



ANALYSIS OF RESULTS

QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2023

2023 unfolded in a manner that defied easy predictions. The initial outlook was overshadowed by the global geopolitical tensions and financial market volatility. In case of the developed world, inflation climbed to unprecedented levels, compelling Central Banks to embark on historically rigorous path of rate hikes before settling down to pause in the latter part of the year. The uncertainty of growth across the world kept the crude oil and commodity prices volatile for most of the year.

Despite multiple headwinds globally, the Indian economy demonstrated resilience and candor in 2023. The increase in tax revenues, positive PMI across manufacturing and services coupled with the highest economic growth rate amongst world economies stands to this testimony.

Quarter 3 of the financial year comes with festivities across the Country augmenting demand for the various product categories we operate in. The execution of healthy order pad in project business at the beginning of the year has also added to the overall revenue for the quarter ended December 2023. As a result, the consolidated total income registered a growth of 32% at Rs. 2,684 crores as against Rs 2,036 crores in Q3FY23. While product profitability has improved over previous year on account of stability in commodity prices and operating leverage duly supported by the improved profitability in domestic business on the execution of the healthy order pad, a provision on account of delayed collection and cost overrun in International projects, especially in Qatar, has impacted the overall result for the quarter ended December 2023. The Profit before tax (PBT) was Rs. 24 crores against a loss of Rs. 80 crores in Q3FY23. Earnings per Share (EPS) (Face Value per share of Re. 1) (not annualized) for the quarter ended 31 December, 2023 was at negative Rs. 0.92 against a negative EPS of Rs. 3.34 reported last year.

The Consolidated Total Income for the nine months' period ended 31 December 2023 was higher by 27% at Rs. 8,477 crores as compared to Rs. 6,664 crores in the corresponding period last year. Profit before tax was at Rs. 312 crores as compared to Rs. 93 crores last year. Net Profit (after tax) was at Rs.137 crores as against a loss of Rs. 7 crores (owing to an exceptional loss of Rs 244 crores in FY23) in the corresponding period last year. Earnings per Share (Face Value per share of Re. 1) (not annualized) for nine months ended 31 December, 2023 was at Rs. 4.10 as compared to a negative EPS of Rs. 0.27 in the same period previous year.

During the quarter, the Company has availed a term loan to finance the capacity expansion for both Air-conditioner and commercial refrigeration along with investments directed towards PLI scheme. The Corporate Balance Sheet continues to remain healthy with the cash and cash equivalents and minimal borrowings as at the period end.

VOLTAS LIMITED

Finance and MIS Department

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Corporate Identity Number L29308MH1954PLC009371

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

Segment reporting (Rs. Crores)	Q3 FY24	Q3 FY23	% to Total Revenue	
			Q3 FY24	Q3 FY23
1. Revenue				
Segment A : Unitary Cooling	1476	1216	56%	61%
Segment B : Eng. Projects	982	648	38%	33%
Segment C : Eng. Products	155	118	6%	6%
Income from Operations	2612	1982	100%	100%

Segment reporting (Rs. Crores)	Q3 FY24	Q3 FY23	Results to Revenue	
			Q3 FY24	Q3 FY23
2. Profit / (loss) before tax				
Segment A : Unitary Cooling	123	89	8%	7%
Segment B : Eng. Projects	(120)	(183)	-12%	-28%
Segment C : Eng. Products	50	46	32%	39%
Unallocated	(29)	(32)		
Profit before Tax	24	(80)	1%	-4%

Segment reporting (Rs. Crores)	9M FY24	9M FY23	% of Total Revenue	
			9M FY24	9M FY23
1. Revenue				
Segment A : Unitary Cooling	5198	4426	63%	68%
Segment B : Eng. Projects	2585	1657	31%	26%
Segment C : Eng. Products	432	380	5%	6%
Income from Operations	8215	6463	100%	100%

Segment reporting (Rs. Crores)	9M FY24	9M FY23	Results to Revenue	
			9M FY24	9M FY23
2. Profit / (loss) before tax				
Segment A : Unitary Cooling	423	332	8%	8%
Segment B : Eng. Projects	(221)	(288)	-9%	-17%
Segment C : Eng. Products	158	145	37%	38%
Unallocated	(48)	(96)		
Profit before Tax	312	93	4%	1%

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Segment A – Unitary Cooling Products (UCP)

Quarter 3 of current financial year witnessed key festivals and wedding season supporting consumer appliances in an otherwise lean quarter from the season perspective. The strategic tie-ups with channel partners, price calibration coupled with expanded product portfolio has resulted in volume growth outperforming the Industry. The planned expansion of Exclusive brand outlets (EBOs) has also supported and contributed to sales during the period. Tactical consumer-centric subvention schemes and placement of In-shop demonstrators (ISDs) has boosted sales of higher energy efficiency products, thereby improving product portfolio towards more premium category. The collective outcome of all such initiatives has resulted in volume growth of 27% over last year in similar period. Voltas continued its leadership in Window as well as Split Air-conditioners category with YTD market share of 19% as of December 2023.

The focus on the inverter category, improved product portfolio, reduced volatility in commodity prices, higher scale and focused approach on margin enhancement resulted in year on year and sequential margin improvement for the product category.

On a relatively higher base of the previous year and on account of reduced investment by the OEMs more particularly in chocolate category, the growth of the commercial refrigerator category has remained tepid. Nevertheless, the outlook for this category is promising given the expansion of retail chains in conjunction with increased penetration of cold beverages, chocolates and ice-creams into newer territories.

