BUY Voltas

Muted summer trends, albeit priced in; retain BUY

Consumer Durables | Analyst Meet Update | **June 18, 2025**

CMP (Rs): 1,294 | TP (Rs): 1,450

We attended Voltas's analyst meet to gain deeper insight into its growth roadmap/demand environment. KTAs: 1) The management indicated a ~20–25% decline in RAC secondary sales across players in Apr-May '25, with a similar impact expected on primary sales, till inventory levels normalize. 2) Channel inventory remains elevated at ~6–8 weeks, though demand has recently picked up in parts of the North. 3) Despite subdued demand, players have refrained from broad-based price cuts and are instead offering freebies (further actions will depend on the season's progress). 4) UCP margins remain strained, though Voltas targets a high single-digit margin, contingent on the summer season stretching more than usual. We had already built in a weak industry outlook for FY26 (see our note: *Untimely rain: Killjoy for AC demand, apt time to BUY AC stocks*), and hence our estimates are largely unchanged. We reiterate BUY on Voltas and our TP of Rs1,450, supported by valuation comfort (implied 1YF UCP P/S at ~3.4x vs 10Y average of 3.7x). We reaffirm our view that weather-led disruptions often create compelling entry points.

KTAs from the Analyst Meet

1) The management highlighted ~20-25% degrowth in the RAC industry's secondary sales, with Voltas also following suit; similarly, primary sales would de-grow (if inventory is not liquidated); uptick seen in 2 geographies in the North in the past few days (35-40% UCP business from the North). 2) No major price actions taken by players in Apr-25; however, brands are giving freebees, and continuance of this would depend on how the season pans out. 3) While it would be difficult to predict if margins have bottomed out in the UCP business, Voltas aims to be a margin leader (targets a high single-digit margin), contingent on a favourable season. 4) Though capacity utilization at Chennai is low owing to weak demand, it can be improved to ~75-80%, if demand picks up and inventory is liquidated; Channel inventory is at ~6-8 weeks for Voltas. 5) In-house RAC BOM manufacturing capability stands at ~20-25% for Pantnagar and ~40-45% for Chennai; in compressors, the 'BUY vs manufacture' decision would be based on the value proposition; Voltas remains open to both. 6) No impact on profitability expected from the BEE (star rating) change applicable from Jan-26; while prices could increase by ~Rs800-1,000/unit, Voltas is focused on cost optimization. 7) The C Ref business is also dominated by seasonality and is hence not growing per expectations due to a weaker summer; water coolers and dispensers are doing well. 8) CAC (B2B) business is growing, albeit below expectations; it is however faring better than other segments. 9) Voltas Beko has been growing, though in low-margin categories (direct cool refrigerators, SAWM). Beko currently houses ~1.6mn capacity, which Voltas is looking to expand; it aims for full localization within the next 12-18M. 10) In the EMPS segment, Voltas's domestic business is growing, with orders worth ~Rs1-1.5bn secured from Tata Electronics; Voltas expects the receivables provision for this business to continue. 11) Voltas has booked Rs180mn for PLI in FY25 (pertaining to FY24 and FY25); for FY26, the PLI would depend on volume targets being met.

Target Price – 12M	Mar-26
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	12.1

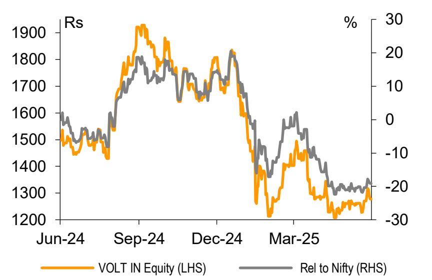
Stock Data	**VOLT IN**
52-week High (Rs)	1,946
52-week Low (Rs)	1,135
Shares outstanding (mn)	330.9
Market-cap (Rs bn)	428
Market-cap (USD mn)	4,965
Net-debt, FY26E (Rs mn)	(31,114.3)
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	2,462.0
ADTV-3M (USD mn)	28.5
Free float (%)	69.7
Nifty-50	24,853.4
INR/USD	86.2

Shareholding, Mar-25	
Promoters (%)	30.3
FPIs/MFs (%)	22.0/33.2

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	2.6	(11.3)	(13.6)
Rel. to Nifty	3.3	(19.6)	(18.5)

1-Year share price trend (Rs)



Voltas: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	94,988	124,812	154,128	151,349	172,997
EBITDA	5,724	4,746	11,162	10,983	13,332
Adj. PAT	3,789	2,520	8,414	8,767	10,962
Adj. EPS (Rs)	11.5	7.6	25.4	26.5	33.1
EBITDA margin (%)	6.0	3.8	7.2	7.3	7.7
EBITDA growth (%)	(16.0)	(17.1)	135.2	(1.6)	21.4
Adj. EPS growth (%)	(24.8)	(33.5)	233.9	4.2	25.0
RoE (%)	6.9	4.5	13.6	12.8	14.4
RoIC (%)	21.1	13.2	29.2	21.2	22.7
P/E (x)	317.1	169.9	50.9	48.8	39.1
EV/EBITDA (x)	71.2	85.5	35.8	36.1	29.6
P/B (x)	7.9	7.4	6.6	6.0	5.3
FCFF yield (%)	-	1.2	(1.0)	0.6	0.5

Source: Company, Emkay Research

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Exhibit 1: Revenue Model – We build in ~6%/8%/14% revenue/EBIT/PAT CAGR over FY25-27E

Voltas (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenues	**94,988**	**124,812**	**154,128**	**151,349**	**172,997**
Growth YoY (%)	**19.7**	**31.4**	**23.5**	**-1.8**	**14.3**
UCP (RAC, Com Ref/AC, and Air Cooler)	64,745	81,605	106,139	103,967	120,437
Growth YoY (%)	32.6	26.0	30.1	-2.0	15.8
EMPS (Projects)	24,029	36,830	41,568	40,576	45,225
Growth YoY (%)	-2.7	53.3	12.9	-2.4	11.5
EPS (Products - Mining and Textile)	5,220	5,879	5,692	6,091	6,517
Growth YoY (%)	6.8	12.6	-3.2	7.0	7.0
Gross profit	21,206	26,672	34,524	33,902	38,751
Gross margin (%)	22.3	21.4	22.4	22.4	22.4
EBITDA	5,724	4,746	11,162	10,983	13,332
EBITDA margin (%)	6.0	3.8	7.2	7.3	7.7
Depreciation	396.2	475.9	617.8	838.4	1,055.9
EBIT	**5,328**	**4,270**	**10,544**	**10,144**	**12,276**
Growth YoY (%)	-17.3	-19.8	146.9	-3.8	21.0
EBIT margin (%)	**5.6**	**3.4**	**6.8**	**6.7**	**7.1**
UCP (RAC, Com Ref/AC, and Air Cooler)	5,378	6,935	8,923	8,525	10,062
EBIT margin (%)	8.3	8.5	8.4	8.2	8.4
Growth YoY (%)	4.8	28.9	28.7	-4.5	18.0
EMPS (Projects)	-582.3	-3,284.9	1,686.4	1,623.0	2,283.4
EBIT margin (%)	-2.4	-8.9	4.1	4.0	5.0
Growth YoY (%)	-146.3	464.1	-151.3	-3.8	40.7
EPS (Products - Mining and Textile)	2,007	2,057	1,553	1,705	1,825
EBIT margin (%)	38.5	35.0	27.3	28.0	28.0
Growth YoY (%)	27.1	2.5	-24.5	9.8	7.0
Other Income	1,685	2,533	3,245	3,306	3,720
Interest	296	559	621	619	697
PBT before Exceptional Item	6,716	6,244	13,168	12,832	15,299
Exceptional Item	(2,438)	-	-	-	-
PBT	4,278	6,244	13,168	12,832	15,299
Tax rate (%)	40.0	38.1	27.1	25.0	25.0
PAT before MI	**2,569**	**3,867**	**9,603**	**9,624**	**11,474**
Minority Interest	*-12.1*	*38.9*	*70.9*	*70.9*	*70.9*
Share of profit/(loss) of joint ventures (net of tax)	-1,207	-1,386	-1,260	-857	-512
Adj. PAT	**3,789**	**2,520**	**8,414**	**8,838**	**11,033**
PAT margin (%)	***4.0***	***2.0***	***5.5***	**5.8**	**6.4**
Growth YoY (%)	-24.8	-33.5	233.9	5.0	24.8
No. of shares (mn)	330.8	330.8	330.8	330.8	330.8
EPS (Rs)	**11.5**	**7.6**	**25.4**	**26.7**	**33.4**
DPS (Rs)	4.3	5.5	7.0	7.0	7.0
Dividend payout (%)	37.1	72.2	27.5	26.2	21.0

Source: Company, Emkay Research

Exhibit 2: Our estimates remain unchanged, as we had already factored in a weaker FY26E

Voltas (Rs mn)	FY25		FY26E				FY27E			
	Actual	% YoY	Earlier	Revised	*% Change*	% YoY	Earlier	Revised	*% Change*	% YoY
Revenue	154,128	*23.5*	151,349	151,349	*0.0*	*(1.8)*	172,997	172,997	*0.0*	*14.3*
EBIT	10,544	*146.9*	10,144	10,144	*0.0*	*(3.8)*	12,276	12,276	*0.0*	*21.0*
EBIT margin (%)	*6.8*	*342 bps*	*6.7*	*6.7*	*0 bps*	*(14) bps*	*7.1*	*7.1*	*0 bps*	*39 bps*
Adj PAT	*8,414*	*233.9*	*8,838*	*8,838*	*0.0*	*5.0*	*11,033*	*11,033*	*0.0*	*24.8*

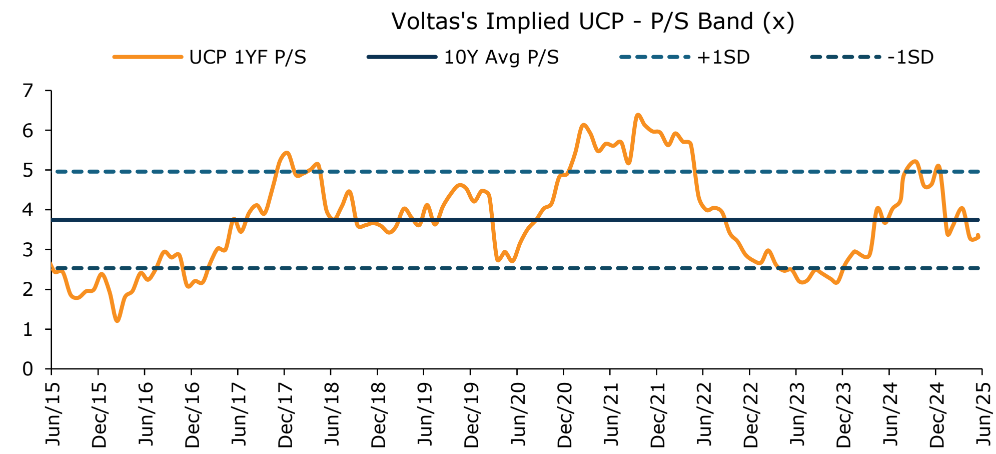
Source: Company, Emkay Research

Exhibit 3: SoTP based valuation – Our TP for Voltas remains unchanged at Rs1,450

(Rs mn)	Mar-27E PAT	PER (x)	Mkt cap	Contri to SOTP (%)
UCP (Unitary Cooling Products)	8,148	50	411,393	86.8
EMPS (Electro Mechanical Projects and Services)	1,849	15	28,641	6.0
EPS (Engineering, Procurement & Construction)	1,478	15	22,894	4.8
Total MCAP	**11,475**		**462,928**	
Number of Shares			331	
Target Price (Rs)			**1,399**	
Value of VoltBek at P/S 0.75x (Rs)			**33**	2.3
Total Value (Rs)			**1,450**	**100**
CMP (Rs)			**1,294**	
Upside (%)			12.0	

Source: Company, Emkay Research

Exhibit 4: The stock trades at ~3.4x implied UCP P/S (vs 10Y average of 3.7x)



Source: Company, Bloomberg, Emkay Research

Voltas: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	**94,988**	**124,812**	**154,128**	**151,349**	**172,997**
Revenue growth (%)	19.7	31.4	23.5	(1.8)	14.3
EBITDA	**5,724**	**4,746**	**11,162**	**10,983**	**13,332**
EBITDA growth (%)	(16.0)	(17.1)	135.2	(1.6)	21.4
Depreciation & Amortization	396	476	618	838	1,056
EBIT	**5,328**	**4,270**	**10,544**	**10,144**	**12,276**
EBIT growth (%)	(17.3)	(19.8)	146.9	(3.8)	21.0
Other operating income	-	-	-	-	-
Other income	1,685	2,533	3,245	3,306	3,720
Financial expense	296	559	621	619	697
PBT	**6,716**	**6,244**	**13,168**	**12,832**	**15,299**
Extraordinary items	(2,438)	0	0	0	0
Taxes	1,709	2,377	3,565	3,208	3,825
Minority interest	(12)	39	71	0	0
Income from JV/Associates	(1,207)	(1,386)	(1,260)	(857)	(512)
Reported PAT	**1,350**	**2,520**	**8,414**	**8,767**	**10,962**
PAT growth (%)	(73.2)	86.6	233.9	4.2	25.0
Adjusted PAT	**3,789**	**2,520**	**8,414**	**8,767**	**10,962**
Diluted EPS (Rs)	**11.5**	**7.6**	**25.4**	**26.5**	**33.1**
Diluted EPS growth (%)	(24.8)	(33.5)	233.9	4.2	25.0
DPS (Rs)	**5.5**	**4.3**	**5.5**	**7.0**	**7.0**
Dividend payout (%)	**135.4**	**56.8**	**21.6**	**26.4**	**21.1**
EBITDA margin (%)	6.0	3.8	7.2	7.3	7.7
EBIT margin (%)	5.6	3.4	6.8	6.7	7.1
Effective tax rate (%)	25.4	38.1	27.1	25.0	25.0
NOPLAT (pre-IndAS)	**3,972**	**2,645**	**7,690**	**7,608**	**9,207**
Shares outstanding (mn)	331	331	331	331	331

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	331	331	331	331	331
Reserves & Surplus	54,190	57,874	64,802	71,253	79,900
Net worth	**54,521**	**58,205**	**65,133**	**71,584**	**80,231**
Minority interests	417	337	271	271	271
Non-current liab. & prov.	(303)	176	140	140	140
Total debt	**6,160**	**7,133**	**8,633**	**8,472**	**9,442**
Total liabilities & equity	**61,140**	**66,154**	**74,462**	**80,753**	**90,369**
Net tangible fixed assets	4,105	4,351	8,638	11,495	14,466
Net intangible assets	62	56	34	20	5
Net ROU assets	357	348	340	331	319
Capital WIP	983	3,675	824	1,053	1,303
Goodwill	723	723	723	723	723
Investments [JV/Associates]	11,610	14,385	2,070	2,070	2,070
Cash & equivalents	**26,560**	**29,221**	**37,145**	**39,586**	**43,204**
Current assets (ex-cash)	58,035	67,186	81,304	81,035	90,745
Current Liab. & Prov.	41,294	53,790	56,614	55,561	62,466
NWC (ex-cash)	**16,741**	**13,396**	**24,689**	**25,475**	**28,280**
Total assets	**61,140**	**66,154**	**74,462**	**80,753**	**90,369**
Net debt	(20,401)	(22,088)	(28,512)	(31,114)	(33,762)
Capital employed	61,140	66,154	74,462	80,753	90,369
Invested capital	**21,631**	**18,526**	**34,084**	**37,713**	**43,474**
BVPS (Rs)	164.8	176.0	196.9	216.4	242.5
Net Debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(3.6)	(4.7)	(2.6)	(2.8)	(2.5)
Interest coverage (x)	23.7	12.2	22.2	21.7	23.0
RoCE (%)	**8.9**	**6.7**	**15.1**	**13.1**	**14.4**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT (ex-other income)	3,071	4,858	11,908	11,975	14,787
Others (non-cash items)	3,323	3,036	(1,349)	(3,306)	(3,720)
Taxes paid	(1,656)	(2,115)	(3,107)	(3,208)	(3,825)
Change in NWC	(3,836)	801	(10,932)	(785)	(2,805)
Operating cash flow	**1,594**	**7,615**	**(2,241)**	**6,133**	**6,190**
Capital expenditure	(1,774)	(2,883)	(1,907)	(3,902)	(4,249)
Acquisition of business	-	-	-	-	-
Interest & dividend income	706	835	1,309	3,306	3,720
Investing cash flow	**(816)**	**(5,224)**	**1,579**	**(596)**	**(530)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	2,728	974	1,500	(161)	970
Payment of lease liabilities	-	-	-	-	-
Interest paid	(284)	(555)	(610)	(619)	(697)
Dividend paid (incl tax)	(1,829)	(1,432)	(1,820)	(2,316)	(2,316)
Others	(65)	(149)	(67)	0	0
Financing cash flow	**550**	**(1,163)**	**(997)**	**(3,095)**	**(2,043)**
Net chg in Cash	1,328	1,228	(1,659)	2,442	3,618
OCF	1,594	7,615	(2,241)	6,133	6,190
Adj. OCF (w/o NWC chg.)	5,430	6,814	8,690	6,918	8,995
FCFF	(181)	4,732	(4,149)	2,231	1,941
FCFE	229	5,008	(3,460)	4,918	4,964
OCF/EBITDA (%)	27.8	160.4	(20.1)	55.8	46.4
FCFE/PAT (%)	17.0	198.7	(41.1)	56.1	45.3
FCFF/NOPLAT (%)	**(4.5)**	**178.9**	**(53.9)**	**29.3**	**21.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	317.1	169.9	50.9	48.8	39.1
EV/CE(x)	6.7	6.2	5.4	4.9	4.4
P/B (x)	7.9	7.4	6.6	6.0	5.3
EV/Sales (x)	4.3	3.3	2.6	2.6	2.3
EV/EBITDA (x)	71.2	85.5	35.8	36.1	29.6
EV/EBIT(x)	76.5	95.1	37.9	39.1	32.1
EV/IC (x)	18.8	21.9	11.7	10.5	9.1
FCFF yield (%)	-	1.2	(1.0)	0.6	0.5
FCFE yield (%)	0.1	1.2	(0.8)	1.1	1.2
Dividend yield (%)	0.4	0.3	0.4	0.5	0.5
DuPont-RoE split					
Net profit margin (%)	4.0	2.0	5.5	5.8	6.3
Total asset turnover (x)	1.6	2.0	2.2	2.0	2.0
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	**6.9**	**4.5**	**13.6**	**12.8**	**14.4**
DuPont-RoIC					
NOPLAT margin (%)	4.2	2.1	5.0	5.0	5.3
IC turnover (x)	5.0	6.2	5.9	4.2	4.3
RoIC (%)	**21.1**	**13.2**	**29.2**	**21.2**	**22.7**
Operating metrics					
Core NWC days	64.3	39.2	58.5	61.4	59.7
Total NWC days	**64.3**	**39.2**	**58.5**	**61.4**	**59.7**
Fixed asset turnover	12.5	14.6	13.5	9.5	8.8
Opex-to-revenue (%)	16.3	17.6	15.2	15.1	14.7

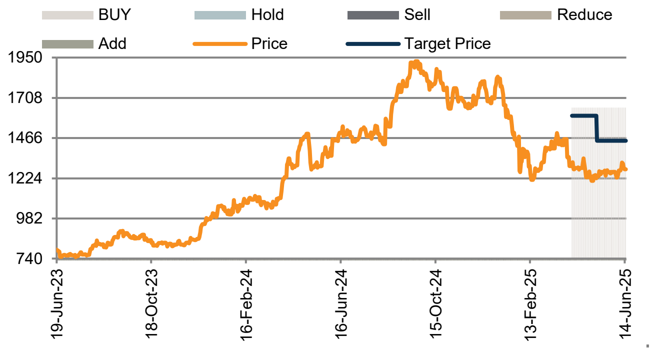
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
28-May-25	1,258	1,450	Buy	Chirag Jain
09-May-25	1,236	1,450	Buy	Chirag Jain
07-Apr-25	1,295	1,600	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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