

Kirloskar Oil Engines

Estimate changes



TP change



Rating change



Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team.

We request your ballot.



Bloomberg	KOEL IN
Equity Shares (m)	145
M.Cap.(INRb)/(USD\$b)	159.1 / 1.9
52-Week Range (INR)	1450 / 526
1, 6, 12 Rel. Per (%)	-1/-7/75
12M Avg Val (INR M)	322

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	56.8	66.9	78.9
EBITDA	7.7	9.6	11.8
PAT	5.1	6.5	8.1
EPS (INR)	35.1	44.7	56.2
GR. (%)	40.5	27.3	25.8
BV/Sh (INR)	206.9	239.6	280.8
Ratios			
ROE (%)	18.1	20.0	21.6
RoCE (%)	17.4	19.6	21.2
Valuations			
P/E (X)	31.2	24.5	19.5
P/BV (X)	5.3	4.6	3.9
EV/EBITDA (X)	20.7	16.2	12.7
Div Yield (%)	0.9	1.1	1.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	41.2	41.2	41.2
DII	24.9	25.4	24.3
FII	10.8	10.0	7.8
Others	23.1	23.4	26.7

FII Includes depository receipts

CMP: INR1,097

TP: INR1,500 (+37%)

Buy

Transitioning quarter

KOEL's 2QFY25 results beat our estimates, with 13%/67%/90% YoY growth in revenue/EBITDA/PAT. B2B segment growth was aided by powergen, industrial and distribution segments, while exports remained weak due to weakness in select markets. B2C segment growth was impacted by a planned plant transition. Powergen segment revenues declined QoQ on relatively lesser price hikes for lower-kVa nodes for KOEL vs. its competitor and a QoQ decline in market volumes due to norm shift. Going ahead, as genset market matures, we expect KOEL to gain in overall volumes in line with demand improvement. To bake in lower-than-expected exports and distribution segment growth, we cut our FY25/FY26/FY27 EPS estimates by 3%/3%/4%. We continue to value KOEL at 29x P/E on two-year forward estimates and revise our SOTP-based TP to INR1,500 (from INR1,540). Adjusted with subsidiary valuation, KOEL is trading at 28x FY25E/22x FY26E/17.5x FY27E EPS, which is still at a 45-50% discount to the market leader. We maintain BUY on KOEL as we expect it to benefit from improved sales from higher HP segments, distribution, exports and improving trajectory of B2C.

Results reflected sharp beat in performance

KOEL's 2QFY25 revenue was ahead of our estimate at INR11.9b, up 13% YoY but down 11% QoQ. B2B segment grew by 17% YoY, whereas B2C declined by 13% YoY, due to a planned plant transition under which the company consolidated five of its manufacturing locations into a single unit in Ahmedabad. Reported EBITDA of INR1.6b (+67% YoY) beat our estimate, largely aided by a reversal of provisions for doubtful debts worth INR174.4m. Adjusted for this, EBITDA was in line. Accordingly, adj. EBITDA margin came in at 12.4% vs. 10.3% in 2QFY24 and 12.9% in 1QFY25. PAT came in at INR1.1b (+90% YoY), supported by higher other income (up 84% YoY) and a lower effective tax (24.7% vs. 25.9% in 1QFY24). For 1HFY25, revenue/EBITDA/PAT grew 9%/43%/52%, while free cash outflow narrowed to INR49m, from INR481m in 1HFY24. For 2HFY25, we expect a revenue/EBITDA/PAT growth of 24%/30%/31%.

Powergen segment growth lower than market leader

Powergen segment growth declined by 9% QoQ for KOEL in 2QFY25 vs. 12% QoQ growth seen for Cummins. KOEL management has indicated that overall powergen industry volumes were down by 10-15% QoQ in 2QFY25 owing to norm transition, but KOEL has maintained its volume market share. This implies that KOEL's average realization would have been lower than Cummins' during 2QFY25, which we attribute to two factors: 1) KOEL's dominant presence in lower-kVa nodes, which saw lower price hikes than the nodes where Cummins is a dominant player, and 2) increased competition in lower-kVa nodes, which would have put pressure on realization. Thus, based on 'value-wise market share', the immediate competitor Cummins would have gained more in 2QFY25. We expect genset market to mature in 2-3 quarters in terms of pricing and positioning of players. We expect demand to remain strong and genset pricing to correct in the range of 5-8%. With this, we expect powergen revenues for KOEL to start improving from 3QFY25 onward.

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Industrial segment prospects remain sanguine despite BS5 transition

Industrial segment has been clocking healthy growth for the past few quarters, supported by robust demand from construction, marine, defense and railways sectors. Segment revenues grew 23% YoY in 1HFY25, while for 2QFY25, growth moderated to 8% YoY. With the upcoming BS5 transition, the company does not foresee any meaningful pre-buying demand, with supplies being made to OEMs rather than dealers. Overall, this segment will continue to be a major growth driver for KOEL, and we expect it to clock a 21% CAGR over FY24-27.

