ANALYSIS OF RESULTS
QUARTER AND FULL YEAR ENDED 31st MARCH 2017

The IMF had recently pegged global growth at 3.5% for 2017 which indicates a slow recovery for the world economy; emerging nations performing somewhat better, with (larger base) developed economies lagging behind. Although the US is slowly stabilising, there are growing geo-political uncertainties and ambiguities arising from the protectionist policies both in the US and the UK. The migrant crises in Europe and the terrorist threats continue to cloud the momentum. Subdued Chinese growth, downgrade by Moodys and commodity price swings have further sharpened the uncertainties. Middle East, where Voltas has a considerable presence, remains in a state of sedate investment given the volatility in oil prices (hovering around USD 50), followed through by OPEC production cuts (against lower Shale gas prices) adding to fiscal deficits.

On the domestic front, we see a continued growth in GDP accompanied by a modest increase in inflation. Manufacturing PMI stood at 52.5 in April 2017, the fourth straight month of expansion in factory activity. While the Government share in infrastructure spending has increased, private investments continued to remain tepid. The Indian Government demonstrates serious intent to fast forward the reforms agenda. With the passage of a constitutional amendment, GST (Goods and Services Tax) is very much a reality. Negative effects of demonetisation have largely abated.

Against this backdrop, the Consolidated Gross Sales from Operations for the year ended March 31, 2017 was higher by 5%, at Rs. 6033 crores as compared to Rs. 5720 crores in the corresponding period last year. Profit before tax improved by 28%, to Rs. 720 crores over the previous period. Net Profit was similarly, higher at Rs. 511 crores vs Rs. 393 crores. Earnings per Share as at March 31, 2017 increased to Rs. 15.4, well over Rs. 11.7 last year (Face Value per share - Re. 1). Total Comprehensive Income (including notional mark-to-market adjustments on equity investments, foreign currency translation, etc.) grew to Rs. 593 crores. Given better overall performance, the Board of Directors have recommended a higher dividend of Rs 3.50 per share (350%) as against 260% (2015-16).

The Company has entered into a Joint Venture arrangement with a leading European home appliance company, Arcelik A.S. to form an equal partnership for entering the wider consumer durables market in India. The proposed entity will launch refrigerators, washing machines, microwaves and other white goods / domestic appliances in a phased manner. This provides the Company an opportunity to expand the established 'Voltas' brand and tap into India's growing consumer durables market. In line with the Govt. 'Make in India' initiative, manufacturing facilities will be set up in the country, leveraging the technological excellence and global capabilities of our Joint Venture partner. The robustness of our Balance sheet, with low debt and a comfortable cash position, provides ample flexibility for appropriate capital infusion.

Analysis by segment:

The segment results are given below. While the Products business has continued to contribute to both the top and bottom-line of the Company, we are beginning to see greener shoots in our Projects business as well.

Segment Reporting	For the year ended		% Growth over PY	% of Total Revenue	
	Mar'17	Mar'16		Mar'17	Mar'16
1. Revenue					
Segment A : Eng. Projects	2655	2829	-6%	44%	49%
Segment B : Eng. Products	332	371	-11%	6%	6%
Segment C : Unitary Cooling	3047	2521	21%	51%	44%
Income from Operations (Gross)	**6033**	**5720**	**5%**		
2. Segment Results				**Results to Revenue**	
Segment A : Eng. Projects	85	55	55%	3%	2%
Segment B : Eng. Products	96	113	-15%	29%	30%
Segment C : Unitary Cooling	440	338	30%	14%	13%
Total	**621**	**506**	**23%**		
3. Capital Employed				**ROCE (Annualised)**	
Segment A : Eng. Projects	624	676	-8%	14%	8%
Segment B : Eng. Products	54	80	-33%	178%	141%
Segment C : Unitary Cooling	232	172	35%	190%	197%

Segment A – Electro-Mechanical Projects and Services

Segment Revenue for the year was lower at Rs. 2655 crores as compared to Rs. 2829 crores in the corresponding period last year, owing to slower than expected progress on certain projects. However, Results improved to Rs. 85 crores as compared to Rs. 55 crores last year. While the segment margins for full year are at 3%, Q4 numbers stand better at close to 6%. Carry forward order book stood higher at Rs. 4321 crores, better than the Rs. 3914 crores last year.

