



ANALYSIS OF RESULTS

QUARTER AND YEAR ENDED 31 MARCH, 2023

FY23 was set to be a year of recovery leaving behind the after effects of Covid, Russia-Ukraine War. While on one hand supply-chain disruptions were unwinding, synchronous tightening of monetary policy by most central banks, resulting increase in the interest rate and thereby controlling effects of elevated inflation. The volatility in commodity prices, signs of turbulence in the banking network are holding the economic growth across most of the Countries.

Despite the challenges across the Globe, India continued to show resilience to the effects of various global events. The widening of current account deficit, depreciation of the Indian rupee and muted capital inflow did impact the economic growth in the later part of the year. The impact of the higher inflation rate witnessed in the consumer confidence Index across segments and, in particular, the discretionary sectors. However, 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 the ever challenging environment, Voltas' product business has performed relatively better with growth across all product categories amid incessant rains and muted consumer sentiments towards discretionary spend. Our Consolidated Total Income for Q4FY23 was Rs 3003 crores as against Rs 2704 crores in Q4FY22, growth of 11% year on year. Profit before tax (PBT) and after Tax was Rs. 214 crores and Rs. 143 crs respectively. Earnings per Share (EPS) (Face Value per share of Re. 1) (not annualized) for the quarter ended 31st March, 2023 was at Rs. 4.35 against Rs. 5.52 reported last year.

The Consolidated Total Income for the year ended 31st March, 2023 was higher by 19% at Rs.9667 crores as compared to Rs.8124 crores in the corresponding period last year. Profit before share of profit / loss of joint ventures/associates and tax was at Rs. 672 crores as compared to Rs.808 crores in the corresponding period last year. Profit before tax (after share of profit / loss of joint ventures /associates and an exceptional item) was at Rs.307 crores as compared to Rs.697 crores last year. The exceptional item (Rs. 244 crores) pertains to provisions made due to termination of contract and encashment of bank guarantees for two overseas projects in Dubai and Qatar, respectively. Legal proceedings have been initiated against the main contractors for recovery of proceeds of bank guarantees and other amounts due from them. Net Profit (after tax) was at Rs.136 crores as against Rs. 506 crores in the corresponding period last year. Earnings per Share (Face Value per share of Re. 1 as at 31st March, 2023 was at Rs.4.08 as compared to Rs.15.23 last year.

VOLTAS LIMITED

Finance and MIS Department

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Corporate Identity Number L29308MH1954PLC009371

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The Corporate Balance Sheet continues to remain healthy with the cash and cash equivalents at Rs 2,590 crs as at the year end.

A snapshot of our results for this quarter and for the financial year is presented herewith: -

Segment reporting (Rs. Crores)	Q4 FY23	Q4 FY22	% to Total Revenue	
			Q4 FY23	Q4 FY22
1. Revenue				
Segment A : Unitary Cooling	2049	1818	70%	69%
Segment B : Eng. Projects	746	692	25%	26%
Segment C : Eng. Products	142	124	5%	5%
Income from Operations	2937	2634	100%	100%
2. Profit / (loss) before exceptional items and tax			Results to Revenue	
Segment A : Unitary Cooling	206	192	10%	11%
Segment B : Eng. Projects	(14)	48	-2%	7%
Segment C : Eng. Products	56	41	39%	33%
Unallocated	(34)	(33)		
Profit before Tax	214	247	7%	9%

Segment reporting (Rs. Crores)	FY23	FY22	% to Total Revenue	
			FY23	FY22
1. Revenue				
Segment A : Unitary Cooling	6475	4882	69%	62%
Segment B : Eng. Projects	2403	2470	26%	32%
Segment C : Eng. Products	522	489	6%	6%
Income from Operations	9399	7841	100%	100%
2. Profit / (loss) after exceptional items and before tax			Results to Revenue	
Segment A : Unitary Cooling	538	513	8%	11%
Segment B : Eng. Projects*	(302)	126	-13%	5%
Segment C : Eng. Products	201	158	38%	32%
Unallocated	(129)	(100)		
Profit before Tax	307	697	3%	9%

* includes an Exceptional item of Rs 244 crs

Segment A – Unitary Cooling Products (UCP)

The onset of summer season with higher temperatures in the early part of March resulted in increased demand from the consumer. The unseasonal rain in the latter part of the month deferred the demand for the cooling product, however, the weather forecast for hot summer and scorching heat witnessed in the current month has increased footfall for the product category across major parts of the Country.

