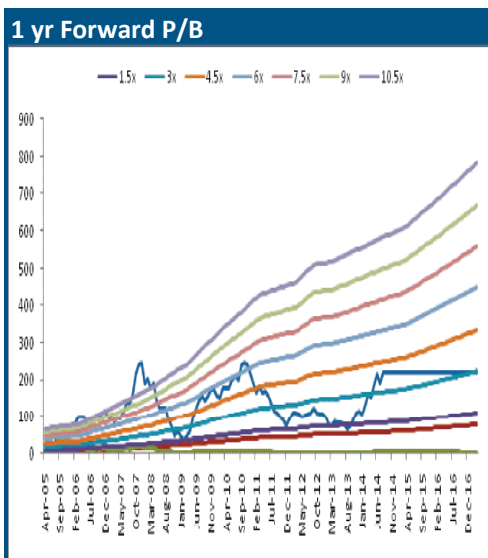


Result update	Neutral
CMP	217
Target Price	180
Previous	125
Upside	-17%
Change from	44%

Market Data	
BSE Code	500575
NSE Symbol	VOLTAS
52wk Range	233/63
Mkt Capital	7,192
Average Daily Vol. (Nos.)	624,126
Nifty	7,792

Stock Performance-%	1M	1yr	YTD
Absolute	18.5	202.0	36.7
Rel. to Nifty	15.5	164.9	20.3

Share Holding Pattern-%	1QFY15	4QFY13	3QFY14
Promoters	30.3	30.3	30.3
FII	18.6	18.1	15.2
DII	29.2	28.9	29.8
Others	21.9	22.7	24.8



Buoyant results.....

Voltas in 1QFY15 had registered a sales growth of 9.7 % yoy to Rs. 1757.3 crore. EBITDA during the quarter under the review had registered a modest growth of 114.7 % yoy to Rs. 131.9 crore which enable the PAT to grow at 167.5 % yoy to Rs. 109.0 crore. EMPS/EPSC/UCP segment had registered a sales growth of (116.6%)/(22.3%)/47.7% whereas the EBITDA margin during quarter under review stands at .7%/21.6%/11.6%. We upgrade our FY15/16E EPS by 7.6%/7.2% yoy on back of early sign of improvement in Voltas EBITDA margin by 50 bps yoy both in FY15/16E. Going ahead our view remains positive on company operating performance improvement however, we believe current valuation already factored all the expected positive fundamental changes in company. Given to the short term concerns attached to Voltas we maintain our neutral recommendation, however we revised our target price to Rs 180 (Earlier Rs. 125).

Expansion in EBITDA margin

For the quarter ended Mar 2014, Voltas's consolidated EBITDA margin increased 370 bps to 7.5%, primarily due to a huge decrease in Cost of raw material as a % of net sales by 320 bps to 76.3% compared to 73.1% in the comparable previous quarter. Staff costs decreased by 170 bps to 8.6% of the net sales this is the reflection company newly opted strategy of rationalizing manpower cost. However other expenses (which include Power & Fuel, Advertisement, Freight and other Misc. expenses) increased 120 bps to 10.8% of net sales compared to 9.6% in the corresponding previous quarter. Interest cost decreased 51.5% to Rs. 8.7 crore. Depreciation was up .2% to Rs.6.06 crores compared to the corresponding previous quarter. Finally, Net Profit came in almost 2.67 times higher at Rs.109.0 crores, and Tax rate was lower at 25.0% compared to 31.8% in the corresponding previous quarter; however Tax expense came in at almost 2 times higher at Rs.36.53 crores compared to corresponding previous quarter.

Segment-wise analysis for the quarter ended June 2014

Net sales was a 10.2% fall in Electro-mechanical Projects & Services (EMPS) segment revenue to Rs.622.22 crores. The fall in EMPS segment revenue was partially offset by a 27.3% growth in Unitary Cooling Products (UCP) revenue to Rs.1001.4 crore. However, Engineering Products & Services (EPS) segment revenue fell .3% to Rs.110.9 crore.

