ANALYSIS OF RESULTS
QUARTER AND FULL YEAR ENDED 31st MARCH 2018

There appears to be a sense of greater optimism across many parts of the world. According to a latest IMF (International Monetary Fund) report, global growth is expected to rise 3.7% in 2018. Growth drivers include a notable rebound in global trade, an investment recovery in advanced economies, continued strong growth in Asia, a sizable upswing in emerging Europe and signs of recovery in several commodity exporters. This supported by strong momentum, favourable market sentiment, accommodative financial conditions and the domestic and international repercussions of expansionary fiscal policy in the United States, will support and push the recovery. However, the headwinds of a possible escalation of a trade war between US and China loom large and the Korean crisis continues to remain. On the back of America's sanctions on Iran and OPEC moves, oil prices have been steadily climbing up. The threat of inflationary pressures in the US economy remain.

India has been recording the highest growth rate amongst the emerging economies of BRICS (Brazil, Russia, China and South Africa). Retail inflation at 4.6% for April was marginally higher than the previous month. The government is committed to addressing deterrents and roadblocks to growth with progressive policy reforms such as the implementation of the GST, the Insolvency and Bankruptcy Code (IBC), recapitalization package to improve the financial health of public sector banks, schemes targeted at Power for All and so on. As a result of these measures, the economy is showing signs of growth although the inflationary impact of factors such as the recent increases in oil prices, depreciation of the Indian currency need to be watched.

During the year, Voltas achieved a total income of Rs. 6602 crores, Income from operations of Rs. 6380 crores and profit after tax of Rs. 578 crores.

Rs. Crores	Q4 FY18	Q4 FY17	% Change Q-o-Q		YTD FY18	YTD FY17	% Change Y-O-Y
Total Income *	2092	2098	~		6602	6307	5%
Profit before Tax	284	250	14%		805	720	12%
Profit after Tax	194	200	~		578	520	11%
Total Other Comprehensive Income	257	246	4%		741	601	23%

**Current year figures are not comparable to previous year owing to inclusion of taxes & excise duties from the previous year. Tax for the quarter not comparable as the previous year includes a one off adjustment.*

In view of the stronger performance, the Earnings per Share (Face Value per share of Re. 1) as at March 31, 2018 improved to Rs. 17.30 as compared to Rs. 15.64 last year. The Board of Directors have recommended a higher dividend of Rs 4.00 per share (400%) as against 350% (2016-17).

Analysis by segment:

Segment Reporting	Quarter IV		Full Year	
	FY18	FY17	FY18	FY17
1. Revenue				
Segment A : Eng. Projects	874	829	2845	2655
Segment B : Eng. Products	83	107	310	332
Segment C : Unitary Cooling	1065	1086	3226	3046
2. Segment Results				
Segment A : Eng. Projects	66	48	185	85
Segment B : Eng. Products	25	26	99	96
Segment C : Unitary Cooling	183	178	475	440
3. Capital Employed				
Segment A : Eng. Projects			698	624
Segment B : Eng. Products			68	54
Segment C : Unitary Cooling			250	232

Segment A – Electro-Mechanical Projects and Services

Segment Revenue for the year was higher at Rs. 2845 crores as compared to Rs. 2655 crores in the corresponding period last year, a growth of 7%. Segment Result improved to Rs. 185 crores as compared to Rs. 85 crores last year, reflecting better quality orders and effective execution both in domestic and international business. The segment margins for full year are now at 7%, underlining the improved trajectory over the past several quarters. Carry forward order book of the Segment stood higher at Rs. 5062 crores as compared to Rs. 4321 crores last year (growth of 17%). New orders booked during the current quarter were Rs. 616 crores (domestic) and Rs. 614 crores (International) business.

International Operations

Our focus on effective execution of on-going projects together with settlement and financial closure of older completed projects continues. These initiatives have helped improve operations. At the same time, we are conscious of the continued embargo in Qatar and are selective in booking orders in the region.

