ANALYSIS OF RESULTS

QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER, 2023

The second quarter of FY24 began with slow economic recovery across major economies but amidst sluggish pace. The action taken by the Central Banks across globe on tightening of the Monetary policy by increasing benchmark interest rate has helped tame the inflation to some degree, however, inflation still remains at higher levels. The key commodity prices have also shown a downswing given the overall supply exceeding the demand. Amid this slow recovery, recent geopolitical events may further cause some disruptions in the near future and we have to wait to assess its impact on the economy.

In these challenging times, the Indian Economy has remained resilient. High frequency indicators of GDP growth, GST Collection and PMI point towards sustained economic recovery largely led by the urban diaspora. However, the rural economy is still having muted growth owing to high inflation. Given the lower economic growth in Developed Countries, recent geopolitical events and strengthening of US Dollar Index may impact the fiscal budget which will consequently impact the overall economic growth. There are still some positive offshoots in terms of manufacturing focus fueled by Production linked incentive schemes (PLI) announced across various sectors and signs of receding inflation month on month that should support the growth going forward.

In this traditionally tepid 2nd quarter of the financial year, both for product and project businesses, Voltas clocked a considerable topline growth in both Unitary cooling products and project business. The financial results for the quarter have however been impacted on account of provision of Rs 86 crores due to delayed collection in the overseas business. Consolidated Total Income for Q2FY24 was Rs 2,364 crores as against Rs 1,833 crores in Q2FY23, growth of 29% year on year. Profit before tax (PBT) and after Tax was Rs. 85 crores and Rs. 36 crores respectively. Earnings per Share (EPS) (Face Value per share of Re. 1) (not annualized) for the quarter ended 30 September, 2023 was at Rs. 1.11 against a negative EPS of Rs. 0.22 reported last year.

The Consolidated Total Income for the six months' period ended 30 September 2023 was higher by 25% at Rs. 5,794 crores as compared to Rs. 4,627 crores in the corresponding period last year. Profit before share of profit / loss of joint ventures/associates and tax was at Rs. 352 crores as compared to Rs.340 crores in the corresponding period last year. Profit before tax was at Rs.288 crores as compared to Rs.174 crores last year. Net Profit (after tax) was at Rs.165 crores as against Rs.103 crores in the corresponding period last year. Earnings per Share (Face Value per share of Re. 1) (not annualized) for six months ended 30 September, 2023 was at Rs. 5.02 as compared to Rs. 3.07 last year.

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The Corporate Balance Sheet continues to remain healthy with the cash and cash equivalents and minimal borrowings at Rs 2,590 crores as at the year end. With the objective of conserving cash for the potential future growth opportunities, the Board in its meeting, has approved issuance of Listed Unsecured Non-convertible debentures (NCDs) to the tune of upto Rs 500 crs for funding the Capital expenditure plans.

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

Segment reporting (Rs. Crores)	Q2 FY24	Q2 FY23	% to Total Revenue Q2 FY24	% to Total Revenue Q2 FY23
1. Revenue				
Segment A : Unitary Cooling	1209	1048	53%	60%
Segment B : Eng. Projects	924	554	41%	32%
Segment C : Eng. Products	134	137	6%	8%
Income from Operations	**2267**	**1739**	**100%**	**100%**
2. Profit / (loss) before tax			**Results to Revenue**	
Segment A : Unitary Cooling	93	76	8%	7%
Segment B : Eng. Projects	(49)	(92)	-5%	-17%
Segment C : Eng. Products	54	48	40%	35%
Unallocated	(13)	(19)		
Profit before Tax	**85**	**13**	**4%**	**1%**

Segment reporting (Rs. Crores)	H1 FY24	H1 FY23	% ot Total Revenue H1 FY24	% ot Total Revenue H1 FY23
1. Revenue				
Segment A : Unitary Cooling	3723	3210	66%	72%
Segment B : Eng. Projects	1603	1009	29%	23%
Segment C : Eng. Products	277	262	5%	6%
Income from Operations	**5603**	**4480**	**100%**	**100%**
2. Profit / (loss) before tax			**Results to Revenue**	
Segment A : Unitary Cooling	300	243	8%	8%
Segment B : Eng. Projects	(101)	(105)	-6%	-10%
Segment C : Eng. Products	108	99	39%	38%
Unallocated	(19)	(63)		
Profit before Tax	**288**	**174**	**5%**	**4%**

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Segment A – Unitary Cooling Products (UCP)

The second quarter of a financial year is usually a lean period for the unitary cooling business through the initial period, but it is also the start of the festive period that continues for a period of 2 months across various parts of the Country. The Onam festival in Kerala has witnessed a strong growth in the appliances business after almost three years of muted sales. This has given a hope of higher tertiary sales in the coming festival period across the rest of the Country supporting primary billing to the trade partners that is reflected in the overall volume growth of the Room Air-conditioners during this quarter. The focus on the inverter category and promotion of higher energy efficiency products has resulted in a healthy product mix contributing to the overall margins.

Voltas continued its leadership in Multi-Brand Outlets with YTD market share of 19.2% (exit August Market share of 19.5%) amidst an intensely competitive and fragmented market.

The Commercial refrigeration (CR) vertical witnessed a muted growth on account of cautious investments by B2B due to lower demand of cold beverages, chocolates and ice-creams. Nevertheless, focus on the retail channel and product mix within the category supported the overall volume during the quarter on a higher base of the previous year. Within the commercial refrigeration category, the demand was buoyant for water coolers.

