

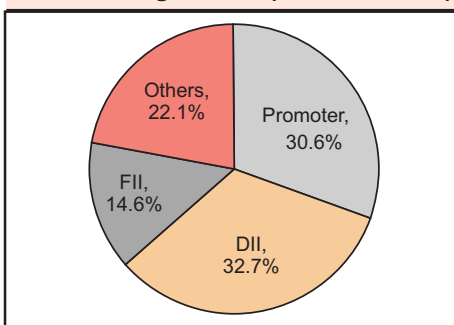
Voltas Ltd.

Q3FY11 Results Update

February 9, 2011

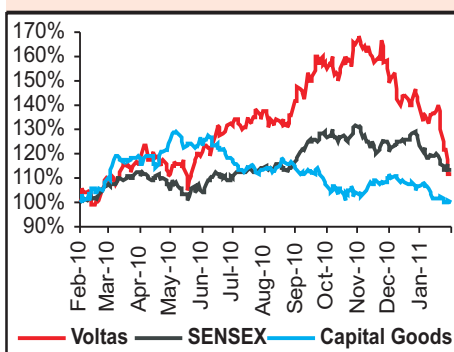
Key Stock Data	
Sector	Diversified
CMP	₹168.10
52-wk High / Low	₹262.50 / 148.35
Market Cap	₹55.62bn (\$12.22mn)
Avg 6m daily vol.	46762796
BSE Sensex	17775.70
Reco:	Buy
Target Price:	₹232
Stock Codes	
Bloomberg Code	VOLT IN
Reuters Code	VOLT.BO
BSE Code	500575
NSE Code	VOLTAS
Face Value	₹1per share

Shareholding Pattern (31st Dec, 2010)



Price Performance (%)				
	1 Mth	3 Mths	6 Mths	1 Yr
	19.9%	-32.5%	-18.7%	10.5%

Stock Price Movement:



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Voltas Q3FY11 revenue grew by 5.2% to ₹1039.28cr from ₹987.46cr on y-o-y basis. Consolidated income declined by 10% to ₹68.83cr from ₹76.46cr on y-o-y basis.

Revenue growth in Engineering Product & Services

Engineering Segment has registered a growth of 21.7% on y-o-y basis to ₹142.83cr as against ₹117.33cr on account of revival in Textile Machinery, Mining & Construction Equipment and Material handling business. It has witnessed an improvement in EBIT margin of 400bps due to increased contribution from commissioning business which contributed around 27% to the revenue. During the last three quarters of FY11 this segment has registered a growth of 12% with 510bps margin expansion, and we expect Engineering segment to grow at 8% with sustained margin during FY12E.

Robust Growth in Unitary Cooling Product

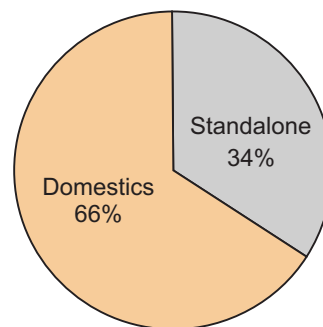
UCP business has registered a growth of 30.5% on y-o-y basis to ₹197cr as against 151cr while its profit has increased by 0.4% on y-o-y basis with narrow decline in EBIT margin. Going forward we believe UCP business is set to grow at 25-30% on account of high domestic consumption.

Order book

Voltas has order book to tune of ₹4697cr out of which international order book stood at ₹3100cr and remaining ₹1600cr from domestic operations.

Chart 1

Order Book as on 31st Dec 10



(Source: Company, Keynote Capitals Institutional Research)

(continued...)

Financial Highlight

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	3202.93	4325.89	4805.75	5071.85	6960.41
% Growth	26.8%	35.1%	11.1%	5.5%	37.2%
EBIDTA	265.60	318.92	476.87	494.42	695.90
PAT	207.61	256.31	384.55	371.05	518.23
% Growth	3.0%	23.5%	50.0%	-3.5%	39.7%
EPS	5.29	6.70	11.65	11.24	15.70
EV/EBIDTA	20.09	16.62	10.97	10.42	7.16
P/BV	9.64	7.04	5.65	4.43	3.66
ROCE	43.1%	36.3%	33.0%	39.8%	47.2%
ROE	36.0%	32.5%	39.1%	29.5%	34.1%

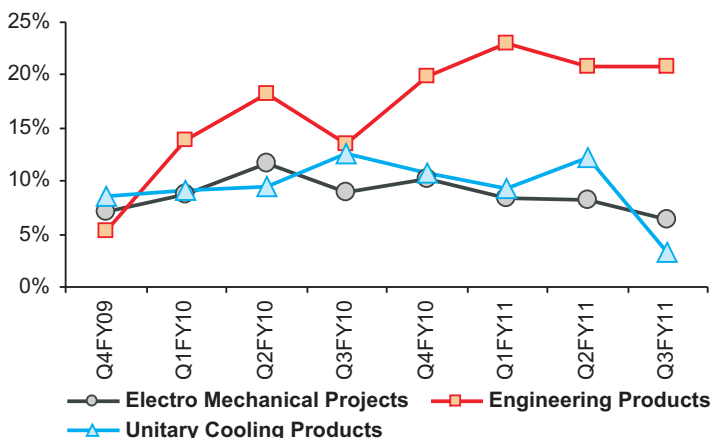
(E: Keynote Capitals Institutional Research Estimates)

