



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441

Q1FY21 Result Update@ Dalal&Broacha

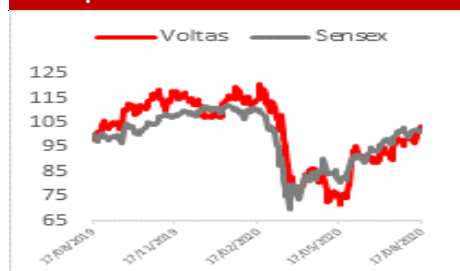
ACCUMULATE

Current Price	644
Target Price	688
Upside	7%
52 Week Range	428/741

Key Share Data

Market Cap (Rs.Bn)	213
Market Cap (US\$ Million)	2852
No of o/s shares (Million)	331
Face Value	1
Monthly Avg. Vol(BSE+NSE)'000	2678
BSE Code	500575
NSE Code	VOLTAS
Bloomberg	VOLTAS:IN

Price performance



% Shareholding

	Jun-20	Mar-20
Promoters	30.30	30.30
Institutions	69.70	69.70
Others	0.00	0.00
Total	100	100

Consolidated Financials (In INR Million)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	64,279	6.5	6,626.4	10.3%	5,735	18.3	17.5	36.9	14.7	19.9
FY19	71,241	10.8	6,054.2	8%	5,848	2.0	14.3	44.9	14.2	17.5
FY20	76,581	7.5	6,866.6	9%	6,409	9.6	17.5	36.9	15.0	19.5
FY21E	64,097	(16.3)	4,880.9	8%	4,529	(29.3)	13.0	49.6	9.8	12.6
FY22E	82,570	28.8	8,269.2	10%	6,979	54.1	21.5	30.0	13.4	17.8

Voltas Q1FY21 Results were above expectations with UCP segment margin being resilient inspite of weak sales.

- **Revenue was reported at Rs. 12.9 Billion** declining at -51% YoY as against our expectation of Rs.8.2 Billion.
- **Gross Margin was up from 25.4% to 30% YoY basis.**
- **Employee cost de-grew by -4% YoY** whereas other expenses declined by -25% YoY.
- Other expenses as % of sales rose from 8.3% to 12.7% YoY.
- **EBITDA was reported at Rs. 667 Million declining at -77% YoY** as against our expectation of Rs. 170 Million.
- **EBITDA Margin stood at 5.1% vs 11% YoY.**
- **Other income grew by 56% YoY** at Rs. 674 Million whereas interest stood at Rs. 67 Million vs Rs. 44 Million YoY basis.
- **Loss from associates/JVs at Rs. 117 Million compared to Rs. 214 million YoY** as against our expectation of Rs. 195 million.
- **Tax rate stood at 24%** as against 28% YoY and **PAT was reported at Rs. 817.6 million declining by -51% YoY** as against our expectation of Rs. 270 Million.

Segmental Performance

- ❖ **Unitary Cooling Products (55% of revenue)** highlighted de-growth of -60% YoY at Rs. 7 Billion as against our expectation of Rs. 5.2 Billion. The company gained market share improving it to 26.2%.
- ❖ **Voltas sold 294000 units during the quarter** so average selling rate stood at Rs. 24000/unit. Segment margin was highest at 15.5% vs 13.1% YoY vs our expectation of 5.5%.
- ❖ **Electro – Mechanical Projects & Services (41% of revenue)** declined by -37% YoY at Rs. 5.2 Billion vs our expectation of Rs. 2.3 Billion. EMP reported loss of Rs. 393 Million generating a -8% Margin YoY basis. Impact was mainly due to slow execution and increased provision during the quarter.
- ❖ **Engineering Products & Services (4% of revenue)** de-grew by -36% YoY and EBIT margin for the segment stood at 41.3% vs 32.4% YoY basis.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441

Q1FY21 Result Update@ Dalal&Broacha

Conference Call Key Takeaways

Unitary Cooling Products Segment:

- Lockdown in various states across the quarter has led to **Industry de-growth of 49% sales (volume)** in Q1FY21, as against **Voltas's de-growth of 45% (volume)**. Voltas gained Market share stood at 26.20%. **Voltas's market share is stronger than before** and now is 1400 bps ahead of 2nd competitor in the UCP.
- **Inverter AC market share is 29%** and is now contributing 63% of Split Ac segment and 24% of overall AC sales. The unsold inventory across the segment lead to heavy discount across the channel however **Voltas kept its price point intact**.
- Voltas has reached a network of 19000 touch points. **Management sees good demand in North and South-market** while West to remain muted. Voltas commands 40% market share in North market. Management said market share gain is not flash in pan and is confident of maintaining the same.
- **Improved product mix, higher digital sales, lower overheads and advertising cost** led to margin improvement. Voltas reported 240bps yoy margin improvement at 15.5% in UCP segment. Management re-iterated **margin guidance at 11-12% of sales** as they expect advertising cost to pick up in the coming quarters.
- The company is holding inventory of 140 days and 35-40 days in channels.
- Although Tirupati plant expansion is delayed **Management has guided that in-house sourcing to improve** over a period. Management said around 40% of AC manufacturing is imported. As GMCC is setting up compressor manufacturer in India. Voltas is in talk with them for long term supply of compressors as it is around 30-35% of total cost. Management intends to go ahead with Tirupati plant over a period.

