



## ***ANALYSIS OF RESULTS***

### ***QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2022***

Impact of multiple headwinds during calendar year 2022, such as Russia-Ukraine War, resurgence of Covid-19 in China, movement of commodity prices, and policy measures taken by Central banks of increasing benchmark interest rates to curb the inflation etc. could be felt throughout the year. Considering the above macro-economic factors, USDINR (alongwith other currencies across the emerging markets) remained extremely volatile and depreciated about 11% during the year adding to the woes of inflation and consumer sentiment. While the impact of Covid has slowed down, the consequences of War and inflation still persist. Strong signs of recovery in the last quarter of the calendar year in few economies, descending inflation rates and softening of Central bank stands on the interest rate are green shoots building positive sentiments around the Globe.

While India has showed resilience to this global inflation, the overall growth of Economy has witnessed the effects of various global events. The widening of current account deficit, muted capital inflow and higher inflation rate has affected the consumer confidence Index across all segments and in particular, the discretionary sectors. The policy measures taken by the Central Government to strengthen manufacturing in key sectors (i.e. Production Linked Incentive), higher allocation towards building infrastructure and softening of inflation rates shall support the economic growth in the coming quarters.

Given seasonally weak quarter for the Cooling products, the Company reported a growth of 12% for the quarter in Consolidated Total Income at Rs.2036 crores as compared to Rs.1822 crores in the corresponding quarter last year. Profit before share of profit / loss of joint ventures/associates, exceptional item and tax was at Rs 90 crores as compared to Rs.171 crores in the corresponding quarter last year. Profit before and after tax was impacted during the quarter due to an exceptional provision made on an Overseas project. Earnings per Share (Face Value per share of Re. 1) (not annualized) for the quarter ended 31 December, 2022 was at Rs. (3.34) compared to Rs.2.90 last year.

## ***VOLTAS LIMITED***

Finance and MIS Department

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Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise

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

Segment reporting (Rs. Crores)	Q3 FY23	Q3 FY22	% to Total Revenue	
			Q3 FY23	Q3 FY22
<b>1. Revenue</b>				
Segment A : Unitary Cooling	1216	1094	61%	62%
Segment B : Eng. Projects	648	554	33%	31%
Segment C : Eng. Products	118	125	6%	7%
<b>Income from Operations</b>	<b>1982</b>	<b>1772</b>	<b>100%</b>	<b>100%</b>
<b>2. Profit / (loss) before tax</b>			<b>Results to Revenue</b>	
Segment A : Unitary Cooling	89	102	7%	9%
Segment B : Eng. Projects	(183)*	36	-28%	7%
Segment C : Eng. Products	46	40	39%	32%
Unallocated	(32)	(39)		
<b>Profit/ (loss) before Tax</b>	<b>(80)</b>	<b>139</b>	<b>-4%</b>	<b>8%</b>

\* includes an Exceptional item of Rs 137 crs

## Segment A – Unitary Cooling Products (UCP)

Considering the seasonality of the cooling product business, the Segment has performed relatively better reporting a revenue growth of 11% and 44% compared to Q2 FY22 and 9m FY22, respectively.

During the quarter, we witnessed positive demand for high tonnage and better star rated products across the markets. The expanded portfolio of SKUs with improved features and tactical pricing of inverter category has helped us in increasing its share to 82% from 65% of split air-conditioner sold during the quarter. The success in the split category has led us to launch inverter window category in the recent period. In terms of the overall AC market, we continue to retain our undisputed leadership with a YTD market share of 22.5%. The expansion of Exclusive Brand outlets and healthy participation with various channels shall assist in the forthcoming season sales and further strengthen our market leadership in this category.

Commercial refrigerator continued its growth journey during the quarter with the participation from OEM and retail chain. The capacity expansion is progressing as per schedule, which will help us in introducing various consumer centric products with improved features. With the objective of product portfolio extension, we have signed technical agreement with Vestfrost, Denmark for medical refrigeration products during the quarter. The relevant SKUs will be

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introduced in the coming year with the long term objective of attaining a leadership in this growing category.

After having muted growth in the Air Cooler category during covid period, this category has grown during this quarter and period ended December 2022 as well. Introduction of SKUs across all product verticals, a differentiated product from the investment in moulds and a targeted distribution & dealer scheme has supported in wider penetration across potential markets, which will bode well for future quarters. The above has resulted in improving overall profitability of the category with a market share of 9.2% in this competitive and fragmented market.

Expansion of commercial establishments across various sectors and a growing demand for light commercial & ductable products resulted in growth for the Commercial Air-conditioning category with improved margin. The focus on customer retention with value added services is supportive in securing long term orders of after sales service at a competitive pricing.