Distribution and export revenues were weaker than expectations

Distribution segment revenues grew by 10% YoY. With the transition to CPCB 4+, we expect a much better growth in distribution segment revenues going forward. Exports declined 2% YoY to INR1.2b, as an improving power supply scenario in South Africa impacted offtake on the powergen side. However, industrial exports saw healthy volume growth. KOEL remains confident of an uptick in exports in 2HFY25.

B2C hit by planned transition; to see higher output going ahead

B2C revenues declined by 13% YoY due to a planned plant transition under which KOEL has consolidated five of its manufacturing locations into a single unit in Sanand, Gujarat, for which the company has spent ~INR1.4b. While this led to a transient drop in revenue, the new facility will see improved cost efficiencies from economies of scale, streamlining of operations and reduced delivery time, leading to margin improvement. Management remains confident of achieving double-digit margins for B2C in due course.

Arka Fincap AUM crosses INR62b

Arka's revenue grew 54% YoY to INR1.9b, while AUM stood at INR62.8b. The management continues to closely monitor the granularity of the loan book, spread of the risk and return profile. Arka intends to grow its loan book by increasing its exposure to small-ticket loans against property, which are fully secured. Management does not contemplate hiving off the entity and Arka will continue to be housed under the consolidated KOEL business for the foreseeable future.

Financial outlook

We trim our estimates by 3%/4%/4% for FY25/FY26/FY27 to factor in lower-than-expected exports and distribution segment growth. We expect a revenue CAGR of 17% over FY24-27, driven by a CAGR of 17%/21%/18%/20%/16% in powergen/industrial/distribution/exports/B2C. Over FY24-27E, we bake in 340bp improvement in margins as we build in a better product mix and operating leverage benefits. We expect a PAT CAGR of 31% over the same period.

Valuation and view

The stock is currently trading at 31x FY25E/24x FY26E/19x FY27E earnings. Adjusted with subsidiary valuation, KOEL is trading at 28x FY25E/22x FY26E/17.5x FY27E EPS, which is still at a 45-50% discount to the market leader. We maintain BUY on KOEL as we expect it to benefit from improved sales from higher HP segments, exports and improving trajectory of B2C segment.

Kirloskar Oil Engine Limited

Standalone - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	12,647	10,590	11,352	13,917	13,429	11,944	13,627	17,778	48,505	56,777	12,205	(2)
YoY Change (%)	26.5	4.8	13.5	20.7	6.2	12.8	20.0	27.7	17.8	17.1	15.2	
Total Expenditure	11,102	9,603	10,023	12,135	11,452	10,294	11,855	15,511	42,864	49,112	10,740	
EBITDA	1,545	986	1,329	1,782	1,977	1,650	1,771	2,267	5,642	7,665	1,465	13
Margins (%)	12.2	9.3	11.7	12.8	14.7	13.8	13.0	12.8	11.6	13.5	12.0	
Depreciation	213	243	257	257	247	266	250	236	970	999	244	9
Interest	14	16	20	29	27	26	33	46	78	132	33	(21)
Other Income	70	64	57	85	108	118	78	9	274	312	80	47
PBT before EO expense	1,388	791	1,109	1,581	1,810	1,476	1,567	1,994	4,868	6,846	1,268	16
Extra-Ord expense												
PBT	1,388	791	1,109	1,581	1,810	1,476	1,567	1,994	4,868	6,846	1,268	16
Tax	355	205	287	405	462	365	404	534	1,252	1,765	327	
Rate (%)	25.6	25.9	25.9	25.6	25.5	24.7	25.8	26.8	25.7	25.8	25.8	
Reported PAT	1,032	586	822	1,176	1,347	1,111	1,163	1,461	3,616	5,081	941	18
Adj PAT	1,032	586	822	1,176	1,347	1,111	1,163	1,461	3,616	5,081	941	18
YoY Change (%)	59.9	-19.3	20.5	81.3	30.5	89.6	41.5	24.2	33.8	40.5	60.6	
Margins (%)	8.2	5.5	7.2	8.5	10.0	9.3	8.5	8.2	7.5	8.9	7.7	

INR m	FY24				FY25E				FY24	FY25E	YoY (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			
Segmental revenue											
Powergen	6,030	3,600	4,260	5,180	5,280	4,810	5,395	6,994	19,050	22,479	18.0
Industrial	2,320	2,350	2,320	3,090	3,200	2,530	3,200	3,872	10,080	12,802	27.0
Distribution & After Market	1,750	1,840	1,800	2,100	1,980	2,020	2,222	2,392	7,490	8,614	15.0
Exports	860	1,250	1,350	1,730	1,060	1,230	1,373	2,057	5,200	5,720	10.0
Total B2B	10,960	9,040	9,730	12,100	11,520	10,590	12,190	15,314	41,820	49,614	18.6
WMS	1,340	1,160	1,330	1,530	1,650	1,110	1,166	2,411	5,370	6,337	18.0
FMS	260	270	190	150	170	140	198	318	870	827	-5.0
Total B2C	1,600	1,430	1,520	1,680	1,820	1,250	1,364	2,729	6,240	7,163	14.8
Total revenue (B2B+B2C)	12,560	10,470	11,250	13,780	13,340	11,840	13,554	18,044	48,060	56,777	18.1

