

ANALYSIS OF RESULTS

QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2020

The Quarter gone by has been rather eventful with multiple developments. North American markets cheered the results of US elections, and patiently watched the twists and turns that followed thereafter. In Europe, lengthy negotiations between the EU and Britain were finally concluded, and Brexit became a reality. In the Middle East, the US successfully brokered a deal between key Regional players, easing political tension and paving the path for normalized relations. On the pandemic side, total reported cases of Covid was in excess of 82 million by 31st Dec and the World heaved a collective sigh of relief as news of viable vaccines trickled in.

Meanwhile, a 3.5% GDP de-growth was predicted across the Globe in calendar year 2020, with the exception of China which registered positive growth of ~ 2.3%. Looking forward at year 2021, the IMF has projected reasonably cheerful rebound growth numbers of 5.5% for the World in aggregate. More interestingly, India led the pack with a double digit growth of 11.5%, overshadowing China which was projected to grow by 8.1%.

Back home, the Indian Government anticipates a degrowth of 7.7% for FY 21, but forecasts a V-shaped recovery and a growth of 10.5% in FY 22. The said forecast resonates well with general business and consumer confidence indicators - Manufacturing and Service PMI have picked up, GST collections are at an all-time high (crossing Rs. 1 Lakh crores for the 4th month in succession), Auto sales have achieved double-digit growth and Job markets are showing signs of steady recovery. Optimism is also evident across Equity markets, supported as they are by significant FII inflows and a growing number of retail participants.

In this overall context, Q3 witnessed a healthy upswing in the growth of business. Sales across all the 3 Segments have improved as compared to the corresponding quarter of the previous year. At the same time, substantial increase in commodity prices (such as copper, aluminum, steel, plastic and oil) and sea freight was a cause of worry. On the exchange front, the USD remained largely range bound.

Consolidated total Income of the Company grew by 32% to Rs 2046 crores in Q3. YTD de-growth (although reduced by ~ 11%) unfortunately remains, given the lingering consequence of a locked out Q1. Profit before tax was higher by 39%, at Rs. 166 crores as compared to Rs. 119 crores in the corresponding quarter last year. Profit after tax was similarly higher by 46%, at Rs. 129 crores vs Rs. 88 crores of the previous year. Earnings per Share (Face Value per share of Re. 1) (not annualized) as at 31st December, 2020 was at Rs. 3.87, better than the figure of Rs. 2.63 registered last year.

VOLTAS LIMITED

Finance and MIS Department

Registered Office Voltas House 'A' Dr Babasaheb Ambedkar Road Chinchpokli Mumbai 400 033 India

Tel 91 22 66656290 66656891 Fax 91 22 66656311 e-mail manishdesai@voltas.com mprabhu@voltas.com website www.voltas.com

Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise

The Corporate Balance Sheet continues to remain healthy with minimal borrowings, which are required mostly for our overseas operations. While operational cash flow during the first nine months of the year have been relatively weak given the context of the lockdown and AC sales lost out during high season, adequate availability of cash on our Balance Sheet is a definite strength in these difficult times.

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

Segment reporting (Rs. Crores)	Q3 FY20	Q3 FY21	% of Total Revenue	
			Q3 FY20	Q3 FY21
1. Revenue				
Segment A : Unitary Cooling	596	833	40%	42%
Segment B : Eng. Projects	808	1017	54%	52%
Segment C : Eng. Products	83	121	6%	6%
Income from Operations	1487	1970	100%	100%
2. Profit before tax			Results to Revenue	
Segment A : Unitary Cooling	61	105	10.18%	12.55%
Segment B : Eng. Projects	37	32	4.63%	3.17%
Segment C : Eng. Products	23	32	27.97%	26.50%
Unallocated	(2)	(3)		
Profit before Tax	119	166	8.02%	8.42%

Segment A – Unitary Cooling Products

Record sales of Rs. 833 crores in the Unitary Cooling segment, representing a 40% increase over the corresponding (non-covid) quarter of the previous year, is indicative of the considerable brand pull and traction enjoyed by the Voltas. Aided by pent up demand, Channel partners were also keen to secure their share of inventory amidst fears of supply chain disruptions and price escalation. Top line growth apart, Divisional bottom line has accelerated even further by 72%. This is the conscious result of driving better product mix amidst cost efficiencies, coupled with lower holding cost of carry forward inventories.

