

March 21, 2025

Analyst Meet Update

■ Change in Estimates | ■ Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		BUY	
Target Price	1,593		1,593	
Sales (Rs. m)	1,81,217	2,08,054	1,81,217	2,08,054
% Chng.	-	-	-	-
EBITDA (Rs. m)	13,682	16,020	13,682	16,020
% Chng.	-	-	-	-
EPS (Rs.)	33.4	40.3	33.4	40.3
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,24,812	1,57,403	1,81,217	2,08,054
EBITDA (Rs. m)	4,746	11,212	13,682	16,020
Margin (%)	3.8	7.1	7.5	7.7
PAT (Rs. m)	2,520	8,486	11,045	13,323
EPS (Rs.)	7.6	25.7	33.4	40.3
Gr. (%)	(33.5)	236.7	30.2	20.6
DPS (Rs.)	5.5	7.0	7.0	7.0
Yield (%)	0.4	0.5	0.5	0.5
RoE (%)	4.5	14.1	16.5	17.4
RoCE (%)	10.8	20.1	21.7	22.2
EV/Sales (x)	3.8	3.1	2.7	2.3
EV/EBITDA (x)	101.1	43.2	35.2	29.8
PE (x)	192.9	57.3	44.0	36.5
P/BV (x)	8.4	7.8	6.8	5.9

Key Data

VOLT.BO | VOLT IN

52-W High / Low	Rs.1,946 / Rs.1,034
Sensex / Nifty	76,348 / 23,191
Market Cap	Rs.486bn / \$ 5,631m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.2809.66m

Shareholding Pattern (%)

Promoter's	30.30
Foreign	18.09
Domestic Institution	37.25
Public & Others	14.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.9	(23.8)	40.3
Relative	14.0	(15.6)	32.5

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Focused on volume market leadership

We are downgrading our recommendation to ACCUMULATE from BUY given the recent runup in stock price. We attended the analyst conference call of Voltas where the company outlined its growth strategy, emphasizing its focus on outperforming industry trends, optimizing manufacturing capacity, and maintaining a competitive edge through strong distribution and marketing investments. No major price hikes were announced as the company wants to focus on maintaining its market share. Voltas prioritizes volume growth and market share over immediate margin expansion. Voltbek is expected to achieve EBITDA breakeven by early FY26. We estimate revenue/EBITDA/PAT CAGR of 15.0%/19.5%/25.3% over FY25-27E. The stock is currently trading at 45x/37x FY26/FY27E. There is no change in our estimates and we maintain TP of Rs1593, based on 40x FY27E earnings. Downgrading to ACCUMULATE.

Key Takeaways:

Demand readiness and strategic sourcing

- The company is confident of meeting the increasing demand, but remains cautious about potential demand surges similar to last year. Inventory management and supply chain remain key priorities areas.
- Voltas aims to outperform the industry.
- Voltas is assessing long-term sourcing strategies to manufacture compressors in collaboration with both domestic and international manufacturers.

Temporary contraction in market share on sequential basis

- Voltas indicated sequential contraction in its market share, which is commonly observed during the Jan-Mar (JFM) period. Typically, Voltas' market share declines compared to the second and third players during this time, as summer demand initially picks up in South India, where Voltas has a weaker presence. However, as demand shifts to North India, the company generally sees an improvement in its market share.
- According to Voltas, Jan'25 witnessed the third lowest volume in 10 months. Therefore, the contraction in market share during Jan'25 is not significant in terms of overall volume.
- The company has restructured its sales team to focus more on emerging channels, particularly organized and large-format stores. It continues to invest in in-shop demonstrators (ISDs), below-the-line (BTL) advertising, and sales promotions to enhance market share and brand visibility.
- The company also intends to capitalize its network of 30k channel partners to gain market share.