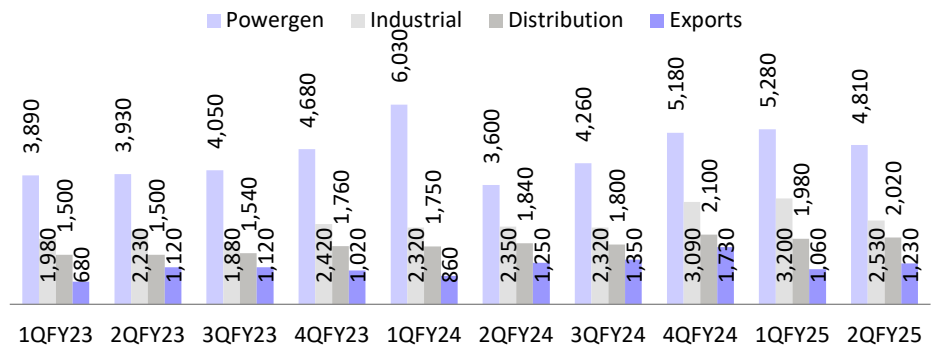


Conference call highlights

- **Powergen segment:** Demand has seen moderation owing to the CPCB 4+ transition and pre-buying in previous quarters. KOEL's powergen segment posted 34% YoY growth, while Cummins grew 84%. The company is watching closely how the pricing environment evolves, which is relatively stable. Competition is launching CPCB 4+ products at various nodes. However, there is minimal risk of smaller players taking market share away from KOEL due to the quantum of investment required. Notably, the OptiPrime series is garnering significant customer interest and KOEL has won several HHP orders. The share of HHP has increased to 15-20%, vs. ~4% for KOEL.
- **Industrial segment:** Demand continues to be robust from construction, marine, defense, and railways sectors. The impending BSV transition is not expected to spur any significant pre-buying, as the engines are typically sold to OEMs, which have constraints in terms of stocking up inventory. Post the transition, margins are not expected to meaningfully move up owing to the competitive dynamics in the industry.
- **Exports:** Exports declined 2% YoY to INR1.2b, as an improving power supply scenario in South Africa impacted offtake on the powergen side. However, industrial exports saw healthy volume growth. Since it has developed a credible product line-up in the HHP space, the company is evaluating strategies to enter the USA market. KOEL remains confident of an uptick in exports in 2HFY25.
- **B2C:** Water management solutions segment (WMS) saw a 4% YoY decline, while the farm mechanization segment (FMS) revenues continued to decline (48% YoY). Overall, B2C declined 13% YoY in 2QFY25 due to a planned transition under which the company consolidated five of its manufacturing locations into a single unit in Sanand. Accordingly, EBIT margin dipped to -2.6%, which is expected to normalize by 4QFY25. Management aims to achieve double-digit margins in the coming years.
- **Arka Fincap:** Revenue grew 54% YoY to INR1.9b, while AUM stood at INR62.8b. The management continues to closely monitor the granularity of the loan book, spread of the risk and return profile. There is no plan to hive off the entity and Arka will continue to be housed under the consolidated KOEL business for the foreseeable future.

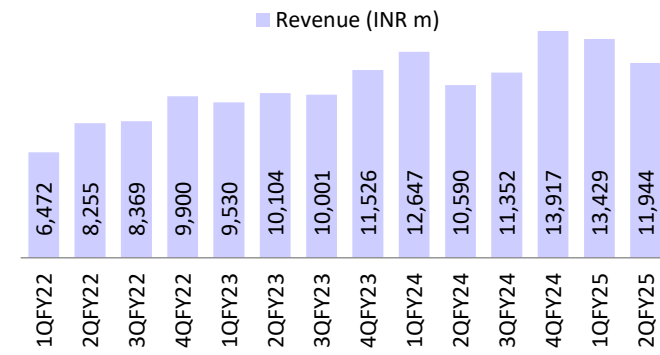
Key Exhibits

Exhibit 1: Segmental revenue breakup (INR m)