Marginal Decline in topline of Electro-Mechanical Projects & Services (EMP)

EMP business revenue declined by (3%y-o-y) to ₹692.61cr from 713.11cr due to slowdown in payments from main Contractors. EMP margins were down by 250bps on account of higher raw material, labour costs and also electrical jobs resulted a loss of ₹9cr in Rohini Industrial Electricals. During Q4FY11 the Company expects to demonstrate improved performance and losses will narrow down due to low profit jobs being completed, also domestic and International markets are likely to improve better segmental growth.

Chart 2

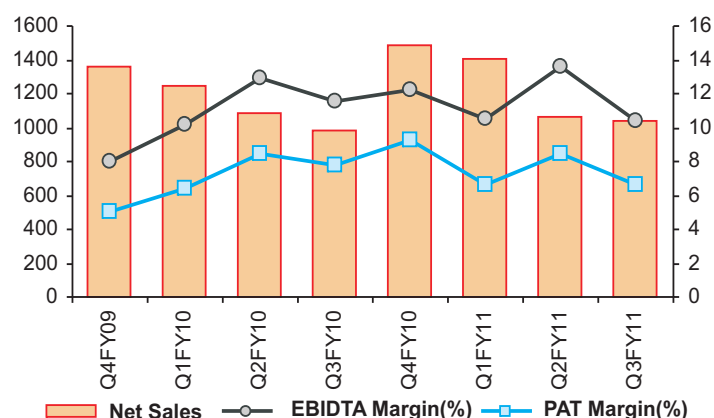
Consolidated Quaterly Segment EBIT Margin



(Source: Keynote Capitals Institutional Research)

Chart 3

Revenue & Margin



(Source: Keynote Capitals Institutional Research)

Concerns

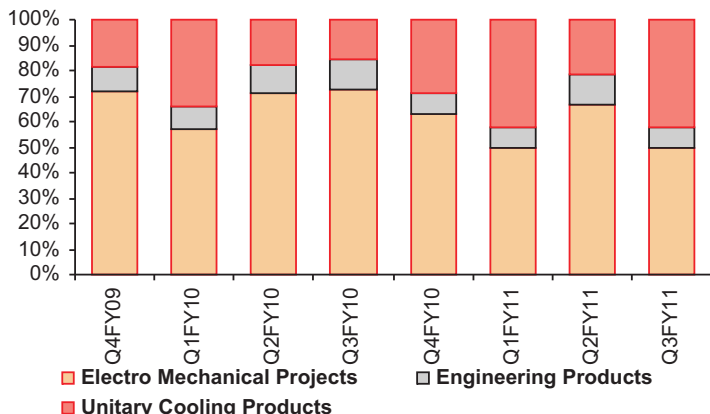
Any negative growth in IIP numbers will curtail company's domestic growth rate in Engineering segment. In UCP segment Company faces stiff competition from Korean as well as domestic market. Rupee appreciation will impact export revenue for the company. Also increased competition from peers for EMP projects in international market.

Outlook & Valuation

AT CMP ₹168.10 stock trades at 14.95x FY11E EPS and 10.70x FY12E EPS, and EV/EBITDA of 10.42x and 7.16x for FY11E and FY12E respectively. We have a positive outlook on the company based on its strength towards project execution, technical expertise and innovation of new products and maintain our target price with a 'buy' recommendation.

Chart 4

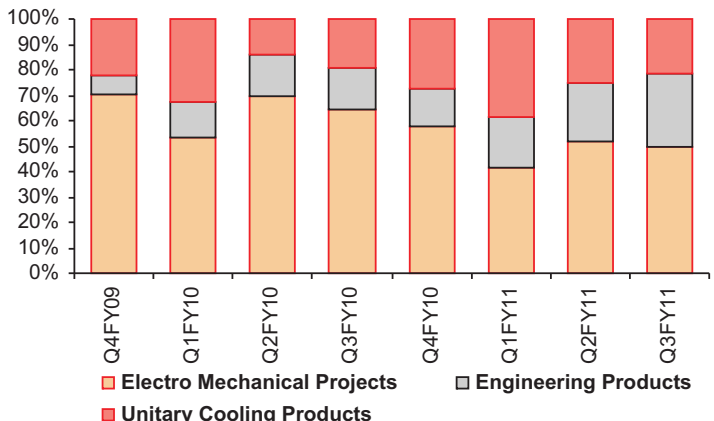
Consolidated Revenue Mix



(Source: Keynote Capitals Institutional Research)

Chart 5

Consolidated EBIT Mix



(Source: Keynote Capitals Institutional Research)

Consolidated Quaterly Income Statement

(₹Cr)

Particulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	Q3 FY11	Q3 FY10	Y-o-Y
Income from Operation	1048.18	994.31	1071.94	5.4%	-2.2%	3530.26	3319.64	6.3%
Excise Duty	8.90	6.85	8.36	29.9%	6.5%	24.35	18.00	35.3%
Net Sales	1039.28	987.46	1063.58	5.2%	-2.3%	3505.91	3301.64	6.2%
Other Income	2.93	2	1.54	27.4%	90.3%	9.75	16.55	-41.1%
Total Income	1042.21	989.76	1065.12	5.3%	-2.2%	3515.66	3318.19	6.0%
Stock Adjustment	(93.24)	(85.15)	(0.83)	9.5%	11133.7%	(134.32)	(33.80)	297.4%
Raw Material Consumed	634.09	643.81	607.53	-1.5%	4.4%	1999.7	1900.62	5.2%
Purchase of Finished Goods	164.42	111.48	121.17	47.5%	35.7%	578.43	385.55	50.0%
Employee Expenses	144.38	131.87	126.79	9.5%	13.9%	406.61	406.02	0.1%
Other Expenses	113.29	97.94	103	15.7%	10.1%	350.81	334.04	5.0%
Total Expenditure	962.94	899.95	957.58	7.0%	0.6%	3201.23	2992.43	7.0%
PBIT	79.27	89.81	107.54	-11.7%	-26.3%	314.43	325.76	-3.5%
Other Income	13.14	15.18	19.33			51.03	44.39	
Depreciation	5.39	5.49	5.34	-1.8%	0.9%	15.74	15.99	-1.6%
EBIT	87.02	99.50	121.53	-12.5%	-28.4%	349.72	354.16	-1.3%
Interest	3.40	1.22	3.73	178.7%	-8.8%	10.94	7.24	51.1%
Exceptional Items	15.45	9.35	17.76			32.47	12.13	
PBT	99.07	107.63	135.56	-8.0%	-26.9%	371.25	359.05	
Tax	30.24	31	45.34	-3.0%	-33.3%	118.48	111.35	6.4%
Reported Profit After Tax	68.83	76.46	90.22	-10.0%	-23.7%	252.77	247.70	2.0%
Calculated EPS(Unit Curr.)	2.08	2.31	2.73	-10.0%	-23.7%	7.64	7.49	2.0%
EBDITA Margin	7.6%	9.1%	10.1%	-16.1%	-24.6%	9.0%	9.9%	-9.1%
EBIT Margin	8.4%	10.1%	11.4%	-16.9%	-26.7%	10.0%	10.7%	-7.0%
PAT Margin	6.6%	7.7%	8.5%	-14.5%	-21.9%	7.2%	7.5%	-3.9%

Source: The company & Keynote Capitals Institutional Research

Consolidated Segment Wise Quarterly Income Statement

(₹Cr)

Particulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	Q3 FY11	Q3 FY10	Y-o-Y
REVENUES								
Revenue from Operations	1039.49	988.38	1063.94	5.2%	-2.3%	3506.86	3303.12	6.2%
Electro Mechanical Projects	692.61	713.11	706.55	-2.9%	-2.0%	2091.73	2182.44	-4.2%
Engineering Products	142.83	117.33	126.68	21.7%	12.7%	389.85	348.22	12.0%
Unitary Cooling Products	196.86	150.85	228.13	30.5%	-13.7%	1011.75	742.39	36.3%
Others	7.19	7.09	2.58	1.4%	178.7%	13.53	30.07	-55.0%
Less : Inter Segment Revenues	0.21	0.92	0.36	-77.2%	-41.7%	0.95	1.48	-35.8%
Total Segment Revenue	1039.28	987.46	1063.58	5.2%	-2.3%	3505.91	3301.64	6.2%
PBIT	88.82	99.26	112.97	-10.5%	-21.4%	342.75	346.33	-1%
Electro Mechanical Projects	43.99	63.74	57.95	-31.0%	-24.1%	160.51	214.66	-25%
Engineering Products	24.95	15.89	26.42	57.0%	-5.6%	78.95	53.06	49%
Unitary Cooling Products	19.05	18.97	28.04	0.4%	-32.1%	101.80	75.10	36%
Others	0.83	0.66	0.56	25.8%	48%	1.49	3.51	-58%
Less : Interest	3.4	1.22	3.73	178.7%	-8.8%	10.94	7.24	51%
Other Unallocable Expenditure	(13.65)	(9.59)	(26.32)	42.3%	-48.1%	(39.44)	(19.96)	98%
PBT from Ordinary Activities	99.07	107.63	135.56	-8.0%	-26.9%	371.25	359.05	3.4%

Source: The company & Keynote Capitals Institutional Research

Consolidated EBIT Margin

(₹Cr)

Particulars	Q3 FY11	Q3 FY10	Q2 FY11	Y-o-Y	Q-o-Q	Q3 FY11	Q3 FY10	Y-o-Y
Electro Mechanical Projects	6.4%	8.9%	8.2%	-28.9%	-22.6%	7.7%	9.8%	-22.0%
Engineering Products	17.5%	13.5%	20.9%	29.0%	-16.2%	20.3%	15.2%	32.9%
Unitary Cooling Products	9.7%	12.6%	12.3%	-23.0%	-21.3%	10.1%	10.1%	-0.5%

Source: The company & Keynote Capitals Institutional Research