Easing of BIS norms for compressors

- Indian government is considering relaxing BIS certification requirements for compressors of 2 tons and above, a category that accounts for less than 10% of total industry sales. However, the industry anticipates similar relaxation for compressors below 2 tons, which would be a positive development for the sector.
- Total domestic demand for compressors is estimated at 13-14mn units, while installed domestic capacity stands at 8mn units for FY25. Domestic compressor demand is expected to grow at a CAGR of 10-15% over the next 3-5 years.

No price hikes by Voltas

- The company has indicated no price hikes in the near term.
- There have been no significant price hikes of late, as the company prioritizes affordability and sales volume rather than price hikes. Voltas last implemented price hikes in May-Jun'24, in response to high demand and supply constraints.

Raw material inflation

- The company plans to implement value engineering to offset rising raw material costs, instead of passing them on to customers, thus ensuring margin stability.

Evaluating partners for compressor manufacturing

- Voltas is evaluating partners for domestic compressor manufacturing, considering a joint venture or strategic partnership, and has applied for PLI benefits.

Revenue split of RACs

- Fixed-speed inverter ACs account for 15-18% of RAC sales, but are gradually declining as the price gap between fixed-speed and inverter models narrows.
- 1.5-ton 3-star RAC is the best-selling product for both the company and the industry.

GT and organized channels contribute to majority sales

- Distributor and dealer network (GT) remains the primary sales channel, accounting for 35-40% sales, followed by organized trade and multi-brand outlets at 35-40%. E-commerce contributes 7-8%, while exclusive brand outlets, exceeding 350 in number, account for 13-14%.

Capacity and utilization levels increasing further

- **Chennai plant:** Operating at 40-45% capacity, expected to reach optimal utilization in FY26. Installed capacity of 2mn units of RACs

- **Pantnagar plant:** Operating at 100% capacity, with an annual installed capacity of 1.5mn units of RACs and 0.5mn units of commercial refrigerators
- **Waghodia plant:** Installed capacity of 0.5mn for commercial ACs and 0.78mn units for commercial refrigerators
- **Sanand plant:** Installed capacity of 1.6mn for household appliances

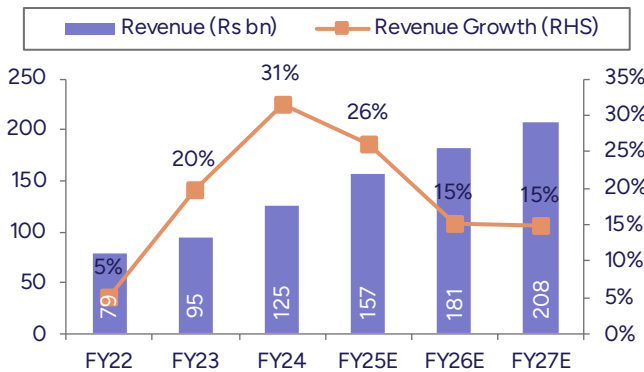
Commercial refrigeration – Margins improving

- The company faced challenges in commercial refrigeration and impacted the company’s margins in Q3FY25. Though gradual improvement is underway, it will take time to return to the historical 8-9% margin level.

Update on Qatar proceedings

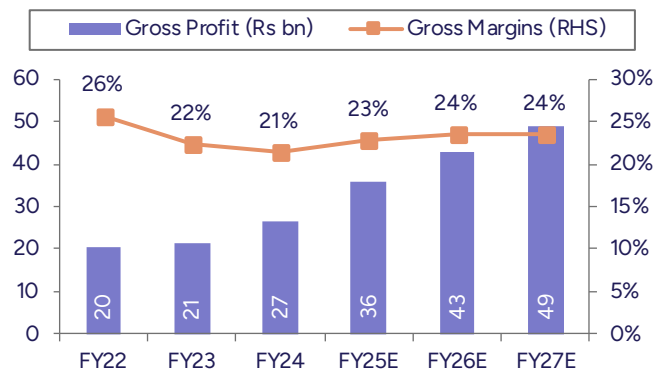
- Voltas indicated that the Rs4bn contingent liability related to the Qatar project remains status quo, with an appeal to be filed in the high court and no provisions made for pending legal proceedings.

