

HOLD

TP: Rs 1,400 | ▲ 7%

VOLTAS

| Consumer Durables

| 11 August 2025

Market share dips; weak quarter on short summer

- Q1 revenue and EBITDA below estimates; 20% YoY drop led by a sharp 25% fall in UCP with muted performance in other segments
- Market share during Apr-Jun/June 26 dipped ~200bps YoY to 17.8%/19.3% (vs 19.5%/21.2% in FY25)
- Cut estimates, introduce FY28E, roll forward to June'26 TP with a 45x multiple to arrive at TP of Rs 1400; downgrade to HOLD

Vineet Shanker

research@bobcaps.in

Revenue miss; sharp margin contraction: VOLT Q1 revenue was below our estimates, and a ~150bps miss on EBITDA margin led to 35% miss in EBITDA on our estimates (37% below consensus). Q1 revenue declined 20% YoY, dragged by a sharp drop in the UCP business (-25% YoY) on account of muted RAC while the EMP business reported a modest decline of 3% YoY. EP&S segment grew 3% YoY. Gross margin expanded by 90bps YoY to 21.8%. EBITDA margin contracted 410bps YoY to 4.5%, driven by under-absorption of fixed costs, higher trade promotions and elevated inventory/warehousing expenses amid a weak, late summer. Adjusted PAT came in at Rs 1.4bn vs Rs 3.3bn in Q1FY25.

Weak RAC demand; inventory buildup hits primary sales: UCP segment revenue declined 25% YoY to Rs 28.7bn, below our estimates, as RAC volumes were hit by an erratic and delayed summer on a strong base of Q1FY25. Commercial refrigerators saw modest growth, while air coolers recorded sharp declines. The quarter saw an elevated trade-channel inventory, which, coupled with a shortened peak selling season, weighed on primary offtake. EBIT margin contracted 496bps YoY to 3.6%. The company maintained its leadership position in the RAC category with ~19.3% market share in June 26 and 17.8% for Q1FY26 which dipped ~200bps YoY.

Slower execution and overseas delays drag EMP margins: EMP segment revenue declined 3% YoY to Rs 9.2bn, weighed by slower execution in certain domestic projects and moderation in overseas orders. International business was affected by delays in select projects, particularly in the Middle East, while domestic execution remained steady in infrastructure and metro segments. EBIT fell 27% YoY to Rs 492mn, with margins contracting 200bps to 6.3%, largely due to adverse mix and lower operating leverage.

Cut estimates, downgrade to HOLD: We cut our FY26-27 estimates by 9-8% respectively to factor in the weakness in secondary sales given elevated levels of inventories. We introduce FY28E, roll forward to June'26 with a 45x multiple to arrive at TP of Rs 1400; downgrade to HOLD on limited upside.

Key changes

Target	Rating
▼	▼

Ticker/Price	VOLT IN/Rs 1,305
Market cap	US\$ 4.9bn
Free float	70%
3M ADV	US\$ 18.8mn
52wk high/low	Rs 1,945/Rs 1,135
Promoter/FPI/DII	30%/21%/33%

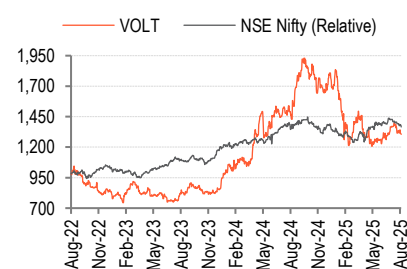
Source: NSE | Price as of 8 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,54,128	1,58,439	1,81,239
EBITDA (Rs mn)	11,162	10,446	12,938
Adj. net profit (Rs mn)	8,414	8,012	9,865
Adj. EPS (Rs)	25.4	24.2	29.8
Consensus EPS (Rs)	24.5	31.0	39.0
Adj. ROAE (%)	13.6	11.8	13.2
Adj. P/E (x)	51.3	53.9	43.8
EV/EBITDA (x)	38.7	41.3	33.4
Adj. EPS growth (%)	233.9	(4.8)	23.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Variance (%)
Revenue	39,386	49,210	(20)	47,676	(17)	45,080	(13)
EBITDA	1,785	4,238	(58)	3,328	(46)	2,743	(35)
EBITDA Margin (%)	4.5	8.6	(410bps)	7.0	(240bps)	6.1	(155bps)
Depreciation	185	134		141		205	(10)
Interest	135	98		233		98	39
Other Income	821	803		797		811	1
PBT	2,286	4,809	(52)	3,751	(39)	3,252	(30)
Tax	621	1,165		1,075		881	(30)
Adjusted PAT	1,406	3,342	(58)	2,357	(40)	2,077	(32)
Exceptional item	-	-		0		-	
Reported PAT	1,405	3,342	(58)	2,410	(42)	2,077.0	(32)
Adj. PAT Margin (%)	3.6	6.8	(320bps)	4.9	(140bps)	4.6	(104bps)
EPS (Rs)	4.2	10.1	(58)	7.3	(42)	6.3	(32)

