

May 9, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	1,071		1,182	
Sales (Rs. m)	94,489	1,09,739	96,356	1,10,965
% Chng.	(1.9)	(1.1)		
EBITDA (Rs. m)	8,787	10,645	9,925	11,873
% Chng.	(11.5)	(10.3)		
EPS (Rs.)	22.7	27.7	25.4	30.6
% Chng.	(10.5)	(9.4)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	75,558	79,345	94,489	1,09,739
EBITDA (Rs. m)	6,414	6,816	8,787	10,645
Margin (%)	8.5	8.6	9.3	9.7
PAT (Rs. m)	5,251	5,041	7,513	9,172
EPS (Rs.)	15.9	15.2	22.7	27.7
Gr. (%)	(7.6)	(4.0)	49.0	22.1
DPS (Rs.)	5.0	5.5	8.5	10.3
Yield (%)	0.5	0.5	0.8	1.0
RoE (%)	11.3	9.6	13.2	14.7
RoCE (%)	16.4	15.0	18.0	19.9
EV/Sales (x)	4.5	4.3	3.5	3.0
EV/EBITDA (x)	53.3	49.8	38.0	31.2
PE (x)	65.9	68.7	46.1	37.7
P/BV (x)	6.9	6.3	5.9	5.3

Key Data

VOLT.BO | VOLT IN

52-W High / Low	Rs.1,357 / Rs.953
Sensex / Nifty	54,471 / 16,302
Market Cap	Rs.346bn / \$ 4,471m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.1727.86m

Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	100.00
Public & Others	-
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(20.6)	(16.4)	7.9
Relative	(13.3)	(7.3)	(2.5)

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Confident about market share recovery

Quick Pointers:

- Market share loss after a very long time; recovery expected in rest of the season.
- Volt-Bek ramp-up is encouraging with revenue in 4 digit number.

We cut our FY23-FY24 earnings by 9-10% largely on account of cut in margin estimates, due to continued commodity inflation and increased competitive intensity. We noticed that Voltas share price declined 17% over concerns of losing market share in room AC segment after a long time. The company reported market share of 23.4% YTD (vs 25.8% YTD Nov 2021) largely due to aggressive pricing by competitors, particularly in southern markets. Management believes that market share will recover in rest of the summer season with pricing action and customer centric schemes.

We continue to like VOLT for longer term given 1) leadership position in high potential RAC segment 2) comfortable balance sheet (Rs6.45bn net cash) and 3) restructuring in B2B business with focus on B2C. We estimate 35% EPS CAGR over FY22-24 and assign 'HOLD' rating with SOTP based TP of Rs1,071/- (valuing UCP business at 46x FY24EPS). We have not cut our target multiple for UCP segment, considering the company will soon be able to recover its market share.

Revenues grew by 4.7% YoY; PAT up by 32.2%: Sales grew 0.6% YoY to ~Rs26.6bn, led by growth in UCP (+10% YoY). EMP business revenue declined by 21% YoY. EBITDA declined 18.5% YoY to Rs2.6bn, while EBITDA margins contracted by 230bps YoY to 9.8%. Gross margin declined by 250bps YoY. In terms of segmental EBIT margin, UCP segment margin came at 10.6% (-520bps YoY) whereas EMPS margin came at 6.9% (+40bps YoY). PBT declined by 17% YoY to Rs2.76bn. Adj. PAT declined 20% YoY to Rs1.82bn.

Concall Takeaways: **1)** Carry forward order book in EMPS segment was at Rs53.60bn as compared to Rs64.38bn in the corresponding last quarter. **2)** Extended winters in initial months of the quarter and increased price of cooling products further impacted sentiments of channel partners and thereby primary sales. Inverter category now contributes over 75% of all ACs sold. **3)** Voltas has YTD market share of 23.4% as of March 22 at Multi brand outlets (exit market share 18.5%). Management highlighted that the company has lost market share primarily in southern markets (Tamilnadu and Kerela) due to aggressive competitors pricing (Samsung/LG/Lloyd). It has increased market share in West and East. **4)** Voltbek brand has crossed an important milestone of 1mn units in the year. Vole-Bek crossed 4 digit revenue number and 3.5%/4% market share in refrigerator. **5)** Air cooler market share was 12% YTD in Jan-22. **6)** Currently the company has 200 exclusive brand outlets (EBOs) and targeting for 50 more during the years. **7)** Voltas has taken price increase of 12-15% in FY22. **8)** For Voltas, window AC is 20% of total RAC volume, in-line with industry. **9)** Management mentioned that they are not facing any supply chain related issues. **10)** It has given capex guidance of Rs4.5-5bn in next 2 years.