Exhibit 1: Revenue to clock CAGR 15% over FY25-27E



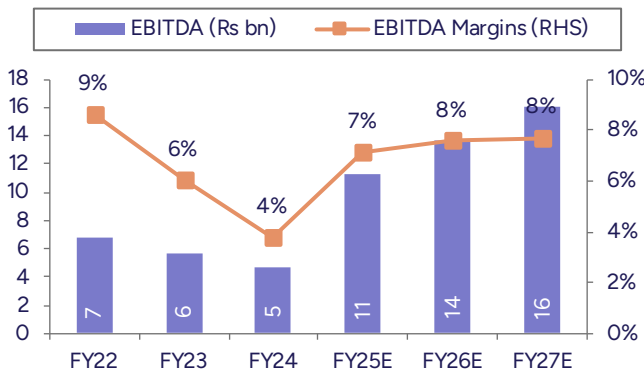
Source: Company, PL

Exhibit 2: Gross margins to expand by 80bps



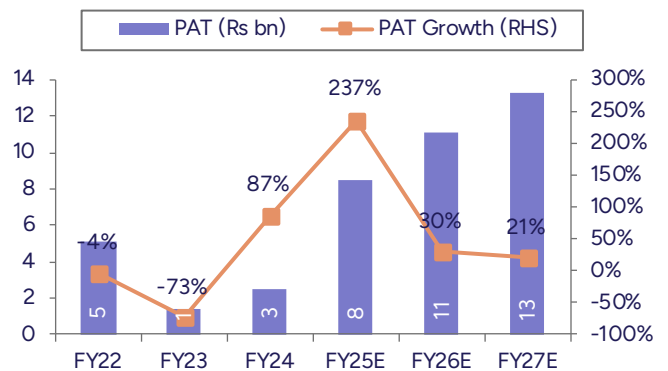
Source: Company, PL

Exhibit 3: EBITDA to grow at 19.5% CAGR over FY25-27E



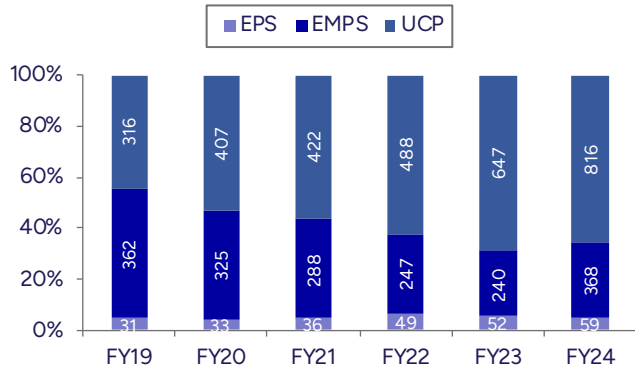
Source: Company, PL

Exhibit 4: PAT to grow at 25.3% CAGR over FY25-27E



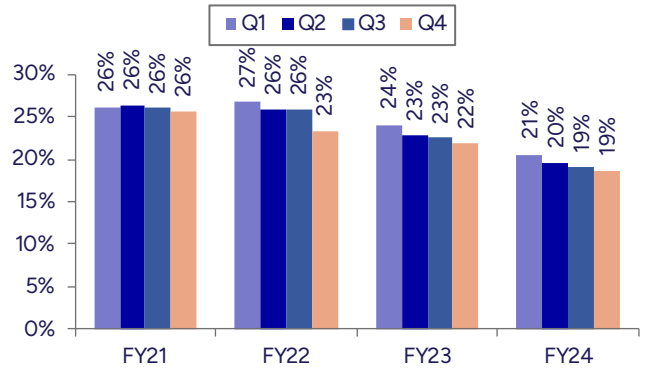
Source: Company, PL

Exhibit 5: UCP revenues grew at a 21% CAGR over FY19-24



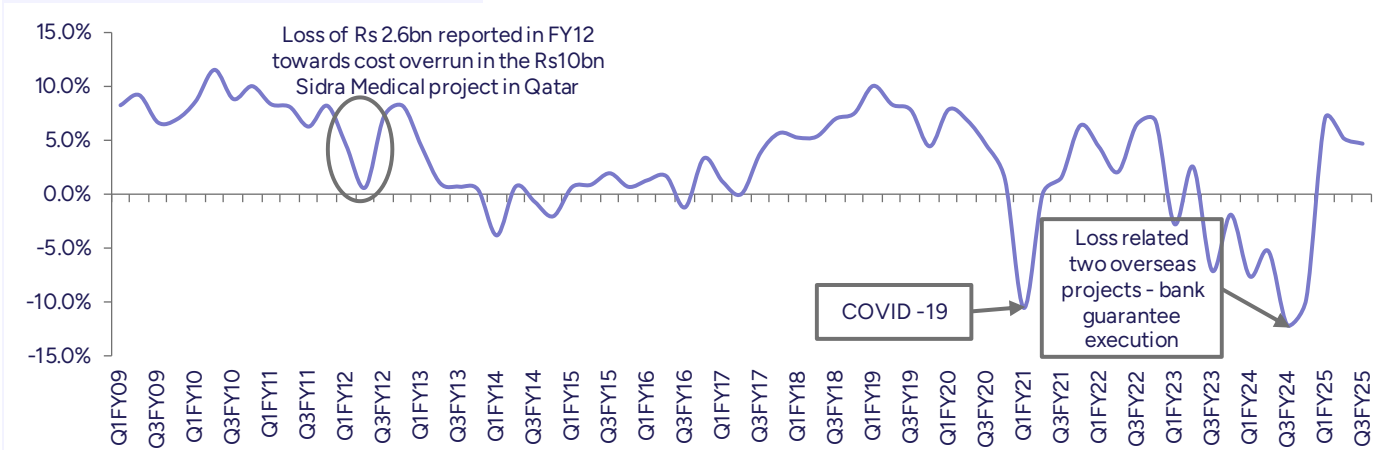
Source: Company, PL

Exhibit 6: Sequential contraction in market share from Q1 to Q4



Source: Company, PL

Exhibit 7: EMPS margins – volatile mainly due to international projects



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,24,812	1,57,403	1,81,217	2,08,054
YoY gr. (%)	31.4	26.1	15.1	14.8
Cost of Goods Sold	98,140	1,21,594	1,38,540	1,59,057
Gross Profit	26,672	35,809	42,677	48,997
Margin (%)	21.4	22.8	23.6	23.6
Employee Cost	7,788	9,051	10,239	11,755
Other Expenses	12,895	13,694	16,491	18,829
EBITDA	4,746	11,212	13,682	16,020
YoY gr. (%)	(17.1)	136.2	22.0	17.1
Margin (%)	3.8	7.1	7.5	7.7
Depreciation and Amortization	476	656	873	961
EBIT	4,270	10,557	12,808	15,059
Margin (%)	3.4	6.7	7.1	7.2
Net Interest	559	549	596	616
Other Income	2,533	3,098	3,432	3,855
Profit Before Tax	6,244	13,106	15,645	18,297
Margin (%)	5.0	8.3	8.6	8.8
Total Tax	2,377	3,394	4,052	4,739
Effective tax rate (%)	38.1	25.9	25.9	25.9
Profit after tax	3,867	9,711	11,593	13,558
Minority interest	(39)	(39)	(21)	(21)
Share Profit from Associate	(1,386)	(1,265)	(569)	(256)
