VOLTAS

***ANALYSIS OF RESULTS***

***QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2021***

The global economic recovery continued in Q2 of the financial year, even as the pandemic resurged in some or the other way because of the entry of new variants of the virus. Vaccine access and early policy support by the Central Banks of the countries across the globe continue to remain principal driver of growth.

The unabated increase in commodity prices along with supply chain disruptions posed a challenge in availability of key inputs overriding demand over supply resulting into a higher inflation. We note that although the Central Banks are directing their policy measures towards growth, the risk of inflation cannot be overlooked.

IMF has reaffirmed the growth projection for India for FY22 to be 9.5%. Albeit, in India, persistence of supply-side disruptions and surge in commodity prices including crude oil pose adverse risks to both growth and inflation. This has also led USDINR to depreciate which is trading above 75. Some Central banks have started reversing pandemic stimulation although most are still gradual. RBI has embarked on liquidity and rate normalization over 4-6 quarters which would even flatten the yield curve. Despite the headwinds, Q2 showed a positive pre-festive cheer reflected by growth in GST collection and IIP numbers.

In our business, the pent up demand in UCP segment helped us pose a growth of 5% in income from operations at Rs 1669 crores as compared to same quarter last year. Profit before tax (PBT) saw even a higher growth over 24% from Rs 115 crores to Rs 143 crores in current quarter. Non annualized Earnings per Share (Face Value per share of Re. 1) for the quarter was consequently higher at Rs. 3.13 ahead of the previous year (Rs 2.37).

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 six months have been weak given the context of the 2nd wave lockdown, and sales loss of consumer durable products in high season for the second time, availability of liquidity on our Balance Sheet continues to be a definite strength.

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A TATA Enterprise

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

| Segment reporting (Rs. Crores) | Q2 FY22 | Q2 FY21 | % ot Total Revenue Q2 FY22 | % ot Total Revenue Q2 FY21 |
|---|---|---|---|---|
| **1. Revenue** | | | | |
| Segment A : Unitary Cooling* | 1007 | 750 | 60% | 47% |
| Segment B : Eng. Projects | 536 | 744 | 32% | 47% |
| Segment C : Eng. Products | 125 | 93 | 8% | 6% |
| **Income from Operations** | **1669** | **1588** | **100%** | **100%** |
| **2. Profit before tax** | | | **Results to Revenue** | |
| Segment A : Unitary Cooling | 102 | 86 | 10.10% | 11.42% |
| Segment B : Eng. Projects | 11 | 0 | 2.11% | 0.06% |
| Segment C : Eng. Products | 39 | 29 | 31.27% | 30.87% |
| Unallocated | (10) | 0 | | |
| **Profit before Tax** | **143** | **115** | **8.56%** | **7.24%** |

* restated

**Segment A – Unitary Cooling Products**

Swift recovery post opening of the regional lockdowns, pent up demand ahead of festive season and multiple consumer offers helped the UCP business register a growth of 34% during the quarter. However, erratic weather and incessant rains in latter part of the quarter witnessed in many parts of the country, slowed the sales momentum gained in beginning of the quarter. Segment achieved overall volume growth of 24%. We continue to sustain market leadership position in Room Air conditioner business with YTD August market share of 25.9%.

Focus on the Inverter sub-category with competitive pricing and increased number of SKUs yielded a favourable outcome – Inverter AC registered a growth of 40% in Q2 FY22. Contribution of Inverter ACs within overall ACs increased to 54% in Q2 FY22 against 46% in Q2 FY21.

Focus on strengthening contracts with OEM, and new product expansion helped growth of 31% in Commercial Refrigeration vertical in Q2. Both OEM and Retail Segments have registered growth consistently over past few quarters. Focused efforts on expansion of dealer network, expanded product portfolios in each of the sub category and launch of new SKUs supported a growth of 78% in Air Cooler category.

As informed in Q1, effective 1st April, 2021, the Group has re-organised the reporting of Commercial Air Conditioning and customer care business (CAC) from Segment - B (Electro - Mechanical Projects and Services) to Segment - A (Unitary Cooling Products for Comfort and Commercial use) to align with business objectives.

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Resumption of commercial activities along with high retention of customers and enhanced focus on after sales service resulted in healthy growth of Commercial Air Conditioning business in Q2 over previous year.

