

ANALYSIS OF RESULTS
QUARTER AND FULL YEAR ENDED 31st MARCH 2019

The IMF forecast for 2019 indicates a global growth of around 3%, lower than growth rate for previous years. In recent months, geo-political events such as trade tensions, sanctions, etc. have further affected global growth. In India, a recent Ministry of Finance report has pointed out a slowdown in economy across 2018-19 due to the declining growth of private consumption, a tepid increase in fixed investment, and muted exports. However, India continues to be the fastest growing major economy and is expected to largely maintain the trajectory.

Against this backdrop, Voltas' total income during 2018-19 increased by 11% to Rs. 7310 crores, but there has been pressure on profits due to various reasons explained in the note.

Rs. Crores	Q4	Q4	YTD	YTD
	FY19	FY18	FY19	FY18
Total Income	2120	2092	7310	6602
Profit before share of profit / (loss) of joint ventures and associates, exceptional items and tax	185	287	741	801
Profit before Tax	166	284	677	805
Profit after Tax	142	194	514	578

The Board of Directors have recommended a dividend of Rs. 4 per share (400%).

Analysis by Segment:

(Rs. Crores)	Q4 FY19	Q4 FY18	FY19	FY18
1 Revenue				
Segment A : Unitary Cooling	998	1064	3156	3226
Segment B : Eng. Projects	976	874	3619	2845
Segment C : Eng. Products	78	83	312	310
2 Results				
Segment A : Unitary Cooling	104	183	325	475
Segment B : Eng. Projects	44	66	277	185
Segment C : Eng. Products	27	25	105	99
3 Capital Employed				
Segment A : Unitary Cooling			556	250
Segment B : Eng. Projects			930	698
Segment C : Eng. Products			65	68

Segment A – Unitary Cooling Products Business Group (UPBG)

This fiscal year has been very challenging for the industry and the Company. The slowdown evidenced due to erratic summer conditions last year continued during the year, leading to an industry de-growth of 3%. The cumulative impact of the depreciated rupee, inability to pass on the higher costs, and custom duty increases has reduced profits and margins compared to previous year. The segment results are therefore lower at Rs. 325 crs as compared to Rs. 475 crs last year.

In the first two months of the current quarter, the delayed onset of summer and the channel inventory impacted primary sales. In fact, inventory carried by us since last summer was liquidated only recently, as end consumer sales picked up mainly during the later part of March. As a result, a portion of primary sales which typically would have formed part of Quarter 4 sales has been shifted to Quarter 1 of the next financial year. Given the intense competition from existing players and a significant number of new entrants, this quarter witnessed more consumer offers, leading to higher Sales & Distribution costs. Additionally, there a few one-offs including short settlement of insurance claims for a fire in one of our warehouses and floods in Kerala.

We are happy to report that Voltas continued to be the Market Leader, increasing its YTD market share (across Multi-Brand outlets) from 22.1% to 23.9%. Meanwhile, the Company continues to focus on expanding its reach across the Tier 1&2 cities, opening brand shops, that will also leverage the entire range of consumer durable products from Voltas and Voltas Beko.

The brand further fortified its leadership in the Cooling Category through launch of Voltas Adjustable Inverter ACs for summer 2019. These ACs run at different cooling capabilities catering to the different cooling needs of the user and come with the unique value proposition of '*Flexible AC Technology*'. This new range is also environment friendly, smart, intelligent and increases savings for the customer.

Given their very seasonal nature, the year has been even difficult for Air Coolers, and Voltas too has registered a de-growth along with Industry. Even during this period, the good news is that, we are seeing a shift of preference from unorganized to organized sector. The Company has launched 39 SKUs of its new Voltas Fresh Air Coolers with Smart Humidity Controller under various categories such as Personal, Window, Tower and Desert Air Coolers.

In the Commercial Refrigeration space, we have further strengthened our position by introducing new products such as Convertible Freezer, Freezer on Wheel and Curved Glass Freezer. The Company has also launched newer models of Water Dispensers and Water Coolers.

As mentioned in our last quarter call, the Company has invested in a land parcel near Tirupati, to set a manufacturing facility for cooling products. This facility will cater to demand from the fast growing southern and western markets. Once operational by end 2020, the manufacturing facility will enable greater cost & operational efficiency in serving these regions.