The Air Cooler vertical witnessed a lower tertiary demand amid low offtake during this non-season time. The investment in product portfolio, expansion of network channel and tactical distributor schemes supported the primary delivery to the channel partners thereby registering a growth during the quarter. Voltas Air Coolers continued to lead the second position in market share with an exit market share of 8.9% as of November 2023, an increase of 170 bps over March 23. During the quarter, we witnessed good acceptance of our newly launched water heaters.

Commercial Air Conditioning vertical performance has registered a robust growth for Chillers, VRF, Ducted and Packaged Air Conditioners both from retail and healthcare sectors. Going forward, a mandatory Quality Control Order (QCO) compliance in few of the Commercial Air-conditioning product categories may also impact sales amid price escalation, however, increased commercial activities across the Country coupled with focus on customer retention, and after sale service should support the overall growth for the category.

To summarize, for the quarter ended December 2023, UCP segment registered revenue of Rs. 1,476 crore a 21% growth in turnover from Rs. 1,216 crores in Q3FY23. Segment reported an EBIT of Rs. 123 crores in Q3FY24 as compared to Rs. 89 crores in Q3FY23 (a growth of 37%). For nine months ended December 2023, UCP segment registered revenue of Rs 5,198 crores a 17% growth in turnover from Rs. 4,426 crores in 9MFY23. Segment result was Rs. 423 crores in 9MFY24 as against Rs. 332 crores in 9MFY23 (a growth of 27%).

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Segment B – Electro-Mechanical Projects and Services

The Segment Revenue for the quarter was Rs. 982 crores as compared to the previous corresponding quarter revenue of Rs. 648 crores (a growth of 51%). The Segment Result for the quarter reported a loss of Rs. 120 crores due to cost escalation on periodic assessment of the ongoing projects and provisions on account of delayed collection in certain overseas projects.

Domestic projects business, on the back of the healthy order book at the beginning of the year and timely execution of the projects, registered a stellar growth of 83% over last year in similar period. Focus on certification, tight control on the working capital and other project management related initiatives have resulted in a robust growth in the financial result as well as improved ROCE for the domestic projects. The order inflow and order pad for the domestic business stands at Rs. 482 crores and Rs. 5275 crores respectively.

While domestic business has registered a stellar performance within the segment, International project business continues to face headwinds. A cautious and risk mitigated approach is followed for securing new orders, however, a few projects (especially at Qatar) are under stress due to obstinate delays in realization of overdue receivables and prolongation of execution timelines. These delays have resulted in cost overrun, which has impacted the overall performance and resulted in loss of Rs. 143 crores in International projects business in the current quarter. Having said that, Company continues to engage with all concerned stakeholders in these projects to pursue its entitled claims and recovery of due receivables.

Segment C – Engineering Products and Services

The Segment revenue for the quarter was Rs. 155 crores and EBIT for the quarter was Rs. 50 crores, respectively.

Customer-focused approach, increased demand of crushing and screening equipment owing to extensive infrastructure spending in the Country and revival of iron ore sector supported the growth of Mining vertical in the segment.

Sustained prices of cotton on the arrival of new crop gave some respite to cotton spinners resulting in revival of demand for the Textile machinery equipment. The vertical continued with improved performance on the disciplined execution of the strong order book and focus on accessories sale including auxiliary and value added service. Investment in textile sector on the back of the policy initiatives of the Government like PLI scheme, Textile Park and revival of export demand are an indication of positive outlook for the sector.

Voltas Beko

Voltas Beko, the Company's Home appliance business, crossed a cumulative volume of 4.5 Mn units since launch of commercial sales, becoming the fastest brand to achieve this milestone. The overall volume growth was in excess of 65% compared to the corresponding quarter in the previous fiscal, and for the nine-month period, the overall growth in volume was in excess of 55%. The company's performance was aided by robust festival demand, improved

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consumer sentiments, growing presence in organized retail and E-commerce platform, and product management initiatives which have led to a premiumization of the overall portfolio. The strategic tie-ups with organised trade partners and e-commerce platforms, in addition to the traditional channels have contributed to achieving much higher volume growth as compared to the industry. The Company's effective advertisement spends on TV and digital media and the rapid and extensive deployment of in-shop demonstrators has accelerated the growth momentum. Our market share stood at 3.3% for refrigerators and 5.5% for washing machines, representing an increase of 1% and 2.1% respectively over the same period in the previous year. In the semi-automatic washing machine category, the company reported market share of 12.2% for December 2023.

The favourable product mix, cost-rationalization measures along-side localization of the fast-moving SKUs have resulted in significant improvement in overall gross margins. During the quarter, the company also received significant export orders from the overseas subsidiaries of its shareholder partner. The loss per unit has been curtailed significantly, despite much higher advertisement spends and in-shop activities. The growth in sales volumes and increase in capacity utilization will continue to drive improvement in gross margins and overall profitability.

Outlook:

With the upcoming summers around the corner, we strongly believe that demand for Air-conditioners, Commercial Refrigerators, Air coolers and Home Refrigerators will be strong and positive consumer sentiments will further support growth. The various strategic initiatives and new product launches planned for the season across categories will help us to outperform the market and shall support us in strengthening market share in a more sustainable and profitable manner.

The Government may curb its spends on infrastructure in the wake of the general elections, however, profitable execution of the orders in hand will support growth momentum. The headwinds in our International business may continue for some time given the extraneous factors, however, the efforts taken by the Company may be able to reduce its impact on the segment.

We 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.

31 January '24

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