

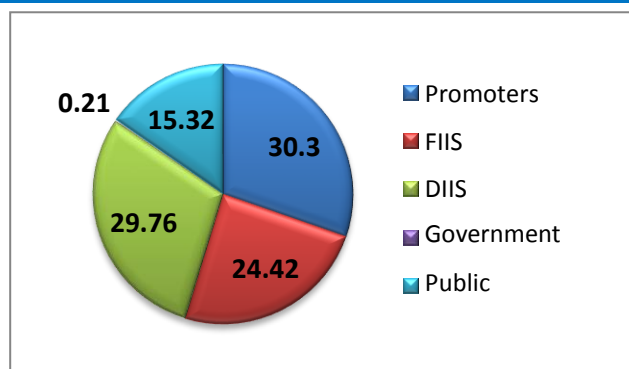


March 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
EPS (TTM)	16.90
52-Week High/Low	1356/918
M.Cap (Rs. in Cr.)	40,073.45
P/E Ratio (TTM)	71.50
Sector P/E	76.48
P/B Ratio (calc at CMP)	7.61
Dividend Yield (%)	0.41
Enterprise value	40,118.23

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. Cr)	7555.8	8056.6	9686.1
EBITDA (Rs. Cr)	641.4	717.0	1026.7
EBITDA margin	8.5	8.9	10.6
PAT (Rs. Cr)	525.1	543.4	866.2
EPS (Rs)	15.9	16.4	26.2
ROE	11.3	10.5	15.3
ROCE	16.4	16.1	20.7
DPS	5.0	5.3	8.6
P/E	63.11	75	55

Our Recommendation: Infrastructure sector has been given a budgetary boost by the government; this may aid order growth. With Q4 being starting of summer season, sales for all the cooling products may see rise, hence we estimate growth potential in business in coming months. Thus, we recommend BUY in price range Rs. 1180-1220 with target price 1450 (Upside 20%).

Investment Rationale:

Voltas, a TATA group company, is a leading player in residential air-conditioners (RAC) in India and fast-moving electrical goods segments. Voltas has decades of experience in the industry. Voltas has a strong market position in domestic and international markets. Voltas is one of the world’s premier engineering solutions providers and project specialists. The business area of the company includes AC’s, inverter ACs, air coolers, air purifiers, commercial refrigeration, microwave ovens, water dispensers, textile machinery, mining and construction equipment, water management and treatment.

Market presence and distribution network: The company has strong and improving market share in room air conditioners segment with a market share of 24.5% in FY21. The company became one of top 3 players in the air cooler segment after launching of air cooler in year 2015. The company has secured 11% of market share in air cooler segment. The distribution network has grown 15 times over the last ten years. Voltas is also expanding its footprint through more exclusive brand outlets in tier 2 and 3 cities.

- **Strong promoter:** Voltas is a part of Tata Group that provides financial flexibility in accessing financial markets and banking system if any funding requirements.
- **Quarterly results:** The company reported 24.9 % YoY decrease in net profit at Rs 96.6 crore for the third quarter ended December 31, 2021. Total revenue for the quarter declined 10 percent YoY to Rs 1,793.6 crore from Rs 1,995 crore in the year-ago quarter. EBITDA jumped 6.1% to Rs 155.6 crore in Q3 FY22 over Rs 146.6 crore in Q3 FY21. EBITDA margin stood at 8.7% in Q3 FY22 as compared to 7.4% in Q3FY21.
- **Order Book:** In FY2021, company’s order book stood at Rs 7788 Cr which is 56% increase from FY2020 of Rs 4976 Cr.

Risks:

- AC market is highly competitive.
- Company faces risk of Loss of market share (large gap vs peers) and Loss of margins.
- Rise in commodity prices could hit margins.

Financials and Valuations

Income Statement (Rs. in Cr.)

Y/E March	FY18	FY19	FY20	FY21
Net Revenue	6427.87	7124.07	7658.08	7555.78
Change (%)	6.2	11.2	7.5	-1.3
EBITDA	662.64	611.71	686.66	641.36
Depreciation	24.35	23.98	31.96	33.89
EBIT	638.29	587.73	654.7	607.47
Other income	174.13	186.25	230.60	188.86
Interest	11.9	33	21.1	26.2
Exceptional items	0.61	-11.8	-51.19	0
PBT	801.11	729.2	827.78	770.2
Tax	226.71	163.34	238.4	180.22
Rate (%)	28.3	22.4	28.8	23.4
Reported PAT	572.4	507.9	517.2	525.1
Change (%)	10.6	-11.3	1.8	1.5
Adjusted PAT	571.8	519.7	553.6	525.1
Change (%)	10.7	-9.1	6.5	-5.1

Balance Sheet (Rs. in Cr.)