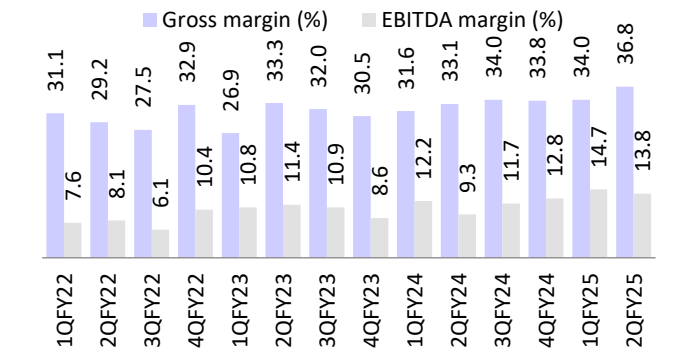
Source: Company, MOFSL

Exhibit 2: 2QFY25 revenue grew by 13% YoY



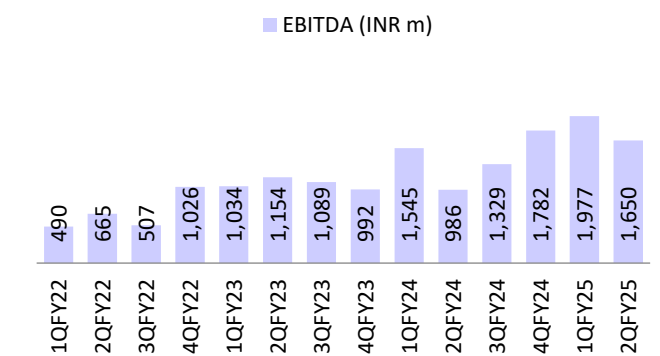
Source: Company, MOFSL

Exhibit 3: Reversal of provisions led to margin improvement



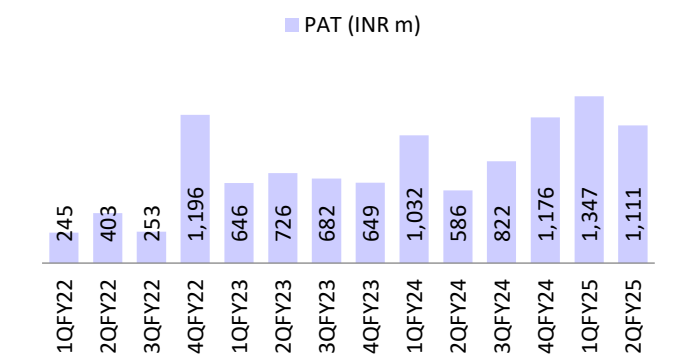
Source: Company, MOFSL

Exhibit 4: EBITDA grew by 67% YoY (INR m)



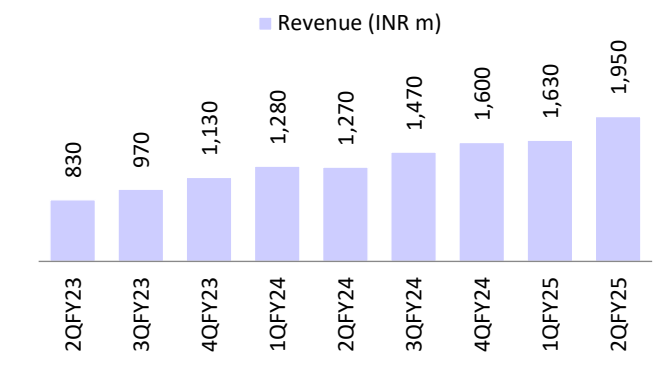
Source: Company, MOFSL

Exhibit 5: PAT improved by 90% YoY (INR m)



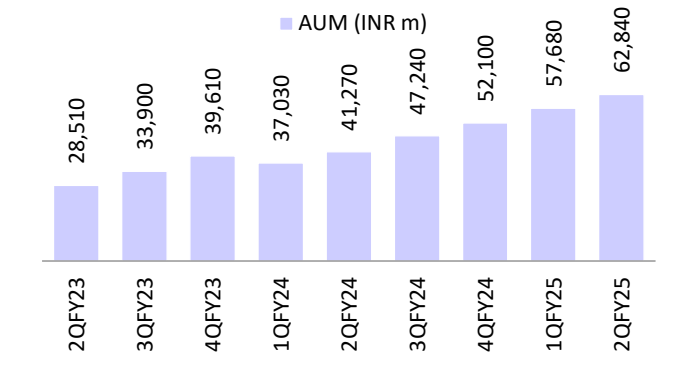
Source: Company, MOFSL

Exhibit 6: Arka Fincap revenue has been growing steadily



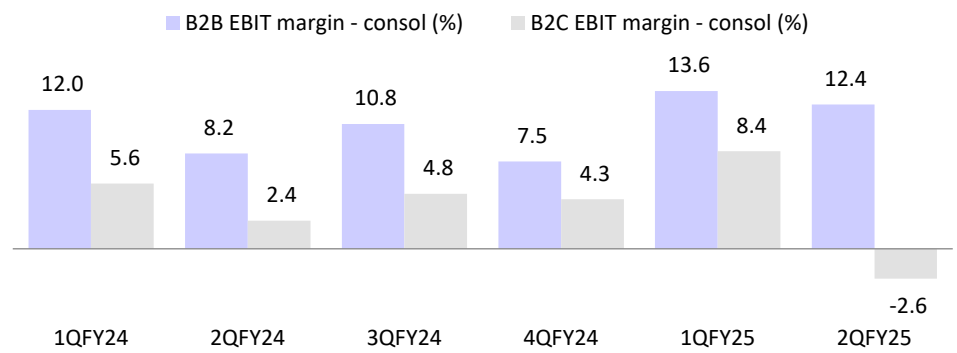
Source: Company, MOFSL

Exhibit 7: Healthy growth in Arka Fincap AUM (INR m)



