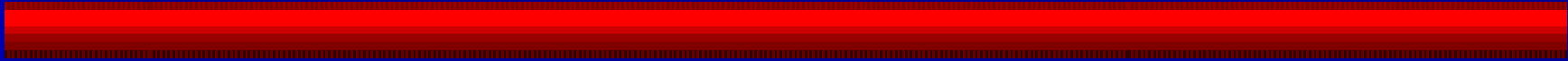


Progress on Exports - Engines



- Portfolio expanded by adding Countries, Applications, and Products.
- Thrust on OEM business. We have delivered samples to 12 OEMs and, samples are on way to 2 more.
- Africa, Middle East, Far East, and Latin America have large potential for Small agri and agro industrial engines. Expect 50% increase in exports of Small Engines in FY05.
- 14 engines certified by EPA, USA. The highest by a company in India.
- Added gensets to product portfolio since FY03

*Engine Bearings and Valves
Performance*



Domestic Market – Engine Bearings & Valves



- Growth – 12% in Bearings and 20% in Valves
- 5 new OEMs added to customer list of Bearings
- Increase in business share with 3 leading OEMs.
- 25% increase in bushes for replacement market.
- 35% increase in OEM business of Valves
- Expanded Valve range in cars and tractors

Bearings & Valves – Focus on Exports



- We are focusing on Heavy Duty Applications – Trucks, Buses, and Tractors
- OEMs first, then After Market
- Initial OEM responses are encouraging
- 8 new customers developed in Europe, USA & Middle East Asia.
- Increased our share with 2 European OEMs.
- All OEM contracts include price reduction year after year

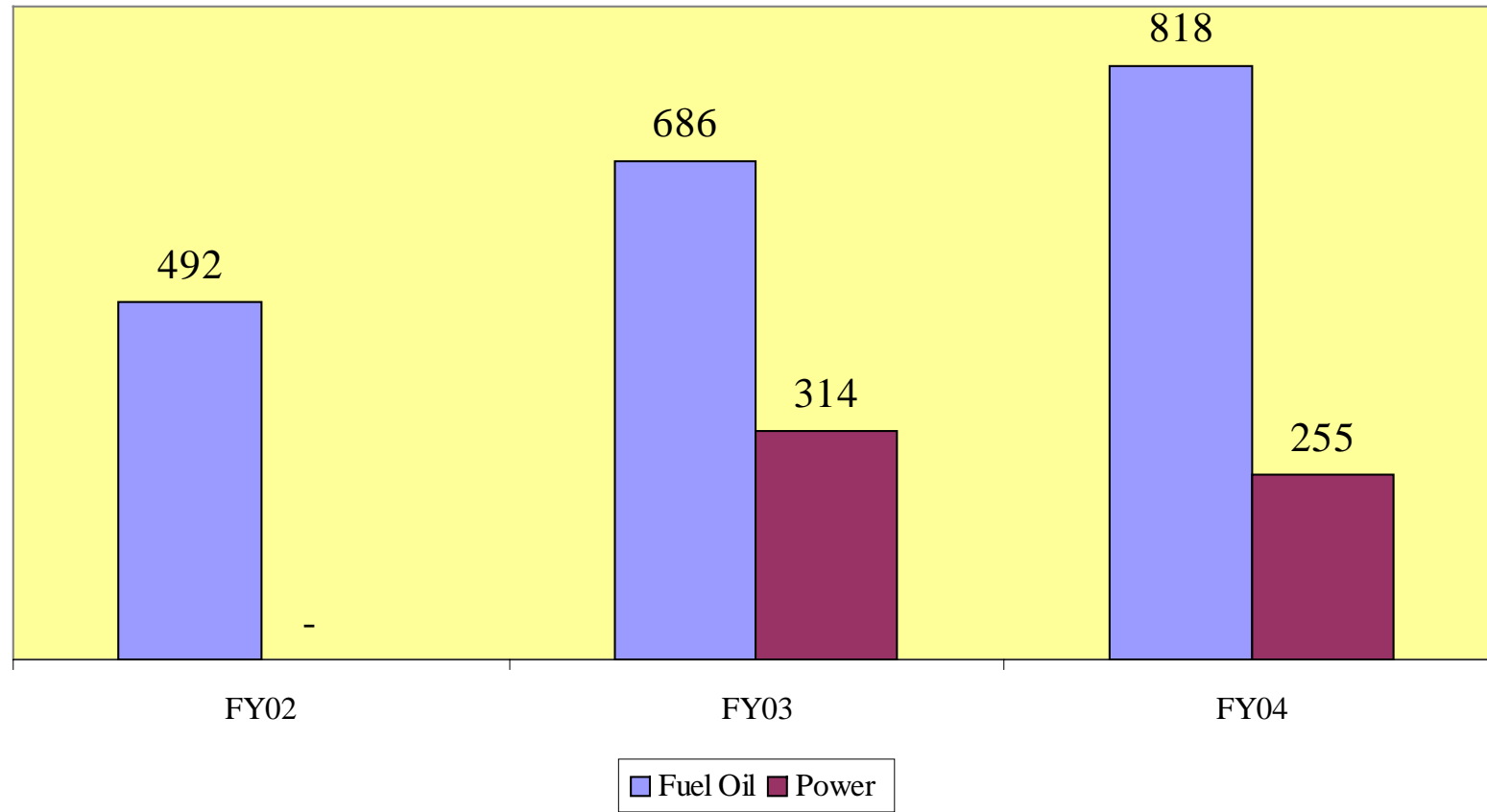
*Castings, Fuel Oil and Power
Performance*