The Air Cooler vertical witnessed a strong demand in East and South India whereas demand in Northern region was tepid. Increased channel participation, network expansion and product launch at competitive price points resulted in more than 50% volume growth over the previous year with an exit market share of 7.7% as of July, and achieving the Number 2 position in the Industry.

In Commercial Air Conditioning vertical, the quarter has witnessed a good demand for Chillers and Packaged Air Conditioners. The mandatory Quality Control Order (QCO) compliance in few of the Commercial Air-condition product categories and slowdown in projects will have some impact for the coming period. However, the focus on customer retention and retrofit jobs will continue to support the overall growth for the category.

The commodity prices have softened during the quarter, however the volatility still continues. Various manufacturing initiatives undertaken, expanded sourcing base with expected stabilising of commodity prices should help in containing product costs thereby supporting the overall margin in the future.

To summarize, for the quarter ended September 2023, UCP segment registered revenue of Rs 1,209 crores a 15% growth in turnover from Rs. 1,048 crores in Q2FY23. Segment reported an EBIT of Rs. 93 crores in Q2 FY24 as compared to Rs. 76 crores in Q2 FY23 (a growth of 21%). And for six months ended September 2023, UCP segment registered revenue of Rs 3,723 crores a 16% growth in turnover from Rs. 3,210 crores in H1FY23. Segment result was Rs. 300 crores in H1 FY24 as against Rs. 243 crores in H1 FY23 (a growth of 24%).

Segment B – Electro-Mechanical Projects and Services

The Segment Revenue for the quarter was Rs. 924 crores as compared to the previous corresponding quarter revenue of Rs. 554 crores (a growth of 67%). The Segment Result for the quarter reported a loss of Rs. 49 crores due to provision of Rs. 86 crores made on account of delayed collection in overseas projects.

Healthy order book at the beginning of the quarter and scheduled execution has resulted in attractive growth for domestic project business during the quarter. The focus on collections and certification has improved the overall working capital and return on capital. The Domestic projects segment booked orders worth Rs. 673 crores largely in the Electrical and MEP as compared to Rs. 475 crores during the previous quarter.

Commencement of new projects and planned progress in the running projects during the quarter resulted in a higher revenue over previous year. While topline has grown as targeted, the overall result in our overseas projects business has been impacted due to slow progress in the certification and collection of the receivables in few sizable and completed projects. The accelerated efforts are underway to expedite certification by engaging with the customers and thereby improving collection of the due amount. The Order booking in overseas projects (IOBG) for Q2 FY24 was Rs. 449 crores as compared to Rs. 119 crores in the similar period last year.

The carry forward order book for Domestic projects stands at Rs. 5,309 crores containing orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book as at 30 September 2023 stood at Rs. 3,368 crores largely in the UAE, Qatar and Saudi Arabia regions. Total carry forward order book of the Segment stood at Rs. 8,677 crores vis-à-vis Rs 5,496 crores of outstanding orders as at 30 September 2022.

Segment C – Engineering Products and Services

The Segment revenue for the quarter was Rs. 134 crores and EBIT for the quarter was Rs. 54 crores, respectively.

Our Customer-oriented approach continued to support Mozambique operations contributing significantly to the results. However, a sluggish iron ore market and slower pace of infrastructure roll out has muted the domestic mining business performance.

In case of textile machinery business, Capital machinery roll out from the Principals remained positive although a reduction in yarn price and deceleration in exports coupled with supply chain disruptions has lowered the momentum. Focus on sale of accessories contributed positively in the overall performance.

Voltas Beko

During the quarter, Voltas Beko crossed a cumulative volume of 4 Mn units since launch of commercial sales becoming the fastest brand to achieve this milestone. The overall volume growth was in excess of 40% over previous year against a muted growth for the Industry. In line with the premiumization efforts, the overall revenue share of frost-free refrigerators and automatic washing machines has increased over previous year. The intelligent spend on digital

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and social media has the helped brand in connecting with the youth and targeting the customers in an effective manner. Leveraging on the distribution reach of Voltas, the touch points have seen accelerated expansion over the last two quarters. The strategic tie ups with modern trade and e-commerce partners in addition to the traditional channel has contributed in achieving much higher volume growth than the Industry. Our market share stood at 3.3% for refrigerators and 5.4% for washing machines, representing an increase of 0.9% and 1.4% respectively over the same quarter previous year.

The favourable product mix coupled with localization of the fast-moving SKUs has resulted in the improvement of overall gross margins. The profits have remained at the previous year levels despite higher advertisement spends and spends on BTL activities. Various cost reduction efforts coupled with increased in-house production of SKUs will improve the overall gross margin leading to the better profitability for rest of the year.

Outlook:

The early indicators of tertiary sale indicate a strong demand during the upcoming festival months. The downtrend of inflation, stagnant interest rates and a fulfilling monsoon season may help in reviving rural demand during this auspicious period. The general elections may slow down the capital spending by the Central Government over the next few months. However, the long-term commitment of Government towards improving infrastructure remains intact. Private capital spends are expected to continue on the back of the production linked incentives announced across sectors. We therefore remain optimistic given the various supporting factors for the businesses we operate in.

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.

20 October 2023

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