



ANALYSIS OF RESULTS

QUARTER ENDED 30 JUNE, 2023

FY24 began on a subdued note with high inflation and concerns on slowing of economic growth and poor health of banking sector. Policy tightening by central banks in response to inflation continues to raise the borrowing costs leading to constrained economic activity. While inflation may continue to remain high, it may further escalate owing to shocks posed by geopolitical unrest and natural calamities hitting various parts of the globe. This in turn may trigger a more restrictive monetary policy.

Concerns regarding the performance of banking sector receded during the quarter, but high interest rates filtering through the financial system trimmed the supply of credit. The rise in central bank policy rates to fight inflation would continue to impact economic activity. As per IMF, Global growth is anticipated to fall from an estimated 3.5% in 2022 to 3.0% in 2023 and 2024.

While economies across the world are facing issues, the Indian economy has shown resilience and grown during the quarter. The Centre's fiscal deficit remained under control. GST collections, manufacturing PMI, sale of automobiles, number of UPI transactions, electricity consumption; all reported strong numbers during the quarter. The resumption of interest by FPI's in the equity market showed a good infusion of funds raising the indices to a record high. The Indian economy does not seem to dither with the concerns on the inflation primarily driven by rise in crude oil prices and food inflation. The USDINR however continues to remain under pressure moving to the upper end of range ~Rs 83 owing to the rise in yields due to US credit downgrade and other macro-economic factors, that may lead to higher import cost impacting the overall growth.

Given the overall business backdrop, this quarter, for us at Voltas, was both exciting and challenging. The incessant rains impacted the sales during the quarter and thereby slowed down the anticipated growth in the cooling business segment both for the company and the industry. Delayed collections in our overseas business, resulted in a conservative provision impacting the overall result. Our Consolidated Total Income for Q1FY24 was Rs 3,430 crores as against Rs 2,795 crores in Q1FY23, growth of 23% year on year. Profit before tax (PBT) and after Tax was Rs. 203 crores and Rs. 160 crores respectively. Earnings per Share (EPS) (Face Value per share of Re. 1) (not annualized) for the quarter ended 30th June, 2023 was at Rs. 3.91 against Rs. 3.29 reported last year.

VOLTAS LIMITED

Finance and MIS Department

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Corporate Identity Number L29308MH1954PLC009371

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

Segment reporting (Rs. Crores)	Q1 FY24	Q1 FY23	% to Total Revenue	
			Q1 FY24	Q1 FY23
1. Revenue				
Segment A : Unitary Cooling	2,514	2,162	75%	79%
Segment B : Eng. Projects	679	455	20%	17%
Segment C : Eng. Products	142	124	4%	5%
Income from Operations	3,335	2,741	100%	100%
2. Profit / (loss) before tax				
Segment A : Unitary Cooling	207	166	8%	8%
Segment B : Eng. Projects	(52)	(12)	-8%	-3%
Segment C : Eng. Products	54	51	38%	41%
Unallocated	(7)	(44)		
Profit before Tax	203	160	6%	6%

Segment A – Unitary Cooling Products (UCP)

Q1 for FY24 was projected to be a high growth quarter, however, erratic weather conditions in April and May, especially in North and West India, our strongest markets, dampened the spirits. However, availability of high tonnage products, aggressive consumer finance schemes, strong channel & network presence coupled with revival of the demand in the month of June helped Voltas achieve volume growth of 15%, higher than the overall industry growth on YOY basis.

Voltas' product bouquet with advanced features and long-term advantage of energy savings helped the split inverter category of air-conditioners remain in high demand aiding to the growth for the segment. The expansive product portfolio, SKU's designed in-house and competitive pricing has continued to have a high share of contribution in excess of 80% of inverter sales in Room Air Conditioner category for the quarter. While Split AC showed the growth, demand for Windows AC, primarily driven by sales in North, remained weak because of the unseasonal rains.

Our competitors went aggressive on the pricing to meet the primary billing which impacted market share and margins. However, secondary sales driven by incentive schemes across sales channel, healthy tie ups with modern trade and organized channels, growing network of Exclusive Brand Outlets (EBOs) including experience zones at strategic locations along with a focused customer centric approach during the season helped Voltas to strengthen market share to 20.6% at the end of June 2023.

Sales growth in the Commercial refrigeration was lower during the quarter on a higher base of the corresponding previous quarter. Weather disruptions have impacted the consumption of cold beverages, chocolates and ice-creams leading to the lower than expected demand

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from OEMs. Within the commercial refrigeration category, demand was buoyant for water coolers and Visi coolers.

Affordable pricing, tie ups with modern and retail channels, active channel participation, aggressive pricing with lucrative dealer incentive scheme garnered a positive and a strong growth for the Air Cooler segment. The category has grown by 49% in volume with improved gross margins.

Commercial Air Conditioners garnered good traction in Chillers, VRFs and Cassette ACs during the quarter with large scale O&M orders paving the way for good numbers this quarter. Our focus on customer needs and our track record has helped us win multiple big-ticket orders for O&M.

