

TRANSCRIPT

Analysts/Investors Conference Call

January 23, 2007

Moderator

Good morning ladies and gentlemen. I am Ravi Bob, the moderator for this conference. Welcome to the Voltas Limited's post Q3 FY06-07 results conference call. For the duration of the presentations, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. B. N. Garudachar, General Manager - Corporate Communication. Thank you and over to you sir.

B. N. Garudachar

Thank you Ravi. Good morning and thank you for being with us. I would like to in brief give you the profile of the company and introduce you to the main business segments. Today Voltas must be seen more as an engineering company, we are also engineering solutions and services in various fields. Apart from being a global air-conditioning company it is also India's largest exporter of electromechanical projects with significant presence in the Middle East, Singapore, and Hong-Kong. It has a 60% market share in the textiles spinning sector and it is also one of the largest manufacture of forklift. The company is today among the top two players in the air-conditioner market, water coolers, and commercial refrigerators.

The company's businesses are organized in three major segments. Segment A is the electromechanical projects and services segment, this segment actually contributes to almost 60% of the company's turn over annually and also 50% of the profits annually. This segment consists of two revenue streams, one from the domestic operations and second from the international operations. In the domestic operations it has primarily the air-conditioning business and in the international operation it is primarily from the mechanical, electrical, and public health turnkey projects.

Now segment 2 is the engineering products and services, this segments while contributes only 13% to the turn over, it has almost 45% contribution to the profits, the bottom line. The main business in this segment are textile machinery business, mining and construction equipment, materials handling, and machine tools.

The third segment, which is the most visible part of our business, is the unitary cooling products for comfort and commercial use. This segment contributes to about 25% to the turn over. This segment encompasses the room air-conditioner business, water cooler business, and the commercial refrigerator business.

With this brief introduction to the company and its business may I now request Mr. Miyajiwala, company's Executive Vice President - Finance and CFO to share with you the highlights of the Q3 results, after which we will open the house for question and answer session. May I now request Mr. Miyajiwala to make his presentation.

Miyajiwala

Good morning to all of you. Voltas has been involved in large projects as Mr. Garudachar mentioned. I have seen a few articles in newspaper on the Burj tower which is supposed to be the tallest building in the world it is about between 160 to 170 storied, however, probably what is most known is that Voltas is involved in this very prestigious project and we are doing the entire electromechanical and fitting jobs in this building with an order of about

1000 crores to be executed jointly with two other joint venture partners, and Voltas is very happy to be attached to this project and being involved in it. With that brief introduction I will come to the results for the third quarter.

The third quarter results have been generally better than the first six months and the turn over has increased by 30% in the last quarter. Cumulatively the turn over has increased by 25%. The EBITDA margins that is the margins before interest and depreciation for the third quarter are substantially higher than the 6.6% achieved in the nine months period. The profit before exceptional items has grown by 20% as against 18% last year. The profit before tax that is after exceptional items has grown by 120%. In last year in this quarter we had absorbed the voluntary retirement cost of our employees at Hyderabad unit, and this year there is no such VRS, because of which this item has gone up by 120%.

Voltas used to be under minimal alternate tax and this year it has moved into full tax bracket with all the past losses having been adjusted against the profit that we have earned in the last few years, and therefore the taxation this year is at about 31% for the nine months period and arising from that the PAT has grown by 71% instead of as against the PBT growth of 120%.

The earning per share on the Re. 1 share for the quarter is 60 Paise that is 60%, and for the nine months period it is Rs. 2, that is 200%.

The order book for Voltas has grown very substantially. The order book is relevant only in the first segment i.e. the electromechanical segment. Last year at this time that is the end of December 2005 we had an order book of approximately Rs. 1400 crores and this year that has gone up by about a 1000 crores and it stands at Rs. 2400 crores. This comprises about 600 crores of order book for domestic business and the balance in international business. The domestic business cycle is between 3 months to one year completion on an average and in the international business it is about two years cycle period.