In continuation of our efforts to be customer friendly, the Company has launched an exclusive online web store www.voltaslounge.com in this quarter. This web store comprehensively showcases the consumer products' line-up, from the house of Voltas.

Better product mix, coupled with planned procurement of inventories helped to partially mitigate the increased cost of commodity prices and higher logistics costs. However, acceptance of price increase from trade continues to be a challenge resulting into a moderate drop in the overall margin given a lag in passing of the input costs. Inspite of this, Segment Revenue increased to Rs. 1007 crores as compared to Rs. 750 crores in the corresponding quarter last year, increase of 34% YoY. Segment Result was higher at Rs. 102 crores as compared to Rs. 86 crores in previous year.

During the quarter, Voltas made an application in Government announced PLI scheme in Low value intermediary with Large investment category with a committed investment value of Rs 100 crores. We plan to manufacture various components at Waghodia and Pantnagar with the objective of strengthening supply chain.

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

Construction activities continued to be allowed in the current quarter, however, erratic climatic conditions lowered the progress in execution of some of the projects. Segment Revenue for the quarter was Rs. 536 crores as compared to the previous corresponding quarter of Rs. 744 crores. However, Segment reported a profit of Rs 11 crores despite delay in work certification, time based and other conservative provisions.

The domestic project business performance was satisfactory given the weather bound conditions. The carry forward order pad is Rs. 3426 crores spread across Water, HVAC and Urban Infra activities.

Some of the high value order projects are nearing completion for International business. The pace of the execution was better, however the certification of the work remained slow. The order inflow for the quarter was at Rs. 272 crores largely in UAE. The carry forward order book is Rs 2377 crores represented MEP work, mainly in UAE, Oman and Qatar.

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**Segment C – Engineering Products and Services**

Segment Revenue and Results for the quarter were at Rs. 125 crores and Rs. 39 crores, depicting growth of 34% and 36% respectively.

Both Mozambique and India operations have contributed to this performance backed by renewal of the contracts as well as strong order book of Crushing & Screening equipments.

Growing exports and extension of export incentives has pushed demand for spinning and post-spinning Capital machinery which has contributed significantly to the bottom line for this vertical. However, a price increase announced by almost all the post spinning principals with the stress in supply chain may pose some interim challenges. Announcement of much awaited PLI scheme for Textile industry is also expected to boost the sentiments for capital machinery industry.

**Voltas Beko**

Voltas Beko continued its journey of product expansion and providing value for money products to the end consumers. As part of increasing localization, the production of its top-load washing machine has commenced at existing Sanand factory. Further buoyed by the demand from the channel partner for the Direct Cool refrigerator, the refrigerator manufacturing capacity of the units will further be expanded which will also include capacity for frost free category up to a certain literage. Voltbek products continue to be accepted well in the market, and witnessed a significant demand pull from the Trade. We report Voltbek's market share of 2.7% and 2.6% YTD in the highly competitive segment of Refrigerators and Washing Machines respectively.

In terms of distribution, billing points have been scaled up to exceed 1400. Accelerated opening of Exclusive Brand Outlets (EBO) & Experience zones along with cost effective digital marketing should help in increasing reach and augmenting brand visibility. Distribution and other synergies with Voltas continue to be aggressively leveraged to achieve the overall objective of targeted market share.

**Outlook:**

As we moved into Q3, we are witnessing healthy sign of economic activities followed by a double digit growth in consumption, and GST collections topping Rs. 1 Lac crores per month and recovery in both Manufacturing and Services PMI.

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The festival season is approaching and Voltas has launched 'Mahotsav' – a combination of various consumer led schemes including extended warranty, attractive product exchange and exciting finance scheme, making purchase even more attractive for customers. In terms of readiness, we remain well poised to seize all available opportunities to profitably grow our business in a sustainable manner. While the cost -push price increase is inevitable we remain positive on overall growth.

Going forward in our Project business, we will continue to focus on building our order book following a cautious and risk mitigated approach. A further pick-up in pace of infrastructure activities can reasonably be expected in the coming quarters. Various process improvements, cost control measures and efficiencies which were strengthened over a period of time, provides a degree of comfort on future outlook. However, project execution and related challenges will continue to be monitored closely.

*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.*

1 November 2021

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