Source: Company, MOFSL

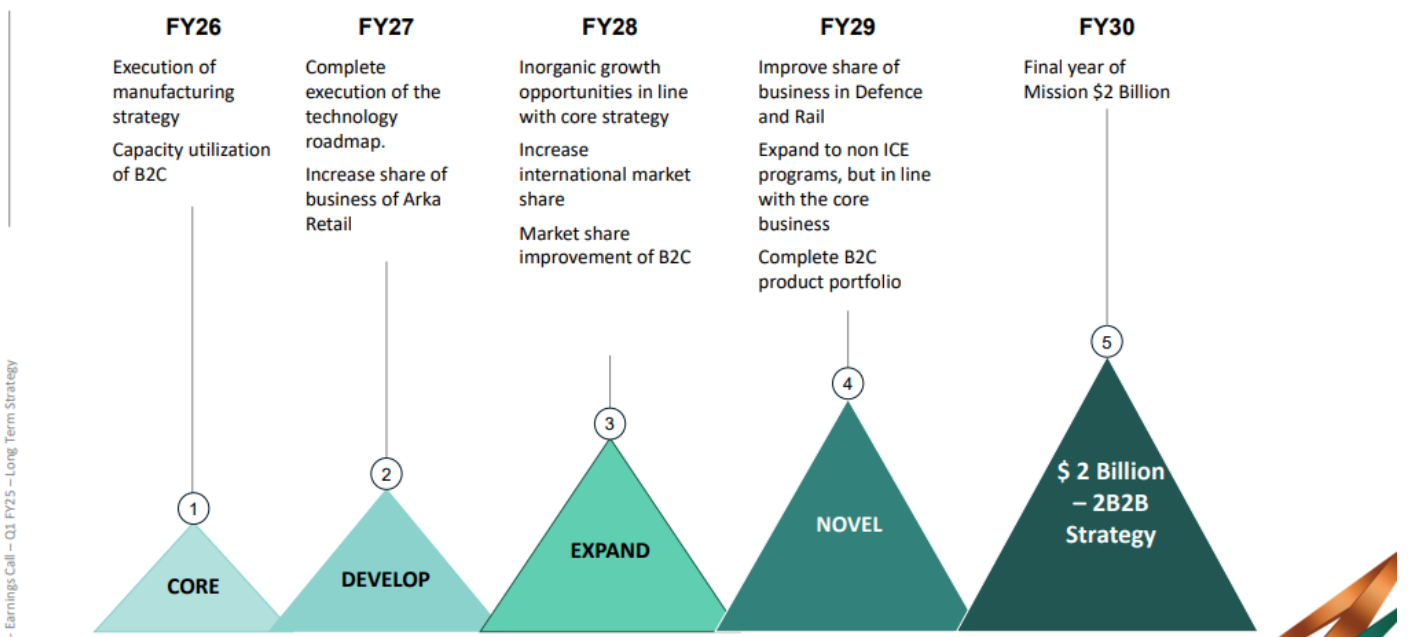
Exhibit 8: B2C margins slipped due to a planned transition to a new facility (%)



Source: Company, MOFSL

Exhibit 9: KOEL has maintained its strategic roadmap to achieve USD2b size in the next 5 years

2B2B Strategy - The Ambition: Grow the Kirloskar Oil Engines business to \$2 Billion in the next 5 years at a consolidated level



Source: Company, MOFSL

Exhibit 10: We reduce our estimates to bake in 2QFY25 performance

(INR M)	FY25E			FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	56,777	58,117	(2.3)	66,927	68,921	(2.9)	78,942	81,853	(3.6)
EBITDA	7,665	7,846	(2.3)	9,571	9,856	(2.9)	11,841	12,278	(3.6)
EBITDA (%)	13.5	13.5	0 bps	14.3	14.3	0 bps	15.0	15.0	0 bps
Adj. PAT	5,081	5,221	(2.7)	6,471	6,690	(3.3)	8,142	8,478	(4.0)
EPS (INR)	35.1	36.1	(2.7)	44.7	46.2	(3.3)	56.2	58.6	(4.0)

Source: MOFSL

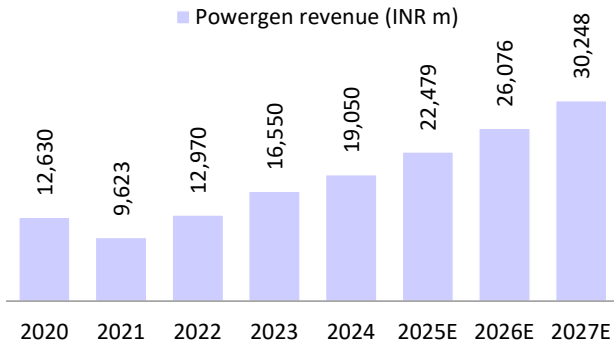
Exhibit 11: SOTP valuation

	Earnings/ book (INR m)	Valn multiple (X)	Value (INR m)	KOEL's share (%)	Value for KOEL's share (INR m)	Per share value (INR)	Valuation basis
KOEL valuation							
Core business	6,888	29	2,01,142	100.0	2,01,142	1,388	❖ 29X two-year fwd EPS; 35% discount to KKC
Investments							
La Gajjar Machineries	104	12.0	1,251	100.0	1,251	9	❖ 12X P/E two-year forward earnings
Arka Fincap	11,100	1.3	14,541	100.0	14,541	100	❖ 1.2X P/BV of investment of INR11b
Total					2,16,933	1,497	