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The consumers' desire to have product with advanced features and its long term advantage of saving in energy cost, the split inverter category of air-conditioner is in high demand. The expanded product portfolio of Voltas with in-house designed SKUs and competitive pricing has resulted in increased share of the inverter category to 75% from 63% during the year and its contribution is in excess of 80% for the quarter. Based on the success of the inverter Split category, the Company has expanded inverter portfolio in the window category as well at strategic price points during the current season.

Aggressive pricing to leverage early summer sales and garner the market share has increased competition in an already fragmented market. While we continue to be a leader in the MBO (Multi Brand Outlet) for the overall air-conditioner category with YTD February market share of 21.9%, the market share for February month was at 18.2%. Nevertheless, secondary driven incentive program across sales channel, healthy tie up with Modern trade and Organized channel, extensive network of Exclusive Brand Outlets (EBO) including experience zones at strategic locations along with customer centric exciting schemes during the season shall help strengthen the market share.

Commercial refrigeration category continued its growth journey during Q4 FY23 and for the year on an even higher base with increased participation from retail chain and OEMs. Within the commercial refrigeration category, higher demand was witnessed in water coolers, water dispensers and Visi coolers. The category is expecting to grow further considering a rapid urbanization, change in dietary preferences, demand for the frozen foods and market expansion by the OEM of ice-creams, chocolates and beverages. The Company has expanded its product SKUs to cater to the demand for each segment. During the quarter, the Company has made inroads for Medical refrigeration (MR) products in a small way and will enhance its focus to take advantage of the increasing demand for MR products. Having planned capacity expansion, Voltas is geared to launch a number of consumer-focused products with enhanced features and quality in the near future.

Prediction of early summer with above normal temperatures, seasonal tie ups with Modern and retail chain helped placement of Air Coolers across the value chain. The exclusive product has further supported tie up with E-commerce, an evolving and preferred channel for the short season product category. Along with active channel participation, the Company has introduced many SKUs to balance the product portfolio for each of the product sub-category. The efforts have yielded desired results in further strengthening brand position and securing market share of close to 9% in Air Cooler segment.

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, softening of the commodity prices (although remaining volatile), prudent and well thought out sourcing has helped contain material cost to a great extent. However, the continuous advantage of the same may not be certain given the erratic and fluid demand & supply gap for the critical inputs. Nonetheless, our efforts will always be there to remain competitive and continue to provide value for money products to the consumer considering twin objective of market share and margin.

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To summarize, for the quarter ended March 2023, UCP segment registered revenue of Rs 2049 crs (13%) growth in turnover from Rs. 1818 crores. Segment reported an EBIT of Rs. 206 crores in Q4 FY23 as compared to Rs. 192 crores in Q4 FY22. For the year ended March 2023, the segment registered 33% growth in turnover to Rs. 6475 crores from Rs. 4882 crores with the EBIT of Rs. 538 crores.

Segment B – Electro-Mechanical Projects and Services

Segment Revenue for the quarter was Rs. 746 crores as compared to the previous corresponding quarter of Rs. 692 crores. Segment Result for the quarter reported a loss of Rs. 14 crores as compared to profit of Rs. 48 crores for the corresponding quarter last year. Segment Revenue for the year was Rs. 2403 crores and the Segment Result for the year was Rs. 302 crores after the exceptional loss of Rs 244 crores.

