ANALYSIS OF RESULTS

QUARTER AND YEAR ENDED 31 MARCH, 2021

Towards the end of Q3 and more so in the early parts of Q4, the Indian economy was able to evidence certain green shoots and signs of revival, coinciding with the easing of the Covid-related lockdown. On a broader scale we saw recovery in business, and the festive season brought joy socially and for the economy as well. India's GDP began to look better after two consecutive quarters of decline. Aided by a low prior year base, Economists and Corporates alike, underlined their expectations for robust growth in Q4. Several other macro-economic factors demonstrated signs of revival - GST collections were consistent and remained well over the Rs. 1 lakh crore benchmark month after month, direct tax collections grew ahead of expectation, exports in March rose to a new high, and private cum commercial vehicle sales showed forward momentum. Optimism was also evident across Equity markets, supported as they were by significant FII inflows and a growing number of retail participants.

However, the phase of recovery was defined by its own challenges. The extended lockdown situation during the earlier part of year resulted in scarcity of resources, and trade related issues led to a surge in commodity and freight charges. Prices for copper, aluminum, steel, and plastic surged between 60-80% as compared to previous year levels, and ocean freight charges increased multi-fold. The resultant increase in input cost specially for consumer durable items was unavoidable, and the Industry in general had to take multiple price hikes to try and sustain their margins. Then came the surge in Covid cases and around the end of the current quarter, the earlier sense of optimism was waning – factory output shrank to a 6-month low in a jittery economy, inflation rose and the 2nd wave of Covid forced prominent financial institutions to revise India's growth forecast sharply downward.

Meanwhile, the Government attempted to support the fragile economy by introducing Atmanirbhar Bharat and initiating various incentives to induce capital spending and revive investments. The much-awaited Production linked incentive scheme (PLI) for White goods was formalized allocating approx. Rs. 6,200 crores, hoping to boost incremental investment and generate over Rs. 49,000 crs of revenue and some 4 lakh additional jobs. Supporting these measures, RBI retained existing rates and adopted an accommodative stance to infuse liquidity.

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In this overall context, Q4 witnessed a healthy upswing in the growth of business. Not only have sales across all the 3 Segments improved pointedly compared to the corresponding quarter of the previous year, but also the impact of the significant de-growth caused to the Company on account of Covid related restrictions in the beginning of the year (high season for AC sales) was dramatically reduced. We were able to end the year at a TO degrowth of just a marginal 2%.

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

Segment reporting (Rs. Crores)	QTR-4		Results to Revenue	
	FY21	FY20		
1. Revenue				
Segment A : Unitary Cooling	1426	1179		
Segment B : Eng. Projects	1104	805		
Segment C : Eng. Products	98	95		
Income from Operations	**2628**	**2078**		
2. Profit before tax				
Segment A : Unitary Cooling	225	175	15.76%	14.87%
Segment B : Eng. Projects	93	11	8.41%	1.40%
Segment C : Eng. Products	34	27	34.60%	28.42%
Unallocated	(31)	3		
Profit before Tax	**321**	**217**	**12.21%**	**10.43%**

Segment reporting (Rs. Crores)	ANNUAL		Results to Revenue	
	FY21	FY20		
1. Revenue				
Segment A : Unitary Cooling	3531	4049		
Segment B : Eng. Projects	3566	3246		
Segment C : Eng. Products	359	332		
Income from Operations	**7457**	**7627**		
2. Profit before tax				
Segment A : Unitary Cooling	502	512	14.22%	12.65%
Segment B : Eng. Projects	109	170	3.05%	5.25%
Segment C : Eng. Products	114	99	31.80%	29.93%
Unallocated	(16)	(37)		
Profit before Tax	**709**	**744**	**9.51%**	**9.76%**

Consolidated total Income of the Company grew by 25% to Rs 2683 crores in Q4. Profit before tax was even higher by 48%, at Rs. 321 crores as compared to Rs. 217 crores in the corresponding quarter last year. Profit after tax was similarly higher by 49%, at Rs. 239 crores vs Rs. 160 crores of the previous year. Non annualized Earnings

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per Share (Face Value per share of Re. 1) for the Qtr. was consequently far higher at Rs. 7.18, with the full year being Rs. 15.87, also ahead of the previous year.

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-half of the year had been relatively weak given the context of the lockdown, revival of economy thereafter combined with several cost control measures helped in generating surplus cash on our Balance sheet. As at the year end, cash and cash equivalents in our books stood at Rs 2,465 crs as against Rs 1,939 crs in the previous year.

Segment A – Unitary Cooling Products

Full marks to our Sales team for a significant recovery post lockdown. Nimble on their feet, they were quick to take supple advantage of the pent-up demand amongst Channel partners, amidst fears of supply chain disruptions and price escalation. The general anticipation was also one of a hot summer that had the potential to spur secondary demand. The business thus recorded revenue growth of some 21% - up from Rs 1179 crs in Q4 FY20 to Rs 1426 crs in Q4 FY21. As against the full year industry degrowth estimated by external agencies at around 29% (given context of lost sales in the high season of Qtr. 1), Voltas was able to exit the year with a much lower degrowth of some 15%.