Source: Company, BOBCAPS Research

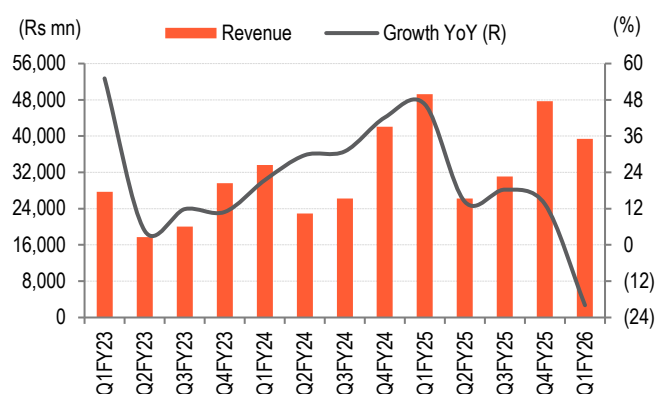
Fig 2 – Segmental performance

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Segment revenue					
Electro- Mechanical Projects and Services	9,218	9,491	(3)	11,375	(19)
Engineering Products and Services	1,354	1,608	(16)	1,321	3
Unitary Cooling Products	28,679	38,022	(25)	34,584	(17)
EBIT					
Electro- Mechanical Projects and Services	492	675	(27)	(17.3)	(2,946)
margin %	5.3	7.1	(177bps)	(0.2)	NA
Engineering Products and Services	401	448	(11)	341	18
margin %	29.6	27.9	173bps	25.8	383bps
Unitary Cooling Products	1044	3270	(68)	3448	(70)
margin %	3.6	8.6	(496bps)	10.0	(633bps)