We have spoken earlier on the Carillion PLC UK contractor's filing for compulsory liquidation in January 2018. The company branch in UAE and its joint venture company in Oman are currently executing MEP projects as a subcontractor where in Carillion PLC is a joint venture partner of the main contractor. Project certifications are picking up and receivables are being liquidated as we continue to make progress on these projects.

Broad-based pick-up in economic growth is expected across Gulf Cooperation Council (GCC) countries in 2018. The recent sanctions announced by the United States on Iran and the cut on the oil production by the OPEC has also helped in driving up the oil price. Going forward, we propose to continue our approach of building our order book in a risk mitigated manner. We have recently bagged a contract connected with developments linked to Expo 2020.

The total carry-forward order book of International Projects stands at Rs. 2004 crores (growth of 14% y/y), offering the required forward visibility.

Domestic Projects

The decision to focus more on Govt. projects / externally funded investments has helped the domestic projects business to remain sufficiently protected against the impact of low investment and myriad liquidity issues faced by the private sector. With the Government pushing the growth agenda, opportunities are increasing in electrical distribution, water treatment and Smart City development. Besides, the division's core area of HVAC projects has benefited with projects in large buildings and in tunnel ventilation for Metro transportation. Meanwhile, we continue to pursue various internal efficiency improvement initiatives, which augur well for maintaining the margins. Our subsidiary RIEL has registered a full year profit in 2017-18 through efficient execution of rural electrification projects.

The current year saw an order booking of Rs 2149 crores. The Domestic order book now stands improved at Rs. 3058 crores (growth of 20% y/y) as of 31st March 2018, and provides a stronger base.

Segment B – Engineering Products and Services

Segment Revenue and Result were Rs. 310 crores and Rs. 99 crores as compared to Rs. 332 crores and Rs. 96 crores, respectively in the corresponding period last year.

Impact of demonetization and GST implementation 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 during the year due to subdued prices for yarn and a steep increase in raw cotton prices. Banks are reticent to lend to the textile sector. Despite these conditions, the Division focussed on providing value added services and delivered profits.

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 orders in the Crushing & Screening equipment sector.

Segment C – Unitary Cooling Products

Despite intense competition and aggressive pricing, Voltas continued to improve its No. 1 position in the Unitary Cooling Products business with a YTD market share of 22.1% at Multi-Brand Outlets. Voltas recorded a 14.5% secondary sales growth for the year while industry grew at 11%.

Voltas has been able to close the year with a turnover of around Rs. 3225 crs. The segment results have also been higher at Rs 475 crs as compared to Rs. 440 crs last year. Our strategy of continued focus on both Inverters, Fixed-Speed Split ACs as well as Window ACs has enabled us to address customer needs for different products. In particular, we are seeing a growth in Inverter AC demand from Quarter 3 onwards. Our product range in Inverter ACs has been significantly enhanced to cater to this industry shift.

Voltas Fresh Air Coolers sold approx. 2,07,000 units, a growth of around 38%. We are improving our market penetration through an expanded product range, a good value proposition supported by better features, competitive pricing, and deeper distribution network. 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.

Voltbek Joint Venture

As you all are aware, the Company has entered into a Joint Venture arrangement with a leading European home appliance company, Arçelik A.S. to form an equal partnership for entering the wider consumer durables market in India. The entity will launch refrigerators, washing machines, microwaves and other white goods / domestic appliances in a phased manner, under the brand name of Voltas-Beko. We are on schedule for the proposed launch that is expected in H2 CY'18. 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 are being set up in Gujarat, leveraging the technological excellence and global capabilities of our Joint Venture partner.

Sum-up

We remain reasonably confident about the longer term future, not forgetting that the nature of our industry is substantially dependent on the weather. In the immediate term, unseasonal showers across some parts of the country in the peak summer months of April and May have dampened the industry spirits, however it is too early to predict the impact of this on the entire year's sales.

In the Projects space, we will focus on building a larger order book, albeit continuing our practice of intensive risk assessment. Needless to state, the strength of our balance sheet and the availability of cash surplus and a ROCE exceeding 20%, remains an advantage as we look at opportunities for growth.

17h May 2018