International Operations

During the last financial year, the Gulf Cooperation Council (GCC) countries presented mixed signals. While construction activities were slowly looking up in the United Arab Emirates (Dubai Expo 2020) and Qatar (FIFA 2022), continued low oil prices impacted investment sentiment, not to speak of lower government spending and a generally muted pace of economic activity.

We have spoken about the impact of tight liquidity on Project spending earlier and our consequent focus on speedy settlement and financial closure of older completed projects. We are happy to say that, barring a couple of arbitrations, we have diligently ensured closure of several legacy projects. Going forward, we will now focus on building our order book, but without exposing the company to unnecessary risk. Our internal order procurement and commercial support systems have been revamped to ensure sufficient oversight prior to committing the company. At the same time, learnings from past are being translated into process improvements and have been engrained into our execution. The total carry-forward order book of International Projects amounts to Rs 1763 crores, offering reasonable forward visibility.

Domestic Projects

The earlier decision to focus more on Govt. projects / externally funded investments has helped the domestic projects business to remain sufficiently protected against the many issues surrounding the private sector (including absolute quantum of investment and cash security). With the Government pushing the growth agenda, opportunities are increasing in urban infrastructure & transportation, electrical distribution, water treatment and Smart City development. Besides, the division's core area of HVAC projects has benefited with tunnel ventilation requirements for Metro transportation. Meanwhile, we continue to pursue various internal efficiency improvement initiatives, which augur well for a gradual enhancement in margins.

During the current year, progress on some of the currently ongoing domestic projects have been slower than anticipated, although a pick-up in pace of activity is expected. Order intake continues to be healthy with an aggregate fresh order booking of Rs 1695 crores over the course of the year. Overall, the Domestic order book now stands improved to Rs. 2558 crores as of 31st March 2017, and provides a stronger base.

Segment B – Engineering Products and Services

Segment Revenue and Result were Rs. 332 crores and Rs. 96 crores as compared to Rs. 371 crores and Rs. 113 crores, respectively in the corresponding period last year.

Impact of demonetization has been extra severe on the Domestic Textile Industry leading to further slowdown in new capacity formation. Profitability of spinning mills was also under pressure due to subdued prices for yarn and a steep increase in raw cotton prices. We also faced some temporary supply chain issues impacting overall sales, which are now behind us.

In Mining and Construction Equipment, Mozambique operations continue to drive the performance. On the domestic front, the year was challenging with slowdown in mining related activity. However, a gradual recovery appears to be on the horizon and the Company has re-prioritized the India business. The Govt. impetus on road development has been encouraging and we are beginning to see material orders esp. in the Crushing & Screening equipment sector.

Segment C – Unitary Cooling Products

Despite intense competition and aggressive pricing, Voltas continued to sustain its No. 1 position in the Unitary Cooling Products business with a YTD market share of 21.4% volume at Multi-Brand Outlets. Except for a couple of demonetization impacted months (Nov and Dec 2016), the year has generally been good for the industry at large, supported as it was by hot weather. We have closed the year with a TO exceeding Rs. 3000 crs, ably supported by better quality cum range of products, wider distribution, appropriately timed advertisements, promotions and sensible pricing. The segment results have also been higher at Rs 440 crs compared to Rs. 338 crs last year. Sales of 1 million Room Air Conditioners this year by Voltas, is a milestone for the entire industry !

In its second year of operations, Voltas Fresh Air Coolers sold approx. 170,000 units. We now have 22 well accepted SKUs in the market and a good value proposition supported by better features, competitive pricing, deeper distribution network, and clear communication. Commercial refrigeration business too grew with an enhanced portfolio of new products such as combo-coolers (chest freezer cum cooler) and varying capacities for existing categories in response to evolving customer needs.

Sum-up

We are reasonably confident about the longer term future, not forgetting that the nature of our industry is partly dependent on the weather, consumer sentiment and the overall economic environment. GST implementation will bring its own set of challenges not only for us, but for the industry as a whole. Meanwhile, our foray into the wider range of consumer durables augurs well for the Company's future. In the project space, we will thoughtfully focus on building a stronger order book, in a risk mitigated way. Needless to state, the strength of our balance sheet and the availability of sufficient cash and a ROCE exceeding 20%, remains an advantage as we look at opportunities for growth.

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.

25th May 2017