



Voltas Limited

Voltas, a Tata group company and leading air conditioning & engineering services provider, reported decent performance for FY 2009.

- Despite current slowdown, Net sales surged by 32.5% to Rs. 4,033.3 crore as sales of Engineering products & services sputred up sharply 55.2% to Rs. 2,546.4 crore (Rs. 1641.1 crore) through execution of large overseas projects. Pending order book for Electro-mechanical segment was Rs. 4,718 crore as on March 31, 2009. Sales of Engineering Product & Services segment declined by 2% to Rs. 542.19 crore following general investment climate in Indian economy. Unitary Cooling Products revenue grew @ 11% to Rs. 913.75 crore.
- OPM% declined to 6.55% because of considerable rise in staff cost to 10.6% (9.1%) of sales.
- Strong sales growth coupled with almost tripled other operating income of Rs. 30.56 crore (Rs 11.27 crore), 55% jump in other income of Rs. 49.12 crore (Rs. 31.74 crore) and net interest income of Rs. 7.86 crore (interest charge of Rs. 2.65 crore) lifted PBT (before extra ordinary items) up by 20.8% to Rs. 335.33 crore (Rs. 277.67 crore).
- Slightly higher net extra ordinary income of Rs. 32 crore (Rs. 29.87 crore) resulted in 21.2% increase in PAT of Rs. 252.59 crore.

On Consolidated basis, Net sales soared up by 35.1% to Rs. 4325.9 crore. OPM% dipped to 6.54% (7.9%). 3-fold jump in operating other income of Rs. 35.82 crore, 36.1% higher other income of Rs. 45.2 crore (Rs. 31.77 crore) and net interest income of Rs. 2.44 crore (finance charge of Rs. 4.99 crore) led to 25.4% growth in PBT (before extra ordinary items) of Rs.345.59 crore (Rs. 275.67 crore).

Voltas is India's premier air conditioning and engineering services provider offering engineering solutions for a wide spectrum of industries in areas such as heating, ventilation & air conditioning (HVAC), refrigeration, electro-mechanical projects, textile machinery, machine tools, mining & construction equipment, materials handling, water management, building management systems, indoor air quality and chemicals. It is a diversified play with strong linkages to infrastructure growth.

Company's strengths lie in design and manufacture of industrial equipment, management & execution of air conditioning & public works projects, sourcing, installation & servicing of technology-based systems and representation of global technology leaders, serving diverse industrial sectors and applications.

To accelerate its presence in Industrial segment, Voltas acquired 51% stake in Rohini Industrial Electricals in Sep. 2008, thereby widening its scope of electro-mechanical offerings to include electrical & instrumentation contracts for projects in domains of Power, Steel, Oil & Gas, Pharma, Textile and other industries. This can be leveraged for both domestic and overseas markets. Voltas has option to increase its equity stake up to 100% in future.

With thrust on premium products, Engineering and unitary cooling divisions will create a platform for strong profitable growth.

Voltas has drawn up aggressive growth plans thru 2010-11 making organic growth self-sustaining driving new vision – 10 x 10 x 10 [to reach sales of Rs 10,000 crore with 10% profit margin to earn PBT of Rs 1,000 crore] by FY 2011. Company expects organic growth to contribute 75% of turnover by FY 2011 and rest from inorganic route.

Voltas is cash-rich company having net surplus cash of > Rs 560 crore on March 31, 2009. Besides, company's operations are not capital intensive. However in large projects, working capital requirements are higher due to relatively longer execution cycle,

retention money etc. At CMP of Rs. 98.05, share (Re. 1/- paid up) is trading at 14.1 times FY 2009 EPS of Rs. 7/- and 11.3 times FY 2010 expected EPS of Rs. 8.7. In view of decent growth prospects, we recommend to "BUY" the share at CMP.

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