

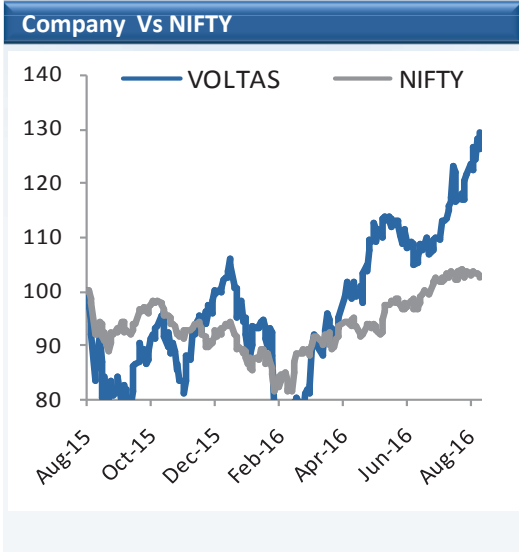
Voltas Ltd.

Result Update	
CMP	390
Target Price	422
Previous Target Price	370
Upside	8%
Change from Previous	-

Market Data	
BSE Code	500575
NSE Symbol	VOLTAS
52wk Range H/L	402/211
Mkt Capital (Rs Cr)	9,037
Av. Volume	227840
Nifty	7823

Stock Performance			
	1Month	1Year	YTD
Absolute	13.0	35.7	55.8
Rel.to Nifty	14.1	32.4	41.7

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



New efficiency norms for ACs from January 2018:

Seeking to reduce carbon emissions, the government said that a new efficiency rating system for air-conditioners, based on Indian climatic conditions, will be made compulsory for all models starting January 2018. All air-conditioners will need energy-saving and intelligent regulation of compressors in place of the conventional thermostat-triggered cut-offs, said the Bureau of Energy Efficiency (BEE), the standard setter for appliances. Today, ACs with this technology is costlier by about Rs.7000-8000 a unit. But as more units adopt it, cost will come down. As per the management, Company is ready to comply with the new guidelines set by BEE for 2018. They will continue to provide energy-efficient products to their customers.

The Government's initiatives on creating new Smart Cities and upgradation of the infrastructure of existing cities represents an area of significant potential. The Company's expertise at installation, testing, commissioning and operation of sensor networks across some of the world's largest building complexes and its existing infrastructure of support technicians and service partners, positions it effectively to handle the complex task of managing the maintenance of Smart City information networks.

In International front, Despite the declining oil prices, spend on infrastructure will get a boost especially in Dubai and Qatar owing to the EXPO 2020 and FIFA world cup 2022. Voltas remains one of the few large MEP contractors with required project qualifications and domain expertise. Voltas continues to be a preferred contractor in the Middle East, holds the Company in good stead against competition for these mega events.

Outlook and Valuation

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. 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. Government announced new efficiency norms for ACs to reduce carbon emissions. Voltas is ready to adhere to the new guidelines set by BEE for FY18 and they will continue to provide energy-efficient products to their customers. Earlier we had recommended "BUY" at target price of Rs 370 (~11% upside). As Voltas has been achieved our target of Rs 370 (CMP Rs 390.50), now further we see 14% upside from our previous target and recommend "BUY" and "HOLD" for the revised target of Rs 422.

	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)

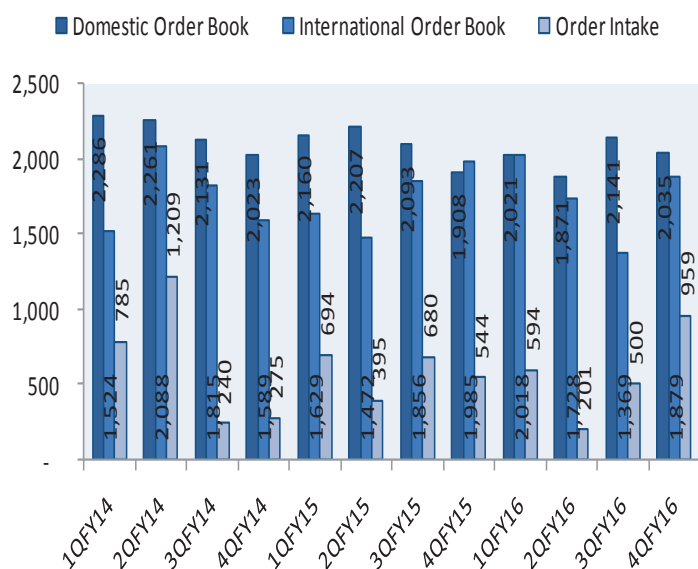
Segment wise Opportunities & Outlook:

