



## **ANALYSIS OF RESULTS**

### **QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2021**

Quarter 3 started with the optimism of festival season. However, the subsequent news of the highly contagious Omicron variant spread jitters across the World. On one hand, while post-crisis recovery seemed to be robust but on the other hand it continued to remain uneven due to renewed concerns about the evolving virus dynamics. Rising energy prices and supply chain disruptions resulted in higher inflation than anticipated, in both advanced and developing economies. Taking cognizance of the same, IMF anticipates Global growth to be lower from 5.9% in CY 2021 to 4.4% in CY 2022.

Supply disruptions continued in the quarter. In China, disruptions from COVID outbreaks, interruptions to industrial production from power outages, closure of various industries amidst stricter norms by the Local Government to protect environment protocol and congestion at some of the major ports resulted in input cost escalations leading to non-fulfillment of contracts by the suppliers. Monetary conditions are being tightened globally. In United States, with price and wage pressures broadening and inflation at peak, the Federal Reserve decided to accelerate tapering of asset purchases and signaled that it will raise rates in 2022. Fear of Russia border conflict intensification has affected Oil prices, which has crossed USD 90 per barrel adding to the high inflation.

India has not remained untouched from these global events. Prospects for India seem more optimistic with IMF raising growth forecast of the country to 9%. Central Bank's accommodative stand and higher direct & indirect tax collections point towards economic recovery. However, at the same time the increased WPI index reflects difficulty of the manufacturer to pass on the increased input costs to the end consumer. The reliable data indicates growth in topline in general, however, margin has witnessed decline across all Sectors.

In this overall context, we reported a mixed bag of results for current quarter. Unitary Cooling Products (UCP) segment reported a revenue of Rs 1094 crs, while project business reported revenue of Rs 554 crs and Eng. Product a turnover of Rs 125 crs. Our Consolidated Total Income for Q3FY22 was Rs 1822 crores as against Rs 2046 crores in Q3FY21. Profit before tax (PBT) was Rs. 139 crores as compared to Rs. 166 crores in the corresponding quarter last year. Profit after tax (PAT) was Rs. 97 crores vs Rs. 128 crores of the previous year. Earnings per Share (EPS) (Face Value per share of Re. 1) (not annualized) for the quarter ended 31st December, 2021 was at Rs. 2.90 against Rs. 3.87 registered last year.

For the nine months ended 31st December 2021 the Consolidated Total Income was higher by 7%, at Rs. 5420 crores as compared to Rs. 5061 crores. PBT was higher by 16%, at Rs. 450 crores as compared to Rs. 388 crores in the corresponding period last year. PAT was

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higher by 11%, at Rs. 323 crores as compared to Rs 290 crores in the corresponding period last year. EPS (Face Value per share of Re. 1) (not annualized) for the nine months ended 31st December, 2021 was Rs. 9.71 as compared to Rs. 8.69 last year.

A snapshot of our results this quarter is presented herewith: -

Segment reporting (Rs. Crores)	Q3 FY21	Q3 FY22	% of Total Revenue	
			Q3 FY21	Q3 FY22
<b>1. Revenue</b>				
Segment A : Unitary Cooling	1003	1094	51%	62%
Segment B : Eng. Projects	847	554	43%	31%
Segment C : Eng. Products	121	125	6%	7%
<b>Income from Operations</b>	<b>1970</b>	<b>1772</b>	<b>100%</b>	<b>100%</b>

Segment reporting (Rs. Crores)	9M FY21	9M FY22	Results to Revenue	
			9M FY21	9M FY22
<b>2. Profit before tax</b>				
Segment A : Unitary Cooling	123	102	12.28%	9.30%
Segment B : Eng. Projects	14	36	1.61%	6.55%
Segment C : Eng. Products	32	40	26.50%	32.09%
Unallocated	(3)	(39)		
<b>Profit before Tax</b>	<b>166</b>	<b>139</b>	<b>8.42%</b>	<b>7.85%</b>

Segment reporting (Rs. Crores)	9M FY21	9M FY22	% of Total Revenue	
			9M FY21	9M FY22
<b>1. Revenue</b>				
Segment A : Unitary Cooling	2564	3064	53%	59%
Segment B : Eng. Projects	2003	1779	41%	34%
Segment C : Eng. Products	262	365	5%	7%
<b>Income from Operations</b>	<b>4829</b>	<b>5207</b>	<b>100%</b>	<b>100%</b>

Segment reporting (Rs. Crores)	9M FY21	9M FY22	Results to Revenue	
			9M FY21	9M FY22
<b>2. Profit before tax</b>				
Segment A : Unitary Cooling	323	321	12.59%	10.49%
Segment B : Eng. Projects	(30)	78	-1.48%	4.40%
Segment C : Eng. Products	81	117	30.75%	32.07%
Unallocated	15	(67)		
<b>Profit before Tax</b>	<b>388</b>	<b>450</b>	<b>8.04%</b>	<b>8.64%</b>

## Segment A – Unitary Cooling Products (UCP)

UCP business witnessed a tepid demand post the festive season on a higher base of corresponding quarter. Fear of lockdown amidst the highly contagious Omicron virus made the Channel partners cautious enough not to stock high levels of inventory. Unitary Cooling segment reported a revenue of Rs 1094 crores as against Rs 1003 crores, representing a 9% increase over the corresponding quarter of the previous year. However, divisional bottom line



has declined by 17% from Rs. 123 crs to Rs. 102 crs amidst increasing input cost, disruptive pricing by the competition and resistance by the trade on price increase given generally a low offtake volume quarter. Nevertheless, our focus on product placement, trust amongst the Channel partners and value proposition has helped us register a lower volume de-growth as compared to the industry.

