

ANALYSIS OF RESULTS

QUARTER AND YEAR ENDED 31 MARCH 2024

FY24 remained an eventful year, starting with supply-chain disruptions in the aftermath of Russian-Ukraine, Israel-Hamas conflicts, and the Red sea crisis. All of these have led to a sharp jump in shipping rates. Crude price has also soared post Iran-Israel war, spiraling into a considerable surge in inflation. Tightening of globally synchronized monetary policy has also caused unwarranted pressures on businesses. Despite many unfavourable situations, the world avoided a recession, and the banking system proved largely resilient. At an overall level, global growth remains buoyant despite the aforesaid circumstances and growth bottomed at 2.3%. For 2024, the IMF has estimated global growth at around 3.2% in 2024 which is at the same pace as in 2023.

Back home in India, despite multiple Global headwinds, India's monthly economic indicators like PMI/ Services index, GST and Direct tax collections supported robust business activity. Uptick in India's growth would continue to be driven by the Government's "Make in India" thrust and high infrastructure spends. Also, narrowing of trade deficit and a lower CAD would support growth. The IMF has estimated India's growth at 6.8 percent in FY25 and 6.5 percent in FY2026.

The company has seen record-breaking top-line growth over the last year with the sale of over 2 million ACs in FY 24, indicating a strong market demand for the company's products, registering a quarterly growth of 72% and an annual growth of 35% in volumes. The volume growth was also driven by Split Air Conditioner, sales of which doubled in Q4 and grew over 50% for the full year.. With this incredible volume growth, the company reported Consolidated Total Income for the year ended 31st March 2024, which was higher by 32% at Rs.12,734 crores as compared to Rs.9,667 crores last year. Profit before tax was higher by 58% at Rs.486 crores as compared to Rs.307 crores last year. Net Profit (after tax) was at Rs.248 crores as compared to Rs.136 crores last year. Earnings per Share (Face Value per share of Re. 1) for year ended 31 March 2024 was at Rs. 7.62 as compared to Rs. 4.08 in the same period previous year.

For quarter ended March 2024, the Consolidated Total Income grew by 42% at Rs.4257 crores as compared to Rs.3003 crores in the corresponding quarter last year. Profit before tax (PBT) was at Rs.174 crores as compared to Rs.214 crores in the corresponding quarter last year. Net Profit (after tax) was at Rs.111 crores as compared to Rs.143 crores in the corresponding quarter last year. Earnings per Share (Face Value per share of Re. 1) (not annualized) for quarter ended 31 March 2024 was at Rs. 3.52 as compared to Rs. 4.35 in the same period previous year.

The Corporate Balance Sheet continues to remain healthy with the cash and cash equivalents at Rs 2,835 crores as at 31st March 2024.

VOLTAS LIMITED

Finance and MIS Department

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

Segment reporting (Rs. Crores)	Q4 FY24	Q4 FY23	% to Total Revenue	
			Q4 FY24	Q4 FY23
1. Revenue				
Segment A : Unitary Cooling	2955	2049	70%	70%
Segment B : Eng. Projects	1098	746	26%	25%
Segment C : Eng. Products	156	142	4%	5%
Less : Inter segment revenue	17			
Income from Operations	4192	2937	100%	100%

Segment reporting (Rs. Crores)	FY24	FY23	Results to Revenue	
			FY24	FY23
2. Profit / (loss) after exceptional items and before tax				
Segment A : Unitary Cooling	270	206	9%	10%
Segment B : Eng. Projects	(108)	(14)	-10%	-2%
Segment C : Eng. Products	48	56	31%	39%
Unallocated	(36)	(34)		
Profit before Tax	174	214	4%	7%

Segment reporting (Rs. Crores)	FY24	FY23	% to Total Revenue	
			FY24	FY23
1. Revenue				
Segment A : Unitary Cooling	8160	6475	66%	69%
Segment B : Eng. Projects	3683	2403	30%	26%
Segment C : Eng. Products	588	522	5%	6%
Less : Inter segment revenue	24			
Income from Operations	12407	9399	100%	100%

Segment reporting (Rs. Crores)	FY24	FY23	Results to Revenue	
			FY24	FY23
2. Profit / (loss) after exceptional items and before tax				
Segment A : Unitary Cooling	693	538	8%	8%
Segment B : Eng. Projects	(328)	(302)	-9%	-13%
Segment C : Eng. Products	206	201	35%	38%
Unallocated	(85)	(129)		
Profit before Tax	486	307	4%	3%

Segment A – Unitary Cooling Products (UCP)

The year 2023-24, set a new landmark for the Company and helped us set our dominance in the Air Conditioning industry. A year driven by cheerfulness of festivities and a strong demand in the backdrop of anticipated harsh summer Voltas which it is as we see now, India's No.1 AC brand, from the house of Tata, became the first brand in India to achieve a sales of over 2 million AC units during this fiscal 2023-24, registering a stellar volume growth of 35% for the year and about 72% for Quarter 4. The performance was attributed to a consistent demand for cooling products during the year, coupled with the company's strong distribution network, strongest brand equity, and innovative new launches across its product portfolio.

