

Voltas Ltd

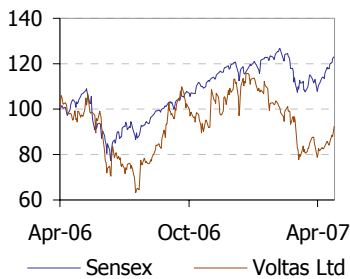
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

 No. of shares : 331mn
 Market cap : Rs 31bn
 52 week high/low : Rs 121/ Rs 64
 Avg. daily vol. (6mth) : 1.7mn shares
 Bloomberg code : VOLT IN
 Reuters code : VOLT.BO

Shareholding (%) Mar-07 QoQ chg

Category	Shareholding (%)	QoQ chg
Promoters	27.3	0.0
FII's	28.7	1.2
MFs / UTI	6.8	(2.2)
Banks / FIs	13.0	(0.2)
Others	24.3	1.2

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2006	19,544	913	-	2.8	94	36.2	37.1	33.9	29.1	0.6
2007	25,268	1,254	-	3.8	37	22.4	35.3	39.2	20.5	0.9
2008E	31,258	1,255	3.0	3.8	0	24.8	26.0	33.0	17.7	1.0
2009E	42,020	1,782	4.3	5.4	42	17.5	30.4	39.2	12.4	1.6

Source: *Consensus broker estimates, Company, ENAM estimates

CORE BUSINESS DISAPPOINTS

Voltas' FY07 performance in its core business was disappointing. However, better than expected performance of subsidiaries, higher other income and lower tax rate boosted profits. During FY07, Voltas reported revenues of Rs 25.3bn (up 29% YoY), EBIDTA of Rs 1.33bn (up 19% YoY) and adj. PAT of Rs 1.25bn (up 25% YoY). OPM declined by ~47bps to 5.3% due to increase in employee costs and other costs. The order book at Rs 21.9bn (up 18% YoY) was below expectations, as order intake declined by 6% during the year.

Key FY07 Highlights:

- **Electro-mechanical Projects and Services** registered a 21% YoY revenue growth but margins contracted by ~158bps. The sluggish revenue growth and margin pressure was due to certain international projects that are in the initial stage of execution.
- **Engineering Products and Services** reported a 71.1% YoY growth in revenues propelled by robust growth in the material handling business (up 62% YoY) and textile machinery (up 52% YoY). PBIT margins declined by 481bps to 22.8% on account of the unfavorable product mix.
- **Unitary Cooling Products** registered an impressive 29.7% YoY growth in revenues. The company's effort in turning around the division has started showing results; and the division margins in Q4FY07 at 6.0% were the highest in the last five years.
- **Subsidiaries - A surprise package:** Subsidiaries' revenues grew at 24.6% to Rs 1262mn, EBIDTA grew by ~75% to Rs 193mn and PAT grew by 390% to Rs 156mn.

Outlook

The business outlook for Voltas continues to be encouraging given the strong economic tailwinds across its addressable business segments viz. IT/ITES, retail, textiles & infrastructure. To account for higher other income and better than expected performance of the subsidiaries we are revising our FY08 earnings estimates by 19% to Rs 3.8. At CMP (Rs 94), the stock trades at 24.8x FY08E earnings of Rs 3.8.

Results update

(Rs mn)	Quarter ended (Standalone)					Annual (Consolidated)		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	7,214	5,139	40.4	5,689	26.8	31,258	25,268	23.7
EBIDTA	397	301	31.9	275	44.3	1,739	1,331	30.7
Other income	123	90	36.4	85	44.4	433	592	(26.8)
PBIDT	519	391	32.9	360	44.3	2,172	1,923	13.0
Depreciation	30	36	(17.4)	29	3.4	245	156	57.7
Interest	37	(13)	-	14	167.2	110	108	2.2
PBT	453	367	23.3	317	42.8	1,817	1,660	9.5
Tax	51	134	(62.3)	92	(45.3)	563	407	38.2
Other provisions	-	10	-	6	-	(2)	(2)	15.0
Adjusted PAT	402	233	72.4	181	121.8	1,255	1,254	0.1
Extra ordinary income/ (exp.)	725	4	-	13	-	-	766	-
Reported PAT	1,138	237	379.5	223	-	1,255	2,020	(37.9)
No. of shares (mn)	331	331	-	331	-	331	331	-
EBIDTA margins (%)	5.5	5.9	-	4.8	-	5.6	5.3	-
PBIDT margins (%)	7.2	7.6	-	6.3	-	6.9	7.6	-
EPS - annualized (Rs.)	4.9	2.8	72.4	2.2	121.8	3.8	3.8	0.1

Source: Company, ENAM Research

Segmental performance – Annual Standalone

	Revenues (Rs mn)			PBIT margin (%) #		
	Mar-07	Mar-06	% Chg	Mar-07	Mar-06	Chg bps
A Electro-mechanical Projects and Services	13,708	11,327	21.0	4.2	5.8	(158)
B Engineering Products and Services	4,325	2,528	71.1	22.8	27.6	(481)
C Unitary Cooling Products	6,126	4,723	29.7	(0.3)	(7.9)	763
Others	402	476	(15.5)	(25.7)	6.9	(3,255)
Total	24,561	19,054	28.9	7.0	9.0	(206)
Less: intersegment	530	120	341.7	-	-	-
Net Sales	24,031	18,934	26.9	-	-	-

Source: Company #adjusted for extraordinary items

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