

Result Update

CMP	346
Target Price	370
Previous Target Price	-
Upside	7%
Change from Previous	-

Market Data

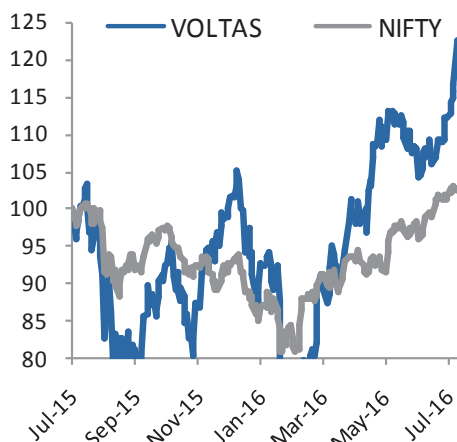
BSE Code	500575
NSE Symbol	VOLTAS
52wk Range H/L	360/211
Mkt Capital (Rs Cr)	7,747
Av. Volume	227840
Nifty	7823

Stock Performance

	1Month	1Year	YTD
Absolute	12.4	16.7	58.7
Rel.to Nifty	9.0	14.3	37.4

Share Holding Pattern-%

	1QFY17	4QFY16	3QFY16
Promoter	30.3	30.3	30.3
Public	69.7	69.7	69.7
Others	--	--	--
Total	100	100	100

Company Vs NIFTY

1QFY17_Results Highlights (Cons)

Led by higher sales in both Products and Projects business segments, the Consolidated Sales/Income from Operations for the quarter ended June 30, 2016 was higher by 18%, at Rs. 1845 crores as compared to Rs. 1561 crores in the corresponding quarter last year. Profit before tax was higher by 53%, at Rs. 225 crores as compared to Rs. 147 crores last year. Earnings per Share (Face Value per share of Re. 1) as at June 30, 2016 improved to Rs. 4.76 as compared to Rs. 3.10 last year. All three segment did well and Voltas sustained its No.1 market position in the Unitary Cooling Products business.

The Company adopted Indian Accounting Standards ("Ind-AS") from 1st April, 2016 and accordingly the financial results have been prepared in accordance with the recognition and measurement principle laid down in the Ind AS 34 - Interim Financial Reporting. Other Comprehensive Income recognized as per Ind-AS also includes notional mark to market revaluation gains / losses on various longer term investments. Accordingly, the Total Comprehensive Income of Rs. 184 crores for the current quarter includes gain of Rs. 21 crores on revaluation of longer term equity investments. The figures for previous period have been regrouped / restated wherever necessary in line with Ind-AS requirements.

Outlook and Valuation

Company surprised investors with a strong performance for the first quarter of FY17 and giving positive outlook in FY17E.Voltas reasserted its brand leadership in room ACs with the launch of its new All Star AC range, with the core value proposition of Run 2 ACs at the cost of 1.Electro-mechanical projects and services reported 4% growth YoY. Unitary Cooling Product reported 26% YoY growth led by sustained hot weather and increase in consumer demand across the country and sustained its No.1 market position and this leadership position will help it register better sales growth in the current quarter. Voltas has the highest brand equity in cooling and comfort, and leads the market in ACs. With launch of Voltas Fresh-Air Coolers, company aims to bridge the wide gap between fans and ACs, and be among the top 3 brands in Air Coolers within the next 3 years.Considering all these above reason we recommend "BUY" on the stock at the target price of Rs 370.

	Rs in Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	5531	5266	5183	5857	6461
EBITDA	245	266	410	437	556
Net Profit	207	245	384	386	431
EBIDTA%	4.4%	5.0%	7.9%	7.5%	8.6%
P/E	0.0	0.0	0.1	0.1	0.1

(Source: Company/Eastwind)

Segment wise performance:

Electro-Mechanical Projects and Services: Segment Revenue for the quarter was higher at Rs. 580 crores as compared to Rs. 563 crores in the corresponding quarter last year. Segment Result was Rs. 11 crores as compared to Rs. 9 crores, last year. Order Book of the Segment stood higher at Rs. 4417 crores as compared to Rs. 4181 crores in the same quarter last year. Orders booked during the quarter, includes Rs. 530 crores for MEP works of a Mall in Qatar and Rs. 201 crores for MEP works of a commercial building in Qatar.

