



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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Event update@ Dalal & Broacha

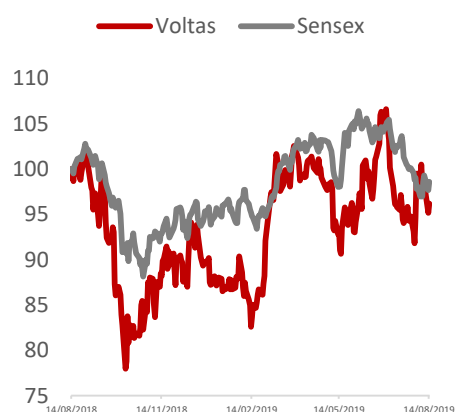
## BUY

Current Price	639
Target Price	<b>681</b>
Upside/Downside	7%
52 Week Range	471/662

## Key Share Data

Market Cap (Rs.bn)	201
Market Cap (US\$ mn)	2838
No of o/s shares (mn)	331
Face Value	1
Monthly Avg. vol (BSE+NSE) Nos'000	1730
BSE Code	500575
NSE Code	VOLTAS
Bloomberg	VOLT IN

## Price performance



% Shareholding	Jun-19	Mar-19
Promoters	63.85	30.30
DII	4.01	15.92
FII	15.75	22.20
Others	31.69	31.58
Total	100	100

## Key Financials

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	64,279	6.5	6,626	10.3%	5,735	13.5	17.5	33.9	14.7	19.9
FY19	71,241	10.8	6,054.2	8%	5,712	(0.4)	15.5	38.2	13.3	17.2
FY20E	82,754	16.2	8,025.7	10%	6,126	7.3	18.7	31.7	12.9	18.0
FY21E	91,282	10.3	9,532	10%	7,172	17.1	21.7	27.3	13.5	18.9

**Partnership with Tata Power- a positive move:** Voltas announced its partnership with Tata Power to promote energy efficient ACs in Mumbai. The consumers will be able to avail up to 50% discount on purchase of Voltas' 5-star rated ACs. Our ground check shows that Tata Cliq is selling 1.5t 5Star inverter AC at illusive discount of 46% (Rs36990) to MRP (Rs64990).

**Replacement of old ACs with new ACs:** Under the scheme, Tata Power's consumers in the city can exchange their ACs for Voltas' 5-star rated inverter split AC (1 ton, 1.5 ton and 2 ton). The scheme is open for residential segments of consumers, wherein one AC can be purchased under this scheme, and for the commercial segment, the customer can buy two ACs.

**Potential to boost retail sales by 4-5%:** Tata Power has 7lacs customers in Mumbai. Mumbai has 20% A/c penetration level while replacement demand accounts for 30-40%. Going by the stats we expect Voltas will be able to sell around 50000-60000A/Cs in the market (4-5% of current sales).

**Margin to be maintained:** Contribution of 5 Star A/c in current portfolio of Voltas is in single digit. We feel discounting of A/Cs will not have impact on margins as it will be B2B sale so, dealer/distribution margin will be eliminated. Our ground check suggests that A/Cs are sold in the market at steep discount to MRP.

## Valuation & Outlook

Voltas being one of the largest player in the AC Industry (market share of 24%), is well set to be a beneficiary of increase in AC penetration and consumer demand. We feel Tata Power's partnership to improve topline by less than 2% and will have neutral impact on margin. We maintain our EPS estimates at Rs18.7 for FY20E and Rs21.7 for FY21E. At CMP 639, Voltas is trading at 32x FY20E and 27x FY21E earnings. We recommend a BUY with a Target Price of **Rs 681**.



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Profit & Loss (Rs Mn)	FY18	FY19	FY20E	FY21E
Net Sales	64,279	71,241	82,754	91,282
Raw Materials	(45,675)	(52,622)	(59,389)	(64,830)
Employee Cost	(5,867)	(6,482)	(7,448)	(8,215)
Other Expenses	(6,110)	(6,083)	(7,891)	(8,704)
Cost of Sales	(57,652)	(65,187)	(74,729)	(81,750)
<b>Operating Profit</b>	<b>6,626</b>	<b>6,054</b>	<b>8,026</b>	<b>9,532</b>
Depreciation	(244)	(240)	(337)	(470)
PBIT	6,383	5,814	7,689	9,062
Other Income	1,741	1,862	1,196	1,295
Interest	(119)	(330)	(133)	(114)
Profit Before Tax	8,005	7,347	8,751	10,245
Provision for Tax	(2,270)	(1,635)	(2,625)	(3,073)
<b>PAT</b>	<b>5,735</b>	<b>5,712</b>	<b>6,126</b>	<b>7,172</b>
Extra ordinary Items	6	(636)	0	1
Minority interest & Ass. Profits	38	47	51	0
<b>Adj. PAT</b>	<b>5,779</b>	<b>5,123</b>	<b>6,177</b>	<b>7,173</b>

