

July 5, 2013

VOLTAS LTD.

BSE Code: 500575 NSE Code: VOLTAS Reuters Code: VOLT.NS Bloomberg Code: VOLT:IN

Voltas Limited (VOLTAS), an air-conditioning and engineering company, engaged in the field of air conditioning and refrigeration. It is also in the business of electro-mechanical projects as engineering, procurement and construction (EPC) contractor both in domestic and international geographies (Middle East and Singapore). VOLTAS is also in the business of engineering product services for mining, water management and treatment, construction equipments and textile industry.

Investor's Rationale

Topline remained flat at +1.2% YoY on decline in Electro-mechanical Projects & Services- VOLTAS, registered a flat growth in its topline by 1.2% YoY at ₹15,922mn in Q4FY'13 against ₹15,735mn primarily on account of decline in its Electro-mechanical Projects & Services (EMPS) segment revenue at ₹8.83bn along with 3% YoY fall in Engineering Products & Services (EPS) segment at ₹1.04bn. While increase in Unitary Cooling Products by 10% YoY at ₹5.9bn compensated the fall in EMPS and EPS segment.

Bottomline declined on additional provision on sidra - The company's net profit plummeted 91.4% YoY primarily on account of additional provision of ₹955mn on Sidra due to the extended timeline for completion. Further increase in interest cost (25.8% at ₹120mn) and decline in other income (27.7% YoY at ₹126mn) also dragged the bottom-line performance. Thus, NPM crashed by 597bps YoY at 0.6% against 6.5%.

EBITDA margin crashed 347bps on higher material consumed- The EBITDA of the company decreased 39.2% YoY at ₹831mn primarily on account of higher raw material and employee cost (as % of sale) by 612bps and 90bps at 67.2% and 9.9% respectively. Thus, OPM crashed 347bps YoY at 5.2% against 8.7%.

Continuous growth in UPC segment- Unitary Cooling Product (UCP) segment maintained its continuous growth performance even in a difficult market and high competition during the quarter with 10% YoY at ₹5.8bn led by restocking, market share gains and benefits from sourcing.

Market Data

Rating	BUY
CMP (₹)	79.5
Target Price	87
Stop Loss	75
Duration	Short-term
52-week High-Low (₹)	138.5/73.3
Rise from 52WL (%)	8.5
Correction from 52WH (%)	42.6
Beta	0.7
1 year Average Volume (mn)	1.6
	3M- 4.5
Stock Return (%)	6M- (25.1)
	1Y- (23.6)
Market Cap (₹bn)	26.3
Book Value (₹)	46.7

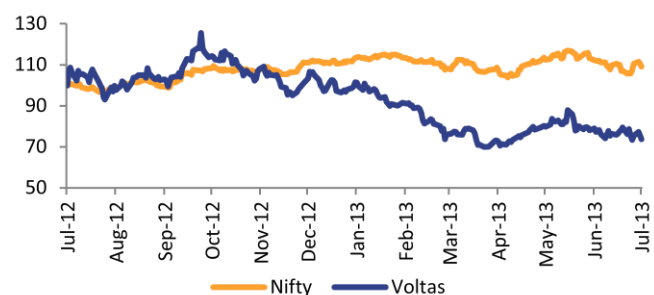
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	30.15	30.15	-
FII (%)	18.55	21.65	(3.10)
DII (%)	25.4	25.71	(0.31)
Public & Others (%)	25.9	22.49	3.41

Quarterly Performance (Consolidated)

(₹Mn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Sales	15,922	15,735	11,502	1.2	38.4
Op. exp	15,141	14,378	11,283	5.3	34.2
EBITDA	831	1,366	243	(39.2)	242.4
OPM (%)	5.2	8.7	2.1	(347bps)	310bps
Net profit	89	1,038	768	(91.4)	(88.4)
NPM (%)	0.6	6.5	6.5	(597bps)	(597bps)
EPS (₹)	0.3	3.1	2.3	(91.4)	(88.4)

One Year Price Chart





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