On the cost front, softening of commodity prices, tactical sourcing, manufacturing efficiencies and various value engineering initiatives across all our products has helped contain material costs and protected margins to a great extent. We will continue with our efforts to remain competitive and continue to provide value for money products to our consumers which will help us not only to maintain our leadership position (in both market share and margin) but also continue to be a key differentiator among other players in the industry.

To summarize, for the quarter ended June 2023, UCP segment registered revenue of Rs 2,514 crores a 16% growth in turnover from Rs. 2162 crores in Q1FY23. Segment reported an EBIT of Rs. 207 crores in Q1 FY24 as compared to Rs. 166 crores in Q1 FY23 (a growth of 25%).

Segment B – Electro-Mechanical Projects and Services

Segment Revenue for the quarter was Rs. 679 crores as compared to the previous corresponding quarter revenue of Rs. 455 crores. Segment Result for the quarter reported a loss of Rs. 52 crores, loss in quarter ended June 2022 was Rs. 12 crores.

With renewed focus on our wholly owned subsidiary post business transfer, our collective efforts resulted in better performance of the domestic projects business in terms of both execution and managing working capital efficiently and also securing healthy orders during the quarter. The Domestic projects segment booked orders worth Rs. 608 crores as compared to Rs. 191 crores during the previous quarter. Further, a tight monitoring on working capital with focus on certification and collections, improved return on capital employed and delivered good results during the quarter.

All ongoing projects in our international business are largely under nascent stages and while the business reported a higher revenue, as per our internal policy, the margins on all such projects will be recognized on reaching key milestones. Considerable delay in certification and slowing collections against due receivables continued in a few projects resulting in provisions following our prudent and conservative approach. Having said that, all efforts are focused on engaging with customers for expediting certification work and improving collections of the amounts due. Order booking for Q1 FY24 was Rs. 755 crores as compared to Rs. 435 crores in the similar period last year.

During the quarter, the Company has been intimated of a request received by the Bank for encashment of the Bank Guarantee from the Main Contractor in one of the projects in Qatar.

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The Company has issued a cessation request to the bank pursuant to which the bank guarantees have not yet been encashed. Basis internal assessment on technical merits of the case and legal opinion on the contractual aspects, we are confident that it has good grounds to successfully defend any claims that may arise on the Company.

The carry forward order book for Domestic projects stands at Rs. 5,244 crores containing orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book as at 30 June 2023 stood at Rs. 2,949 crores largely in the UAE, Qatar and Saudi Arabia regions. Total carry forward order book of the Segment stood at Rs. 8,193 crores vis-à-vis Rs 5,362 crores of outstanding orders as at 30 June 2022.

Segment C – Engineering Products and Services

The Segment Revenue and Results continued to report improved performance for the quarter registering healthy growth over previous year. The Segment revenue for the quarter was Rs. 142 crores and EBIT for the quarter was Rs. 54 crores, respectively.

Cutting edge engineering solutions coupled with a focussed customer-oriented approach supported Mozambique operations in performing well, contributing significantly to the results. The revival of the capital cycle along with lifting of export duty on iron ore has sustained the sale of crushing and screening equipment albeit with restricted credit to the contractors.

While capital machinery roll out from the Principals has increased, the volatility in yarn price and slowing exports coupled with supply chain disruptions has lowered the momentum for textile business. Nevertheless, the focus on accessories sale, recent announcement of PM Mitra Park and the proposed PLI 2.0 scheme should help in sustaining the performance going forward.

Voltas Beko

Voltas Beko continued to garner strong sales since March 2023. High demand across all company products- refrigerators, washing machines, microwaves and dishwashers resulted in a growth of over 40% during the quarter. Revenue was also driven by increased tie-ups with organized retail, improved participation from E-Commerce and a better product mix. The expansion of distribution reach, focus on product placements with existing and evolving sales channels, wider range of product SKUs and in-house manufacturing of the high value-added products continued to support the overall growth.

Timely availability of affordable and durable products has been the key strength for Voltas Beko. Our concentrated efforts on innovation with differentiated features and long-term tie ups with organised trade in the targeted and strategically important markets is anticipated to further support our growth in future. These collaborative steps have resulted in securing a market share of 5% in the Washing Machine category with 9.6% market share in the sub-segment of semi-automatic washing machines. The company also maintained its market share in refrigerators at 3.5%.

Our objective is to have a vast array of value-added products which will be manufactured at our own factory which will help us control and thereby strengthen the supply chain to improve overall margins. With this objective, trials for the fully automatic front loaded (FAFL) washing

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machine to be manufactured in-house have been completed and the production of the first pilot batch is underway currently.

Outlook:

The period of July-September is usually a lean period for cooling products, however, the start of festival period is expected to witness a spurt in demand. It will be interesting to see the impact of factors such as inflation, revival of rural demand, movement in crude oil prices, rupee behavior and policies made by RBI to address the overall economic growth agenda.

Both the government and private sector's capex commitment for FY24 remains strong. Uptick in the order booking coupled with momentum in execution of the MEP projects should help report better performance for our project business too.

In general, we anticipate a pickup in the pace of overall economic activity and we would seize the opportunity to continue on the momentum of 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.

12 August 2023

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