Source: Company, MOFSL

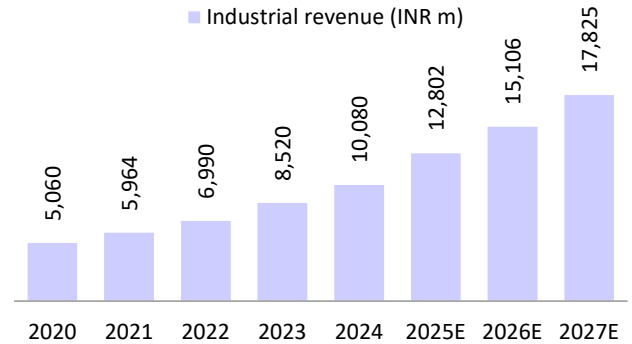
Financial outlook

Exhibit 12: We expect powergen revenue to grow at 17% CAGR over FY24-27



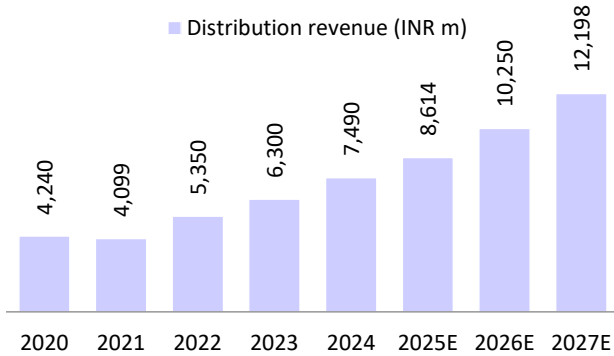
Source: Company, MOFSL

Exhibit 13: We expect industrial revenue to grow at a CAGR of 21% between FY24-27 on strong demand



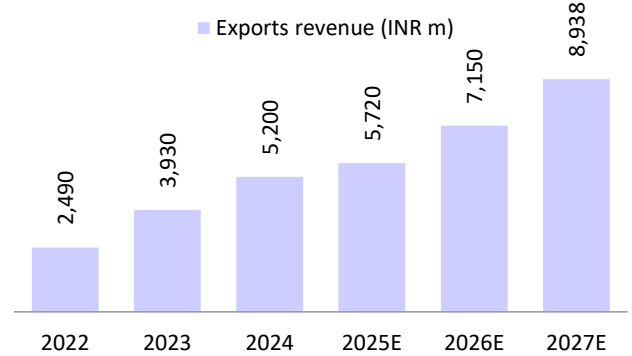
Source: Company, MOFSL

Exhibit 14: We expect distribution revenue growth to remain strong at 18% CAGR over FY24-27



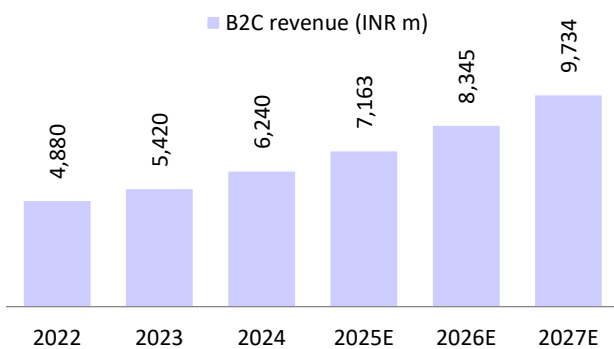
Source: Company, MOFSL

Exhibit 15: We expect export revenue to grow at a 20% CAGR over FY24-27



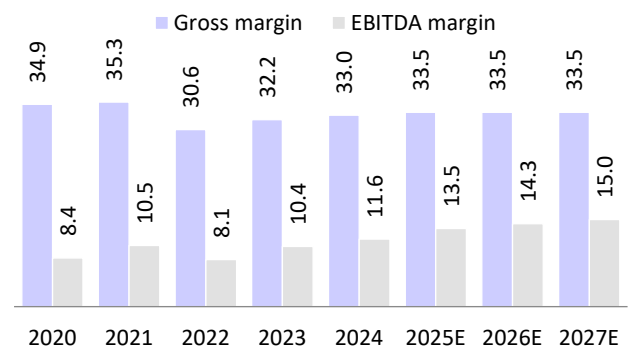
Source: Company, MOFSL

Exhibit 16: We expect B2C revenue to grow at a CAGR of 16% over FY24-27 with expanding footprint



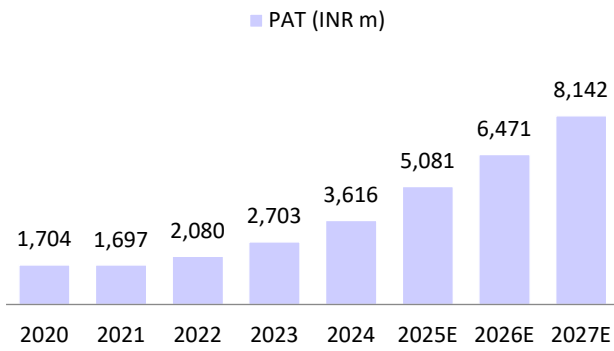
Source: Company, MOFSL

Exhibit 17: We expect margin expansion to be driven by price hikes and higher share of exports (%)