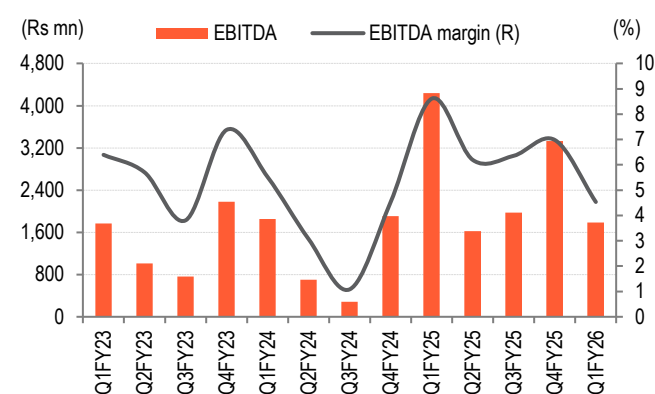
Source: Company, BOBCAPS Research

Earnings Call Highlights

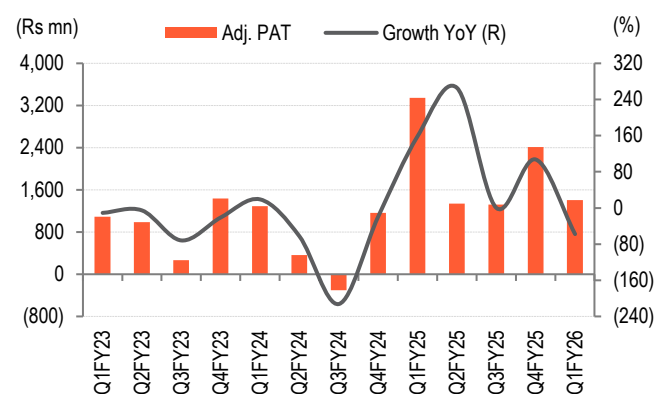
- The company stated that a sharp industry-wide decline of ~35–40% in primary AC sales was seen during Q1, attributing it to a late, milder summer and early monsoon. On the Commercial AC side, management noted stable demand for VRF, cassette, and ducted systems, though retrofit margins were softer and are expected to normalise in the second half.
- Inventory was acknowledged to be elevated following strong stocking ahead of the season, with ~3–4 months at the company level and ~2 months across trade partners; management indicated that tactical promotions were deployed to aid secondary sales, but no deep discounting was undertaken, as the priority remained on protecting market leadership and allowing inventory to liquidate naturally during the festive season and potential “second summer.”
- Executives reiterated that Voltas retained its leadership in Room ACs with a 17.8% market share for Q1FY26, ending June at 19.3% maintaining a ~400 bps lead over the No. 2 player. It was noted that share dipped YoY due to a highly fragmented market with over 65 active players, but management pointed out a steady month-on-month recovery.
- For Engineering Products & Services, it was mentioned that mining equipment sales slowed but margins improved on a favourable mix; textile machinery demand remains weak due to subdued CAPEX sentiment.
- Management highlighted the appliance portfolio under Voltas Beko continued its robust momentum, delivering ~33% YoY volume growth (~1mn units sold) with notable market share gains in washing machines (8.6%) and refrigerators (7.2%), driven by product innovation, agile manufacturing, and an expanded retail and e-commerce footprint.
- It was clarified that the Voltbek remains in an investment phase, with current losses viewed as strategic brand-building; profitability is expected once market share surpasses the 10% threshold.
- It was acknowledged that UCP EBIT margins fell to ~3.5% due to the volume decline, higher promotional spending, and under-utilisation at the Chennai plant. The leadership team shared that multiple cost optimisation and value engineering initiatives are in progress to offset near-term cost pressures and the potential impact of the upcoming Energy Star labelling changes.
- Guidance by the management for FY26 pointed to a sequential recovery from the festive season (Q3) and possible “second summer” in West and South India, with the industry expected to close the year flattish to +5-10% growth.
- For the projects business, margins above 5% were reaffirmed as sustainable, with potential upside depending on execution and mix. The company reiterated its focus on long-term growth through innovation, execution excellence, selective order booking, and sustaining leadership across cooling and home appliance categories.

Fig 3 – Revenue growth trend

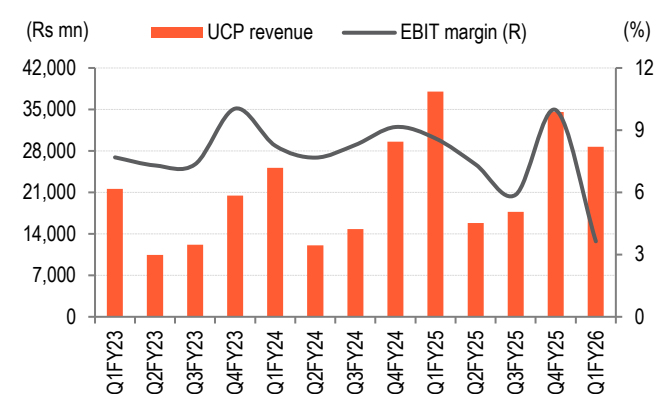
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