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The Split inverter category of air-conditioners is in high demand driven by consumers' desire to have products with advanced features and its long-term advantages of savings in energy costs. The expanded product portfolio of Voltas with newer SKUs designed in-house and competitive pricing has resulted in increased share of the inverter AC category to over 80% during the year. Based on the success of the inverter Split category, the Company has expanded inverter portfolio in the Window Air Conditioner category as well, at strategic price points during the year. Further, during the year, there was strong demand for premium category of products i.e. 4 & 5 star rated products and the overall sales mix for Voltas for these products has also improved.

Strong brand positioning, distribution reach, leverage on the supply-chain helped us retain our leadership position for the year with a YTD March market share of 18.7%. We continue to leverage our strength in traditional channels and increase our concentration in Modern trade and organized channels, as we continue to build an extensive network of Exclusive Brand Outlets (EBO) including experience zones at strategic locations, all of which will help in strengthening the market share.

Voltas has maintained its leadership position in the Air Conditioner category for more than a decade and has maintained its lead over the competition. The brand is geared to further expand its retail and distribution network, grow product portfolio and gain an additional edge over competition. The company also registered a significant growth in volume in other cooling products including air cooler and commercial refrigeration products.

The Commercial Refrigeration industry witnessed low traction throughout the year on account of reduced investment by the brands more particularly in chocolate category, the growth of the commercial refrigerator category has remained tepid. However, channel push and anticipated demand for cold beverages, ice-creams from across the industry helped us clock positive results for the business. Nevertheless, the outlook for this category is promising and growth drivers are visible in the current financial year.

The Air Cooler vertical has emerged as a crucial extension of Voltas' product line, providing an impetus to the Company's position in the cooling products industry. The acceptance of our high-end product portfolio, expansion of channel and tactical distributor schemes supported the primary delivery to the channel partners helped in registering a growth during the quarter. Voltas water heaters continued to gain good acceptance across the distributors and customers.

The Commercial Air Conditioning vertical also contributed to the growth journey for the UCP segment. Performance of VRF, Light Commercial Air Conditioners, Packaged Air Conditioners, Ducted ACs reported notable growth across sectors. However, input price escalations and inability to pass on the same to the customers owing to stiff competition have impacted the margins for the business. Increased commercial activity across the Country coupled with focus on customer retention, and after sales service supported the overall growth for the category, however, competitive intensity has lagged the business' ability to garner margin accretive deals, especially in AMC jobs.

For the year, varied consumer centric finance schemes have also contributed significantly to increase in sales during current financial year and would eventually help grow market share going forward. Further, on the cost front, commodity prices have started to accelerate upwards, even USD/INR has depreciated over a period of time, both of these have been

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detrimental to the profitability of the business. Nonetheless, various value engineering, and cost austerity drives have kept the profits in balance.

To summarize, for the quarter ended March 2024, UCP segment registered revenue of Rs. 2,955 crore, a 44% growth in turnover from Rs. 2,049 crores in Q4FY23. Segment reported an EBIT of Rs. 270 crores in Q4FY24 as compared to Rs. 206 crores in Q4FY23 (a growth of 31%). For year ended March 2024, UCP segment registered revenue of Rs 8,160 crores a 29% growth in turnover from Rs. 6,475 crores in FY23. Segment result was Rs. 693 crores in FY24 as against Rs. 538 crores in FY23 (a growth of 29%).

On capex front, we are happy to announce that our expansion plan for both our factories in Chennai and Waghodia are in line with our targets, and we would gear up for commercial production to be ready for second summer/ festive sales. Both our upcoming plants will have strategic advantage of the location and help us cater to South and West markets. This will enable us to meet growing demand for the under penetrated refrigeration products which would in-turn help us deliver a powerful performance to give our consumers comfort and convenience. With our story of volume growth, we are optimistic on utilisation of our factories to the optimum scale and get a cost leverage on the business going forward.