Adjusted PAT	2,520	8,486	11,045	13,323
YoY gr. (%)	(33.5)	236.7	30.2	20.6
Margin (%)	2.0	5.4	6.1	6.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,520	8,486	11,045	13,323
YoY gr. (%)	86.7	236.7	30.2	20.6
Margin (%)	2.0	5.4	6.1	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,520	8,486	11,045	13,323
Equity Shares O/s (m)	331	331	331	331
EPS (Rs)	7.6	25.7	33.4	40.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	8,931	15,555	17,831	20,028
Tangibles	8,213	14,780	17,006	19,154
Intangibles	718	775	825	875
Acc: Dep / Amortization	4,177	4,914	5,788	6,749
Tangibles	3,514	4,209	5,050	5,976
Intangibles	662	706	738	773
Net fixed assets	4,754	10,640	12,043	13,279
Tangibles	4,699	10,571	11,956	13,177
Intangibles	56	69	86	102
Capital Work In Progress	3,675	2,175	1,175	175
Goodwill	723	723	723	723
Non-Current Investments	32,443	30,804	33,876	37,339
Net Deferred tax assets	(176)	8	227	483
Other Non-Current Assets	1,103	1,064	1,047	1,032
Current Assets				
Investments	5,015	6,324	7,281	8,359
Inventories	21,354	26,737	30,782	35,341
Trade receivables	25,328	31,912	36,740	42,181
Cash & Bank Balance	8,523	3,500	5,209	8,556
Other Current Assets	10,586	13,179	15,074	17,210
Total Assets	1,20,357	1,35,774	1,54,111	1,75,994
Equity				
Equity Share Capital	331	331	331	331
Other Equity	57,874	62,048	70,778	81,786
Total Network	58,205	62,379	71,108	82,116
Non-Current Liabilities				
Long Term borrowings	2,280	2,280	2,280	2,280
Provisions	984	1,241	1,429	1,641
Other non current liabilities	106	106	106	106
Current Liabilities				
ST Debt / Current of LT Debt	4,853	5,667	6,161	6,242