Segment B – Electro-Mechanical Projects

Segment Revenue for the year was higher at Rs. 3619 crores as compared to Rs. 2845 crores in the corresponding period last year, a growth of 27%. Results for the year improved to

Rs. 277 crores as compared to Rs. 185 crores last year, reflecting better quality orders and effective execution both in domestic and international business. The segment margins for full year are now at 7.7%, underlining the improved trajectory over the past several quarters. Carry forward order book of the Segment stood at Rs. 4976 crores as compared to Rs. 5062 crores last year. New orders booked during the current quarter were Rs. 392 crores (Domestic) and Rs. 626 crores (International).

Domestic Projects Group (DPG)

The Domestic Projects business continued its steady performance this year with majority of orders coming in from the electrification sector and infrastructure space. Our strategic focus is on procuring Government/Government funded projects with reasonable assurance of cash. With the increasing support and an approaching timeline on the electrification program through the *Saubhagya Scheme*, we are seeing even more tender announcements and completion for rural electrification projects. Our subsidiary Rohini Electricals, which executes electrical projects now contributes 40% to the Domestic Order book. Due to the improved performance, a 50% reversal of the impairment of Rohini investment in Voltas books has been made possible.

The recent announcements in the interim National Budget 2019, on investments in infrastructure (Metros, Airports), smart cities, cleaner water, healthcare and educational institutions is expected to increase opportunities in the projects segment.

International Operations Business Group (IOBG)

The thrust on efficient execution of projects by the Division has been externally recognised. We received a number of awards in both UAE and in Oman, including the *District Cooling Company of the Year*, the *Facilities Management Company of the Year* and *MEP Contractor of the Year*. Besides MEP, we are looking at strengthening our order book in Facility Management and Water Management solutions.

With an uptick in oil prices, broad based pick up is expected in the Middle East economies. It appears that the hitherto deeper concerns on Qatar, due to political issues, are beginning to abate. Meanwhile, we have extended our reach to a new geography having secured an order in Bahrain.

Early this year, we had mentioned certain issues surrounding our Joint Venture of Carillion in Oman. We are facing some delays in payments and our efforts with the JV Company and the main client are continuing.

Segment C – Engineering Products and Services – Textile Machinery Division (TMD) and Mining & Construction Equipment Division (M&CE)

The segment maintained its steady performance during the year despite external headwinds. Segment Revenue and Result were Rs. 312 crores and Rs. 105 crores as compared to Rs. 310 crores and Rs. 99 crores, respectively in the corresponding period last year.

In the Textile Machinery business, there has been a pressure on the industry due to the declining yarn prices and ambiguity on implementation of state specific policies. Our focus on after-sales business to mitigate reduced sales of capital equipment continues. In Mining and Construction Equipment, Mozambique operations contribute a significant share to the Division's performance.

Voltbek Home Appliances Private Limited (Voltbek)

Post the product launch, the feedback from trade for Voltbek products has been encouraging; and end-users have particularly appreciated the 'Made for India' features – '30 days Store Fresh' for Refrigerators and '26 Stain Remover' for washing machines. The newly launched brand is steadily making progress in increasing its distribution reach to more outlets, particularly, in Tier 2&3 cities, in addition to enhancing its presence with Power Retailers in the main metros. The products are competitively priced and the product range has been widened with the launch of 31 new SKUs of refrigerators including bottom mount and side by side refrigerators. Further, Voltas Beko has also launched 5 new SKUs of Front Load Washing Machines with AutoDose Technology (first in the Industry), 12 SKUs of Top Load Washing Machines with Dual Power Rain and a Table Top Dishwasher suited for Indian kitchens. The thrust of the JV in the current year is to expand the distribution, widen the product range and to build the manufacturing site at Sanand as per planned schedule.

Sum-up

The summer has started well this year and we are hopeful that the growth trajectory will continue. The developments on US-China trade tensions and the Iran sanctions need to be watched for possible impact on world economy. Back home, the election results are being watched closely.

The longer term prospects of the consumer durables segment in India are robust given the low penetration. Specifically, in air conditioners, improvements in consumer confidence and disposable income, availability and cost of power will drive growth. We remain cautiously optimistic about the longer term future, not forgetting that the nature of our industry is substantially dependent on the weather.

In the Projects space, we will focus on building a larger order book, albeit continuing our practice of extensive risk assessment. Needless to state, the strength of our balance sheet, and the availability of liquid surplus, remains an advantage as we look at opportunities for growth.

Cautionary Statement:

Statements in this release describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

10th May 2019