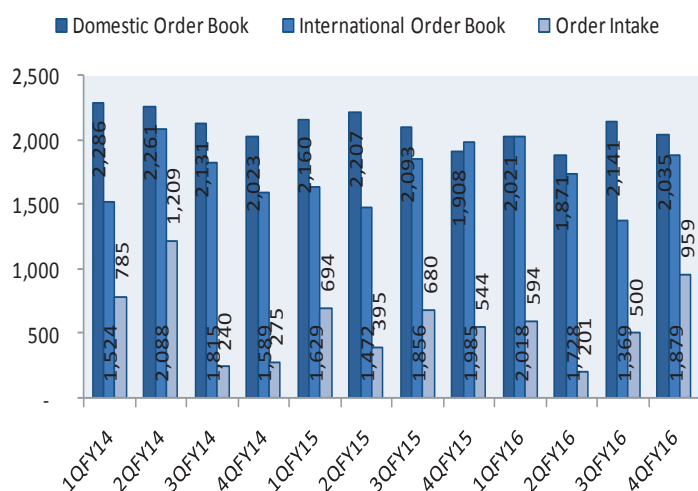
Engineering Products and Services: Segment Revenue for the quarter was marginally lower at Rs. 69 crores as compared to Rs. 70 crores in the corresponding quarter last year. Segment Result was Rs. 19 crores as compared to Rs. 24 crores, last year. The lower performance is reflective of the muted environment in India coupled with impact of depreciation in currency of Mozambique where the Company is executing service contracts.

Unitary Cooling Products for Comfort and Commercial use: Led by sustained hot weather and increase in consumer demand across the country, Segment Revenue was higher at Rs. 1196 crores as compared to Rs. 928 crores in the corresponding quarter last year. Segment Result was also higher at Rs. 178 crores as compared to Rs. 114 crores in the corresponding quarter last year. Voltas continues to be the market leader, at No.1 market position in the Unitary Cooling Products business.

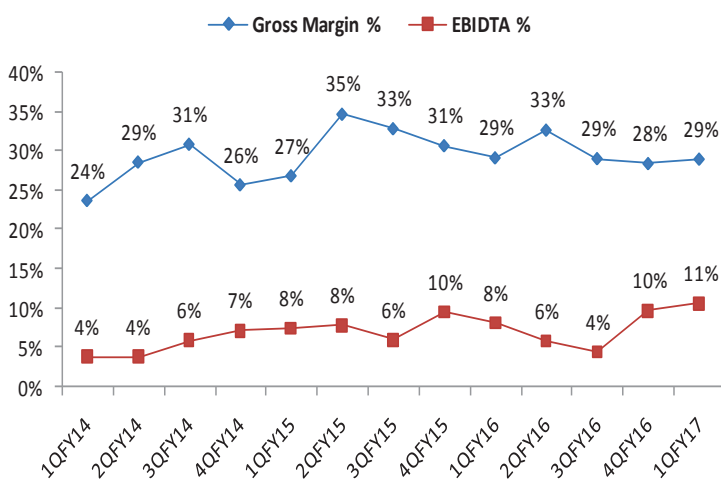
Segment wise Revenue:

Segment Revenue (Rs/Cr)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Segment-A (Electro-mechanical projects and services)	693	671	643	686	622	525	461	600	556	621	722	819	580
Segment-B (Engineering Product and services)	111	126	112	99	111	87	81	81	70	96	111	93	69
Segment-C (Unitary cooling Products)	787	264	347	654	1,001	345	384	781	949	314	435	859	1,196
Others	11	15	13	12	18	12	13	23	21	29	33	106	-
Total	1,602	1,077	1,115	1,451	1,753	969	939	1,484	1,595	1,060	1,301	1,876	1,845

EMP order book position (Rs in Cr)



Trend of Gross margin & EBITDA margin(%):



Investment arguments:

- Company sustained its leadership in the UCP segment(i.e. 22%) which will help to register better sales growth in the current quarter.
- Company sold 50000 units coolers last quarter and management expects their marketing efforts to benefit volumes going ahead and as per the management Air cooler will grow ahead of market.
- The company has been selective in taking new orders with minimum margins of 4-5% in the international market. Its aspirational EBIT margin target remains at 4-5% for the international market in FY17.
- The company has cut prices selectively on few products with selective sale promotions due to the higher competitive pressures.
- Despite the aggressive competition, the company retained its market leadership position with 22% market share.

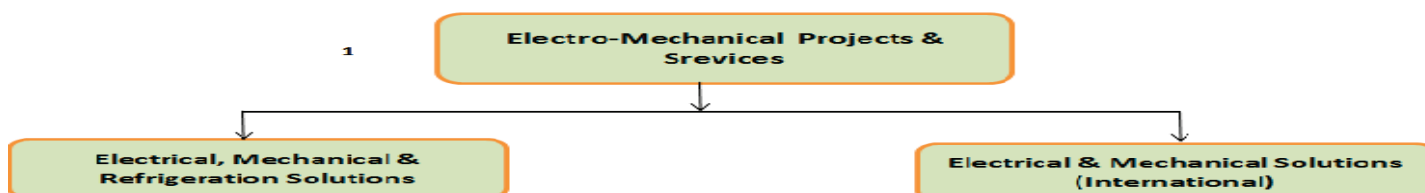
1QFY17 Concall highlights:

