Prabhudas Lilladher

POWERING YOUR FINANCIAL GROWTH

August 16, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		REDUCE	
Target Price	1,598		1,293	
Sales (Rs. m)	1,54,661	1,76,570	1,40,163	1,53,397
% Chng.	*10.3*	*15.1*		
EBITDA (Rs. m)	10,862	13,066	9,396	11,121
% Chng.	*15.6*	*17.5*		
EPS (Rs.)	25.4	32.0	21.5	27.3
% Chng.	*18.4*	*16.9*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	94,988	1,24,812	1,54,661	1,76,570
EBITDA (Rs. m)	5,724	4,746	10,862	13,066
Margin (%)	*6.0*	*3.8*	*7.0*	*7.4*
PAT (Rs. m)	3,788	2,520	8,408	10,570
EPS (Rs.)	11.5	7.6	25.4	32.0
Gr. (%)	*(24.8)*	*(33.5)*	*233.6*	*25.7*
DPS (Rs.)	4.3	5.5	7.0	7.0
Yield (%)	*0.3*	*0.4*	*0.5*	*0.5*
RoE (%)	*6.9*	*4.5*	*14.0*	*15.9*
RoCE (%)	*11.8*	*10.8*	*19.7*	*20.8*
EV/Sales (x)	5.3	4.0	3.3	2.8
EV/EBITDA (x)	88.0	105.6	46.4	38.4
PE (x)	134.0	201.5	60.4	48.0
P/BV (x)	9.3	8.7	8.2	7.2

Key Data	VOLT.BO | VOLT IN
52-W High / Low	Rs.1,599 / Rs.800
Sensex / Nifty	80,437 / 24,541
Market Cap	Rs.508bn/ $ 6,051m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.2320.78m

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	0.9	42.8	85.7
Relative	1.2	27.9	51.0

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Voltas (VOLT IN)

Rating: HOLD | CMP: Rs1,535 | TP: Rs1,598

Robust growth, margin expansion

We upward revise VOLT FY25/26E earnings by 18.4%/16.9% factoring in robust growth in UCP segment and significant reduction in channel inventory, with growth momentum expected to continue in FY25. Additionally, improvements in project margins and a favorable arbitration outcome in the project business are anticipated to further enhance margins. We roll forward our TP to Jun'26 and upgrade the stock to 'HOLD' from 'REDUCE' at SOTP-based revised TP of Rs1,598 (Rs1,293 earlier). VOLT reported rev. growth of 46.5% YoY in Q1FY25 led by healthy growth across segments; UCP/EMPS/EPS grew by 51.2%/39.8%/13.0% YoY. Its market share in RAC segment improved 19.5% YTD (vs 18.7%/19% in Mar'24/Dec'23), buoyed by a strong summer, which led to robust volume growth (+67% YoY). Voltas Beko saw 50% volume growth, outperforming the industry. The company expects healthy vol. growth in RAC/UCP to continue in Q3/Q4FY25 led by low channel inventory and strong festive demand, and UCP margins to remain at high single digits. EMPS business is expected see healthy revenue growth on the back of strong order pickup & execution in domestic project business. We estimate FY24-26E revenue/EBITDA/PAT CAGR of 18.9%/65.9%/104.8%. Upgrade to 'HOLD'.

Revenue up 46.5%, PAT up 158.5% YoY: Revenue grew by 46.5% YoY to Rs49.2bn (PLe: Rs40.0bn), led by healthy growth across segments; UCP/EMPS/EPS revenue grew by 51.2%/39.8%/13.0 YoY. Voltas reported volume growth of 67% in UCP segment and achieved 1mn AC sales volume. Gross margins contracted by 20bps YoY to 20.9%. EBITDA increased by 128.6% YoY to Rs4.2bn (PLe: Rs2.6bn) on account of controlled operating expense and profit in EMPS segment after six quarters of losses in EBIT. EBITDA margin expanded by 310bps YoY to 8.6% (PLe: 6.4%). UCP EBIT margin came in at 8.6% (+40bps YoY). EMPS reported EBIT of Rs675mn vs loss of Rs519mn in Q1FY24. PBT grew by 105.5% YoY to Rs4.8bn (PLe: Rs2.9bn) with expansion in operating margins and higher OI. VOLT reported PAT of Rs3.3bn (PLe: Rs1.9bn), grew by 158.5% YoY. VOLT's share of loss from JV and associates stood at Rs294mn.