Our focus on the Inverter sub-category with competitive pricing and larger number of SKUs continue to favour us. Inverter category witnessed a good traction with the customers and now contributes over 65% of all ACs sold, compared to 60% for the similar period in the previous year. In terms of the overall AC market, we continue to retain our undisputed leadership with a YTD market share of 25.8% at multi-brand outlets.

As concerns on global warming from increased energy consumption is growing, protecting and preserving our environment continues to form a prominent part of Voltas's Commitment to sustainability. We are happy to report that Voltas has once again won the prestigious National Energy Conservation award, outperforming other brands in Fixed speed and Variable speed AC categories. It may be noted that Voltas has won the National Energy Conservation award for the fifth time, a testimony to our leadership in technology as well.

The commercial refrigeration (CR) vertical has delivered a positive performance in Q3 by registering a reasonable growth in volume. Growth in Commercial Ref. Products was driven by expansion in trade sales, exports and higher participation from OEM.

In Air Cooler (AR) category, the lockdown disrupted the limited seasonal window available for secondary sales even in CY. This resulted in trade reporting a substantial level of inventory impacting primary sales in this category. As a 2nd preferred brand we command a market share of 12.5% in Air cooler category.

We are happy to report that the Commercial Air Conditioning (CAC) business has done well even in these uncertain times. Government, pharma & healthcare related orders for VRF and other categories along with increase in demand for Light CAC in financial services & food industries has driven the growth in this product category. We continued to receive O&M contracts in many Metro and Infrastructure projects. Retrofit bookings have seen a spurt in high growth segments through repeat customers.

Looking ahead, and in the broader context of the commodity price increase and enhanced supply chain costs, the further price increase across all product categories is inevitable which should support better margins.

## **Segment B – Electro-Mechanical Projects and Services**

Segment Revenue for the quarter reduced to Rs. 554 crores as compared to the previous corresponding quarter of Rs. 847 crores primarily owing to a low carry forward order book. However, Segment Results showed a positive growth from Rs 14 crores to Rs 36 crores. Carry forward order book of the Segment stood at Rs. 5600 crores as compared to Rs. 7076 crores last year.

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Over Rs. 400 crores of fresh orders were added across both Domestic and International markets. The carry forward order book for Domestic projects at Rs. 3327 crores contained a bouquet of orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book was Rs. 2273 crores.

Better and timely execution of projects, availability of sites and a healthy project mix has driven project business during the quarter. However, since most of the big size projects are approaching completion and new projects being at nascent stage at both domestic and international levels resulted in de-growth of revenue. An increase in commodity prices seems to impact the project cost budgets, however, a sensible negotiation both with the customer and suppliers helps in mitigating this risk.

Meanwhile, the increase in global Oil price and the lifting of Covid related restrictions should improve business sentiment and open up further opportunities in our operating markets. As always, we will continue to follow a cautious approach while bidding for fresh orders. Adding to our technical cum execution credentials, Voltas was recently recognized as one of the HVAC Power 25 List in Middle East for our International project business.

On the Domestic front, delay of fulfilment of Capex commitment by Centre and State has led to a low order booking. However, we remain optimistic with an allocation of higher amount towards infrastructure in the recently unveiled Union Budget to boost the investments in the necessary and much awaited infrastructure activities.

### **Segment C – Engineering Products and Services**

Segment Revenue and Results for the quarter were at Rs. 125 crores and Rs. 40 crores, respectively.

Both Mozambique and India operations have contributed towards improved performance on the back of the revival of the Crushing & Screening equipment and renewal of the Maintenance & Repair contracts (MARC) with Customer.

Growing yarn exports, demand for Capital machinery both in spinning and post-spinning contributed significantly to the vertical. While announcement of Product Linked Incentive (PLI) Scheme for textile sector will help the Industry on a long term basis, however, price increase by principals and supply chain related disruptions may pose some interim challenges.

### **Voltas Beko**

Lower seasonal demand and trade's sentiment to go slow on the inventory front given uncertainty of the Covid induced restriction resulted in lower volume sold.

The manufacturing of frost free refrigerator has commenced at Sanand factory. We have also added a production line for fully automatic washing machine. This initiative of in-house manufacturing shall help the brand to introduce more customer centric products, helping in optimising the working capital and other cost savings associated with it.

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The recent external study points out that Voltbek products carry a good brand recommendation with the customers among the other established players in the segment. On back of the stronger acceptance of its product by the customers, Voltbek has registered a market share of 2.8% and 3.4% in refrigerator and washing machine category respectively. Voltbek will continue to leverage synergy of the distribution capabilities and other strengths of Voltas to optimize the benefit across value chains.

**Other matters & outlook:**

Looking ahead at Q4, which marks the beginning of the summer season sales for all cooling products and availability of the complete season period unlike past two years of Covid, we remain cautiously optimistic. Budgetary boost given to the Infrastructure sector by the Center may help us in building a strong order book. Albeit, higher vaccination rates, the unwinding of supply bottlenecks and policy choices may remain influential factors for revival. In general, we anticipate a pickup in the pace of activity which can reasonably be expected over the coming quarters and Voltas would continue the growth momentum.

*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.*

14 February 2022

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