Valuation

At the current CMP of Rs. 220, the stock is trading at a PE of 25.5x FY15E & 22.0x FY16E . The company can post EPS of Rs. 8.6 & Rs. 10.0 in FY15E & FY16E and RoE of 14.4% & 14.7%. Going ahead our view remains positive on company operating performance improvement however, we believe current valuation already factored all the expected positive fundamental changes in company. **Given to the short term concerns attached to Voltas we maintain our neutral recommendation. however we revised our target price to Rs 180 (Earlier Rs. 125).**

Financials

	1QFY15	4QFY14	(QoQ)-%	1QFY14	Rs, Crore
Revenue	1757.3	1462.8	20.1	1603.3	(YoY)-%
EBITDA	131.9	105.4	25.2	61.4	114.7
APAT	109.0	100.4	8.5	40.7	167.5
EBITDA Margin	7.5%	7.2%	30 bps	3.8%	370 bps
PAT Margin	6.1%	6.7%	(60) bps	6.1%	0 bps

(Source: Company/Eastwind)

(Consolidated)

Why neutral even after the strong 1QFY15 performance ?????

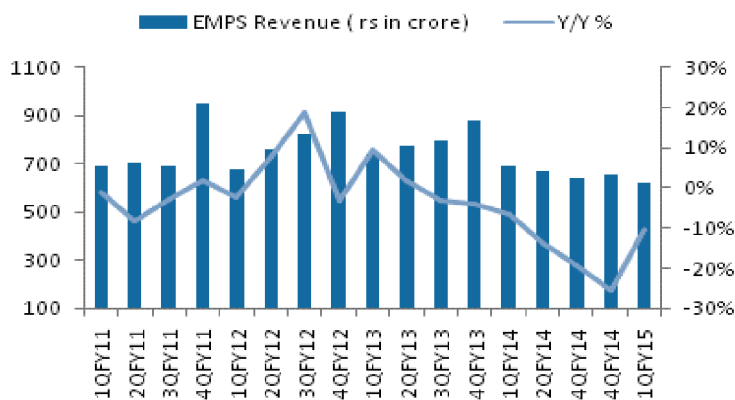
Long-term growth prospects are bright for Voltas especially in the event of growing demand for industrial goods and increasing capex in economy for use in diverse industries, including electrical, mechanical & refrigeration solutions, water management & treatment, mining & construction equipment, materials handling equipment, air Conditioners, water coolers & dispensers, commercial refrigeration etc.

Also, customers' preference for Voltas world class technology, high quality products and continuous growth in UCP segment raises optimism for solid earnings growth, going forward. Additionally, the company's policy of returning value to shareholders through dividends, strategic acquisitions, joint ventures and long-term contracts are likely to bode well. Currently, we anticipate earnings to grow at CAGR of 21.16% in FY14-17E.

Despite the company's long-term growth opportunities, it is the near-term concerns surrounding the stock that force us to maintain a neutral stance on the stock. For FY15E, strong growth is anticipated from UCP segment (contribute 39% of total FY14 revenue and expected to grow at a pace of CAGR 20-25% during FY14-17E). Though the Sidra project is complete more than 93% however, accounting of cost overruns in that project is still expected to effect the company operating margin in FY15E and due to this we keep our EBITDA margin expectation still too below from peak EBITDA margin level both for FY15/16E however, we believe there is a improvement of 50 bps in EBITDA margin in FY15/16E in comparison to FY14 on back of company strategy of rationalization of manpower cost.

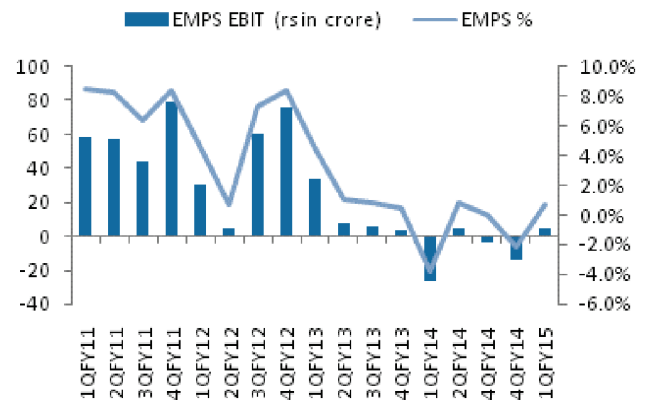
Story in Graphs

Fig - 1 Electro Mechanical Projects (EMPS) division reported revenue de-growth of 10% during Q1 FY'15. As per the management, delay in project execution, completion and settlement especially in UAE were the main reason.



