Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Voltas (VOLT IN)

Rating: HOLD | CMP: Rs829 | TP: Rs831

August 14, 2023

Q1FY24 Reuslt Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	831		813	
Sales (Rs. m)	1,09,176	1,23,937	1,07,512	1,23,405
% Chng.	*1.5*	*0.4*		
EBITDA (Rs. m)	7,947	9,703	7,784	9,663
% Chng.	*2.1*	*0.4*		
EPS (Rs.)	18.3	23.7	18.0	23.6
% Chng.	*1.9*	*0.2*		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	79,345	94,988	1,09,176	1,23,937
EBITDA (Rs. m)	6,816	5,724	7,947	9,703
Margin (%)	*8.6*	*6.0*	*7.3*	*7.8*
PAT (Rs. m)	5,041	3,788	6,062	7,832
EPS (Rs.)	15.2	11.5	18.3	23.7
Gr. (%)	*(4.0)*	*(24.8)*	*60.0*	*29.2*
DPS (Rs.)	5.3	4.3	6.5	7.0
Yield (%)	*0.6*	*0.5*	*0.8*	*0.8*
RoE (%)	*9.6*	*6.9*	*10.7*	*12.6*
RoCE (%)	*15.0*	*11.8*	*15.6*	*17.2*
EV/Sales (x)	3.4	2.8	2.5	2.2
EV/EBITDA (x)	39.2	47.2	34.0	27.9
PE (x)	54.4	72.3	45.2	35.0
P/BV (x)	5.0	5.0	4.6	4.2

Key Data	VOLT.BO | VOLT IN
52-W High / Low	Rs.1,051 / Rs.737
Sensex / Nifty	65,323 / 19,428
Market Cap	Rs.274bn/ $ 3,309m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.1145.78m

Shareholding Pattern (%)

Promoter's	30.30
Foreign	19.08
Domestic Institution	33.85
Public & Others	16.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.1	(2.5)	(16.3)
Relative	9.6	(9.4)	(23.9)

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Sequential market share gain, volatile margins continue

Quick Pointers:

- Sequentially improvement in RAC marketshare, reached 20.6% end of Jun-23.
- Healthy revenue growth of 49.3% in EMPS segment.

Voltas (VOLT) has reported reverse trend in its RAC market share, reach to 20.6% at the end of Jun-23 (vs 18.2% in Feb/Apr-23) driven by incentive schemes across sales channel, healthy tie ups with modern trade and organized channels, growing network of EBOs, which is directionally positive for company. Also, it reported volume growth of 15% in RAC mainly with aggressive consumer finance schemes, wide SKUs, strong channel & network presence coupled with revival of the demand in Jun-23 while price competition continue in sector. Management expects good volume growth in upcoming festive season and we believe with competitive pricing, margins will be impacted. Besides that - challenges related lower margins in project business and losses in Beko JV, will also continue. Yet better traction in order flow from domestic project business and healthy order book of Rs 81.9bn provides visibility for EMPS segment. We estimate FY23-25E Sales/EBITDA/PAT CAGR of 14.2%/30.2%/43.8%, with RAC volume CAGR of 12.0% and EBITDA margin of 7.8% in FY25E. Maintain to 'HOLD' at SOTP based revised TP of Rs831 (earlier Rs 813).

Revenues grew by 21.4% YoY; PAT up by 18.8% YoY: Revenue grew 21.4% YoY to Rs33.6bn, led by growth in UCP (16.3% YoY) and EMPS business (49.3% YoY). EPS business revenue grew by 14.5% YoY. Gross margin expanded by 60bps YoY to 21.1%. EBITDA grew by 4.7% YoY to Rs1.85bn (PLe: Rs2.18bn). EBITDA margin contracted by 90bps YoY to 5.5%. (PLe:7.4%) vs cons est 8.3%, due to increase on overhead expenses as %rev. to 10.2% from 8.7% in Q1FY23. In terms of segmental EBIT margin, UCP segment margin came at 8.2% (+60bps YoY), whereas EMPS reported loss of Rs125mn. PBT grew by 22.3% YoY to Rs2.34bn (PLe: Rs2.26bn), due to higher other income (up 161.6% YoY). PAT grew by 18.8% YoY to Rs1.3bn (PLe: Rs1.5bn). VOLT's share of loss from JV stood at Rs310mn. EMPS's carry forward order book grew 53% YoY at Rs81.9bn (majority from domestic).