Fuel Oil & Power Sales



Power & Fuel Oil Value (INR M)



FY05 Estimate : Fuel Oil – 1,298 M INR & Power – 182 M INR

Domestic Market – Power & Oil



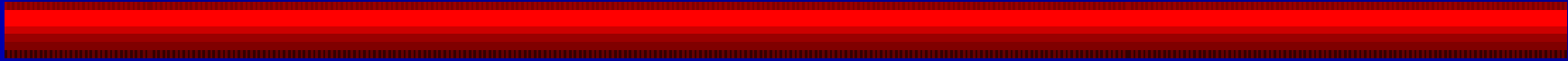
Power :

- 8% increase in tariff and 18% fuel price increase led to de-emphasising power sales
- Restructured business

Oil Trading :

- 60% growth over FY04
- Operate from JNPT Port, Karwar and Goa and added Muldwarka.
- Quality Service to customers is leading to long-term contracts

Employee Relations and Costs

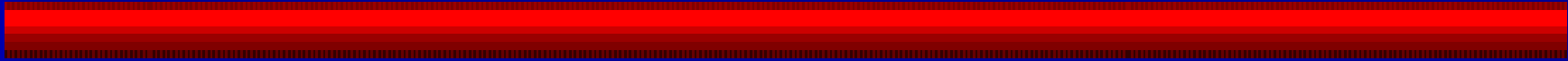


Employee Relations



- The fourth successive wage agreement has increased ERE costs.
- Each agreement has productivity increases built-in - multi-machine operations, cell layouts, time worked on machines per shift, etc. We have to ensure that this happens.
- Team Members (Workers) are contributing towards increasing productivity and cutting costs.

FY05 Prospects



Growth Strategy



- Continue to increase exports – cross Rs. 1,000 Mio. mark soon
- Significant increase in CAPEX for Capacity increase and R&D
- Expand product offering in Domestic and Export markets
- Raise the bar in service levels, pre and post sales – to keep distancing the competition

View of Domestic Market – FY05



- In Small Engine range, market is affected by due to - Concessions for electricity, Increased Diesel prices and partial passing through cost increase account Iron and Steel prices
- We expect Medium Engine segment to grow in all sectors – Tractors, Power Generation and Construction and Industrial Machinery
- In Large Engines, Power Generation segment will be stable, and our sales of gensets will be similar to those in FY04 but Marine engine sales will be lower
- Automobile market will continue to grow

Opportunities in Exports



- Specific Initiatives to develop OEM Customers for Engines, Bearings and Valves
- Over 150,000 Small Engines of the kind we make are exported each year from India.
- World Market in Medium Engine range is huge.
- World OEM Market is huge – Bearings about USD 1.3 B (INR 59,800 M) and Valves USD 1 B (INR 46,000 M) per year.