Voltas Beko:

- **The beko loss reduced to Rs. 117 Million from Rs. 214 Million YoY**. The reduction in loss indicates improvement in performance.
- Voltas beko has certainly made its presences as now **dealers are ready to give advances for priority delivery** however manufacturing is constraint.
- It has reached 6000 touch points. **Production for Direct cool refrigerators increased from 1300 units/day to 1500 units/day**. Management faced labour issues due to pandemic and is now ramping up production. However, demand remains strong.
- Twin-tub and single tub washing machine is sourced locally while company will commence production of front load washing machine in Sanand. It is sourced from Malaysia currently.
- **Overall investment in JV stands at Rs. 3.73 Billion**. The company is well positioned to reach 10% market share by 2025.

Other Highlights:

- **EMP segment new order book stood at Rs. 3.66 Billion (-47% yoy) during the quarter**. Overall order book at Rs. 76.63 Billion (+61% yoy). **Domestic order book stood at Rs. 47.77 Billion and International order book at Rs. 29 Billion**.
- Domestic order is divided into; MEP consisting of Rs21.5Billion, Electrification consisting of Rs7.3 Billion, Solar consisting of Rs1.5 Billion, Water consisting of Rs17Billion.
- **Margin impact came in due to 45 days of loss execution** for the segment during the quarter while expenses were incurred for labour and other fixed expenses.
- **Provision has been increasing** for the slow-moving orders and **Current labour availability at 70% of pre-covid level**.
- **Management is focusing on good quality orders** only where there is strong track record of payment. Overall seeing subdued environment for Middle East region.

Valuation & Outlook

Market share gain and margin improvement in UCP segment is encouraging while EMP segment remains drag in the near term. Voltas with its strong brand name and 19000 touch points will benefit Voltas Beko going ahead, and we remain position on the management guidance of Voltas Beko reaching 10% market share by 2025. We expect Voltas to post EPS of Rs13 and Rs21.5 over FY21E and FY22E. **At CMP stock trades at 49x FY21E and 30x FY22E earnings. We have Accumulate rating on the stock with a target price of INR 688.**



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441

Q1FY21 Result Update@ Dalal&Broacha

VOLTAS (IN Millions)	Q1FY21	Q1FY20	Q4FY20	% YoY	% QoQ
Net Revenue	12,969	26,540	20,896	-51%	-38%
Raw Material	9,082.3	19,801.7	14,912.3	-54%	-39%
Gross Profit	3,887	6,738	5,981	-42%	-35%
% Margins	29.97%	25.39%	28.63%		
Employee costs	1,574.1	1,631.9	1,775.7	-4%	-11%
<i>% of Sales</i>	<i>12%</i>	<i>6%</i>	<i>8%</i>		
Other Expenses	1,645.5	2,194.3	2,288.1	-25%	-28%
<i>% of Sales</i>	<i>13%</i>	<i>8%</i>	<i>11%</i>		
EBIDTA	667.5	2,912.1	1,916.9	-77%	-65%
EBIDTA Margins (%)	5.15%	10.97%	9.17%	-53%	-44%
Depreciation	82.20	77.20	82.00	6%	0%
Finance Cost	67.20	43.80	60.50	53%	11%
Other income	674.00	432.70	604.6	56%	-3%
Profit before tax	1,192	3,224	2382	-63%	-52%
PBT Margins (%)	8.74%	12.14%	11.44%		
Tax Paid/(Adjustment)	258	916.8	572.4	-72%	-55%
Tax Rate	22%	28.4%	24%		
Reported PAT	935	2,307	1809.6	-59%	-48%
PAT Margins (%)	6.85%	9.89%	10.26%		
Exceptional items	0.00	-430.3	-20.2		
Share of Profit from JV	-116.80	-213.5	-194.7		
Adjusted PAT	818	1663.2	1595	-51%	-49%
PAT Margins (%)	5.99%	6.16%	7.4%		