Concall Takeaways:.1) Q1 consider to be high growth quarter, however, erratic weather conditions in April and May, especially in North and West India, strongest markets for Voltas, dampened the demand. **2)** Voltas achieve volume growth of 15%, higher than the overall industry growth on YoY, mainly with aggressive consumer finance schemes, wide SKUs, strong channel & network presence coupled with revival of the demand in Jun-23. **3)** Voltas improved market share at the end of Jun-23 to 20.6% (vs 18.2% in Feb/Apr-23), driven by incentive schemes across sales channel, healthy tie ups with modern trade and organized channels, growing network of EBOs. **4)** Commercial refrigeration reported lower growth on a higher base & also impacted due to disruptive weather. **5)** Air cooler grew by 49% in volume with improved gross margins. **6)** Order book for domestic projects stands at Rs. 5.2bn containing orders across Water, HVAC, Rural Electrification and Urban infra activities.**7)** Voltas Beko securing a market share of 5%/3.5% in the Washing Machine/refrigerators. **8)** Inverter RAC contribution reached to 80% of overall RAC sales.

Exhibit 1: Q1FY24 Result Overview (Rs mn): Sales grew by 21.4% YoY to Rs33.6bn

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	FY23	FY22	YoY gr. (%)
Net Sales	**33,599**	**27,680**	***21.4***	**29,568**	**94,988**	**79,344**	***19.7***
Expenditure							
Operating & Manufacturing Expenses	26,504	21,993	*20.5*	23,182	73,782	58,967	*25.1*
% of Net Sales	*78.9*	*79.5*	*(0.6)*	*78.4*	*77.7*	*74.3*	*3.4*
Gross Profit	7,095	5,687	*24.8*	6,386	21,206	20,377	*4.1*
% of Net Sales	*21.1*	*20.5*	*0.6*	*21.6*	*22.3*	*25.7*	*(3.4)*
Personnel Cost	1,805	1,505	*19.9*	1,678	6,672	6,176	*8.0*
% of Net Sales	*5.4*	*5.4*	*(0.1)*	*5.7*	*7.0*	*7.8*	*(0.8)*
Other Expenses	3,436	2,413	*42.4*	2,526	8,810	7,386	*19.3*
% of Net Sales	*10.2*	*8.7*	*1.5*	*8.5*	*9.3*	*9.3*	*(0.0)*
Total Expenditure	31,745	25,910	*22.5*	27,386	89,264	72,529	*23.1*
EBITDA	1,854	1,770	*4.7*	2,182	5,723	6,815	*(16.0)*
Margin (%)	*5.5*	*6.4*	*(0.9)*	*7.4*	*6.0*	*8.6*	*(2.6)*
Other income	700	268	*161.6*	467	1,685	1,892	*(11.0)*
Depreciation	113	85	*32.6*	104	396	372	*6.4*
EBIT	**2,441**	**1,952**	***25.0***	**2,545**	**7,012**	**8,335**	***(15.9)***
Interest	101	40	*154.0*	124	296	259	*14.4*
PBT	**2,340**	**1,913**	***22.3***	**2,420**	**6,716**	**8,076**	***(16.8)***
Total Taxes	735	508	*44.7*	706	1,709	1,913	*(10.7)*
ETR (%)	*31.4*	*26.6*	*4.9*	*29.2*	*25.5*	*23.7*	*1.8*
Share of JV/Associates	(310)	(310)	*0.3*	(282)	(1,207)	(1,103)	*9.4*
Minority Interest	1.3	6		(6.9)	12	19	*(36.6)*
Adj. PAT	**1,293**	**1,089**	***18.8***	**1,439**	**3,788**	**5,041**	***(24.9)***
Exceptional Items	-	-		-	(2,438)	-	
Reported PAT	**1,293**	**1,089**	***18.8***	**1,439**	**1,350**	**5,041**	***(73.2)***