Appropriate focus on the Inverter sub-category with competitive pricing and larger number of SKUs has yielded a favourable outcome – Inverter growth was 75% ahead of the previous year and now contributes over 60% of all ACs sold, compared to 49% for the similar period in the previous year. That apart, Voltas has also achieved leadership position in the Inverter category with an exit market share of 21.8% as of December 2020. In terms of the overall AC market, we continue to retain our undisputed leadership with a YTD market share of 26% at multi-brand outlets.



As concerns on global warming from increased energy consumption grow, 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 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 fourth time over the past 7 years; a testimony to our leadership in technology as well.

The commercial refrigerator vertical has delivered a stellar performance in Q3 by registering a 101% growth in volume. Stronger emphasis on building relationships with B2B partners combined with Channel expansion and revival of demand from some OEM's has yielded good results.

At the last conference, we had commented upon the substantial build-up of Air Cooler inventory with Trade, owing to the lockdown which had disrupted the limited seasonal window available for its sale. Despite this industry constraint, the performance of the Air cooler vertical was satisfactory with a growth of 11% over the previous year. Increased number of variants and SKUs, together with appropriate trade schemes has helped secure a wider distribution footprint across the sub dealer network. Based on Nov 2020 exit numbers, we are now at the number two position, having achieved a market share of 13.2%.

Looking ahead, and in the broader context of the commodity price increase, changes in custom duty rates and enhanced supply chain costs, the business has taken a 5-6% price increase across all UCP categories. This, along with accelerated efforts to sensibly limit imports and maximise local sourcing is expected to provide appropriate forward protection for our margins.

Segment B – Electro-Mechanical Projects and Services

Segment Revenue for the quarter increased to Rs. 1017 crores as compared to the previous corresponding quarter of Rs. 808 crores, increase being largely across International operations. Segment Result was albeit lower at Rs. 32 crores reflecting a conservative margin recognition policy, amidst liquidity stress resulting in delayed collection against the receivables. Carry forward order book of the Segment stood higher at Rs. 7275 crores as compared to Rs. 7024 crores last year.

Over Rs. 700 crores each of fresh orders were added across both Domestic and International markets, helping provide suitable revenue visibility in the periods ahead. The carry forward order book for Domestic projects at Rs. 4794 crores contained a bouquet of orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book of Rs. 2481 crores represent MEP work, mainly across UAE and Qatar and Oman.

Progress across newer projects in the Middle East has improved given the availability of labour, and better access to project sites, post initiation of the mass vaccination program. However, some of the older projects continue to be delayed, resulting in cost overruns from extended physical presence at site and cost provisions to cover completion / defect liability periods. At the same time payments are often delayed, triggering time based ECL provisions.

VOLTAS LIMITED

Finance and MIS Department

Registered Office Voltas House 'A' Dr Babasaheb Ambedkar Road Chinchpokli Mumbai 400 033 India

Tel 91 22 66656290 66656891 Fax 91 22 66656311 e-mail manishdesai@voltas.com mprabhu@voltas.com website www.voltas.com

Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise



Meanwhile, the steady increase in Oil price and the lifting of trade barriers with Qatar should improve business sentiment and open up further opportunities in the Middle East. As always, we will continue to follow a selective cum cautious approach while bidding for fresh orders. Adding to our technical cum execution credentials, Voltas was recently recognized as the MEP Contractor of the year, together with our COEX project being recognised as the MEP Project of the year 2020.

On the Domestic front, enquiries particularly for infrastructure projects including Metros, Electricals, Water treatment, etc. have picked up. The allocation of Rs. 5.5 Lakh crores in the recently unveiled Union Budget is also widely expected to help revive investments with resultant infrastructure construction activity. In addition, there is an increasing demand for solutions in the Indoor air quality space including UVGI Products, automated duct cleaning, filtration, etc.