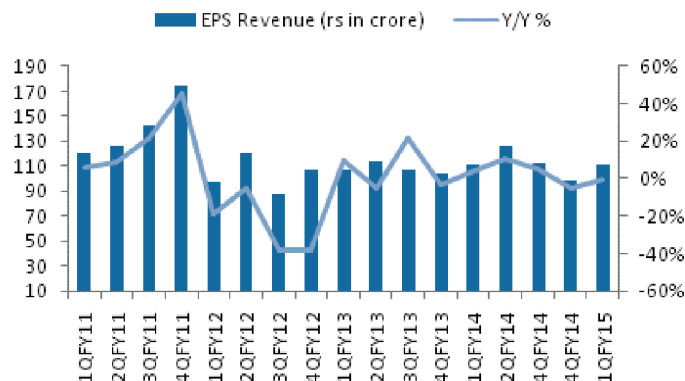
(Source: Company/Eastwind)

Fig - 2 Electro Mechanical Projects (EMPS) division reported positive EBITDA of Rs. 4.4 crore after trailing 2 quarter. Company continues to book revenue of Sidra project at nil margins and as on June'14, about +93% of the project is completed and revenue is booked.



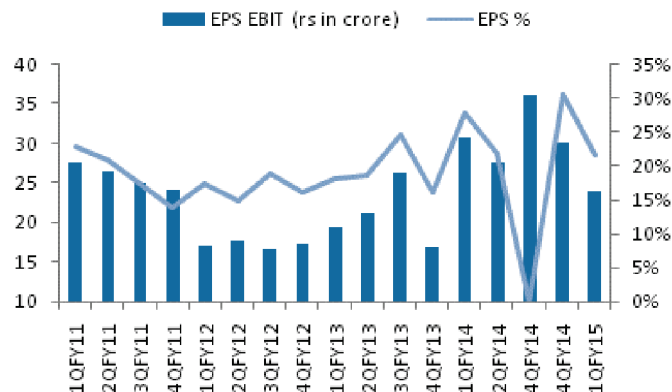
(Source: Company/Eastwind)

Fig - 3 Electro Mechanical Projects (EMPS) division reported revenue de-growth of .3% during Q1 FY'15. For Engineering Product and service segment, despite challenging macro environment, mining and construction equipment division for the company did well



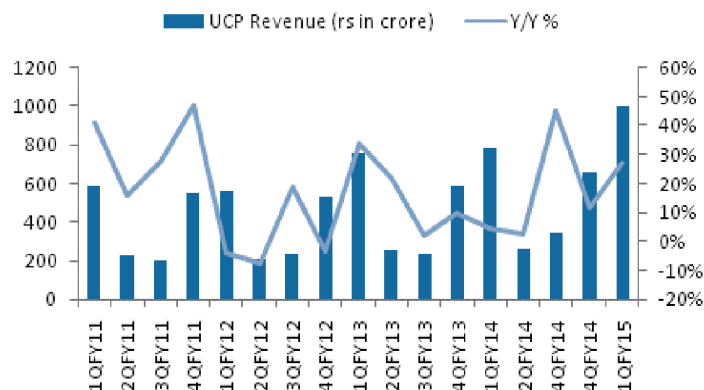
(Source: Company/Eastwind)

Fig - 4 Electro Mechanical Projects (EMP) division reported EBITDA de-growth of 22.3% yoy.



