



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435
Associate: Tanush Mehta (022) 67141441

Analyst Meet update@ Dalal & Broacha

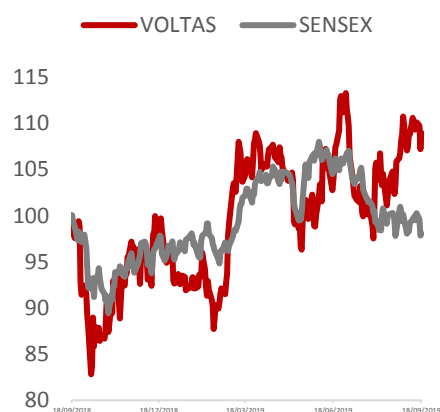
Buy on Dips

| | |
|-----------------|------------|
| Current Price | 624 |
| Target Price | 681 |
| Upside/Downside | 9% |
| 52 Week Range | 471/662 |

Key Share Data

| | |
|------------------------------------|---------|
| Market Cap (Rs.bn) | 207 |
| Market Cap (US\$ mn) | 2902 |
| No of o/s shares (mn) | 331 |
| Face Value | 1 |
| Monthly Avg. vol (BSE+NSE) Nos'000 | 1067 |
| BSE Code | 500575 |
| NSE Code | VOLTAS |
| Bloomberg | VOLT IN |

Price performance



| % Shareholding | Jun-19 | Mar-19 |
|----------------|------------|------------|
| Promoters | 30.30 | 30.30 |
| DII | 24.56 | 24.21 |
| FII | 12.99 | 13.67 |
| Others | 32.15 | 31.82 |
| Total | 100 | 100 |

Key Financials (In INR mn)

| 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 | 13.9 | 17.2 |
| FY20E | 81,631 | 14.6 | 7,877.8 | 10% | 5,945 | 4.1 | 18.1 | 32.6 | 13.0 | 17.7 |
| FY21E | 93,380 | 14.4 | 9,785 | 10% | 7,213 | 21.3 | 21.8 | 27.1 | 15.8 | 21.5 |

UCP Segment - Better sales Inspite of seasonally weak quarter: Management targeted Rs500 mn sales for Onam in Kerala. However, targeted sales were not achieved due to floods in Kerala. Sales picked up later despite Q2 being seasonally weak quarter. Therefore, Management maintained guidance at 15-20% yoy growth in UCP sales.

Tactical price increase is expected: Post import duty hike in Budget 2020, Voltas has not taken price increase. The company is negotiating with its vendors to minimize impact of import duty hike. It also plans to take tactical price increase if demand flares well in festival season. Price increase will be mainly regional. Voltas expects to sell 20000-30000 5Star ACs through Tata Power tie-up in Mumbai.

Localization to improve: It also plans to increase indigenization level from current 50-60%. Tirupati factory Phase-I is likely to commence post two years. That will have capacity of 1mn pieces. Capex towards it is Rs2.5bn over next two years. It will be replica of Pantnagar factory. Current mix between windows and split ACs is 22:78. And fixed speed and inverter is 50:50. Management expects demand for windows and fixed speed ACs to remain in Tier-II and Tier-III towns.

Margin guidance maintained at 11%: Management maintained margin guidance at 11% for the UCP segment. AMP spend will remain at 4-5% of sales. E-commerce contributes 9-10% to its sales. It has reached 17000-17500 touch points.

EMP Segment: Stable outlook: Order inflow outlook remains healthy in domestic segment. Rural electrification, urban infrastructure and HVAC contribute 1/3rd each in current order book. More traction coming from rural electrification, metro, water projects etc. Slow moving orders are from Oman and some Metro projects. As contribution from these projects is less management maintained margin guidance at 7-8% for the segment.