Domestic projects business witnessed a healthy order booking of Rs. 1910 crs as compared to Rs. 848 crs in similar period previous year comprising of single largest order of Rs. 1200 crs in Electrical. The planned and timely execution of the projects resulted in achieving threshold for recognizing margin as per internal policy and thereby contributing to the results. Further, a tight monitoring on the working capital and focus on collection improved return on the capital for the domestic project business.

Lower order pad in the International project business as most of the old projects are at the completion stage impacted the topline as compared to the previous year. The region continued to witness a delay in certification and thereby collection of the outstanding amounts resulting in provisions following prudent and conservative policy. Having said, all efforts are pursued to engage with customers to expedite certification work and improve collection of the due amount.

The carry forward order book for Domestic projects stands at Rs. 5799 crores containing orders across Water, HVAC, Rural Electrification and Urban infra activities. The International order book as at 31 March 2023 stood at Rs. 2356 crores largely in UAE and Saudi Arabia region. Total carry forward order book of the Segment stood at Rs. 8154 crores vis-à-vis Rs 5360 crores of outstanding orders as at 31 March 2022.

Segment C – Engineering Products and Services

Segment Revenue and Results continued to report improved performance for the quarter registering healthy growth over previous year. Segment revenue for the quarter was Rs. 142 crores and EBIT for the quarter was Rs. 56 crores, respectively. Segment Revenue for the year was Rs. 522 crores and the Segment Result for the year was Rs. 201 crores.

Better average billing hour rate and customer focused approach has supported the growth in Mozambique territory. The removal of export levy on iron-ore and increased focus on infrastructure sustained the demand for crushing and screening equipment.

Textile sector continued to witness challenging environment on account of lower than usual utilization of spinning mills due to lower export order and high prices of key raw materials; cotton and yarn. Despite this adversity, the vertical has performed outstandingly on the back

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of strong order book and introduction of various innovative products along with OEM. The focus on after sale service has also supported the overall revenue growth.

Voltas Beko

Revival of demand, particularly in the month of March has resulted in the overall volume growth of 26% during the quarter. The Brand has cumulatively sold in excess of 3.3 Mn units since launch and has become first brand to achieve this milestone in the shortest period of time. The expansion of distribution reach, focus on more energy efficient star rated products with wider range of product SKUs and in-house manufacturing of the high value added products supporting the overall growth.

Leveraging the strength of joint venture partner both in manufacturing and distribution is helping the Voltas Beko brand to timely introduce innovative products with differentiated features and expanding distribution reach in the targeted and strategically important markets. This concentrated effort has resulted in securing market share of 5.3 %, increase from 4.4% in the month of March with the market share of 8.9% in the sub-segment of Washing Machine category of semi-automatic washing machine.

Our objective is to have more value added products to be manufactured from own factory and thereby control and strengthen the supply chain to improve overall margin. With this objective, trial is underway for the Fully automatic front loaded washing machine to be manufactured in-house after successful launch of frost free refrigerator during the current season.

The lower penetration in most of the product category, consumer shift to the premiumization and technological advanced product along with life style changes bodes well for the product category and brand to progress on the defined objective of market share in a profitable way.

Outlook:

Cooling products being a weather dependent and seasonal product, the summer period becomes critical for the Industry and Company for growth. The current weather forecast and increased footfall projects towards a reasonable growth. The Company is adequately prepared to secure the opportunity both on supply & consumer demand front and will continue to pursue its aggressive strategy to strengthen market share in a profitable way.

As you are aware that the Company had planned for compressor manufacturing through joint venture with Highly International subject to the necessary regulatory approvals. As the regulatory approvals were not forthcoming, both the parties have mutually agreed to terminate the joint venture agreement.

For projects business, we will continue to follow cautious and risk mitigated approach while selecting new orders. The execution of the orders in hand is paramount to ensure timely completion of the project with tendered margin.

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With an eye on sustained profitable growth, while enhancing focus on Product Business and Project business, independent of each other, the Board has approved internal restructuring of the international operations including investments in overseas joint ventures / subsidiaries to be housed in a wholly-owned subsidiary.

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.

27 April 2023

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