ANALYSIS OF RESULTS
QUARTER AND SIX MONTHS ENDED 30th September 2019

The latest IMF report suggests that the global economy is in a synchronized slowdown, with growth for FY20 downgraded to 3%—its slowest pace since the global financial crisis. This comes at a time when monetary policies have significantly eased almost simultaneously across advanced and emerging markets. Rising trade barriers, the spill-over effects of the US-China trade war and uncertainty surrounding geopolitics including the impending Brexit; are casting a shadow on the global recovery prospects.

While fiscal stimulus in the United States has helped counter the impact of the tariffs, trade related uncertainty continues to have negative effects on investment. In China, growth is expected to be low on account of the increase in tariffs as well as the slowing domestic demand. The impact of the recent attacks on Saudi Arabia's oil facilities, a generally weak global oil market, and increasing geo-political tensions on the near term growth, is difficult to gauge.

In India, sector specific weaknesses in automobile, consumer durables, real estate and banking, unseasonal and extended monsoon, continue to overshadow growth. Some of the leading indicators such as slower credit offtake, lower capacity utilization, meeting the fiscal deficit target suggest waning demand. In tandem, lagging indicators such as a rise in unemployment levels, a general reduction in corporate earnings and GDP growth are worrisome. A slowdown is also indicated by the decelerated growth in core sectors, softer interest rates, declining trend of GST collections combined with benign inflation. Even on the back of a supportive monetary and fiscal policy, consumption and demand seem to have slowed down, further impacting private investment and spending.

The Consolidated Total Income for the quarter ended 30th September, 2019 was higher by 2%, at Rs. 1495 crores as compared to Rs. 1467 crores in the corresponding quarter last year. Profit before exceptional items and tax includes share of profit / loss of JVs and Associates. This was higher by 11%, at Rs. 156 crores as compared to Rs. 140 crores in the corresponding quarter last year. Profit before tax was higher by 7%, at Rs. 150 crores as compared to Rs. 140 crores in the corresponding quarter last year. The quarter was impacted on due to a Voluntary Retirement Scheme announced by the Group which has been accounted and disclosed as an exceptional item in the quarter.

Further, the Group has evaluated the option to pay lower corporate tax rate under section 115BAA of Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 and accordingly Voltas Limited (the holding Company) and its wholly owned subsidiary, Universal Comforts Product Limited, has opted to pay corporate tax at reduced rate effective 1st April, 2019.The change in tax rates has resulted in a reversal of deferred tax assets of Rs 32.93 crores on account of re-measurement of deferred tax balances as at 31st March, 2019 and reversal of current tax and deferred tax charge of Rs. 22.84 crores and Rs. 0.75 crore respectively accounted for during the quarter ended 30th June, 2019 due to reduction in tax rate. The net impact of such change in tax rate amounting to Rs. 9.33 crores have been recognised in the consolidated results for the quarter. Accordingly, the Profit after tax was at Rs. 107 crores.

Earnings per Share (Face Value per share of Re. 1) (not annualized) as at September 30, 2019 was Rs. 3.22 as compared to Rs. 3.13 last year.

Analysis by segment:

We present below our detailed comments on the performance of the various business segments in which we operate:-

Segment reporting (Rs. Crores)	Q2 FY20	Q2 FY19
1 Revenue		
Segment A : Unitary Cooling	526	441
Segment B : Eng. Projects	809	901
Segment C : Eng. Products	80	73
2 Results		
Segment A : Unitary Cooling	46	28
Segment B : Eng. Projects	56	76
Segment C : Eng. Products	25	29
3 Capital Employed		
Segment A : Unitary Cooling	280	848
Segment B : Eng. Projects	1213	824
Segment C : Eng. Products	80	68

Segment A – Unitary Cooling Products

Voltas continues to be the leader with No.1 position in Room Air conditioner business with market share of 24.4% (YTD, at Multi-Brand Outlets). Segment Revenue increased by 19% and was Rs. 526 crores as compared to Rs. 441 crores in the corresponding quarter last year. Segment Result was higher by 64% at Rs. 46 crores as compared to Rs. 28 crores in the corresponding quarter last year.

Industry grew by approx. 33% YTD while Voltas continued to outperform the market. Inverter ACs contribution has as expected, continued to grow. The strategic focus is on expanding our reach in the tier 2 & 3 cities with a particular focus on Southern markets, where we are gaining ground. Voltas products are now available across more than 19,000 touchpoints pan-India.