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441

Q1FY21 Result Update@ Dalal&Broacha

Profit and Loss	FY18	FY19	FY20	FY21E	FY22E	Cash Flow Statement (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	64,279	71,241	76,581	64,097	82,570	Pre tax Profit	8049	6847	7443	5728	9467
						Add: Dep. & Amortization	244	240	320	292	342
Raw Materials	(45,675)	(52,622)	(55,549)	(47,335)	(58,996)	Total tax paid	2492	1635	2010	1432	2367
Employee Cost	(5,867)	(6,482)	(6,717)	(5,769)	(7,431)	Other Adjustments	(6037)	(8905)	(7736)	(4236)	(6152)
Other Expenses	(6,110)	(6,083)	(7,448)	(6,112)	(7,874)	Cash Profit	4748	(183)	2037	3216	6024
Cost of Sales	(57,652)	(65,187)	(69,714)	(59,216)	(74,301)	(Inc) / Dec in					
						Sundry Debtors	(1162)	(2627)	(6)	776	(2799)
Operating Profit	6,626	6,054	6,867	4,881	8,269	Inventories	940	(375)	128	(237)	(4302)
Depreciation	(244)	(240)	(320)	(292)	(342)	Loans & Advances	(3819)	9283	(1812)	(1429)	(521)
PBIT	6,383	5,814	6,547	4,589	7,927	Current liabilities & Trade payables	2545	(7849)	(1144)	175	9503
Other Income	1,741	1,998	2,306	1,546	1,548	Change in Working Capital	(1495)	(1569)	(2834)	(716)	1881
Interest	(119)	(330)	(211)	(174)	(129)	CF from Operating Activities	3253	(1752)	(797)	2500	7905
Profit Before Tax	8,005	7,483	8,642	5,961	9,345	CF from Investing Activities	(1992)	5125	2380	1046	548
Provision for Tax	(2,270)	(1,635)	(2,233)	(1,432)	(2,367)	CF from Financing Activities	(1738)	124	(2449)	(1036)	(2678)
PAT	5,735	5,848	6,409	4,529	6,979						
Extra ordinary Items	6	(636)	0	1	2	Net changes in cash	(477)	3497	(867)	2509	5774
Minority interest & Ass. Profits	38	47	51	0	0	Cash at the start of year	3314	2837	3212	3084	2594
Share of Profits	0	(518)	(687)	(233)	122	Cash at the end of year	2837	3212	3084	2594	8370
Adj. PAT	5,779	4,741	5,774	4,297	7,102						
Balance Sheet (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity Capital	331	331	331	331	331	OPM	10.3	8.5	9.0	7.6	10.0
Reserves	38,721	40,769	42,471	45,906	51,584	NPM	8.9	8.2	8.4	7.1	8.5
Net Worth	39,052	41,100	42,802	46,237	51,914	Tax Rate %	(28.4)	(21.9)	(25.8)	(24.0)	(25.3)
Minority Interest	317	348	365	365	365						
Long term borrowings	1,423	3,147	2,124	2,124	1,000	Growth Ratio (%)					
Short term borrowings	0	0	54	54	54	Net Sales	6.5	10.8	7.5	(16.3)	28.8
Total Debt	1,423	3,147	2,179	2,179	1,055	Operating Profit	14.4	(8.6)	13.4	(28.9)	69.4
Capital Employed	40,792	44,594	45,346	48,780	53,334	PAT	18.3	(18.0)	21.8	(25.6)	65.3
Gross Block	4,076	4,533	5,099	5,599	6,599	Per Share					
Accumulated Depreciation	(2,371)	(2,377)	(2,697)	(2,988)	(3,331)	Earning Per Share (EPS)	17.5	14.3	17.5	13.0	21.5
Net Block	1,705	2,155	2,402	2,611	3,268	Cash Earnings (CPS)	18.1	18.4	20.3	14.6	22.1
Capital WIP	41	157	263	263	263	Dividend	3.5	3.2	3.2	2.6	4.3
Total Fixed Assets	1,746	2,312	2,665	2,873	3,531	Book Value	118.1	124.3	129.4	139.8	157.0
Contract Assets	0	7,849	8,993	8,993	8,993	Free Cash flow	8.8	(0.4)	(4.4)	6.0	20.9
Investments	28,803	25,134	24,404	24,404	24,404	Valuation Ratios					
Inventories	8,130	10,907	14,689	14,927	19,229	P/E (x)	36.9	44.9	36.9	49.6	30.0
Sundry debtors	15,703	18,330	18,336	17,561	20,360	P/B (x)	5.5	5.2	5.0	4.6	4.1
Cash & bank	2,837	3,212	3,084	2,594	8,370	EV / Sales	3.3	3.0	2.8	3.3	0.0
Loans & advances and Other CA	15,700	6,418	8,229	9,658	10,180	EV / EBITDA	31.9	35.2	31.0	43.4	25.7
Current Liabilities	(29,443)	(28,415)	(30,455)	(30,618)	(39,442)	FCF Yield (%)	1.5	1.5	(0.8)	1.0	3.6
Provisions	(2,729)	(2,146)	(2,343)	(2,356)	(3,035)	Div. Yield (%)	0.5	0.5	0.5	0.4	0.7
Working Capital	10,198	8,306	11,541	11,767	15,662	Return Ratios (%)					
Deferred Tax Liabilities	46	993	743	743	743	ROE	14.7	14.2	15.0	9.8	13.4
Capital Deployed	40,792	44,595	45,346	48,781	53,335	ROCE	19.9	17.5	19.5	12.6	17.8



Analyst: Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441

Q1FY21 Result 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

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

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.**Analyst:** Kunal Bhatia (022) 67141414
Associate: Tanush Mehta (022) 67141441**Q1FY21 Result Update@ Dalal&Broacha**

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.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. AvinashTanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	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