Concall Takeaways: 1) Voltas has maintained its leadership position in RAC segment through its efficient distribution network and supply chain, with exit market share of 21.2% as of Jun'24. **2)** Split AC recorded 65% revenue growth in Q1FY25 with strong demand for premium category. **3)** VOLT targets EBIT margin of 8.5-9% for UCP business in FY25. **4)** EMPS order book for domestic/international project business reached Rs47.7bn/Rs27.3bn, with a significant portion of international orders concentrated in the UAE and Saudi Arabia. **5)** VOLT is expecting order pickup led by govt capex, with cautious risk-mitigated selection of orders. **6)** Air cooler achieved volume growth of 170% YoY with market share at 10.5%. VOLT reached No 2 brand position in Jun'24. **7)** The company has a market share of 5.2%/7.8%/14% in refrigerator/washing machine/semi-automatic washing machine through Voltas Beko. Refrigerator segment achieved 50% growth in Q1FY25. **8)** Commercial production from Chennai RAC factory with a capacity of 1mn units, has started. **9)** A&P spend stood at 3% of total revenue. The company will maintain A&P spend at 1.5–1.75% in FY25.

Exhibit 1: Q1FY25 Result (Rs mn): Sales grew by 46.5% YoY to Rs49.2bn

Y/e March (Rs mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)
Net Sales	**49,210**	**33,599**	***46.5***	**42,029**	***17.1***
Expenditure					
Operating & Manufacturing Expenses	38,922	26,504	*46.9*	33,727	*15.4*
% of Net Sales	*79.1*	*78.9*	*0.2*	*80.2*	
Gross Profit	10,288	7,095	*45.0*	8,302	*23.9*
% of Net Sales	*20.9*	*21.1*	*(0.2)*	*19.8*	
Personnel Cost	2,023	1,805	*12.1*	1,992	*1.6*
% of Net Sales	*4.1*	*5.4*	*(1.3)*	*4.7*	
Other Expenses	4,027	3,436	*17.2*	4,404	*(8.6)*
% of Net Sales	*8.2*	*10.2*	*(2.0)*	*10.5*	
Total Expenditure	44,972	31,745	*41.7*	40,123	*12.1*
EBITDA	**4,238**	**1,854**	***128.6***	**1,906**	***122.4***
Margin (%)	*8.6*	*5.5*	*3.1*	*4.5*	
Other income	803	700	*14.7*	544	*47.5*
Depreciation	134	113	*19.3*	118	*13.7*
EBIT	**4,906**	**2,441**	***101.0***	**2,332**	***110.4***
Interest	98	101	*(3.6)*	208	*(53.1)*
PBT	**4,809**	**2,340**	***105.5***	**2,124**	***126.4***
Total Taxes	1,165	735	*58.6*	634	*83.7*
ETR (%)	*24.2*	*31.4*	*(7.2)*	*29.9*	
Share of JV/Associates	(294)	(310)	*(5.4)*	(383)	
Minority Interest	7.7	1		(58.0)	
Adj. PAT	**3,342**	**1,293**	***158.5***	**1,164**	***187.0***
Exceptional Items	-	-		-	
Reported PAT	**3,342**	**1,293**	***158.5***	**1,164**	***187.0***

Source: Company, PL

Exhibit 2: Segmental breakup (Rs mn): UCP sales grew by 51.2% and EBIT margin at 8.6% (+40bps YoY)

Y/e March (Rs mn)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)
Revenues					
Unitary Cooling Products	38,022	25,140	*51.2*	29,551	*28.7*
Electro-Mechanical Projects & Services	9,491	6,791	*39.8*	10,979	*(13.6)*
Engineering Products & Services	1,608	1,423	*13.0*	1,564	*2.8*
EBIT					
Unitary Cooling Products	3,270	2,073	*57.7*	2,704	*20.9*
EBIT margin (%)	*8.6*	*8.2*		*9.2*	
Electro-Mechanical Projects & Services	675	(519)	*NA*	(1,077)	*(162.7)*
EBIT margin (%)	*7.1*	*(7.6)*		*(9.8)*	
Engineering Products & Services	448	541	*(17.1)*	478	*(6.2)*
EBIT margin (%)	*27.9*	*38.0*		*30.6*	*(218.4)*