ELECTRO-MECHANICAL PROJECTS AND SERVICES: In Domestic front, The Government's initiatives on creating new Smart Cities and upgradation of the infrastructure of existing cities represents an area of significant potential. The Company's expertise at installation, testing, commissioning and operation of sensor networks across some of the world's largest building complexes and its existing infrastructure of support technicians and service partners, positions it effectively to handle the complex task of managing the maintenance of Smart City information networks. In International front, Despite the declining oil prices, spend on infrastructure will get a boost especially in Dubai and Qatar owing to the EXPO 2020 and FIFA world cup 2022. Voltas remains one of the few large MEP contractors with required project qualifications and domain expertise. Voltas continues to be a preferred contractor in the Middle East, holds the Company in good stead against competition for these mega events.

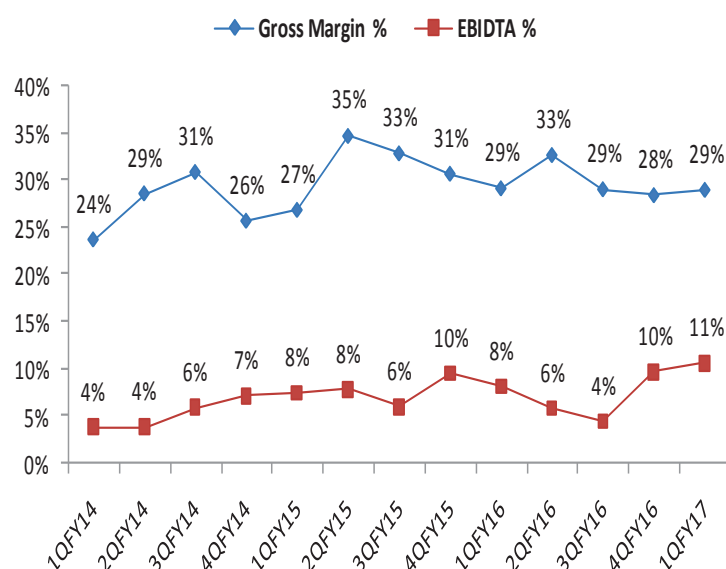
ENGINEERING PRODUCTS AND SERVICES: In Textile Machinery Announcement of the amended TUF in January 2016 has provided required clarity on the policy front. The Scheme is expected to accelerate the subsidy driven investments in processing and furnishing segment of post spinning business. In Mining & Construction Equipment The Company won contracts for servicing of excavators from Vale, in Mozambique, for their Moatize coal project. The business continues to scout for additional opportunities within Mozambique as well as other mineral rich African countries.

UNITARY COOLING PRODUCTS FOR COMFORT AND COMMERCIAL USE: With growing demand for energy efficient variants and Inverter ACs, the Company has re-positioned the brand with the new 'All Star' AC campaign and customer value proposition of energy efficiency and savings. The new range of 'Voltas Fresh Air Coolers' with their value proposition of cool and fresh air and growing distribution reach, will pave the way for becoming one of the top players in the growing air cooler space currently catered by mainly unorganized players.

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.

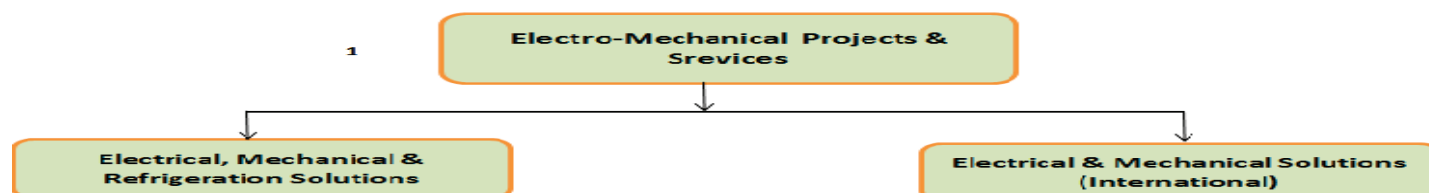
1QFY17 Concall highlights:

- 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