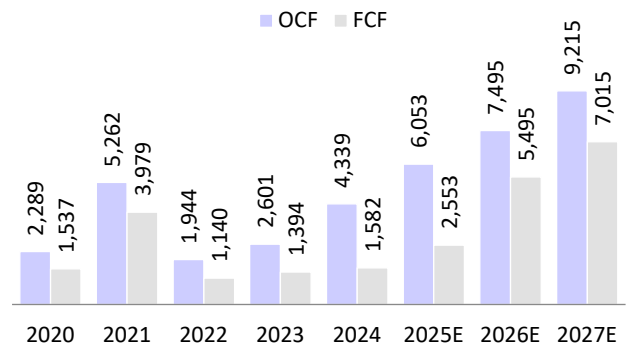
Source: Company, MOFSL

Exhibit 18: We expect PAT to post 31% CAGR over FY24-27



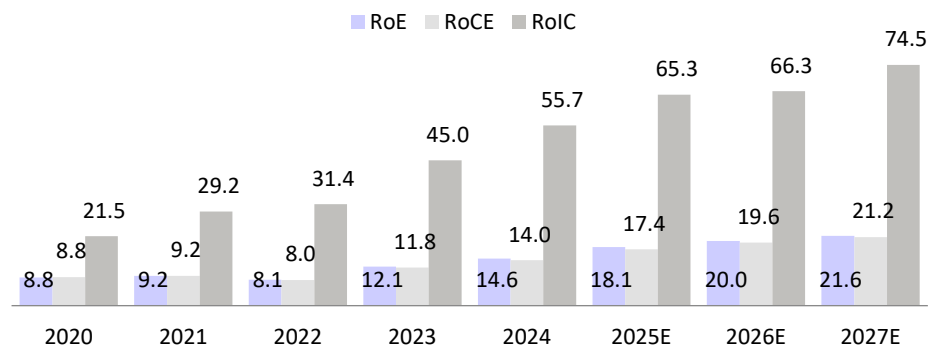
Source: Company, MOFSL

Exhibit 19: We expect OCF & FCF to improve further (INR m)



Source: Company, MOFSL

Exhibit 20: Return ratios to improve with improved profitability (%)



Source: Company, MOFSL

Financials and valuation

Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	26,944	32,997	41,161	48,505	56,777	66,927	78,942
Change (%)	-6.4	22.5	24.7	17.8	17.1	17.9	18.0
Raw Materials	17,431	22,912	27,897	32,439	37,757	44,506	52,496
Gross Profit	9,513	10,085	13,264	16,066	19,020	22,420	26,446
Employees Cost	1,989	2,070	2,365	3,069	3,520	4,149	4,894
Other Expenses	4,686	5,327	6,630	7,355	7,835	8,700	9,710
Total Expenditure	24,106	30,309	36,892	42,864	49,112	57,356	67,101
% of Sales	89.5	91.9	89.6	88.4	86.5	85.7	85.0
EBITDA	2,838	2,688	4,269	5,642	7,665	9,571	11,841
Margin (%)	10.5	8.1	10.4	11.6	13.5	14.3	15.0
Depreciation	622	772	848	970	999	1,131	1,231
EBIT	2,217	1,915	3,422	4,672	6,666	8,440	10,610
Int. and Finance Charges	64	62	54	78	132	90	74
Other Income	245	248	273	274	312	368	434
PBT bef. EO Exp.	2,398	2,100	3,641	4,868	6,846	8,719	10,971
EO Items	-84	527	0	0	0	0	0
PBT after EO Exp.	2,314	2,627	3,641	4,868	6,846	8,719	10,971
Total Tax	617	547	939	1,252	1,765	2,248	2,829
Tax Rate (%)	26.6	20.8	25.8	25.7	25.8	25.8	25.8
Minority Interest	0	0	0	0	0	0	0
Reported PAT	1,697	2,080	2,703	3,616	5,081	6,471	8,142
Adjusted PAT	1,759	1,663	2,703	3,616	5,081	6,471	8,142
Change (%)	11.4	-5.4	62.5	33.8	40.5	27.3	25.8
Margin (%)	6.5	5.0	6.6	7.5	8.9	9.7	10.3