Trade payables	38,557	44,973	51,241	58,829
Other current liabilities	14,154	17,620	20,226	23,162
Total Equity & Liabilities	1,20,357	1,35,774	1,54,111	1,75,994

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	6,244	13,106	15,645	18,297
Add. Depreciation	476	656	873	961
Add. Interest	559	549	596	616
Less Financial Other Income	2,533	3,098	3,432	3,855
Add. Other	(670)	(1,443)	(965)	(716)
Op. profit before WC changes	6,609	12,868	16,149	19,159
Net Changes-WC	1,756	(5,544)	(2,625)	(2,913)
Direct tax	(2,377)	(3,394)	(4,052)	(4,739)
Net cash from Op. activities	5,988	3,930	9,472	11,507
Capital expenditures	(3,399)	(5,042)	(1,276)	(1,198)
Interest / Dividend Income	-	-	-	-
Others	(3,996)	949	(3,576)	(4,030)
Net Cash from Invt. activities	(7,395)	(4,092)	(4,852)	(5,228)
Issue of share cap. / premium	-	-	-	-
Debt changes	2,069	-	-	-
Dividend paid	(1,406)	(1,819)	(2,315)	(2,315)
Interest paid	(559)	(549)	(596)	(616)
Others	-	-	-	-
Net cash from Fin. activities	104	(2,368)	(2,911)	(2,932)
Net change in cash	(1,304)	(2,531)	1,709	3,347
Free Cash Flow	2,588	(1,111)	8,196	10,309

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	7.6	25.7	33.4	40.3
CEPS	9.1	27.6	36.0	43.2
BVPS	176.0	188.6	215.0	248.3
FCF	7.8	(3.4)	24.8	31.2
DPS	5.5	7.0	7.0	7.0
Return Ratio(%)				
RoCE	10.8	20.1	21.7	22.2
ROIC	5.3	13.5	15.2	16.4
RoE	4.5	14.1	16.5	17.4
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	(0.1)	(0.1)
Net Working Capital (Days)	24	32	33	33
Valuation(x)				
PER	192.9	57.3	44.0	36.5
P/B	8.4	7.8	6.8	5.9
P/CEPS	162.3	53.2	40.8	34.0
EV/EBITDA	101.1	43.2	35.2	29.8
EV/Sales	3.8	3.1	2.7	2.3
Dividend Yield (%)	0.4	0.5	0.5	0.5