We are pursuing opportunities to take a share of these markets

*We are making highest ever
Capital Expenditure in Plant and
Machinery in FY05*

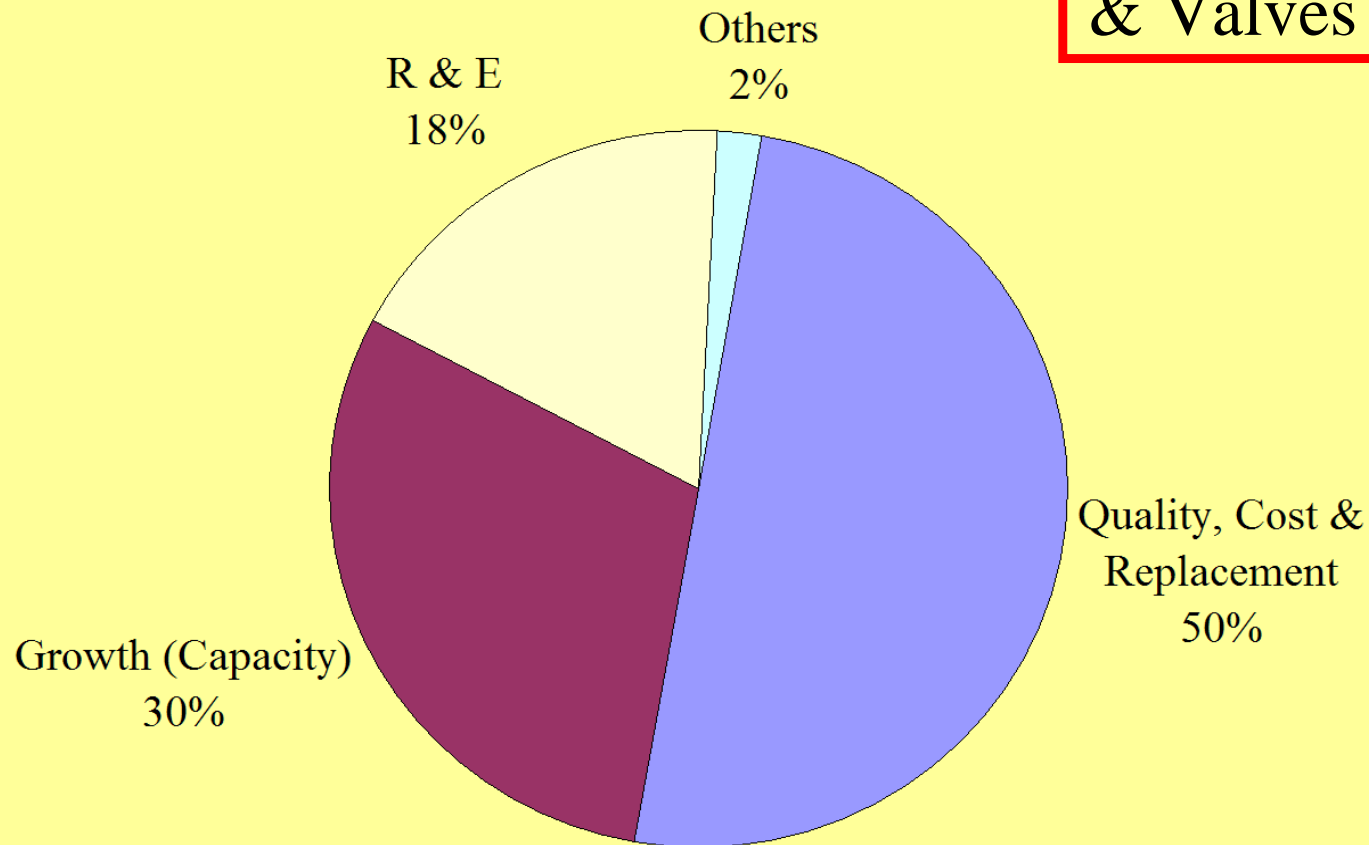


Quality, Productivity and Capacity
will go up while the costs will come
down !

CAPEX – Rs. 700 M+



CAPEX FY05



Engines : Bearings
& Valves :: 80 : 20

Thank you !



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