- Market share of RAC is 22% which company will protect going forward and seeking market opportunities to grow market share.
- In Unitary cooling products business expect 12-13 % margin for FY17 and company sustained its leadership in the UCP segment(i.e. 21%). Company sold 50000 units air coolers 1QFY17 and management expects their marketing efforts to benefit volumes going ahead.
- Unitary cooling segment given robust growth this particular quarter and as per the management Air cooler will grow ahead of market.
- EMP segment percentage of good orders are increasing and expect 8% EBIT margin going forward. Management expects EBIT margins to be 8%
- Company is continue to protect its margin and confident to achieve 12-13% margin
- Dealer network is 11000
- As per the management Air cooler will grow ahead of market.
- Rohini subsidiary-Opportunity in Rohini is very huge and company is positive in poerating margin basis.

About the Company:

Voltas Limited is an India-based air-conditioning and engineering company. Its segments include Electro-mechanical Projects and Services, Engineering Products and Services, and Unitary Cooling Products for Comfort and Commercial use. The electro-mechanical projects and services include electrical, mechanical and refrigeration solutions and electrical and mechanical solutions international. , Engineering products and services includes textile machinery and mining and construction equipment. The unitary cooling products are sub-divided into: air conditioners, commercial refrigeration and water cooler and dispensers. The Company's operating subsidiaries include Universal Comfort Products Limited, Auto Aircon (India) Limited, Saudi Ensas Company for Engineering Services WLL, Weathermaker Limited and Lalbuksh Voltas Engineering Services & Trading LLC.

Business organization



Financials Snap Shot

INCOME STATEMENT

	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	5266	5183	5857	6461
Other Income	100	109	118	130
Total Revenue	5366	5292	5975	6591
COGS	3854	3597	4126	4492
GPM	1	1	1	1
Other Expenses	551	586	625	677
EBITDA	266	410	437	556
EBITDA Margin (%)	5%	8%	7%	9%
Depreciation	25	28	28	32
EBIT	241	382	409	524
Interest	23	23	15	26
PBT	318	467	511	627
Tax	94	128	160	196
Tax Rate (%)	30%	27%	31%	31%
Reported PAT	245	384	386	431
Dividend Paid	62	72	87	101
No. of Shares	33	33	33	33

Source: Eastwind/Company

RATIOS

	FY14	FY15	FY16	FY17E
EPS	7.4	11.6	11.7	13.0
Book Value	55.0	63.5	72.4	82.4
DPS	1.9	2.2	2.6	3.0
Payout (incl. Div. Tax.)	25%	19%	23%	23%
Valuation(x)				
P/E	21.7	24.1	23.6	25.4
Price / Book Value	2.9	4.4	3.8	4.0
Dividend Yield (%)	1.16%	0.77%	0.96%	0.92%
Profitability Ratios				
RoE	13%	18%	16%	16%
RoCE	13%	18%	17%	19%
Turnover Ratios				
Asset Turnover (x)	1.1	1.1	1.0	1.0
Debtors (No. of Days)	92.5	94.3	81.4	89.4
Inventory (No. of Days)	85.3	88.0	79.0	84.1
Creditors (No. of Days)	112.8	108.6	108.7	108.7
Net Debt/Equity (x)	0.00	0.00	0.00	0.00

Source: Eastwind/Company

BALANCE SHEET

	FY14	FY15	FY16	FY17E
Share Capital	33	33	33	33
Reserves	1786	2069	2362	2693
Net Worth	1819	2102	2395	2726
Long term Debt	5	5	0	0
Short term Debt	258	117	260	287
Deferred Tax	2	2	2	2
Total Capital Employed	1825	2107	2395	2726
Net Fixed Assets	210	193	222	241
Capital WIP	2	4	0	0
Debtors	1335	1339	1307	1583
Cash & Bank Balances	282	252	197	245
Trade payables	1627	1541	1745	1925
Total Provisions	279	354	408	435
Net Current Assets	1487	1218	1356	1648
Total Assets	4746	4888	5599	6228

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY14	FY15	FY16	FY17E
OP/(Loss) before Tax	340	514	552	627
Depreciation	25	28	28	32
Direct Taxes Paid	89	104	153	196
Operating profit before w	351	341	505	685
CF from Op. Activity	230	311	275	324
	0	0	0	86
Capital expenditure on fix	25	34	52	50
CF from Inv. Activity	(285)	(104)	(367)	(203)
Repayment of Long Term	0	0	0	0
Interest Paid	23	23	14	0
Divd Paid (incl Tax)	57	71	88	101
CF from Fin. Activity	(79)	(236)	36	(74)
Inc/(Dec) in Cash	(134)	(29)	(56)	48
Add: Opening Balance	407	273	243	197
Closing Balance	273	243	188	245

Source: Eastwind/Company