Exhibit 1: Q4FY22 Result Overview (Rs m): Sales grew by 1% YoY to Rs26.6bn

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q4FY22	FY22	FY21	YoY gr. (%)
Net Sales	26,666	26,413	1.0	17,936	79,345	75,558	5.0
Expenditure							
Operating & Manufacturing Expenses	20,588	19,735	4.3	13,097	58,967	55,785	5.7
<i>% of Net Sales</i>	<i>77.2</i>	<i>74.7</i>	<i>2.5</i>	<i>73.0</i>	<i>74.3</i>	<i>73.8</i>	<i>0.5</i>
Gross Profit	6,078	6,678	(9.0)	4,839	20,378	19,773	3.1
<i>% of Net Sales</i>	<i>22.8</i>	<i>25.3</i>	<i>(2.5)</i>	<i>27.0</i>	<i>25.7</i>	<i>26.2</i>	<i>(0.5)</i>
Personnel Cost	1,600	1,463	9.4	1,562	6,176	6,017	2.6
<i>% of Net Sales</i>	<i>6.0</i>	<i>5.5</i>	<i>0.5</i>	<i>8.7</i>	<i>7.8</i>	<i>8.0</i>	<i>(0.2)</i>
Other Expenses	1,868	2,011	(7.1)	1,720	7,386	7,343	0.6
<i>% of Net Sales</i>	<i>7.0</i>	<i>7.6</i>	<i>(0.6)</i>	<i>9.6</i>	<i>9.3</i>	<i>9.7</i>	<i>(0.4)</i>
Total Expenditure	24,056	23,209	3.6	16,380	72,529	69,144	4.9
EBITDA	2,610	3,204	(18.5)	1,556	6,816	6,414	6.3
<i>Margin (%)</i>	<i>9.8</i>	<i>12.1</i>	<i>(2.3)</i>	<i>8.7</i>	<i>8.6</i>	<i>8.5</i>	<i>0.1</i>
Other income	372	316	17.8	288	1,892	1,889	0.2
Depreciation	94	89	6.2	97	373	339	9.9
EBIT	2,887	3,431	(15.8)	1,747	8,335	7,963	4.7
Interest	125	104	20.0	36	259	262	(1.1)
PBT	2,762	3,327	(17.0)	1,711	8,076	7,702	4.9
Total Taxes	647	821	(21.2)	425	1,913	1,804	6.0
<i>ETR (%)</i>	<i>23.4</i>	<i>24.7</i>	<i>(1.3)</i>	<i>24.8</i>	<i>23.7</i>	<i>23.4</i>	<i>0.3</i>
Share of JV/Associates	(289)	(222)	30.1	(320)	(1,103)	(610)	80.9
Minority Interest	0	10	(99.0)	6	19	37	(47.7)
Adj. PAT	1,827	2,274	(19.7)	960	5,041	5,251	(4.0)
Exceptional Items	-	-	-	-	-	-	-
Reported PAT	1,827	2,274	(19.7)	960	5,041	5,251	(4.0)

Source: Company, PL

Exhibit 2: Segmental breakup (Rs m)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Revenues							
Unitary Cooling Products	18,184	16,547	9.9	10,936	48,819	42,185	15.7
Electro-Mechanical Projects & Services	6,918	8,755	(21.0)	5,538	24,705	28,786	(14.2)
Engineering Products & Services	1,235	977	26.4	1,247	4,887	3,595	35.9
EBIT							
Unitary Cooling Products	1,919	2,610	(26.5)	1,017	5,134	5,837	(12.0)
<i>EBIT margin (%)</i>	<i>10.6</i>	<i>15.8</i>	<i>(5.2)</i>	<i>9.3</i>	<i>10.5</i>	<i>13.8</i>	<i>(3.3)</i>
Electro-Mechanical Projects & Services	476	566	(15.9)	363	1,258	270	365.6
<i>EBIT margin (%)</i>	<i>6.9</i>	<i>6.5</i>	<i>0.4</i>	<i>6.6</i>	<i>5.1</i>	<i>0.9</i>	<i>4.2</i>
Engineering Products & Services	408	338	20.7	400	1,579	1,143	38.1
<i>EBIT margin (%)</i>	<i>33.0</i>	<i>34.6</i>	<i>(1.6)</i>	<i>32.1</i>	<i>32.3</i>	<i>31.8</i>	<i>33.0</i>