Source: Company, PL

Exhibit 2: Segmental breakup (Rs mn): UCP sales grew by 16.3% and EBIT margin at 8.2% (+60bps YoY)

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	FY23	FY22	YoY gr. (%)
Revenues							
Unitary Cooling Products	25,140	21,622	*16.3*	20,486	64,745	48,819	*32.6*
Electro-Mechanical ProJKcts & Services	6,791	4,547	*49.3*	7,458	24,029	24,705	*(2.7)*
Engineering Products & Services	1,423	1,243	*14.5*	1,424	5,220	4,887	*6.8*
EBIT							
Unitary Cooling Products	2,073	1,662	*24.7*	2,057	5,378	5,134	*4.8*
EBIT margin (%)	*8.2*	*7.7*	*0.6*	*10.0*	*8.3*	*10.5*	
Electro-Mechanical Projects & Services	(519)	(125)		(140)	(582)	1,258	*na*
EBIT margin (%)	*(7.6)*	*(2.7)*		*(1.9)*	*(2.4)*	*5.1*	
Engineering Products & Services	541	509	*6.4*	559	2,007	1,579	*27.1*
EBIT margin (%)	*38.0*	*40.9*	*(2.9)*	*39.3*	*38.5*	*32.3*	*6.1*

Source: Company, PL

Exhibit 3: SOTP based valuation

Mar-25	Basis	Multiple	EPS	Value (Rs)	Value %
UCP	P/E	38	20.4	774	87%
EMPS	P/E	10	1.2	12	2%
EPS	P/E	15	2.1	32	9%
Voltbek-JV	Investment			13	2%
TP (Rs)				**831**	**100%**