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**94,988**	**1,24,812**	**1,54,661**	**1,76,570**
YoY gr. (%)	*19.7*	*31.4*	*23.9*	*14.2*
Cost of Goods Sold	73,782	98,140	1,19,476	1,35,429
Gross Profit	21,206	26,672	35,185	41,141
Margin (%)	*22.3*	*21.4*	*22.8*	*23.3*
Employee Cost	6,672	7,788	8,816	9,976
Other Expenses	7,726	12,895	13,610	15,891
EBITDA	**5,724**	**4,746**	**10,862**	**13,066**
YoY gr. (%)	*(16.0)*	*(17.1)*	*128.9*	*20.3*
Margin (%)	*6.0*	*3.8*	*7.0*	*7.4*
Depreciation and Amortization	396	476	618	784
EBIT	**5,327**	**4,270**	**10,244**	**12,282**
Margin (%)	*5.6*	*3.4*	*6.6*	*7.0*
Net Interest	296	559	651	740
Other Income	1,685	2,533	3,184	3,376
Profit Before Tax	**6,716**	**6,244**	**12,777**	**14,918**
Margin (%)	*7.1*	*5.0*	*8.3*	*8.4*
Total Tax	1,709	2,377	3,309	3,864
Effective tax rate (%)	*25.4*	*38.1*	*25.9*	*25.9*
Profit after tax	**5,007**	**3,867**	**9,468**	**11,054**
Minority interest	12	(39)	21	17
Share Profit from Associate	(1,207)	(1,386)	(1,040)	(468)
Adjusted PAT	**3,788**	**2,520**	**8,408**	**10,570**
YoY gr. (%)	*(24.8)*	*(33.5)*	*233.6*	*25.7*
Margin (%)	*4.0*	*2.0*	*5.4*	*6.0*
Extra Ord. Income / (Exp)	(2,438)	-	-	-
Reported PAT	**1,350**	**2,520**	**8,408**	**10,570**
YoY gr. (%)	*(73.2)*	*86.7*	*233.6*	*25.7*
Margin (%)	*1.4*	*2.0*	*5.4*	*6.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,350	2,520	8,408	10,570
Equity Shares O/s (m)	**331**	**331**	**331**	**331**
EPS (Rs)	**11.5**	**7.6**	**25.4**	**32.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**8,344**	**8,931**	**14,186**	**16,436**
Tangibles	7,649	8,213	13,411	15,611
Intangibles	696	718	775	825
Acc: Dep / Amortization	**3,821**	**4,177**	**4,914**	**5,698**
Tangibles	3,187	3,514	4,209	4,954
Intangibles	634	662	706	745
Net fixed assets	**4,524**	**4,754**	**9,271**	**10,737**
Tangibles	4,462	4,699	9,202	10,658
Intangibles	62	56	69	80
Capital Work In Progress	983	3,675	2,175	1,175
Goodwill	723	723	723	723
Non-Current Investments	30,734	32,443	30,450	33,277
Net Deferred tax assets	303	(176)	3	212
Other Non-Current Assets	1,006	1,103	1,064	1,047
Current Assets				
Investments	3,072	5,015	6,214	7,094
Inventories	15,920	21,354	26,271	29,993
Trade receivables	21,919	25,328	31,356	35,798
Cash & Bank Balance	7,084	8,523	6,104	8,390
Other Current Assets	12,938	10,586	12,961	14,704
Total Assets	**1,02,790**	**1,20,357**	**1,35,160**	**1,52,846**
Equity				
Equity Share Capital	331	331	331	331
Other Equity	54,190	57,874	61,970	70,224
Total Networth	**54,521**	**58,205**	**62,300**	**70,555**
Non-Current Liabilities				
Long Term borrowings	212	2,280	2,280	2,280
Provisions	920	984	1,220	1,392
Other non current liabilities	105	106	106	106
Current Liabilities				
ST Debt / Current of LT Debt	5,948	4,853	6,186	7,063
Trade payables	30,126	38,557	44,190	50,090
Other current liabilities	10,121	14,154	17,317	19,717
Total Equity & Liabilities	**1,02,790**	**1,20,357**	**1,35,160**	**1,52,846**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	6,716	6,244	12,777	14,918
Add. Depreciation	396	476	618	784
Add. Interest	296	559	651	740
Less Financial Other Income	1,685	2,533	3,184	3,376
Add. Other	(5,378)	(670)	(1,191)	(838)
Op. profit before WC changes	2,031	6,609	12,856	15,604
Net Changes-WC	31	1,756	(4,729)	(1,859)
Direct tax	(1,709)	(2,377)	(3,309)	(3,864)
Net cash from Op. activities	**352**	**5,988**	**4,818**	**9,881**
Capital expenditures	(2,196)	(3,399)	(3,634)	(1,250)
Interest / Dividend Income	-	-	-	-
Others	5,068	(3,996)	1,361	(3,290)
Net Cash from Invt. activities	**2,872**	**(7,395)**	**(2,273)**	**(4,541)**
Issue of share cap. / premium	-	-	-	-
Debt changes	212	2,069	-	-
Dividend paid	(1,736)	(1,406)	(1,819)	(2,315)
Interest paid	(296)	(559)	(651)	(740)
Others	-	-	-	-
Net cash from Fin. activities	**(1,821)**	**104**	**(2,471)**	**(3,055)**
Net change in cash	**1,403**	**(1,304)**	**74**	**2,286**
Free Cash Flow	(1,844)	2,588	1,183	8,631

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	**22,928**	**26,257**	**42,029**	**49,210**
YoY gr. (%)	*29.7*	*30.9*	*42.1*	*46.5*
Raw Material Expenses	17,305	20,605	33,727	38,922
Gross Profit	5,623	5,652	8,302	10,288
Margin (%)	*24.5*	*21.5*	*19.8*	*20.9*
EBITDA	**703**	**284**	**1,906**	**4,238**
YoY gr. (%)	*(30.3)*	*(62.8)*	*(12.6)*	*128.6*
Margin (%)	*3.1*	*1.1*	*4.5*	*8.6*
Depreciation / Depletion	117	128	118	134
EBIT	**586**	**156**	**1,788**	**4,104**
Margin (%)	*2.6*	*0.6*	*4.3*	*8.3*
Net Interest	115	135	208	98
Other Income	710	579	544	803
Profit before Tax	**1,181**	**599**	**2,124**	**4,809**
Margin (%)	*5.2*	*2.3*	*5.1*	*9.8*
Total Tax	493	515	634	1,165
Effective tax rate (%)	*41.7*	*85.8*	*29.9*	*24.2*
Profit after Tax	**688**	**85**	**1,490**	**3,644**
Minority interest	(10)	28	(58)	8
Share Profit from Associates	(332)	(361)	(383)	(294)
Adjusted PAT	**367**	**(304)**	**1,164**	**3,342**
YoY gr. (%)	*(63.0)*	*(212.6)*	*(19.1)*	*158.5*
Margin (%)	*1.6*	*(1.2)*	*2.8*	*6.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**367**	**(304)**	**1,164**	**3,342**
YoY gr. (%)	*(595.0)*	*(72.4)*	*(19.1)*	*158.5*
Margin (%)	*1.6*	*(1.2)*	*2.8*	*6.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**367**	**(304)**	**1,164**	**3,342**
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	**1.1**	**(0.9)**	**3.5**	**10.1**

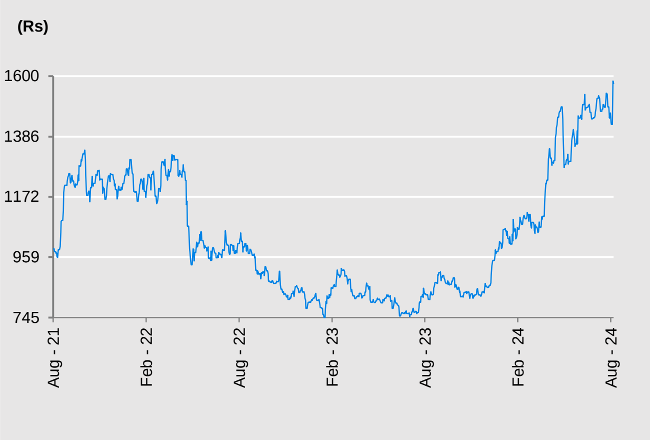
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	11.5	7.6	25.4	32.0
CEPS	12.7	9.1	27.3	34.3
BVPS	164.8	176.0	188.4	213.3
FCF	(5.6)	7.8	3.6	26.1
DPS	4.3	5.5	7.0	7.0
Return Ratio(%)				
RoCE	11.8	10.8	19.7	20.8
ROIC	8.0	5.3	13.6	15.2
RoE	6.9	4.5	14.0	15.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	30	24	32	32
Valuation(x)				
PER	134.0	201.5	60.4	48.0
P/B	9.3	8.7	8.2	7.2
P/CEPS	121.3	169.5	56.3	44.7
EV/EBITDA	88.0	105.6	46.4	38.4
EV/Sales	5.3	4.0	3.3	2.8
Dividend Yield (%)	0.3	0.4	0.5	0.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-24	Reduce	1,293	1,449
2	09-May-24	Hold	1,241	1,276
3	05-Apr-24	Hold	1,199	1,232
4	02-Feb-24	Hold	1,017	1,058
5	09-Jan-24	Hold	1,003	990
6	21-Oct-23	Hold	909	819
7	07-Oct-23	Hold	909	885

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	2,225	2,031
2	Bajaj Electricals	Hold	941	966
3	Century Plyboard (I)	Hold	714	707
4	Cera Sanitaryware	Hold	9,872	9,880
5	Crompton Greaves Consumer Electricals	Accumulate	476	451
6	Finolex Industries	Hold	321	328
7	Greenpanel Industries	Accumulate	390	356
8	Havells India	Accumulate	1,976	1,863
9	Kajaria Ceramics	Hold	1,488	1,468
10	KEI Industries	Hold	4,688	4,307
11	Polycab India	BUY	7,788	6,336
12	R R Kabel	BUY	2,066	1,796
13	Supreme Industries	Hold	6,069	5,694
14	Voltas	Reduce	1,293	1,449

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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