

## NEWS UPDATE

### Share Data

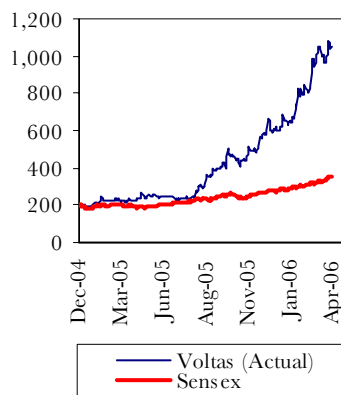
Reuters code	VOLT.BO
Bloomberg code	VOLT IN
Market cap. (US\$ mn)	776

Performance (%)	1m	3m	12m
Absolute	7	59	367
Relative	(2)	29	159

### Major shareholders (%)

Promoters	28
FII's	22
Bank / MFs / Institutions	24
Public & Others	26

### Relative performance



## Voltas

Maintain BUY

Price: Rs. 1,048

BSE Index: 11662

12<sup>th</sup> April 2006

### Company launches products in Bahrain market

Voltas, through a marketing tie-up with Bhatia and Co of Bahrain has launched their range of products for selling in Bahrain. The range of products initially would include window ACs, highwall and ductable split ACs, slimline and cassette ACs, and water dispensers. The range would be further expended in future to water coolers, commercial refrigerators, chest freezers and room heaters.

The company's ACs are tested for desert conditions and incorporates energy efficient compressors enabling higher cooling efficiency and minimum power consumption.

Voltas is already a leading player in electro mechanical projects for UAE and these new product introductions will complement their activities to garner new market share.

### Potential for growth in exports

The company's foray into new export markets such as Bahrain is in line with the company's plan to increase their exports from 15,000 units to 40,000 units per annum. The company is already selling 15,000 units in other areas such as Dubai and Qatar.

### Voltas to increase stake to 100% in Weathermaker Ltd.

Voltas is set to increase their stake from 24% to 100% in Weathermaker Ltd by buying out the stake of other shareholders including the 25% held by their subsidiary Metrovol. Weathermaker is into ducting products which go into air conditioning systems.

### Order book

The company has an order book of Rs.14 bn in their electromechanical projects business with Rs.9 bn in international markets and Rs.5 bn in domestic markets. The company is further bidding for Rs.30 bn projects and is looking to bag at least Rs.6 bn worth of these projects. The company also has an order book that would generate the company trading commissions of Rs1.56 bn in their engineering products and services division.

### Outlook

The company is already a strong player in the electro mechanical business in UAE and neighbouring countries. With the new line of strategy set to complement the company's electro-mechanical projects business, we see the above two developments as positives for the company and would be key growth drivers to their exports sales.

### Valuations

The stock presently trades at 26x FY07E and 18.6x FY08E earnings. We maintain our BUY on the stock with a target price of Rs.1250 based on 22x FY08E earnings.

**Income Statement**

Yr. ended 31 Mar. (Rs. m)	FY05	FY06E	FY07E	FY08E
Net sales	13,867	18,442	22,726	28,324
Growth (%)	8.9	33.0	23.2	24.6
Operating expenses	-13,513	-17,339	-21,012	-25,956
Operating profit	353	1,102	1,714	2,368
EBITDA	353	1,102	1,714	2,368
Growth (%)	n/a	212.0	55.5	38.1
Depreciation	-105	-103	-114	-117
Other income	397	213	202	298
EBIT	646	1,213	1,801	2,549
Interest paid	-68	-43	-50	-65
Pre-tax profit (before non-recurring items)	578	1,170	1,751	2,484
Non-recurring items		-266		
Pre-tax profit (after non-recurring items)	578	904	1,751	2,484
Tax (current + deferred)	-72	-165	-438	-621
Net profit	506	739	1,314	1,863
Adjusted net profit	506	1,005	1,314	1,863
Growth (%)	29.1	98.6	30.7	41.8
<b>Net income</b>	<b>506</b>	<b>739</b>	<b>1,314</b>	<b>1,863</b>

**Balance Sheet**

Yr. ended 31 Mar. (Rs. m)	FY05	FY06E	FY07E	FY08E
Current assets	8,644	9,988	12,236	15,372
Investments	462	497	506	602
Net fixed assets	824	497	656	632
Other non-current assets	339	300	200	250
<b>Total assets</b>	<b>10,270</b>	<b>11,282</b>	<b>13,597</b>	<b>16,856</b>
Current liabilities	7,147	8,358	9,733	11,469
Total Debt	1,064	702	686	752
Other non-current liabilities	124	130	150	120
<b>Total liabilities</b>	<b>8,335</b>	<b>9,190</b>	<b>10,568</b>	<b>12,341</b>
Share capital	331	331	331	331
Reserves & surplus	1,605	1,762	2,698	4,185
Shareholders' funds	1,935	2,092	3,029	4,515
Total equity & liabilities	10,270	11,282	13,597	16,856
<b>Capital employed</b>	<b>3,123</b>	<b>2,924</b>	<b>3,864</b>	<b>5,387</b>

**Cash Flow Statement**

Yr. ended 31 Mar. (Rs. m)	FY05	FY06E	FY07E	FY08E
Pre-tax profit	578	904	1,751	2,484
Depreciation	413	347	76	58
Chg in working capital	-100	-919	-786	-749
Total tax paid	-179	-28	-45	-518
<b>Cash flow from oper. (a)</b>	<b>712</b>	<b>304</b>	<b>996</b>	<b>1,275</b>
Capital expenditure	-12	-20	-234	-35
Chg in investments	-7	-35	-9	-96
Other investing activities	-270	-278		
<b>Cash flow from inv. (b)</b>	<b>-289</b>	<b>-332</b>	<b>-243</b>	<b>-131</b>
<b>Free cash flow (a+b)</b>	<b>423</b>	<b>-29</b>	<b>753</b>	<b>1,145</b>
Debt raised/(repaid)	232	-362	-17	67
Dividend (incl. tax)	-112	-189	-301	-377
Other financing activities	-2	-2		
<b>Cash flow from fin. (c)</b>	<b>117</b>	<b>-553</b>	<b>-318</b>	<b>-310</b>
<b>Net chg in cash (a+b+c)</b>	<b>541</b>	<b>-582</b>	<b>435</b>	<b>835</b>

**Key Ratios**

Yr. ended 31 Mar. (%)	FY05	FY06E	FY07E	FY08E
EPS (Rs)	15.3	30.4	39.7	56.3
EPS growth	29.1	98.6	30.7	41.8
EBITDA margin	2.5	6.0	7.5	8.4
EBIT margin	4.7	6.6	7.9	9.0
ROCE	21.1	40.1	53.1	55.1
Net debt/Equity	-20.3	-8.3	-20.6	-30.8

**Valuations**

Yr. ended 31 Mar. (x)	FY05	FY06E	FY07E	FY08E
PER	68.6	34.5	26.4	18.6
PCE	56.8	31.3	24.3	17.5
Price/Book	17.9	16.6	11.5	7.7
Yield (%)	0.5	0.8	1.0	1.0
EV/Net sales	2.5	1.9	1.5	1.2
EV/EBITDA	97.1	31.3	19.9	14.1

**Du Pont Analysis – ROE**

Yr. ended 31 Mar. (x)	FY05	FY06E	FY07E	FY08E
Net margin (%)	3.6	5.4	5.8	6.6
Asset turnover	1.4	1.7	1.8	1.9
Leverage factor	5.1	5.4	4.9	4.0
Return on equity (%)	26.4	49.9	51.3	49.4

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**Analyst Certification**

I, Vinay Pandit, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

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