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	**79,345**	**94,988**	**1,09,176**	**1,23,937**
YoY gr. (%)	*5.0*	*19.7*	*14.9*	*13.5*
Cost of Goods Sold	58,967	73,782	83,301	93,200
Gross Profit	20,378	21,206	25,875	30,736
Margin (%)	*25.7*	*22.3*	*23.7*	*24.8*
Employee Cost	6,176	6,672	7,642	8,923
Other Expenses	6,595	7,726	8,880	10,143
EBITDA	**6,816**	**5,724**	**7,947**	**9,703**
YoY gr. (%)	*6.3*	*(16.0)*	*38.9*	*22.1*
Margin (%)	*8.6*	*6.0*	*7.3*	*7.8*
Depreciation and Amortization	373	396	464	588
EBIT	**6,443**	**5,327**	**7,483**	**9,116**
Margin (%)	*8.1*	*5.6*	*6.9*	*7.4*
Net Interest	259	296	395	431
Other Income	1,892	1,685	2,429	2,818
Profit Before Tax	**8,076**	**6,716**	**9,517**	**11,502**
Margin (%)	*10.2*	*7.1*	*8.7*	*9.3*
Total Tax	1,913	1,709	2,355	2,841
Effective tax rate (%)	*23.7*	*25.4*	*24.8*	*24.7*
Profit after tax	**6,163**	**5,007**	**7,162**	**8,661**
Minority interest	19	12	13	15
Share Profit from Associate	(1,103)	(1,207)	(1,086)	(814)
Adjusted PAT	**5,041**	**3,788**	**6,062**	**7,832**
YoY gr. (%)	*(4.0)*	*(24.8)*	*60.0*	*29.2*
Margin (%)	*6.4*	*4.0*	*5.6*	*6.3*
Extra Ord. Income / (Exp)	-	(2,438)	-	-
Reported PAT	**5,041**	**1,350**	**6,062**	**7,832**
YoY gr. (%)	*(4.0)*	*(73.2)*	*349.0*	*29.2*
Margin (%)	*6.4*	*1.4*	*5.6*	*6.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,041	1,350	6,062	7,832
Equity Shares O/s (m)	**331**	**331**	**331**	**331**
EPS (Rs)	**15.2**	**11.5**	**18.3**	**23.7**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	**6,656**	**8,344**	**10,407**	**13,773**
Tangibles	5,941	7,649	9,661	12,977
Intangibles	714	696	746	796
Acc: Dep / Amortization	**3,542**	**3,821**	**4,040**	**4,568**
Tangibles	2,899	3,187	3,376	3,870
Intangibles	643	634	665	698
Net fixed assets	**3,114**	**4,524**	**6,366**	**9,205**
Tangibles	3,042	4,462	6,285	9,107
Intangibles	72	62	81	98
Capital Work In Progress	593	983	550	340
Goodwill	723	723	723	723
Non-Current Investments	32,646	30,734	34,055	35,992
Net Deferred tax assets	317	303	374	460
Other Non-Current Assets	1,155	1,006	1,531	1,337
Current Assets				
Investments	4,343	3,072	3,712	4,214
Inventories	16,614	15,920	14,956	16,978
Trade receivables	21,097	21,919	25,425	28,862
Cash & Bank Balance	5,717	7,084	7,289	6,092
Other Current Assets	10,193	12,938	14,299	16,217
Total Assets	**97,463**	**1,02,790**	**1,12,612**	**1,24,195**
Equity				
Equity Share Capital	331	331	331	331
Other Equity	54,665	54,190	58,924	64,606
Total Networth	**54,996**	**54,521**	**59,255**	**64,937**
Non-Current Liabilities				
Long Term borrowings	-	212	312	312
Provisions	1,030	920	1,201	1,363
Other non current liabilities	98	105	105	105
Current Liabilities				
ST Debt / Current of LT Debt	3,432	5,948	6,551	7,064
Trade payables	29,421	30,126	34,233	38,302
Other current liabilities	7,707	10,121	10,026	11,094
Total Equity & Liabilities	**97,463**	**1,02,790**	**1,12,612**	**1,24,195**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	8,076	6,716	9,517	11,502
Add. Depreciation	373	396	464	588
Add. Interest	259	296	395	431
Less Financial Other Income	1,892	1,685	2,429	2,818
Add. Other	(258)	(5,378)	196	(633)
Op. profit before WC changes	8,449	2,031	10,572	11,889
Net Changes-WC	(438)	31	965	(2,172)
Direct tax	(2,169)	(1,709)	(2,355)	(2,841)
Net cash from Op. activities	**5,842**	**352**	**9,182**	**6,876**
Capital expenditures	(469)	(2,196)	(1,874)	(3,216)
Interest / Dividend Income	-	-	-	-
Others	(3,177)	5,068	(5,479)	(2,276)
Net Cash from Invt. activities	**(3,646)**	**2,872**	**(7,353)**	**(5,493)**
Issue of share cap. / premium	-	-	-	-
Debt changes	831	212	100	-
Dividend paid	(1,676)	(1,736)	(1,406)	(2,150)
Interest paid	(225)	(296)	(395)	(431)
Others	-	-	-	-
Net cash from Fin. activities	**(1,070)**	**(1,821)**	**(1,701)**	**(2,581)**
Net change in cash	**1,126**	**1,403**	**129**	**(1,198)**
Free Cash Flow	5,373	(1,844)	7,308	3,659