Source: Company, PL

Exhibit 3: SOTP based valuation

Jun-23	Basis	Multiple	EPS	Value (Rs)	Value %
UCP	P/E	46	19.5	899	84%
EMPS	P/E	13	4.4	57	5%
EPS	P/E	13	4.6	59	6%
Voltbek-JV	Investment	5	11.0	56	5%
TP (Rs)				1071	100%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	75,558	79,345	94,489	1,09,739
YoY gr. (%)	(1.3)	5.0	19.1	16.1
Cost of Goods Sold	55,785	58,967	69,449	80,110
Gross Profit	19,773	20,378	25,040	29,630
Margin (%)	26.2	25.7	26.5	27.0
Employee Cost	6,017	6,176	7,276	8,450
Other Expenses	6,794	7,197	7,654	8,779
EBITDA	6,414	6,816	8,787	10,645
YoY gr. (%)	(6.6)	6.3	28.9	21.1
Margin (%)	8.5	8.6	9.3	9.7
Depreciation and Amortization	339	373	435	518
EBIT	6,075	6,443	8,353	10,127
Margin (%)	8.0	8.1	8.8	9.2
Net Interest	262	259	145	160
Other Income	1,889	1,892	2,370	2,627
Profit Before Tax	7,702	8,076	10,579	12,593
Margin (%)	10.2	10.2	11.2	11.5
Total Tax	1,804	1,913	2,645	3,148
Effective tax rate (%)	23.4	23.7	25.0	25.0
Profit after tax	5,898	6,163	7,934	9,445
Minority interest	37	19	21	23
Share Profit from Associate	(610)	(1,103)	(400)	(250)
Adjusted PAT	5,251	5,041	7,513	9,172
YoY gr. (%)	(7.6)	(4.0)	49.0	22.1
Margin (%)	7.0	6.4	8.0	8.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,251	5,041	7,513	9,172
YoY gr. (%)	1.5	(4.0)	49.0	22.1
Margin (%)	7.0	6.4	8.0	8.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,251	5,041	7,513	9,172
Equity Shares O/s (m)	331	331	331	331
EPS (Rs)	15.9	15.2	22.7	27.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	6,584	8,186	9,862	11,539
Tangibles	5,878	7,430	9,056	10,683
Intangibles	706	756	806	856
Acc: Dep / Amortization	3,427	3,703	4,094	4,560
Tangibles	2,806	3,046	3,398	3,822
Intangibles	621	658	697	738
Net fixed assets	3,157	3,114	5,768	6,978
Tangibles	3,072	3,042	5,659	6,861
Intangibles	85	72	109	117
Capital Work In Progress	88	593	88	88
Goodwill	723	723	723	723
Non-Current Investments	28,934	32,646	32,232	37,152
Net Deferred tax assets	558	317	369	432
Other Non-Current Assets	1,202	1,155	1,120	1,163
Current Assets				
Investments	2,493	4,343	8,504	10,974
Inventories	12,796	16,614	12,944	15,033
Trade receivables	18,009	21,097	20,710	22,549
Cash & Bank Balance	4,588	5,717	5,967	4,818
Other Current Assets	12,897	10,193	12,761	13,647
Total Assets	86,555	97,463	1,02,371	1,14,909
Equity				
Equity Share Capital	331	331	331	331
Other Equity	49,603	54,665	58,682	65,042
Total Networkth	49,933	54,996	59,013	65,373
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	899	1,030	1,039	1,207
Other non current liabilities	70	98	98	98
Current Liabilities				
ST Debt / Current of LT Debt	2,514	3,482	1,890	2,085
Trade payables	24,645	29,421	30,444	35,117
Other current liabilities	7,882	7,657	9,146	10,254
Total Equity & Liabilities	86,555	97,463	1,02,371	1,14,909