Y/E March	FY18	FY19	FY20	FY21
Share Capital	33.1	33.1	33.1	33.1
Reserves	3872.1	4076.9	4247.1	4960.3
Net Worth	3905.2	4110.0	4280.2	4993.4
Minority interest	31.7	34.8	36.5	36.1
Loans	142.3	314.7	217.9	260.6
Deferred Tax Liability	-4.6	-99.3	-71.5	-55.8
Capital Employed	4074.6	4360.1	4463.1	5234.3
Gross Fixed Assets	518.7	559.1	620.1	661.6
Less: Depreciation	301.3	295.9	319.5	353.4
Net Fixed Assets	217.4	263.3	300.6	308.2
Capital WIP	4.1	15.7	26.3	8.8
Investments	2753.6	2385.9	2343.3	3046.4
Goodwill	79.8	79.8	79.8	79.8
Curr. Assets	4237	4671.5	5333.2	5156.5
Inventory	813	109.07	1468.9	1279.6
Debtors	1570.3	1833	1833.6	1800.9
Cash and Bank Balance	283.7	321.1	308.4	458.8
Loans and Advances	121.8	11.6	2.3	2.3
Other Assets	1448.2	1415.1	172.0	1614.9
Current Liab. and Prov.	3217.2	3056.0	3620.1	3365.4
Current Liabilities	2176.5	2374.5	2688.9	2464.5
Other Liabilities and provisions	1040.8	681.5	931.2	900.9
Net Current Assets	1019.8	1615.5	1713.1	1791.1
Application of Funds	4074.6	4360.1	4463.1	5234.3

Financials and Valuations

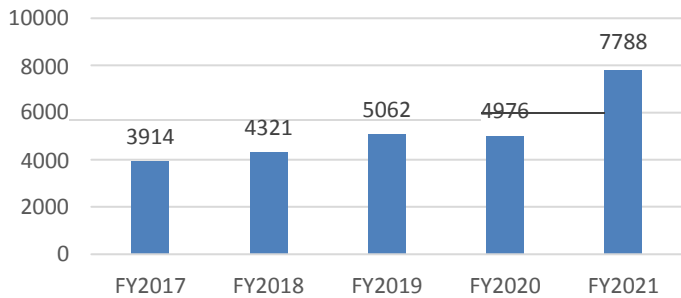
Ratios

Y/E March	FY18	FY19	FY20	FY21
Basic (INR)				
Adj. EPS	17.30	15.35	15.63	15.87
Cash EPS	18	16.4	17.7	16.9
Book Value	118.0	124.2	129.4	150.9
DPS	4.0	4.0	4.1	4.1
Valuation (x)				
P/E	35.87	41.06	30.63	63.11
EV/EBITDA	59.3	64.5	57.3	61.2
EV/Sales	6.1	5.5	5.1	5.2
Price/Book Value	10.1	9.6	9.2	7.9
Dividend Yield (%)	0.3	0.3	0.3	0.3
Profitability Ratios (%)				
RoE	17.62	14.12	12.40	11.3
RoCE	21.60	18	17.16	15.08
RoIC	50.0	27.8	25.8	26.9
Turnover Ratios				
Debtors (Days)	89	94	87	87
Inventory (Days)	46	56	70	62
Creditors (Days)	124	122	128	119
Asset Turnover (x)	1.6	1.6	1.7	1.4
Leverage Ratio				
Net Debt/Equity ratio (x)	(0.04)	(0.08)	(0.05)	(0.05)

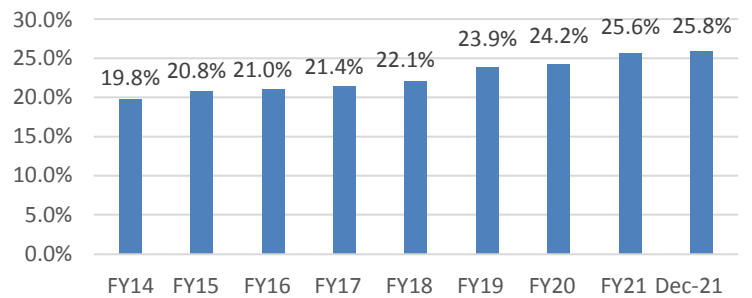
Cash Flow Statement (Rs. in Cr.)