Segment B – Electro-Mechanical Projects and Services

The Segment Revenue for the quarter was Rs. 1098 crores as compared to the previous corresponding quarter revenue of Rs. 746 crores (a growth of 47%). The Segment Result for the quarter reported a loss of Rs. 108 crores on account of delayed collection in certain overseas projects.

Healthy opening order book, quality PQE, more focussed management after the transfer of business has translated into healthy business performance of the domestic project business. Domestic project business recorded a growth of 38% for the quarter and 73% for the year ended March 2024. The Business continues to focus on governance, working capital management and high productivity to translate the orders into profits and in-turn into better cash inflow. The order pad for the domestic project business stands at Rs. 5024 crores respectively.

For International project business, projects in Saudi continued to deliver good performance and drive the revenue growth for the business. Based on past experience, we reassessed our exposure especially in Qatar where we continued to face unreasonable delays in release of due receivables and prolongation of execution timelines. We judiciously took provisions due to slow recoverability of receivables resulting in a loss for the quarter for this segment. While the region impacted the business result and the Company has made the necessary provisions throughout the year, we are fairly optimistic to not have further set-backs from the geography and the international business should be on its way to deliver positive results in the next fiscal year.

The carry forward order book for International business as at 31 March 2024 stood at Rs. 3030 crores largely in UAE and Saudi Arabia region. Total carry forward order book of the Segment stood at Rs. 8054 crores vis-à-vis Rs 7,414 crores of carry forward orders as at 31 March 2023.

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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. 156 crores and EBIT for the quarter was Rs. 48 crores, respectively. Segment Revenue for the year was Rs. 588 crores and the Segment Result for the year was Rs. 206 crores.

Mining & Construction equipment vertical has achieved its targeted numbers despite facing pressure for margin reductions. India's infrastructure projects and the revival of the mining sector present growth opportunities for the business. M&CE focused on enhancing its market share in its powerscreen business and had a healthy supply of its machines. The recent allowance for commercial mining of coal and the relaxation of FDI norms in the mining sector by the government are positive developments for the business. These initiatives are expected to boost business for this vertical in the coming years.

The textile industry experienced volatility characterised by fluctuations in cotton and yarn prices. The textile market remained sluggish due to highly subdued export demand for yarn. As a result, Capex within the industry was decreased across the sector which led to reduced utilisation levels of spinners. Despite the aforesaid factors, the business performance of our Textile Machinery vertical MD reached all-time high levels due to its healthy order book and through continued focus on "After-sales" business.

Voltas Beko

The Home Appliances industry in India has witnessed a healthy growth, fuelled by a surge in demand for both large and small appliances. Voltbek, leveraging Arçelik's technical expertise and Voltas' strong brand presence, expanded its footprint in Indian households by manufacturing 'Made in India' products in Sanand, Gujarat and focusing on enhancing its distribution network, particularly in South and West India. In the ensuing year, Voltas Beko achieved significant milestones, becoming the Fastest Growing Indian Consumer Durable brand in just five years, selling over 5 million appliances, despite multiple headwinds.

Voltas Beko has solidified its position among the top brands in Semi-Automatic Washing Machines for 2023-24. Voltbek has also seen growth in the market share of Refrigerators, Washing Machines, and Semi-Automatic Table-Top Dishwashers. Voltbek has delivered a volume growth of over 50% in revenue and quantity compared to last year, largely due to new product development and increase in billing locations. Voltbek is dedicated to expanding its market presence across various product categories by deploying customized approaches for market penetration and growth. These initiatives will involve prioritizing top retailers, adopting channel-specific tactics to enhance market reach in key regions through retail and distribution channels, and maintaining a strong focus on boosting e-commerce and Omni-channel development. New product launches, including larger capacity refrigerators and enhanced features, will help us in our growth trajectory to attain targets for breakeven and 10% market share.

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Outlook:

At the Board Meeting held on 7 May '24 for adoption of accounts for the year ended 31 March 2024, the Board declared a dividend of 550%, despite various provisions taken by the Company in its international projects business over last 2 years. Board deliberated the importance of higher volume growth in its UCP business which delivered healthy Segment results and its commitment to pass on the share of profits to its shareholders. At a consolidated results level, this amounts to a 72% payout of its profits during the year by way of dividend.

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 sustainable 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.

For projects business, we will continue to follow cautious and adopt 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.

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.

08 May 2024

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