The competitive and unique product offerings combined with customer friendly promotional offers, like the 'Saalon saal bemisaal offer' / dealer support measures have met with an encouraging response from the Trade and end-users. We have ramped up our products, with the right mix in the energy efficiency Inverter segment along with attractive pricing and access to easy financing schemes. Sustainability is a cause core to the Company and keeping the same in mind, we have partnered with Tata Power to promote higher energy efficient inverter ACs in Delhi and Mumbai respectively. Voltas has also been working on engaging more with the online customers and sales were particularly boosted during the Independence Day 'flash sales' and 'festival sales' announced by various e-commerce platforms and other on-going offers.

On the Air Cooler front, the Company continues on a strong footing supported by increasing trade partnerships. Additionally, in commercial refrigerator segment, the company is moving from strength to strength increasing its customer base and bringing in newer, better and customised products to the market.

Segment B – Electro-Mechanical Projects and Services

Segment Revenue and results for the quarter was Rs. 809 and Rs, 56 crores as compared to Rs. 901 crores and Rs. 76 crores respectively in the corresponding quarter last year. Carry forward order book of the Segment was higher by 34% at Rs. 6567 crores as compared to Rs. 4883 crores in the corresponding quarter last year

International Operations

The volatility in oil prices coupled with geo-political tensions in the Middle East, have created a cloud of uncertainty for the region. Most of the ME countries are facing liquidity challenges creating elongated periods of certification and collection of receivables. We continue to pursue risk mitigated opportunities in the region and are prudent in picking up the right projects. During the period, the Division has won a prestigious project in Qatar to develop a commercial boulevard. The total order book for the international operations as on September 30, 2019, is around Rs.2787 crores with orders of around Rs.1297 crores was booked during the quarter.

We are happy to share that one of our projects has been recognised as the GCC project of the year, in addition to three other awards including one on Safety. In respect of a project where Carillion is the main contractor, we continue to face the challenge of delayed receivables. In general, there is a tendency to delay certification and settlement of receivables.

Domestic Projects

Lack of funds and unrealistic price expectation continue to be a major impediment in private sector spends. According to CMIE, 26% projects are stalled in addition to the Pvt. Sector investment hitting a 16-year low. The Company therefore continues its strategic focus on Govt./Govt. funded projects. Domestic projects has successfully enhanced its order book to Rs. 3780 crores, having booked Rs. 1319 crores of orders during the quarter. This includes prestigious metro projects of Mumbai and Kolkata Metro.

Our business of water management solutions continues to increase its order book with recent wins in Odhisha and Bihar. We see even more opportunities for our scope of work in the recent announcements by the Govt. on infrastructure and electrification projects. Smart execution and productivity will continue to be the drivers for profitability.

Segment C – Engineering Products and Services

Segment Revenue and Results for the quarter were at Rs. 80 crores and Rs. 25 crores as compared to Rs. 73 crores and Rs. 29 crores, respectively in the corresponding quarter last year.

The textile industry is passing through a difficult period and in this scenario, our focus continues on after-sales business in both spinning and post spinning segments. In Mining and Const. Equipment, Mozambique operations continue to drive the majority of the revenues. Mining led opportunities in India remain subdued.

Voltas Beko

The 50:50 equity JV between Voltas and Arçelik A.Ş. – Voltbek Home Appliances Pvt. Ltd. continues to build for the future. Our product range has been garnering a positive and encouraging feedback both from the Trade as well as end-users. In fact, being a customer centric brand, the JV also recently launched India's 1st 5 Star Washing Machine along with attractive customer and Trade offers.

Our channel reach has further improved given the synergy with the Voltas AC business. The focus on expanding the footprint through more exclusive brand outlets (EBOs) across tier 2&3 cities remains, and the brands Voltas and Voltas.Beko are now available at around 150 EBOs in the country. The brand has positioned itself as *'Partners of Everyday Happiness'* with the consumer benefit of 'Nutrition, Preservation' for Refrigerators and 'Cleaning Efficiency' for Washing Machines.

The recent colorful print & digital advertisement campaign and the engaging TVCs that talk about all products being 'tested by real mothers', has generated the required buzz and were received well by the audience. Additionally, the brand is also investing in creating a digital community via innovative marketing and plans to tapping on the increasing influencers in this segment.

Sum-up

In recognition of weak market sentiments, Govt. has embarked on some course corrections including corporate tax reduction among others. Assuming that the Govt. is able to follow through with other measures, we expect to see a certain kick start to the investment cycle combined with growth stimulus to the economy. This should help the Projects business and restart the Capex cycle. Additionally, we will continue to remain cautious and selective in our international operations business. Meantime, our AC segment has had a good run till now and we are certainly hopeful of continuing the momentum in H2.

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.

7th November 2019