



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

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## Voltas analyst meet @ Dalal & Broacha

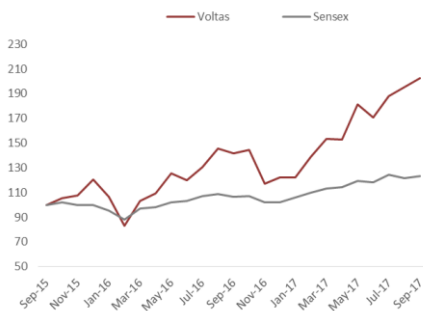
### Neutral

Current Price	535
Target Price	NA
Upside/Downside	NA
52 Week Range	Rs.287/565

### Key Share Data

Market Cap (Rs.bn)	177
Market Cap (US\$ mn)	
No of o/s shares (mn)	331
Face Value	1
Monthly	1,295,428
Avg.vol(BSE+NSE) Nos	
BSE Code	500575
NSE Code	VOLTAS
Bloomberg	VOLT IN

### Price performance



### % Shareholding

	Jun-17	Mar-17
Promoters	30.3	30.3
Institutions	27.5	27.5
Others	42.2	42.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Key Financials

Rs mn	Net Sales	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	P/E (x)	ROE %	RoCE%
FY14	52660	-4.8%	2656	5.0%	2454	18.1%	7.4	73.2	13.5%	16.3%
FY15	51831	-1.6%	4100	7.9%	3843	56.6%	11.6	46.7	18.3%	21.9%
FY16	57198	10.4%	4330	7.6%	3931	2.3%	11.9	45.7	16.4%	20.3%
FY17	60328	5.5%	5408	9.0%	5116	30.1%	15.5	35.1	15.5%	20.4%

### Voltas held an analyst meet and following are the key takeaways

#### UCP Segment : Pre GST and post GST scenario

- Though there was massive destocking in Q1FY18 due to lack of clarity on deemed GST credit, retails sales for Q1FY18 was up 17% YoY.
- Early signs indicate festive season sales are subdued due to pre-buying on massive discounts in Q1FY18. However restocking is happening at slow pace as dealers and distributors remain in a wait-and-watch mode particularly in a lean season for cooling products. Average tax rate in GST has increased from 26% to 28% however not passed on the increase due to lean season.
- Management believes that the shift to inverter ACs will be a gradual process, and hence continues with its focus on current technology. While Inverter ACs contributes ~21% of the total AC market, Voltas inverter AC contributes only 6% of its AC volumes.
- ACs will undergo another round of rating change from Jan 1, 2018, as mandated by the Bureau of Energy Efficiency (BEE). Under the new rating system, a 5-star fixed speed AC will become a 3-star AC; hence, the new 5- star fixed speed AC may cost 15-20% more to the customer. Voltas indicated that rating change is not new to the industry and will not be disruptive and, the pricing strategy will be decided and discussed closer to the date depending on the demand conditions.

#### Project Business

- Despite the embargo on Qatar by many countries in the Middle East, the management indicated that there is no change on the ground. Voltas remains focused on Qatar (FIFA World cup 2022), UAE (Expo-Dubai 2020), and Oman.
- Domestically, government spending is on track. Efforts are picking up on smart cities, metros, airports, hospitals, educational institutions and Make in India.
- Private sector capex is yet to pick up in a significant way. The company maintains it will not bid below the threshold margin (of ~5%) and is focused on better quality of orders and efficient execution.

#### Arcelik- JV

- Voltas plans to enter the wider consumer durables portfolio (refrigerators, washers, microwaves, dishwashers) through its 50:50 JV with Turkey-based Arcelik A.S. involving equity investment of USD 100 mn.
- The plan to launch by Diwali has been pushed to early next year due to delay in getting the new entity registered.
- As next step, Voltas-Arcelik will be running marketing campaigns and pushing products through Voltas' distribution channel.
- In the medium term, the endeavor would be to set up exclusive stores for Voltas and JV products.

We are positive over medium to long term however there could be some short term pressure in next quarter. Improving margin profile of fresh orders, strong consumer business franchise and favorable macros in ACs are constructive for Voltas. At the current CMP the stock trades at 26x FY19 EPS (bloom est). We remain neutral on the stock.



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