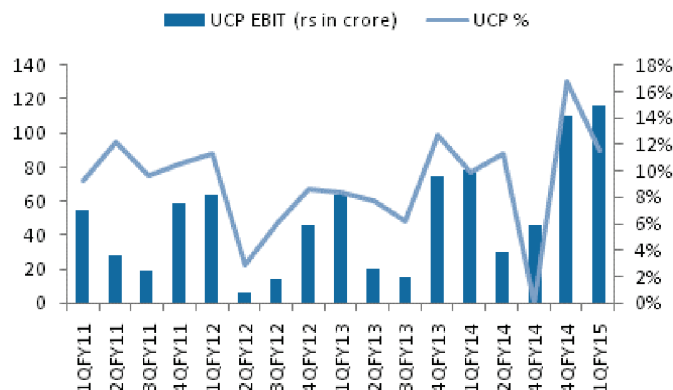
(Source: Company/Eastwind)

Fig - 5 Unitary Cooling Products (UCP) division grew by 27.3% in sales where the summer was very strong. Air condition constitutes about 80% of total sales and rest is commercial refrigeration and all.



(Source: Company/Eastwind)

Fig - 6 Unitary Cooling Products (UCP) reported EBITDA growth of 47.7 yoy. Company continuously increase its presence and market share in this segment. Also price increases and product mix helped the margins as well.



(Source: Company/Eastwind)

Key financials :

PARTICULAR	2009A	2010A	2011A	2012A	2013A	2014A	2015E	2016E	2017E
Performance									
Revenue	4326	4757	5191	5186	5531	5320	5852	6437	7081
Other Income	94	78	58	98	90	84	100	100	100
Total Income	4420	4836	5250	5284	5621	5404	5952	6537	7181
EBITDA	283	460	463	336	245	261	351	418	460
EBIT	262	438	442	303	217	237	323	386	428
DEPRICIATION	21	21	21	34	28	24	28	32	32
INTREST COST	11	10	17	31	40	35	37	39	41
PBT	372	532	524	219	280	286	386	447	487
TAX	117	147	172	57	73	74	100	116	127
Extra Oridinary Items	26	25	40	-150	12	0	0	0	0
Reported PAT	255	385	352	162	207	211	286	331	361
Dividend (INR)	73	73	73	73	73	54	72	72	72
DPS	2.2	2.2	2.2	2.2	2.2	61.5	2.2	2.2	2.2
EPS	7.7	11.6	10.6	4.9	6.3	6.4	8.6	10.0	10.9
Yeild %									
EBITDA %	6.5%	9.7%	8.9%	6.5%	4.4%	4.9%	6.0%	6.5%	6.5%
NPM %	5.8%	8.0%	6.7%	3.1%	3.7%	3.9%	4.8%	5.1%	5.0%
Earning Yeild %	16.2%	6.5%	6.2%	4.4%	8.3%	4.4%	3.9%	4.5%	5.0%
Dividend Yeild %	4.7%	1.2%	1.3%	2.0%	2.9%	42.4%	1.0%	1.0%	1.0%
ROE %	32.2%	35.4%	25.8%	11.0%	12.7%	11.9%	14.4%	14.7%	14.2%
ROCE%	27.3%	35.2%	24.6%	11.4%	13.1%	12.3%	14.6%	15.0%	14.5%
Position									
Net Worth	790	1085	1362	1478	1626	1775	1990	2249	2538
Total Debt	181	35	137	223	261	225	225	225	225
Capital Employed	971	1120	1498	1701	1887	2000	2215	2474	2763
No of Share (Adj)	33	33	33	33	33	33	33	33	33
CMP	48	178	172	112	75	145	220	220	220
Valuation									
Book Value	23.9	32.8	41.2	44.7	49.1	53.7	60.1	68.0	76.7
P/B	2.0	5.4	4.2	2.5	1.5	2.7	3.7	3.2	2.9
Int/Coverage	23.8	44.5	26.7	9.6	5.5	6.8	8.7	9.9	10.4
P/E	6.2	15.3	16.1	22.9	12.1	22.7	25.5	22.0	20.2

Ammount in crore

(Source: Company/Eastwind)