Balance Sheet							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	289	289	290	290	290	290	290
Total Reserves	19,542	21,105	23,028	25,937	29,658	34,396	40,359
Net Worth	19,832	21,395	23,318	26,227	29,948	34,686	40,649
Total Loans	793	976	751	2,091	1,219	1,019	819
Deferred Tax Liabilities	125	146	61	100	100	100	100
Sources of Funds	20,749	22,517	24,131	28,418	31,267	35,805	41,568
Gross Block	16,281	16,990	17,425	19,052	22,552	24,552	26,752
Less: Accum. Deprn.	11,826	12,488	13,174	14,144	15,142	16,273	17,504
Net Fixed Assets	4,455	4,502	4,251	4,908	7,410	8,279	9,248
Capital WIP	549	393	664	2,426	2,426	2,426	2,426
Total Investments	15,340	16,722	16,925	18,762	18,762	18,762	18,762
Curr. Assets, Loans & Adv.	8,092	8,505	11,557	13,115	15,302	21,229	28,697
Inventory	2,652	3,031	4,685	5,235	6,128	7,223	8,520
Accounts Receivable	3,558	3,945	4,672	5,684	6,654	7,843	9,251
Cash and Bank Balance	294	314	338	980	1,168	4,641	9,204
Loans and Advances	872	656	852	808	945	1,114	1,314
Other Assets	716	558	1,011	408	408	408	408
Curr. Liability & Prov.	7,686	7,606	9,267	10,793	12,634	14,892	17,566
Accounts Payable	6,419	6,175	6,326	7,274	8,514	10,036	11,838
Other Current Liabilities	646	729	1,700	2,223	2,602	3,067	3,618
Provisions	622	702	1,241	1,296	1,517	1,788	2,109
Net Current Assets	406	899	2,291	2,322	2,668	6,337	11,131
Appl. of Funds	20,749	22,517	24,131	28,418	31,266	35,805	41,567

Financials and Valuations

Ratios							
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	12.2	11.5	18.7	25.0	35.1	44.7	56.2
Cash EPS	16.4	16.8	24.5	31.7	42.0	52.6	64.8
BV/Share	137.0	147.8	161.1	181.2	206.9	239.6	280.8
DPS	1.5	4.7	5.0	6.7	9.4	12.0	15.1
Payout (%)	12.8	32.6	26.8	26.8	26.8	26.8	26.8
Valuation (x)							
P/E	90.2	95.4	58.7	43.9	31.2	24.5	19.5
Cash P/E	66.7	65.1	44.7	34.6	26.1	20.9	16.9
P/BV	8.0	7.4	6.8	6.0	5.3	4.6	3.9
EV/Sales	5.9	4.8	3.9	3.3	2.8	2.3	1.9
EV/EBITDA	56.1	59.3	37.3	28.3	20.7	16.2	12.7
Dividend Yield (%)	0.1	0.4	0.5	0.6	0.9	1.1	1.4
FCF per share	27.5	7.9	9.6	10.9	17.6	38.0	48.5
Return Ratios (%)							
RoE	9.2	8.1	12.1	14.6	18.1	20.0	21.6
RoCE	9.2	8.0	11.8	14.0	17.4	19.6	21.2
RoIC	29.2	31.4	45.0	55.7	65.3	66.3	74.5
Working Capital Ratios							
Fixed Asset Turnover (x)	1.7	1.9	2.4	2.5	2.5	2.7	3.0
Asset Turnover (x)	1.3	1.5	1.7	1.7	1.8	1.9	1.9
Inventory (Days)	36	34	42	39	39	39	39
Debtor (Days)	48	44	41	43	43	43	43
Creditor (Days)	87	68	56	55	55	55	55
Leverage Ratio (x)							
Current Ratio	1.1	1.1	1.2	1.2	1.2	1.4	1.6
Interest Cover Ratio	34.9	30.7	63.8	60.0	50.3	94.3	144.3
Net Debt/Equity	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.7

Cash Flow Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	
OP/(Loss) before Tax	2,314	2,627	3,641	4,868	6,846	8,719	10,971	
Depreciation	622	772	848	970	999	1,131	1,231	
Interest & Finance Charges	38	50	35	78	132	90	74	
Direct Taxes Paid	-324	-567	-960	-1,084	-1,765	-2,248	-2,829	
(Inc)/Dec in WC	2,654	-157	-1,025	-441	-159	-195	-231	
CF from Operations	5,304	2,726	2,539	4,391	6,053	7,495	9,215	
Others	-42	-782	61	-52	0	0	0	
CF from Operating incl EO	5,262	1,944	2,601	4,339	6,053	7,495	9,215	
(Inc)/Dec in FA	-1,282	-804	-1,206	-2,757	-3,500	-2,000	-2,200	
Free Cash Flow	3,979	1,140	1,394	1,582	2,553	5,495	7,015	
(Pur)/Sale of Investments	-2,855	680	3,235	-1,091	0	0	0	
Others	-1,316	-8,870	-3,585	-334	0	0	0	
CF from Investments	-5,453	-8,994	-1,556	-4,182	-3,500	-2,000	-2,200	
Issue of Shares	0	0	0	0	0	0	0	
Inc/(Dec) in Debt	613	172	-236	1,338	-200	-200	-200	
Interest Paid	-62	-53	-50	-107	-132	-90	-74	
Dividend Paid	-217	-578	-723	-724	-1,360	-1,732	-2,179	
Others	-20	7,529	-12	-21	-673	0	0	
CF from Fin. Activity	314	7,070	-1,021	486	-2,366	-2,022	-2,453	
Inc/Dec of Cash	123	20	23	643	187	3,474	4,562	
Opening Balance	171	294	314	338	980	1,168	4,641	
Closing Balance	294	314	338	980	1,168	4,641	9,204	

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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