Y/E March	FY18	FY19	FY20	FY21
PBT before EO Items	800.5	677.4	759.1	773.5
Depreciation	26.8	24	32	33.9
Interest and other	0	33	21.1	26.2
Direct Taxes Paid	-227	-270.8	-206.1	-69.3
(Inc.)/Dec. in WC	149.5	645.6	91.1	158
CF from Operations	450.8	-180.7	522.3	607
(Inc.)/Dec. in FA	-25.2	-81.8	-90.5	-20.8
Free Cash Flow	425.7	-262.5	431.8	586.2
(Pur.)/Sale of Investments	-485.7	318.1	-154.9	-315.8
CF from Investments	-510.9	236.4	-245.4	-336.6
(Inc.)/Dec. in Debt	166.6	172.4	-105.7	42.5
Interest Paid	0	-32.9	-21.2	-26.7
Dividend Paid	-153.4	-157.7	-162.7	-135.8
CF from Fin. Activity	13.2	-18.3	-289.6	-120
Inc./Dec. in Cash	-46.9	37.4	-12.7	150.4
Add: Beginning Balance	330.5	283.7	321.1	308.4
Closing Balance	283.7	321.1	308.4	458.8

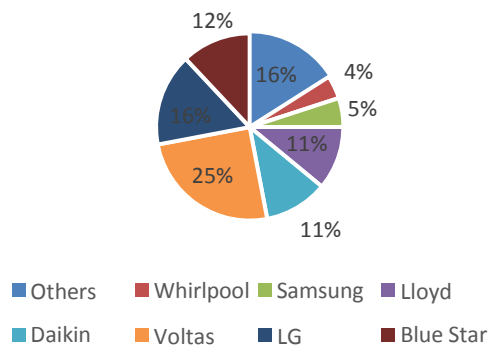
Order Book (Rs. Crore)



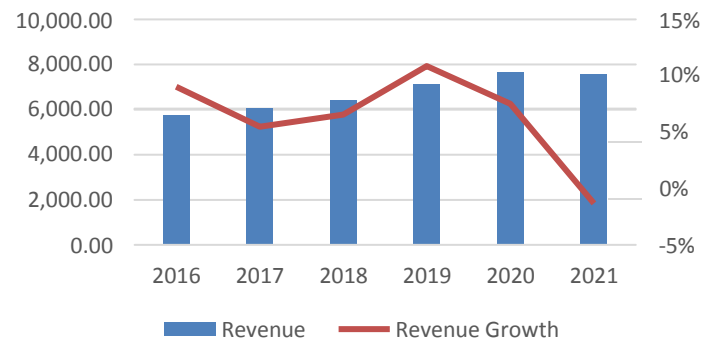
Market share in RAC



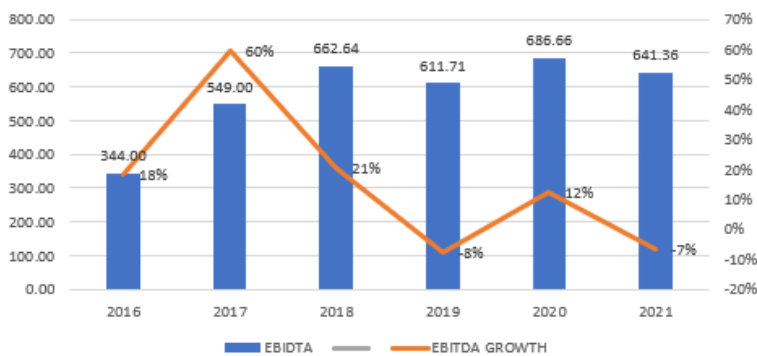
Indian RAC market share



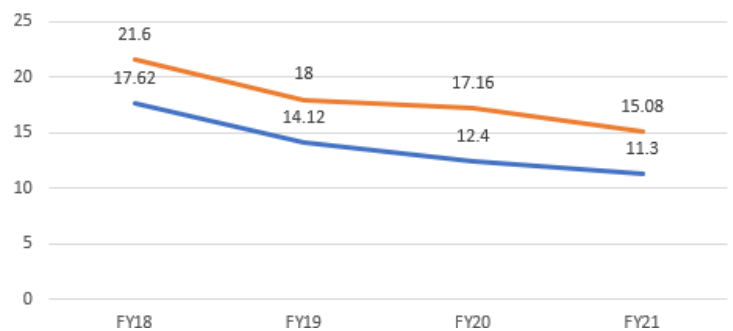
Revenue & Revenue Growth (%)



EBITDA & EBITDA growth



ROE & ROCE



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