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	7,702	8,076	10,579	12,593
Add. Depreciation	339	373	435	518
Add. Interest	262	259	145	160
Less Financial Other Income	1,889	1,892	2,370	2,627
Add. Other	(469)	(258)	(722)	(298)
Op. profit before WC changes	7,834	8,450	10,436	12,974
Net Changes-WC	(1,580)	(439)	2,178	996
Direct tax	(693)	(2,169)	(2,645)	(3,148)
Net cash from Op. activities	5,561	5,842	9,969	10,821
Capital expenditures	(187)	(469)	(2,584)	(1,728)
Interest / Dividend Income	323	156	-	-
Others	(2,695)	(3,333)	(3,494)	(7,270)
Net Cash from Inv. activities	(2,559)	(3,647)	(6,078)	(8,998)
Issue of share cap. / premium	(15)	-	-	-
Debt changes	425	918	-	-
Dividend paid	(1,358)	(1,677)	(1,819)	(2,811)
Interest paid	(267)	(312)	(145)	(160)
Others	-	-	-	-
Net cash from Fin. activities	(1,215)	(1,071)	(1,964)	(2,972)
Net change in cash	1,787	1,125	1,927	(1,149)
Free Cash Flow	5,375	5,373	7,385	9,093

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	15.9	15.2	22.7	27.7
CEPS	16.9	16.4	24.0	29.3
BVPS	151.0	166.3	178.4	197.6
FCF	16.2	16.2	22.3	27.5
DPS	5.0	5.5	8.5	10.3
Return Ratio(%)				
RoCE	16.4	15.0	18.0	19.9
ROIC	11.2	10.8	13.9	15.7
RoE	11.3	9.6	13.2	14.7
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	30	38	12	8
Valuation(x)				
PER	65.9	68.7	46.1	37.7
P/B	6.9	6.3	5.9	5.3
P/CEPS	61.9	63.9	43.6	35.7
EV/EBITDA	53.3	49.8	38.0	31.2
EV/Sales	4.5	4.3	3.5	3.0
Dividend Yield (%)	0.5	0.5	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	17,852	16,891	17,936	26,666
YoY gr. (%)	37.6	4.7	(10.1)	0.6
Raw Material Expenses	12,877	12,405	13,097	20,588
Gross Profit	4,976	4,485	4,839	6,078
Margin (%)	27.9	26.6	27.0	22.8
EBITDA	1,358	1,291	1,556	2,610
YoY gr. (%)	103.4	31.8	6.7	(21.1)
Margin (%)	7.6	7.6	8.7	9.8
Depreciation / Depletion	86	95	97	94
EBIT	1,272	1,196	1,459	2,515
Margin (%)	7.1	7.1	8.1	9.4
Net Interest	35	62	36	125
Other Income	750	483	288	372
Profit before Tax	1,986	1,617	1,711	2,762
Margin (%)	11.1	9.6	9.5	10.4
Total Tax	456	385	425	647
Effective tax rate (%)	23.0	23.8	24.8	23.4
Profit after Tax	1,530	1,232	1,286	2,116
Minority interest	6	7	6	-
Share Profit from Associates	(306)	(189)	(320)	(289)
Adjusted PAT	1,218	1,036	960	1,827
YoY gr. (%)	50.1	32.2	(25.0)	(23.2)
Margin (%)	6.8	6.1	5.4	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,218	1,036	960	1,827
YoY gr. (%)	50.1	32.2	(25.0)	(23.2)
Margin (%)	6.8	6.1	5.4	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,218	1,036	960	1,827
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	3.7	3.1	2.9	5.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	27-Apr-22	Hold	1,182	1,266
2	11-Apr-22	Hold	1,182	1,318
3	14-Feb-22	Hold	1,200	1,169
4	07-Jan-22	Hold	1,200	1,250
5	01-Nov-21	Hold	1,200	1,245
6	06-Oct-21	UR	-	1,250
7	09-Aug-21	Hold	1,014	1,025
8	06-Jul-21	Hold	955	1,015
9	14-May-21	Hold	955	999

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Accumulate	1,278	1,082
2	Crompton Greaves Consumer Electricals	BUY	531	374
3	Havells India	Accumulate	1,369	1,249
4	KEI Industries	Accumulate	1,154	1,195
5	Polycab India	Hold	2,385	2,505
6	Voltas	Hold	1,182	1,266

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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