



Report Date	January 30, 2008
Company Name	Voltas Limited
Recommendation	BUY

CMP – Rs. 206/-	Target Price – Rs. 250/-	Mkt. Cap. Rs. 6,812.4 crore
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Investment Rationale

- Voltas, Tata group company and leading air conditioning & engineering services provider, reported commendable performance for Q3 FY 2008. Net sales were up by 16.8% to Rs. 664.76 crore. Sales of Engineering products & services division grew @ 37.5% to Rs. 159.97 crore, while that of Unitary Cooling products division rose to Rs. 123.82 crore. However, Electro mechanical project & service (MEP) sales were up by just 5.5% to Rs. 373.65 crore due to delay in execution of international projects. OPM% shot up to 8.3% on account of strong performance of unitary cooling business, which had losses in Q3 FY 2007, reported PBIT of Rs. 6.4 crore. PBIT% of MEP segment also jumped to 7.4% (5.1%) while that in engineering product business plummeted to 17.7% (21.4%) due to business moving from pure agency to manufacturing and stock & sale. Consequently, PBT (before extra ordinary items) almost doubled to Rs. 61.59 crore. Significantly higher extra ordinary income of Rs.7.28 crore lifted PAT up by 143% to Rs. 47.22 crore.
- For 9 months ending Dec. 2007, sales grew @ 29.7% to Rs. 2232.61 crore. OPM% almost doubled to 8.7%. As a result, PBT (before extra ordinary items) zoomed to Rs. 218.86 crore. Extra ordinary income of Rs. 18.56 crore further lifted PAT up 131.1% to Rs. 152.96 crore.
- MEP business is expected to witness significant growth going forward on account of major investments in malls, multiplexes, IT parks, hospitals, banks, commercial offices. Moreover, privatization & modernization of airports is expected to presents huge growth prospect and Voltas may have increased bidding opportunities in this area. In international market, company is one of the established contractors in Middle East and is poised to benefit largely from construction boom in West Asia. Moreover, with rapid investments in food retailing, opportunities for Voltas in terms of cold-chain solution provider have opened up. To grab these opportunities, company has bought out two of its joint venture companies and made them into wholly owned subsidiary. First JV was with local company in Saudi Arabia that is engaged in execution and operations, maintenance of electro mechanical installations in that country. Company has also bought 50% of another JV, Universal Comfort Products, which was a tie up with Fedders International Air Conditioning. Universal Comfort is engaged in manufacturing of room and split air conditioners. To further accelerate growth, company is also open to acquisitions in this segment.
- Engineering Products & Services business which includes textiles machinery, mining tools & construction and material handling business, offers total solutions from concept through commissioning to training and maintenance. This business is expected to grow on back of substantial capacity expansions expected in spinning, weaving and knitting. Other growth drivers would be huge investments planned in infrastructure development as well as in mining sector.
- Unitary Cooling Products business continues its aggressive market push with growth in sales of air conditioners.

Valuation

- At CMP, the stock (Re.1/- paid-up) is trading at 31.2 times FY 2008 EPS of Rs.6.59 and 22.3 times FY 2009 expected consolidated EPS of Rs. 9.88. In view of huge order book position and bright future prospects in respect of ongoing boom in infrastructural development, we recommend to “BUY” the share at CMP.

Financial Summary

Rs. Crore

Rs. Crore	FY 2008	FY 2007	%	FY 2008	FY 2007	%	2007 A
	Q3			9 months			12 mths
			Change			Change	
Net Sales	664.76	568.92	16.8%	2,202.43	1,679.20	31.2%	2,400.55
Total Expenses	609.51	541.43	12.6%	2,010.00	1,605.19	25.2%	2,291.87
EBITDA	55.25	27.49	101.0%	192.43	74.01	160.0%	108.68
EBITDA (%)	8.3%	4.8%		8.7%	4.4%		4.5%
Interest Expenses / (Income)	0.41	1.37	-70.1%	2.11	3.19	-33.9%	(0.47)
Depreciation	3.23	2.90	11.4%	9.54	9.32	2.4%	12.32
Other Income	9.98	8.49	17.6%	28.54	34.03	-16.1%	58.29
P.B.T. before Extra Ordinary Items	61.59	31.71	94.2%	209.32	95.53	119.1%	155.12
Extra Ordinary Income / (Exp.)	7.28	1.30	460.0%	18.56	2.25	724.9%	67.71
P.B.T. after Extra Ordinary Items	68.87	33.01	108.6%	227.88	97.78	133.1%	222.83
Net Profit	47.22	19.43	143.0%	152.96	66.18	131.1%	186.08
Equity Capital (Re. 1/-)	33.07	33.06		33.07	33.06		33.07
EPS for the period (Rs)	1.28	0.56	126.2%	4.25	1.96	117.2%	3.92

Disclosures

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