Similar to the growth in the top line, the bottom line also accelerated by some 28%, this being the result of driving better product mix amidst cost efficiencies, coupled with lower holding cost of carry forward inventories and subdued marketing spends. While the changes in custom duty rates, enhanced input and supply chain costs took their toll on margins, timely price increases and smart customer schemes helped improve EBIT margins by 90 bps to 15.8% in the Qtr. For the full year, Margins had improved by as much as 160 bps from 12.6% last year to 14.2% in the current year.

Appropriate focus on the Inverter sub-category with competitive pricing and larger number of SKUs has yielded a favourable outcome – Inverter sales growth was 22%, well ahead of the previous year and now contributes over 77% of all Split ACs sold. Overall, in the AC segment Voltas continues to retain undisputed leadership with a YTD Feb market share of 25.6% at multi-brand outlets.

Channel expansion across categories together with a healthier model mix from B2B accounts helped the Commercial Refrigeration vertical deliver a strong performance of 17% volume growth in Q4. In case of Air Coolers also, increased number of new variants and SKUs, and rise in direct billing points boosted the growth to 37% in the current quarter.

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Segment B – Electro-Mechanical Projects and Services

Segment Revenue for the quarter increased to Rs. 1104 crores as compared to the previous corresponding quarter of Rs. 805 crores, the increase being contributed both by Domestic and International operations. Better bid margins across newer projects combined with a good pace of execution also resulted in positive growth across the bottom line.

Segment results improved to Rs 93 crores as compared to Q4 FY20 which stood at Rs 11 crores. That said, the hitherto passive levels of fresh investment given the general liquidity stress, and our conscious internal need to remain risk mitigated, has translated into subdued order booking during the year. Nevertheless, total carry forward order book at Rs. 6635 crores as on 31-3-2021 provides an adequate level of forward revenue visibility, together with the important promise of improved margins.

The carry forward order book for Domestic projects at Rs. 4200 crores contained a bouquet of orders across Water, HVAC, Rural Electrification, Solar and Urban infra-activities. The International order book of Rs. 2435 crores represent MEP work, mainly across UAE (including the prestigious Sh. Zayed Museum), Qatar and Oman.

Project work being in the nature of a designated essential activity in the Middle East has helped ensure good progress in that geography, despite the constraints of Covid. Better availability of labour and appropriate access to project sites has simultaneously translated into faster execution resulting in improved turnover and margins. At the same time, a centrally driven focus on cash has ensured better collection, helping to restrict ECL provisions across both International and Domestic geographies.

Segment C – Engineering Products and Services

Segment Revenue and Results for the quarter were at Rs. 98 crores and Rs. 34 crores respectively during the quarter. While revenue showed a 3% growth, bottom line stood out with a stellar growth of 26% as compared to corresponding previous quarter.

The Mozambique operation (Vale) continued 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.

Ban on imports from China, plus competitive price of cotton coupled with renewed Govt. focus on Textiles have improved forward sentiments, reviving capital equipment demand. After Sales Support services performed better despite supply constraints during the quarter.

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Voltas Beko

Post Covid related relaxations, production at Sanand factory has been optimised at around 50,000 units a month. Our products continue to be accepted well in the market, and we are happy to evidence significant demand pull from the Trade. Despite the lockdown and limited selling window, Direct Cool refrigerators were sold in excess of 3 lakh units during the year. The quarter also witnessed significant demand for washing machines, microwaves and dishwashers.

We are also happy to share that as per a recent study by a Global research company, Voltas Beko dishwasher tops the category in India, despite the disadvantage of being a relatively late entrant. They estimate a market share of 30%, which speaks volumes for product build quality, appropriate price, and end consumer acceptability. At the same time, market share in the highly competitive segment of Refrigerators and Washing Machines has also improved to 3% and 2.5% YTD respectively.

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. 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:

As informed earlier, the Board of Directors of the Company had in February 2021, approved the transfer of domestic B2B businesses of the Parent Company (relating to Projects business comprising Mechanical Electrical and Plumbing / Heating, Ventilation and Air-Conditioning and Water projects, Mining and Construction Equipment business and Textile Machinery business) to its wholly owned subsidiary viz. Universal MEP Projects & Engineering Services Limited (formerly known as Rohini industrial Electricals Limited) through a Business Transfer Agreement. The Company executed the BTA on 24th March 2021 and the transaction is expected to be consummated by end of September 2021 or such other date as may be mutually agreed with UMPESL. The overall business of the company thus re-structured, allows additional cum specific focus on both B2C and B2B verticals with an emphasis on sustained profitable growth.

In the near term going into Q1 of FY 22, the general industry business outlook remains ambiguous in the face of lockdowns and various restrictions imposed across the length and breadth of the country. Although the uncertainties looming around the second wave of Covid are difficult to call, suffice to say that our teams are on standby to

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quickly step on the accelerator as soon as the situation eases. Our view is that the pandemic will and must come to an end, hopefully sooner than later and economic activity and revival will ignite again.

Speaking longer term, Voltas continues to be in the sweet spots of the economy, be it across the underpenetrated consumer durable market or across infrastructure development which will invariably be a priority in the foreseeable future. We have always operated a tight ship and have more importantly used the pandemic, to find even more cost-effective ways of doing business, optimizing discretionary expenses in the process.

In difficult times such as these, our Tata lineage, the resilience of our brand, the strength of our Balance Sheet, the competence of our time-tested systems and the capability of our people, provides a definite measure of confidence. We remain cautiously optimistic about our future.

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.

14 May 2021

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