On the cost front, the quarter has seen reversing of down trend of commodity pricing witnessed in the previous quarter. However, the rupee depreciation has taken away their marginal advantage of softening commodity price from the peak level. The intense competition to grab the market share by the players in the Industry has kept the consumer price competitive despite an energy upgradation in July increasing the cost across Air-conditioner products. The value engineering coupled with healthy negotiation with the suppliers have mitigated the above risk partially, reducing impact on margins sequentially.

In summary, for the quarter ended December 2022, UCP segment registered 11% growth in turnover from Rs. 1094 crores to Rs. 1216 crores. Segment reported an EBIT of Rs. 89 crores in Q3 FY23 as compared to Rs. 102 crores in Q3 FY22. For the nine months ended December 2022, the segment registered 44% growth in turnover to Rs. 4426 crores from Rs. 3064 crores with the EBIT of Rs. 332 crores.

## **Segment B – Electro-Mechanical Projects and Services**

Segment Revenue for the quarter was Rs. 648 crores as compared to the previous corresponding quarter of Rs. 554 crores. Segment Result reported a loss (after exceptional item) of Rs. 183 crores as compared to profit of Rs. 36 crores last year.

Domestic projects business witnessed a jump in order booking of Rs. 1040 crs as compared to Rs. 185 crs in similar period previous year. Quarter witnessed a planned execution of the projects, however a delayed certification coupled with new projects not crossing the milestone of recognizing margin in line with the internal policy impacted the financial result.

International business has secured an MEP project heralding our entry again in the Kingdom of Saudi Arabia. The progress of the ongoing projects across Middle East is at scheduled pace and few of them are at the completion stage in the near future.

Delayed collection in few of the projects continued in this quarter resulting in provision in line with the risk policy. In addition to it, in one of the overseas project in Qatar, the main contractor has unilaterally encashed the underlying bank guarantee regardless of any such action from the client to his bank guarantee and inspite of satisfactory execution and

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performance of our scope of work. The Company has considered a provision towards retention dues and encashed performance guarantee on the said project following prudent approach and disclosed the same as an exceptional item during the quarter and nine months' period ended 31 December 2022. The Company has initiated legal actions and issued Request for Arbitration to recover the amounts due from them.

On domestic front, we remain optimistic with an increased allocation of infrastructure relevant to our project skills and expertise covering water, Electrical and Modern infrastructure. At the end of the quarter, the carry forward order book for Domestic projects stands at Rs. 4538 crores containing orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book as at 31 December 2022 stood at Rs. 3005 crores. Total carry forward order book of the Segment stood at Rs. 7543 crores ~ near pre-Covid levels giving a fair visibility to future performance.

### **Segment C – Engineering Products and Services**

Segment Revenue and Results continued to report improved performance for the quarter over corresponding quarter of previous year. Segment revenue was Rs. 118 crores and EBIT was Rs. 46 crores, respectively.

During the quarter, Mining operation in Mozambique was in full swing. At home, export levy on iron ore has slowed down the mining activities impacting equipment sale and after sales services. However, recent announcement of lifting the levy and foreseeable improved price realization of commodity should accelerate the equipment purchase by the Industry players.

Improved delivery of Textile Capital machinery from the Principal and a tactical approach towards after sales service revenue augured well for the segment during the quarter. Albeit, supply chain related disruptions and volatility in the yarn prices impacting the running of textile mills continued to pose challenges in the interim period. However, having a good and secured order booking of capital machinery and a recent announced PLI scheme for textile should bode well for the industry at large.

### **Voltas Beko**

At the outset, the Voltbek brand has crossed a milestone of selling close to 3 Mn units cumulatively since launch, first one in the appliance category in a short period of around 4 years demonstrates the strength of Voltbek brand and acceptance of the products across value chain.

The demand for the appliances at large was muted during the quarter given the overall trade & consumer sentiments. On a relatively higher base of the previous year and the limited offtake during festive season has affected the trade participation in the primary sales resulting into a small volume drop during the quarter.

Nonetheless, the brand is aggressively pursuing growth strategy by increasing channel participation, focusing on the organised retail channels and e-commerce players. Voltbek continues to provide good quality products in Refrigerators, Washing Machines, Microwave,

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and Dishwashers at value for money. The aggressive localization of these products accelerated launch of customer centric products with improved margin and supply chain to mitigate related risks.

Voltbek will continue to leverage strength of both joint venture partners across value chain to further strengthen its presence of Voltbek in this competitive market.

### **Outlook:**

The softening of the rural inflation and buying across sales channels on the forecast of hot weather should support cooling product sale in the coming quarter. The easing of supply led disruption shall bring stability in commodity and other related costs. In addition, a focus on the infrastructure by the Government in the operating territories should help in securing profitable orders for the project business. In general, we remain optimistic with improvement in general macro-economic environment.

#### *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.*

10 February 2023

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