Volt-Beko: To roll out full range by next festive season: Sanand facility is likely to commence in Dec-Jan 19 which will have Direct Cool refrigerator capacity of 1mn pieces. Capex for Sanand is Rs2.5bn over two years. Semi- auto washing machines will be assembled with vendors and frost free will be imported. As India is 70% direct cool market post Sanand facility the company will launch full range of products by next festive season.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Associate: Tanush Mehta (022) 67141441

Analyst Meet update@ Dalal & Broacha

Outlook & Valuation:

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. The company's EMP segment growth will be driven by government capex. We expect Voltas to post EPS of Rs18.1 and Rs21.8 over FY20E and FY21E respectively. At CMP 624, Voltas is trading at 32.6x FY20E and 27.1x FY21E earnings. We recommend a BUY on dips with a Target Price of **Rs 681**.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435
Associate: Tanush Mehta (022) 67141441

Analyst Meet update@ Dalal & Broacha

| Profit & Loss (Rs Mn) | FY18 | FY19 | FY20E | FY21E | Cash Flow Statement (Rs Mn) | FY18 | FY19 | FY20E | FY21E |
|----------------------------------|---------------|---------------|---------------|---------------|--------------------------------------|---------------|---------------|---------------|---------------|
| Net Sales | 64,279 | 71,241 | 81,631 | 93,380 | Pre tax Profit | 8049 | 6711 | 8493 | 10302 |
| Raw Materials | (45,675) | (52,622) | (58,622) | (66,287) | Add: Dep. & Amortization | 244 | 240 | 379 | 525 |
| Employee Cost | (5,867) | (6,482) | (7,347) | (8,404) | Total tax paid | 2492 | 1635 | 2548 | 3091 |
| Other Expenses | (6,110) | (6,083) | (7,784) | (8,904) | Other Adjustments | (6037) | (4755) | (6039) | (7224) |
| Cost of Sales | (57,652) | (65,187) | (73,753) | (83,595) | Cash Profit | 4748 | 3830 | 5381 | 6694 |
| Operating Profit | 6,626 | 6,054 | 7,878 | 9,785 | (Inc) / Dec in | | | | |
| Depreciation | (244) | (240) | (379) | (525) | Sundry Debtors | (1162) | (1701) | (3600) | (3023) |
| PBIT | 6,383 | 5,814 | 7,499 | 9,259 | Inventories | 940 | (881) | (3487) | (1799) |
| Other Income | 1,741 | 1,862 | 1,196 | 1,295 | Loans & Advances | (3819) | (1701) | 10047 | (1058) |
| Interest | (119) | (330) | (202) | (252) | Current liabilities & Trade payables | 2545 | 3751 | (711) | 5068 |
| Profit Before Tax | 8,005 | 7,347 | 8,493 | 10,304 | Change in Working Capital | (1495) | (531) | 2250 | (812) |
| Provision for Tax | (2,270) | (1,635) | (2,548) | (3,091) | CF from Operating Activities | 3253 | 3299 | 7631 | 5882 |
| PAT | 5,735 | 5,712 | 5,945 | 7,213 | CF from Investing Activities | (1992) | (43) | 1285 | (705) |
| Extra ordinary Items | 6 | (636) | 0 | 1 | CF from Financing Activities | (1738) | (1567) | (1764) | (1993) |
| Minority interest & Ass. Profits | 38 | 47 | 51 | 0 | Net changes in cash | (477) | 1689 | 7152 | 3183 |
| Adj. PAT | 5,779 | 5,123 | 5,996 | 7,214 | Cash at the start of year | 3314 | 2837 | 3211 | 2652 |
| | | | | | Cash at the end of year | 2837 | 3211 | 2652 | 2652 |
| Balance Sheet (Rs Mn) | FY18 | FY19 | FY20E | FY21E | Ratios | FY18 | FY19 | FY20E | FY21E |
| Equity Capital | 331 | 331 | 331 | 331 | OPM | 10.3 | 8.5 | 9.7 | 10.5 |
| Reserves | 38,721 | 40,769 | 45,320 | 50,790 | NPM | 8.9 | 8.0 | 7.3 | 7.7 |
| Net Worth | 39,052 | 41,100 | 45,650 | 51,120 | Tax Rate % | (28.4) | (22.3) | (30.0) | (30.0) |
| Minority Interest | 317 | 348 | 404 | 404 | Growth Ratio (%) | | | | |
| Long term borrowings | 1,423 | 3,147 | 3,147 | 3,147 | Net Sales | 6.5 | 10.8 | 14.6 | 14.4 |
| Short term borrowings | 0 | 0 | 0 | 0 | Operating Profit | 14.4 | (8.6) | 30.1 | 24.2 |
| Total Debt | 1,423 | 3,147 | 3,147 | 3,150 | PAT | 13.5 | (11.4) | 17.1 | 20.3 |
| Capital Employed | 40,792 | 44,594 | 49,201 | 54,674 | Per Share | | | | |
| Gross Block | 4,076 | 4,533 | 6,533 | 8,533 | Earning Per Share (EPS) | 17.5 | 15.5 | 18.1 | 21.8 |
| Accumulated Depreciation | (2,371) | (2,377) | (2,756) | (3,281) | Cash Earnings (CPS) | 18.1 | 18.0 | 19.1 | 23.4 |
| Net Block | 1,705 | 2,155 | 3,777 | 5,251 | Dividend | 3.5 | 3.1 | 3.6 | 4.4 |
| Capital WIP | 41 | 157 | 157 | 157 | Book Value | 118.1 | 124.3 | 138.0 | 138.0 |
| Total Fixed Assets | 1,746 | 2,312 | 3,933 | 5,408 | Free Cash flow | 8.8 | 8.2 | 17.0 | 11.7 |
| Contract Assets | 0 | 7,849 | 7,845 | 7,845 | Valuation Ratios | | | | |
| Investments | 28,803 | 25,134 | 28,134 | 28,134 | P/E (x) | 33.9 | 38.2 | 32.6 | 27.1 |
| Inventories | 8,130 | 10,907 | 12,497 | 14,296 | P/B (x) | 5.1 | 4.8 | 4.3 | 4.3 |
| Sundry debtors | 15,703 | 18,330 | 21,003 | 24,026 | EV / Sales | 3.1 | 2.7 | 2.4 | 2.1 |
| Cash & bank | 2,837 | 3,211 | 2,652 | 5,836 | EV / EBITDA | 29.7 | 32.3 | 24.8 | 20.3 |
| Loans & advances and Other CA | 15,700 | 6,418 | 7,353 | 8,412 | FCF Yield (%) | 1.5 | 1.4 | 2.9 | 2.0 |
| Current Liabilities | (29,443) | (28,415) | (32,740) | (37,452) | Div. Yield (%) | 0.6 | 0.5 | 0.6 | 0.7 |
| Provisions | (2,729) | (2,146) | (2,472) | (2,828) | Return Ratios (%) | | | | |
| Working Capital | 10,198 | 8,305 | 8,294 | 12,290 | ROE | 14.7 | 13.9 | 13.0 | 15.8 |
| Deferred Tax Liabilities | 46 | 993 | 993 | 993 | ROCE | 19.9 | 17.2 | 17.7 | 21.5 |
| Capital Deployed | 40,792 | 44,594 | 49,201 | 54,674 | | | | | |