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	**17,684**	**20,056**	**29,568**	**33,599**
YoY gr. (%)	*4.7*	*11.8*	*10.9*	*21.4*
Raw Material Expenses	13,375	15,232	23,182	26,504
Gross Profit	4,308	4,824	6,386	7,095
Margin (%)	*24.4*	*24.1*	*21.6*	*21.1*
EBITDA	**1,008**	**764**	**2,182**	**1,854**
YoY gr. (%)	*(21.9)*	*(50.9)*	*(16.4)*	*4.7*
Margin (%)	*5.7*	*3.8*	*7.4*	*5.5*
Depreciation / Depletion	97	111	104	113
EBIT	**911**	**653**	**2,078**	**1,741**
Margin (%)	*5.2*	*3.3*	*7.0*	*5.2*
Net Interest	67	64	124	101
Other Income	644	307	467	700
Profit before Tax	**1,488**	**896**	**2,420**	**2,340**
Margin (%)	*8.4*	*4.5*	*8.2*	*7.0*
Total Tax	195	300	706	735
Effective tax rate (%)	*13.1*	*33.5*	*29.2*	*31.4*
Profit after Tax	**1,293**	**595**	**1,714**	**1,605**
Minority interest	14	(1)	(7)	1
Share Profit from Associates	(289)	(326)	(282)	(310)
Adjusted PAT	**990**	**270**	**1,439**	**1,293**
YoY gr. (%)	*(4.4)*	*(71.9)*	*(21.2)*	*18.8*
Margin (%)	*5.6*	*1.3*	*4.9*	*3.8*
Extra Ord. Income / (Exp)	(1,064)	(1,374)	-	-
Reported PAT	**(74)**	**(1,104)**	**1,439**	**1,293**
YoY gr. (%)	*(107.2)*	*(215.0)*	*(21.2)*	*18.8*
Margin (%)	*(0.4)*	*(5.5)*	*4.9*	*3.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**(74)**	**(1,104)**	**1,439**	**-**
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	**3.0**	**0.8**	**4.4**	**3.9**

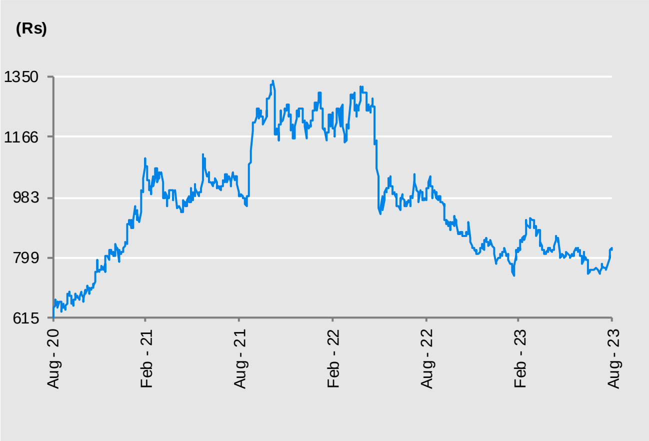
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	15.2	11.5	18.3	23.7
CEPS	16.4	12.7	19.7	25.5
BVPS	166.3	164.8	179.1	196.3
FCF	16.2	(5.6)	22.1	11.1
DPS	5.3	4.3	6.5	7.0
Return Ratio(%)				
RoCE	15.0	11.8	15.6	17.2
ROIC	10.8	8.0	10.7	11.7
RoE	9.6	6.9	10.7	12.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	0.0
Net Working Capital (Days)	38	30	21	22
Valuation(x)				
PER	54.4	72.3	45.2	35.0
P/B	5.0	5.0	4.6	4.2
P/CEPS	50.6	65.5	42.0	32.5
EV/EBITDA	39.2	47.2	34.0	27.9
EV/Sales	3.4	2.8	2.5	2.2
Dividend Yield (%)	0.6	0.5	0.8	0.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Hold	813	767
2	27-Apr-23	Hold	848	808
3	11-Apr-23	BUY	970	823
4	10-Feb-23	BUY	980	850
5	06-Jan-23	BUY	1,030	815

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,974
2	Bajaj Electricals	Accumulate	1,337	1,220
3	Century Plyboard (I)	BUY	800	629
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,270
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	816	690
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

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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