Cash Flow Statement (Rs Mn)	FY18	FY19	FY20E	FY21E
Pre tax Profit	8049	6711	8751	10243
Add: Dep. & Amortization	244	240	337	470
Total tax paid	2492	1635	2625	3073
Other Adjustments	(6037)	(4755)	(6263)	(7326)
<b>Cash Profit</b>	<b>4748</b>	<b>3830</b>	<b>5452</b>	<b>6459</b>
(Inc) / Dec in				
Sundry Debtors	(1162)	(1701)	(2813)	(2083)
Inventories	940	(881)	(1456)	(1079)
Loans & Advances	(3819)	(1701)	(2812)	(2083)
Current liabilities & Trade payables	2545	3751	5806	4300
<b>Change in Working Capital</b>	<b>(1495)</b>	<b>(531)</b>	<b>(1275)</b>	<b>(945)</b>
<b>CF from Operating Activities</b>	<b>3253</b>	<b>3299</b>	<b>4176</b>	<b>5514</b>
<b>CF from Investing Activities</b>	<b>(1992)</b>	<b>269</b>	<b>(748)</b>	<b>(705)</b>
<b>CF from Financing Activities</b>	<b>(1738)</b>	<b>(1567)</b>	<b>(1624)</b>	<b>(1845)</b>
<b>Net changes in cash</b>	<b>(477)</b>	<b>2001</b>	<b>1804</b>	<b>2963</b>
Cash at the start of year	3314	2837	4838	6642
Cash at the end of year	2837	4838	6642	9605

Balance Sheet (Rs Mn)	FY18	FY19	FY20E	FY21E
Equity Capital	331	331	331	331
Reserves	38,721	42,607	47,293	52,732
<b>Net Worth</b>	<b>39,052</b>	<b>42,938</b>	<b>47,623</b>	<b>53,063</b>
Minority Interest	317	371	428	428
Long term borrowings	1,423	1,423	1,423	1,423
Short term borrowings	0	0	0	0
Total Debt	1,423	1,423	1,423	1,423
<b>Capital Employed</b>	<b>40,792</b>	<b>44,732</b>	<b>49,474</b>	<b>54,914</b>
Gross Block	4,700	4,960	6,960	8,960
Accumulated Depreciation	(2,899)	(3,151)	(3,488)	(3,958)
Net Block	1,801	1,809	3,472	5,003
Capital WIP	41	41	41	41
<b>Total Fixed Assets</b>	<b>1,842</b>	<b>1,850</b>	<b>3,513</b>	<b>5,044</b>
Investments	28,706	30,093	30,093	30,093
Inventories	8,130	9,010	10,467	11,545
Sundry debtors	15,703	17,404	20,216	22,299
Cash & bank	2,837	4,838	6,642	9,605
Loans & advances and Other CF	15,700	17,401	20,213	22,296
Current Liabilities	(29,443)	(32,876)	(38,189)	(42,124)
Provisions	(2,729)	(3,047)	(3,540)	(3,904)
Working Capital	10,198	12,730	15,810	19,718
Deferred Tax Liabilities	46	46	46	46
<b>Capital Deployed</b>	<b>40,792</b>	<b>44,720</b>	<b>49,462</b>	<b>54,901</b>

Ratios	FY18	FY19	FY20E	FY21E
OPM	10.3	8.5	9.7	10.4
NPM	8.9	8.0	7.4	7.9
Tax Rate %	(28.4)	(22.3)	(30.0)	(30.0)
<b>Growth Ratio (%)</b>				
Net Sales	6.5	10.8	16.2	10.3
Operating Profit	14.4	(8.6)	32.6	18.8
PAT	13.5	(11.4)	20.6	16.1
<b>Per Share</b>				
Earning Per Share (EPS)	17.5	15.5	18.7	21.7
Cash Earnings (CPS)	18.1	18.0	19.5	23.1
Dividend	3.5	3.1	3.7	4.3
Book Value	118.1	129.8	144.0	160.5
Free Cash flow	8.8	9.2	6.6	10.6
<b>Valuation Ratios</b>				
P/E (x)	33.9	38.2	31.7	27.3
P/B (x)	5.1	4.6	4.2	3.7
EV / Sales	3.1	2.7	2.3	2.1
EV / EBITDA	29.7	31.8	24.0	20.3
FCF Yield (%)	1.5	1.6	1.1	1.8
Div. Yield (%)	0.6	0.5	0.6	0.7
<b>Return Ratios (%)</b>				
ROE	14.7	13.3	12.9	13.5
ROCE*	19.9	17.2	18.0	18.9



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