Finding opportunities for renewal amidst the stress and trauma of Covid 19, the Company has initiated various process improvements, cost control measures and restructuring activities which will augur well for the future of the business. In tandem, we continue to focus on collection of outstanding, securing favourable commercial settlements and proactively limiting our financial exposure to minimum possible levels.

Segment C – Engineering Products and Services

Segment Revenue and Results for the quarter were at Rs. 121 crores and Rs. 32 crores, registering growth in excess of 40% as compared to the previous year's performance.

The Mozambique operation (Vale) has remained largely unaffected, and continues to contribute handsomely to the performance of the Mining and Construction vertical. At the same time, the push by the Government of India on Infra projects have re-energized the demand for Crushing and Screening Equipment, although the announcement opening up Commercial Mining is yet to manifest its desired potential.

While Capital expenditure on Textile Machinery remains slow, the business has partly compensated the shortfall by directing its attention to the After Sales business in both the Spinning and Post Spinning segments. Pronouncements in the recent Budget has been helpful to the Textile business in general, and there is a degree of muted optimism on the fortunes of the industry over the periods ahead.

Voltas Beko

The Factory at Sanand has completed its first year of operation. Despite various disruptions and multiple limitations on production and supply chain caused by the Covid pandemic, the factory successfully produced over 210,000 units of high quality DC refrigerators. The product has been very well accepted in the market, and we are happy to evidence significant demand pull from the Trade.

VOLTAS LIMITED

Finance and MIS Department

Registered Office Voltas House 'A' Dr Babasaheb Ambedkar Road Chinchpokli Mumbai 400 033 India

Tel 91 22 66656290 66656891 Fax 91 22 66656311 e-mail manishdesai@voltas.com mprabhu@voltas.com website www.voltas.com

Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise



While the current emphasis is on maximising production to meet the increasing demand for DC refrigerators, plans have been made to begin manufacture of Frost free refrigerators over the coming months, followed by Top load fully automatic washing machine and Dishwashers. In introducing differentiated India customer relevant products into the market, we continue to derive considerable strength from the technical prowess of our joint venture partner.

In terms of distribution, billing points have been scaled up to exceed 1000 numbers. Accelerated introduction of exclusive outlets & experience zones along with cost effective digital marketing should help in increasing reach and augmenting brand awareness. As of date, both Voltas and Voltbek have a joint presence in 195 EBOs, up from around 90 in the previous year. Meanwhile distribution and other synergies with Voltas continue to be aggressively leveraged, costs are well in line with the budget and business is confident of meeting its targets, including that of 10% market share by year 2024-25.

Other matters & outlook:

The company had earlier notified an 'in-principle' proposal to internally restructure and segregate its B2C and B2B businesses in separate entities so as to drive independent focus, and facilitate their respective growths. Subject to various approvals, the thought was to transfer the B2B businesses to an existing 100% wholly owned subsidiary RIEL which was to be suitably renamed.

At its recent meeting, the Board has now formally approved the transfer of its Domestic project business relating to MEP / HVAC and Water projects, M&CE business and TMD to its wholly owned subsidiary Universal MEP Projects & Engineering Services Limited ('UMPESL') (*formerly known as Rohini Industrial Electricals Limited*), by slump sale through a Business Transfer Agreement to be executed by 31 March 2021. The transaction is expected to be completed by September 2021 and the purchase consideration is estimated to be in the range of Rs 1000 crores to Rs 1200 crores.

Looking ahead at Q4, which marks the beginning of the high season for AC sales, we remain cautiously optimistic. In general, a pickup in the pace of activity can be reasonably expected over the coming quarters, and we expect to maintain our growth and 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.

15 February 2021

VOLTAS LIMITED

Finance and MIS Department

Registered Office Voltas House 'A' Dr Babasaheb Ambedkar Road Chinchpokli Mumbai 400 033 India

Tel 91 22 66656290 66656891 Fax 91 22 66656311 e-mail manishdesai@voltas.com mprabhu@voltas.com website www.voltas.com

Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise