

October 21, 2023

Q2FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	909		909	
Sales (Rs. m)	1,16,891	1,28,386	1,09,176	1,23,937
% Chng.	7.1	3.6		
EBITDA (Rs. m)	6,515	9,775	7,947	9,703
% Chng.	18.0	0.7		
EPS (Rs.)	15.3	23.4	18.3	23.7
% Chng.	(16.6)	(1.0)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	94,988	1,16,891	1,28,386	1,43,957
EBITDA (Rs. m)	5,724	6,515	9,775	11,215
Margin (%)	6.0	5.6	7.6	7.8
PAT (Rs. m)	3,788	5,057	7,755	9,436
EPS (Rs.)	11.5	15.3	23.4	28.5
Gr. (%)	(24.8)	33.5	53.3	21.7
DPS (Rs.)	4.3	6.5	7.0	8.0
Yield (%)	0.5	0.8	0.9	1.0
RoE (%)	6.9	9.0	12.7	14.0
RoCE (%)	11.8	14.2	17.8	18.3
EV/Sales (x)	2.8	2.3	2.1	1.9
EV/EBITDA (x)	46.6	41.4	27.7	24.1
PE (x)	71.5	53.6	34.9	28.7
P/BV (x)	5.0	4.7	4.2	3.8

Key Data

VOLT.BO | VOLT IN

52-W High / Low	Rs.934 / Rs.737
Sensex / Nifty	65,398 / 19,543
Market Cap	Rs.271bn / \$ 3,261m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.1117.5m

Shareholding Pattern (%)

Promoter's	30.30
Foreign	17.83
Domestic Institution	36.03
Public & Others	15.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.0)	(5.6)	(5.8)
Relative	(4.0)	(13.9)	(14.7)

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Margins contracted, focus on RAC market share

Quick Pointers:

- Remains leader in RAC Market with market share of 19.5%.
- Losses in EMPS segment continue, due to delay in collections.

We downward revise our FY24/25E adjusted earnings by 16.6%/1.0% to factor in margin contraction in EMPS business from delay in collections and higher overhead expenses. Voltas continues to be a market leader and has sustained leadership position in overall RAC business with its exit market share of 19.5% in Aug-23 (v/s 20.6% in Jun-23) driven by 1) incentive schemes across sales channel, 2) healthy tie ups with modern trade & organized channels and 3) growing network of EBOs. The company also reported volume growth of 20% in RAC, despite lower consumer spend towards discretionary spend in a generally lean quarter. Management expects good volume growth in the upcoming festive season and expects downtrend of inflation, stagnant interest rates and fulfilling monsoon season to help revive rural demand. Voltas Beko saw a volume growth of 40% YoY, outperforming the industry. We estimate FY24-26E Revenue/EBITDA/PAT CAGR of 14.9%/25.1%/35.6% with RAC volume CAGR of 12.0% and EBITDA margin of 7.8% in FY26E. Maintain 'HOLD' at SOTP based TP of Rs909.

Revenues grew by 29.7% YoY; Adj. PAT down by 63% YoY: Revenues grew by 29.7% YoY to Rs22.9bn (PLe: Rs20.3bn), led by growth in Unitary Cooling Products (UCP) business (+15.4% YoY) and EMPS business (66.8% YoY). EPS revenues decline by 2.1% YoY to Rs1.3bn. Gross margins expanded by 10bps YoY to 24.5%. (PLe: 21.2%). EBITDA declined by 30% YoY to Rs703mn (PLe:Rs1.2bn). EBITDA margin contracted by 260bps YoY to 3.1%. (PLe: 6%), due to increase on overhead expenses as %rev. to 13.0% from 8.8% in Q2FY23. In terms of segmental EBIT margin, UCP segment margin came at 7.6% (-40bps YoY), whereas EMPS reported loss of Rs490mn. PBT declined by ~21% YoY to Rs1.2bn (PLe:Rs1.6bn). Adj. PAT declined by 63% YoY to Rs366.8bn (PLe:Rs918mn). VOLT's share of loss from JV and associates stood at Rs332mn, vs our est. loss of Rs258mn. EMPS's carry forward order book grew 45% YoY at Rs86.8bn, increased QoQ from Rs81.9bn in Q1FY24 (up 6% QoQ).

Concall Takeaways: **1)** Q2 is considered a lean quarter for UCP segment, however, Voltas achieved volume growth of 20% YoY mainly with focus on the retail channel and product mix within the UCP category, in spite of a higher base of Q2FY23, **2)** RAC accounted 80% of UCP business in Q2FY24, **3)** Mgmt is confident that focus on customer retention and retrofit jobs will continue to support overall growth, **4)** Though market share is below Jun'23 levels (20.6%), Voltas maintained market leadership with exit market share of 19.5% in Aug'23, **5)** Commercial refrigeration vertical witnessed muted growth, on account of cautious investments by B2B due to lower demand of cold beverages, chocolates and ice-creams, **6)** Air Cooler vertical witnessed >50% YoY volume growth with an exit market share of 7.7% as of July'23, **7)** EMPS order book for domestic projects stood at Rs5.3bn containing orders across Water, HVAC, Rural Electrification and Urban infra activities; International order book stood at 3.3bn largely in UAE, Qatar and Saudi Arabia, **8)** Voltas Beko secured a market share of 5.4%/3.3% (vs 5%/3.5% in 1QFY24) in the Washing Machine/refrigerators.

Exhibit 1: Q2FY24 Result Overview (Rs mn): Sales grew by 29.7% YoY to Rs22.9bn

Y/e March (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	22,928	17,684	29.7	33,599	(31.8)	56,526	45,363	24.6
Expenditure								
Operating & Manufacturing Expenses	17,305	13,375	29.4	26,504	(34.7)	43,809	35,368	23.9
<i>% of Net Sales</i>	<i>75.5</i>	<i>75.6</i>	<i>(0.2)</i>	<i>78.9</i>		<i>77.5</i>	<i>78.0</i>	<i>(0.5)</i>
Gross Profit	5,623	4,308	30.5	7,095	(20.8)	12,717	9,995	27.2
<i>% of Net Sales</i>	<i>24.5</i>	<i>24.4</i>	<i>0.2</i>	<i>21.1</i>		<i>22.5</i>	<i>22.0</i>	<i>0.5</i>
Personnel Cost	1,945	1,748	11.3	1,805	7.7	3,750	3,252	15.3
<i>% of Net Sales</i>	<i>8.5</i>	<i>9.9</i>	<i>(1.4)</i>	<i>5.4</i>		<i>6.6</i>	<i>7.2</i>	<i>(0.5)</i>
Other Expenses	2,975	1,552	91.6	3,436	(13.4)	6,412	3,965	61.7
<i>% of Net Sales</i>	<i>13.0</i>	<i>8.8</i>	<i>4.2</i>	<i>10.2</i>		<i>11.3</i>	<i>8.7</i>	<i>2.6</i>
Total Expenditure	22,225	16,675	33.3	31,745	(30.0)	53,970	42,585	26.7
EBITDA	703	1,008	(30.3)	1,854	(62.1)	2,556	2,778	(8.0)
<i>Margin (%)</i>	<i>3.1</i>	<i>5.7</i>	<i>(2.6)</i>	<i>5.5</i>		<i>4.5</i>	<i>6.1</i>	<i>(1.6)</i>
Other income	710	644	10.3	700	1.4	1,410	911	54.7
Depreciation	117	97	20.4	113	3.7	229	182	26.1
EBIT	1,296	1,555	(16.7)	2,441	(46.9)	3,736	3,507	6.5
Interest	115	67	69.9	101	13.3	216	107	101.1
PBT	1,181	1,488	(20.6)	2,340	(49.5)	3,521	3,400	3.5
Total Taxes	493	195	153.1	735	(32.9)	1,228	703	74.7
<i>ETR (%)</i>	<i>41.7</i>	<i>13.1</i>	<i>28.7</i>	<i>31.4</i>		<i>34.9</i>	<i>20.7</i>	<i>14.2</i>
Share of JV/Associates	(332)	(289)	14.7	(310)		(642)	(599)	7.3
Minority Interest	(10.3)	14		1.3		(9)	20	(144.8)
Adj. PAT	367	990	(63.0)	1,293	(71.6)	1,660	2,079	(20.2)
Exceptional Items	-	(1,064)		-		-	(1,064)	
Reported PAT	367	(74)	NA	1,293	(71.6)	1,660	1,014	63.6

Source: Company, PL

Exhibit 2: Segmental breakup (Rs mn): UCP sales grew by 15.4% and EBIT margin at 7.7% (+40bps YoY)

Y/e March (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Revenues								
Unitary Cooling Products	12,088	10,477	15.4	25,140	(51.9)	37,228	32,099	16.0
Electro-Mechanical ProjKcts & Services	9,242	5,540	66.8	6,791	36.1	16,033	10,087	58.9
Engineering Products & Services	1,344	1,374	(2.1)	1,423	(5.5)	2,768	2,617	5.8
EBIT								
Unitary Cooling Products	928	765	21.3	2,073	(55.3)	3,001	2,427	23.7
<i>EBIT margin (%)</i>	<i>7.7</i>	<i>7.3</i>		<i>8.2</i>		<i>8.1</i>	<i>7.6</i>	
Electro-Mechanical Projects & Services	(490)	143	NA	(519)	(5.6)	(1,008)	19	NA
<i>EBIT margin (%)</i>	<i>(5.3)</i>	<i>2.6</i>		<i>(7.6)</i>		<i>(6.3)</i>	<i>0.2</i>	
Engineering Products & Services	539	480	12.3	541	(0.4)	1,080	989	9.3
<i>EBIT margin (%)</i>	<i>40.1</i>	<i>35.0</i>	<i>5.2</i>	<i>38.0</i>	<i>6.7</i>	<i>39.0</i>	<i>37.8</i>	<i>1.3</i>

Source: Company, PL

Exhibit 3: SOTP based valuation

Mar-25	Basis	Multiple	EPS	Value (Rs)	Value %
UCP	P/E	38	22.2	849	93.4%
EMPS	P/E	10	1.3	13	1.4%
EPS	P/E	15	2.3	35	3.8%
Voltbek-JV	Investment	5		13	1.4%
TP (Rs)				909	100%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	94,988	1,16,891	1,28,386	1,43,957
YoY gr. (%)	19.7	23.1	9.8	12.1
Cost of Goods Sold	73,782	90,707	96,546	1,08,256
Gross Profit	21,206	26,184	31,840	35,701
Margin (%)	22.3	22.4	24.8	24.8
Employee Cost	6,672	8,182	9,244	10,077
Other Expenses	7,726	9,936	10,784	12,092
EBITDA	5,724	6,515	9,775	11,215
YoY gr. (%)	(16.0)	13.8	50.0	14.7
Margin (%)	6.0	5.6	7.6	7.8
Depreciation and Amortization	396	468	590	691
EBIT	5,327	6,046	9,184	10,524
Margin (%)	5.6	5.2	7.2	7.3
Net Interest	296	477	499	455
Other Income	1,685	2,898	2,990	3,160
Profit Before Tax	6,716	8,468	11,675	13,229
Margin (%)	7.1	7.2	9.1	9.2
Total Tax	1,709	2,151	2,965	3,360
Effective tax rate (%)	25.4	25.4	25.4	25.4
Profit after tax	5,007	6,317	8,710	9,869
Minority interest	12	(7)	5	6
Share Profit from Associate	(1,207)	(1,267)	(950)	(428)
Adjusted PAT	3,788	5,057	7,755	9,436
YoY gr. (%)	(24.8)	33.5	53.3	21.7
Margin (%)	4.0	4.3	6.0	6.6
Extra Ord. Income / (Exp)	(2,438)	-	-	-
Reported PAT	1,350	5,057	7,755	9,436
YoY gr. (%)	(73.2)	274.6	53.3	21.7
Margin (%)	1.4	4.3	6.0	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,350	5,057	7,755	9,436
Equity Shares O/s (m)	331	331	331	331
EPS (Rs)	11.5	15.3	23.4	28.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	8,344	10,426	13,784	15,618
Tangibles	7,649	9,680	12,989	14,773
Intangibles	696	746	796	846
Acc: Dep / Amortization	3,821	4,045	4,571	5,191
Tangibles	3,187	3,380	3,873	4,458
Intangibles	634	665	698	733
Net fixed assets	4,524	6,381	9,213	10,428
Tangibles	4,462	6,300	9,116	10,315
Intangibles	62	81	98	113
Capital Work In Progress	983	550	340	240
Goodwill	723	723	723	723
Non-Current Investments	30,734	35,605	36,886	40,016
Net Deferred tax assets	303	379	484	603
Other Non-Current Assets	1,006	1,531	1,337	1,266
Current Assets				
Investments	3,072	3,974	4,365	4,895
Inventories	15,920	16,012	17,587	19,720
Trade receivables	21,919	27,221	29,898	33,524
Cash & Bank Balance	7,084	4,631	3,614	3,069
Other Current Assets	12,938	15,301	16,796	18,820
Total Assets	1,02,790	1,15,874	1,25,153	1,37,680
Equity				
Equity Share Capital	331	331	331	331
Other Equity	54,190	57,919	63,523	70,643
Total Networkth	54,521	58,249	63,854	70,974
Non-Current Liabilities				
Long Term borrowings	212	312	312	312
Provisions	920	1,286	1,412	1,584
Other non current liabilities	105	105	105	105
Current Liabilities				
ST Debt / Current of LT Debt	5,948	7,013	7,318	6,478
Trade payables	30,126	37,277	39,677	44,489
Other current liabilities	10,121	10,699	11,473	12,685
Total Equity & Liabilities	1,02,790	1,15,874	1,25,153	1,37,680

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,716	8,468	11,675	13,229
Add. Depreciation	396	468	590	691
Add. Interest	296	477	499	455
Less Financial Other Income	1,685	2,898	2,990	3,160
Add. Other	(5,378)	33	(797)	(429)
Op. profit before WC changes	2,031	9,446	11,967	13,946
Net Changes-WC	31	1,057	(2,613)	(3,067)
Direct tax	(1,709)	(2,151)	(2,965)	(3,360)
Net cash from Op. activities	352	8,352	6,389	7,519
Capital expenditures	(2,196)	(1,893)	(3,213)	(1,805)
Interest / Dividend Income	-	-	-	-
Others	5,068	(7,207)	(1,545)	(3,488)
Net Cash from Inv. activities	2,872	(9,100)	(4,757)	(5,293)
Issue of share cap. / premium	-	-	-	-
Debt changes	212	100	-	-
Dividend paid	(1,736)	(1,406)	(2,150)	(2,315)
Interest paid	(296)	(477)	(499)	(455)
Others	-	-	-	-
Net cash from Fin. activities	(1,821)	(1,782)	(2,649)	(2,771)
Net change in cash	1,403	(2,530)	(1,017)	(545)
Free Cash Flow	(1,844)	6,459	3,176	5,714

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	11.5	15.3	23.4	28.5
CEPS	12.7	16.7	25.2	30.6
BVPS	164.8	176.1	193.1	214.6
FCF	(5.6)	19.5	9.6	17.3
DPS	4.3	6.5	7.0	8.0
Return Ratio(%)				
RoCE	11.8	14.2	17.8	18.3
ROIC	8.0	8.3	11.3	11.8
RoE	6.9	9.0	12.7	14.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	0.0	0.0
Net Working Capital (Days)	30	19	22	22
Valuation(x)				
PER	71.5	53.6	34.9	28.7
P/B	5.0	4.7	4.2	3.8
P/CEPS	64.7	49.0	32.5	26.8
EV/EBITDA	46.6	41.4	27.7	24.1
EV/Sales	2.8	2.3	2.1	1.9
Dividend Yield (%)	0.5	0.8	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	20,056	29,568	33,599	22,928
YoY gr. (%)	11.8	10.9	21.4	29.7
Raw Material Expenses	15,232	23,182	26,504	17,305
Gross Profit	4,824	6,386	7,095	5,623
Margin (%)	24.1	21.6	21.1	24.5
EBITDA	764	2,182	1,854	703
YoY gr. (%)	(50.9)	(16.4)	4.7	(30.3)
Margin (%)	3.8	7.4	5.5	3.1
Depreciation / Depletion	111	104	113	117
EBIT	653	2,078	1,741	586
Margin (%)	3.3	7.0	5.2	2.6
Net Interest	64	124	101	115
Other Income	307	467	700	710
Profit before Tax	896	2,420	2,340	1,181
Margin (%)	4.5	8.2	7.0	5.2
Total Tax	300	706	735	493
Effective tax rate (%)	33.5	29.2	31.4	41.7
Profit after Tax	595	1,714	1,605	688
Minority interest	(1)	(7)	1	(10)
Share Profit from Associates	(326)	(282)	(310)	(332)
Adjusted PAT	270	1,439	1,293	367
YoY gr. (%)	(71.9)	(21.2)	18.8	(63.0)
Margin (%)	1.3	4.9	3.8	1.6
Extra Ord. Income / (Exp)	(1,374)	-	-	-
Reported PAT	(1,104)	1,439	1,293	367
YoY gr. (%)	(215.0)	(21.2)	18.8	(595.0)
Margin (%)	(5.5)	4.9	3.8	1.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(1,104)	1,439	1,293	367
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	0.8	4.4	3.9	1.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Hold	909	885
2	14-Aug-23	Hold	831	829
3	06-Jul-23	Hold	813	767
4	27-Apr-23	Hold	848	808
5	11-Apr-23	BUY	970	823
6	10-Feb-23	BUY	980	850
7	06-Jan-23	BUY	1,030	815

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,844
2	Bajaj Electricals	BUY	1,421	1,056
3	Century Plyboard (I)	BUY	855	653
4	Cera Sanitaryware	Accumulate	8,857	8,176
5	Crompton Greaves Consumer Electricals	BUY	401	301
6	Finolex Industries	Accumulate	243	227
7	Greenpanel Industries	BUY	495	374
8	Havells India	Accumulate	1,538	1,363
9	Kajaria Ceramics	Accumulate	1,445	1,319
10	KEI Industries	BUY	2,908	2,726
11	Polycab India	Accumulate	5,943	5,339
12	R R Kabel	BUY	1,624	1,503
13	Supreme Industries	Accumulate	4,225	3,925
14	Voltas	Hold	909	885

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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