Looking at the segment results. The segment A profits are more or less at the same level as last year, whereas, in the case of segment B i.e. the engineering products and services business, there is a very substantial improvement and results which stood at 17 crores last year for the quarter have gone up to 25 crores. In the case of segment C i.e. unitary product segment, there was a loss last year of about 40 lakhs, which has gone up to about 280 lakhs. In this there are some one time items arising out of accounting standard 15, there is an additional provision made, and on 9 months basis this provision would be about one and a half crores, so if we remove this provision which was not there last year then the loss situation is not as bad; however, it needs to be noted that there has been a significant increase in input cost in the first nine months arising out of increase in prices of copper, steel, aluminium, plastics etc, and this put a substantial pressure on our margins since the selling prices could not be raised to compensate for these increases, and the cost increases could not be passed on to the customers; however, the prices of copper, aluminium, crude, etc., have come down in the last few months and this should have a beneficial impact. Our Santnagar project also has gone on stream. As far as commercial coolers are concerned, as far as air-conditioners and split AC are concerned, this plant is likely to go on stream in the current month, and with these two plants going on stream there should be some improvement, but it is very difficult to predict on how much the improvement will be because we are not sure of how much we may have to pass on to the customers out of the benefit that we gain out of Santnagar plant and how much we can retain; however, there should be a considerable improvement in the situation in the coming month. With that I will open the forum for question if there are any. Thank you very much.

Moderator

Thank you very much sir. We will now begin with the Q&A interactive session. The questions will be answered by Mr. MM Miyajiwala EVP - Finance and CFO. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press * and 1 now. The first question comes from Ms. Jasudha of Reuters.

Jasudha

Hi sir, I have a couple of questions actually. Segment B, what do you attribute with raise in profits to? Also there have been a lot of media reports about Voltas looking at water treatment projects in Singapore and acquiring companies, is there any truth to this and what exactly are you looking at?

MM Miyajiwala

As far as the first question is concerned I could not get it very clearly, so I will be grateful if you can repeat it.

Jasudha

Yeah sure, segment B, what exactly has led to this growth in the engineering products and services, the revenues there?

MM Miyajiwala

Actually the growth in the engineering product is in segment B, you are speaking about segment B, okay, in segment B primarily the growth has been led by our material handling business. In material handling we manufacture fork lifters, we use to manufacture about 50 fork lifters per month and this has gone up to about 100 fork lifters. In fact, the last month we manufactured 120 fork lifters, and this growth has been led primarily because of the investment in the industrial sector which is taking place, the higher movement of goods in the ports etc, and generally increase in the capital cycle. Apart from that the growth also has been led by two other sectors, particularly mining and construction equipment business. Mining and construction in fact the major growth we were expecting has not yet come through, but there has been a good enough growth and we look forward to the future quarters for even higher growth, because new equipment orders are yet not as high as we would expect them to be. The third area of growth is textile machinery, and primarily led by the government incentives, the changes in the excise laws, there has been substantial investment taking place in the spinning and power spinning areas, and this has led to this business growth.

As far as the second part of your question is concerned, I would request all the participants to limit the questions only to the quarterly results and we will be too happy to meet with you all on one-on-one basis to discuss any other areas that you may want to discuss. Thank you very much.

Jasudha

Okay.

Moderator

Thank you very much madam. Participants who wish to ask questions please press *1. I repeat, participants who wish to ask questions please press *1. Participants who wish to ask any questions please press *1. At this moment there are no further questions from the participants, I would like to hand over the floor back to Mr. B. N. Garudachar for final remarks.

B. N. Garudachar

I would like to thank you once again for the interest shown in Voltas. I hope we have been able to clarify most of the issues relating to the Q3 results. As regards the future plans of the organization I suggest if you could get in touch with us and we could possibly meet you at your convenience, please get in touch with either Mr. Miyajiwala or Garudachar. I once again thanks a lot for being with us.

Moderator

Thank your very much sir. Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.