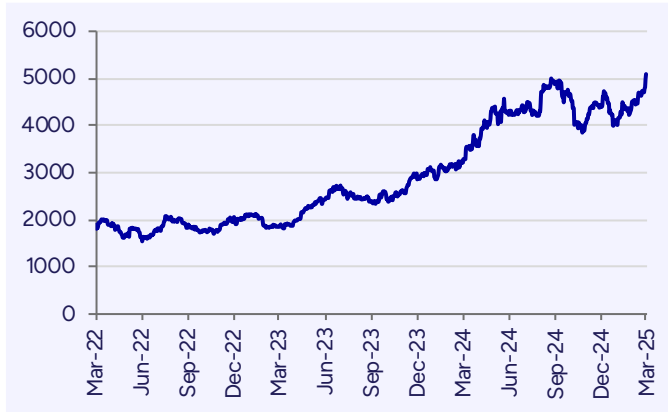
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	42,029	49,210	26,191	31,051
YoY gr. (%)	42.1	46.5	14.2	18.3
Raw Material Expenses	33,727	38,922	19,421	23,807
Gross Profit	8,302	10,288	6,770	7,244
Margin (%)	19.8	20.9	25.8	23.3
EBITDA	1,906	4,238	1,622	1,974
YoY gr. (%)	(12.6)	128.6	130.8	594.5
Margin (%)	4.5	8.6	6.2	6.4
Depreciation / Depletion	118	134	164	179
EBIT	1,788	4,104	1,458	1,795
Margin (%)	4.3	8.3	5.6	5.8
Net Interest	208	98	136	155
Other Income	544	803	1,055	591
Profit before Tax	2,124	4,809	2,377	2,231
Margin (%)	5.1	9.8	9.1	7.2
Total Tax	634	1,165	726	599
Effective tax rate (%)	29.9	24.2	30.5	26.8
Profit after Tax	1,490	3,644	1,651	1,632
Minority interest	(58)	8	(12)	(14)
Share Profit from Associates	(383)	(294)	(323)	(324)
Adjusted PAT	1,164	3,342	1,340	1,321
YoY gr. (%)	(19.1)	158.5	265.3	(534.5)
Margin (%)	2.8	6.8	5.1	4.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,164	3,342	1,340	1,321
YoY gr. (%)	(19.1)	158.5	265.3	(534.5)
Margin (%)	2.8	6.8	5.1	4.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,164	3,342	1,340	1,321
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	3.5	10.1	4.1	4.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	31-Jan-25	BUY	1,593	1,261
2	08-Jan-25	Accumulate	1,980	1,780
3	30-Oct-24	Accumulate	1,980	1,698
4	08-Oct-24	Accumulate	1,945	1,801
5	16-Aug-24	Hold	1,598	1,535
6	05-Jul-24	Reduce	1,293	1,449
7	09-May-24	Hold	1,241	1,276
8	05-Apr-24	Hold	1,199	1,232

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,808	1,470
2	Avalon Technologies	BUY	900	733
3	Bajaj Electricals	Reduce	647	733
4	Cello World	BUY	770	596
5	Century Plyboard (I)	Hold	811	804
6	Cera Sanitaryware	Accumulate	7,456	6,200
7	Crompton Greaves Consumer Electricals	BUY	441	328
8	Cyient DLM	BUY	692	515
9	Finolex Industries	Accumulate	229	195
10	Greenpanel Industries	Hold	373	352
11	Havells India	BUY	1,890	1,578
12	Kajaria Ceramics	BUY	1,224	960
13	Kaynes Technology India	BUY	5,528	4,661
14	KEI Industries	BUY	4,280	3,141
15	Polycab India	BUY	7,152	4,875
16	R R Kabel	BUY	1,292	891
17	Supreme Industries	Accumulate	3,748	3,533
18	Syrma SGS Technology	BUY	629	505
19	Voltas	BUY	1,593	1,261

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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