Analyst: Abhilasha Satale (022) 67141435
Associate: Tanush Mehta (022) 67141441

Analyst Meet update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

| | |
|--|----|
| Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: | No |
| Whether the Research Analyst or his/her relative's financial interest in the subject company. | No |
| Whether the research Analyst has served as officer, director or employee of the subject company | No |
| Whether the Research Analyst has received any compensation from the subject company in the past twelve months | No |
| Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report | No |



Analyst: Abhilasha Satale (022) 67141435
Associate: Tanush Mehta (022) 67141441

Analyst Meet update@ Dalal & Broacha

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

| Contact | Email ID | Contact No. | Sector |
|------------------------|--------------------------------------|--------------|----------------------------|
| Mr. Kunal Bhatia | kunal.bhatia@dalal-broacha.com | 022 67141442 | Auto, Auto Ancillary, FMCG |
| Mrs.Charulata Gaidhani | charulata.gaidhani@dalal-broacha.com | 022 67141446 | Pharma /Healthcare |
| Mrs.Abhilasha Satale | Abhilasha.satale@dalal-broacha.com | 022 67141438 | Mid- cap senior analyst |
| Mr. Mayank Babla | mayank.babladalal-broacha.com | 022 67141412 | I.T/Telecom/Media |
| Mr. Avinash Tanawade | avinash.tanawade@dalal-broacha.com | 022 67141449 | BFSI |
| Mr. Suraj Nandu | suraj.nandu@dalal-broacha.com | 022 67141438 | Associate |
| Ms. Nidhi Babaria | nidhi.babaria@dalal-broacha.com | 022 67141450 | Associate |
| Mr. Tanush Mehta | tanush.mehta@dalal-broacha.com | 022 67141449 | Associate |

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021
Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com