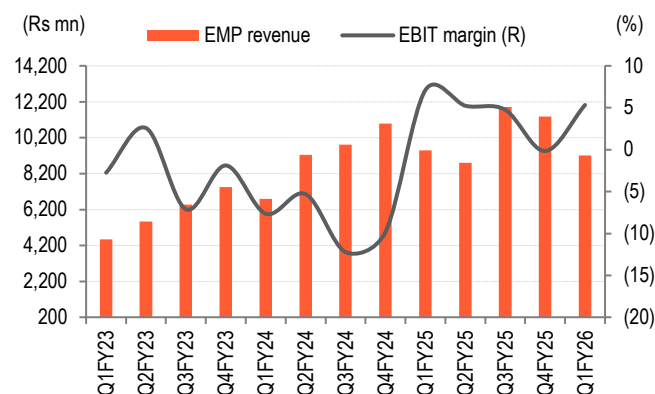
Source: Company, BOBCAPS Research

Fig 5 – Profit trend

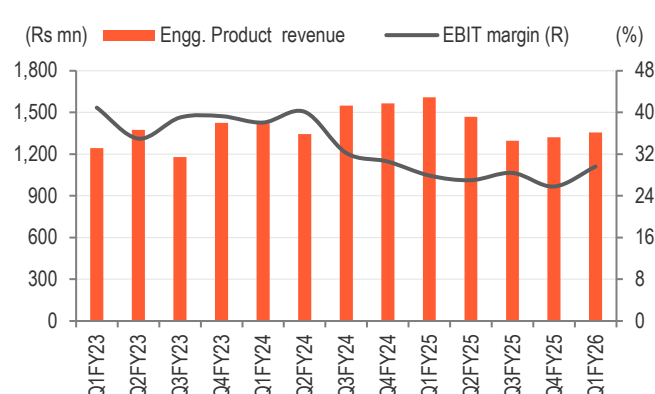
Source: Company, BOBCAPS Research

Fig 6 – UCP performance

Source: Company, BOBCAPS Research

Fig 7 – EMP performance

Source: Company, BOBCAPS Research

Fig 8 – Engineering Products performance

Source: Company, BOBCAPS Research

Valuation methodology

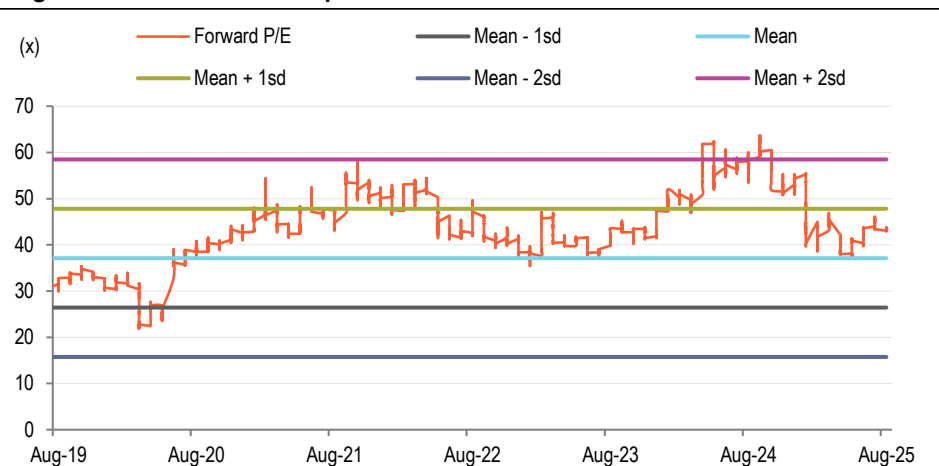
We cut our FY26-27 estimate by 9-8% respectively to factor in the weakness in secondary sales given elevated levels of inventories. We introduce FY28E, roll forward to June'26 with a 45x multiple to arrive at TP of Rs 1400; downgrade to HOLD on limited upside.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,58,439	1,81,239	2,05,600	1,73,806	2,01,406	NA	(8)	(10)	NA
EBITDA	10,446	12,938	15,206	11,989	14,667	NA	(13)	(12)	NA
PAT	8,012	9,865	11,708	8,781	10,708	NA	(9)	(8)	NA

Source: BOBCAPS Research

Fig 10 – VOLT 1YF PE multiple band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,24,812	1,54,128	1,58,439	1,81,239	2,05,600
EBITDA	4,746	11,162	10,446	12,938	15,206
Depreciation	476	618	762	939	1,080
EBIT	4,270	10,544	9,684	11,999	14,126
Net interest inc./(exp.)	(559)	(621)	(618)	(551)	(488)
Other inc./(exp.)	2,533	3,245	3,245	3,245	3,245
Exceptional items	0	0	0	0	0
EBT	6,244	13,168	12,310	14,693	16,883
Income taxes	2,377	3,565	3,324	3,967	4,558
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1,386)	(1,260)	(975)	(861)	(616)
Reported net profit	2,520	8,414	8,012	9,865	11,708
Adjustments	0	0	0	0	0
Adjusted net profit	2,520	8,414	8,012	9,865	11,708

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	38,557	38,928	41,238	47,172	53,512
Other current liabilities	14,060	12,670	13,022	14,896	16,899
Provisions	0	0	0	0	0
Debt funds	7,436	8,633	7,268	6,479	5,739
Other liabilities	2,099	6,157	6,322	7,193	8,123
Equity capital	331	331	331	331	331
Reserves & surplus	57,874	64,802	70,663	78,377	87,934
Shareholders' fund	58,205	65,133	70,994	78,708	88,265
Total liab. and equities	1,20,357	1,31,520	1,38,843	1,54,447	1,72,538
Cash and cash eq.	8,523	6,782	12,068	11,853	10,970
Accounts receivables	25,328	25,115	25,611	27,310	30,981
Inventories	21,354	27,148	27,781	31,282	35,487
Other current assets	22,042	30,500	28,226	32,288	36,627
Investments	0	0	0	0	0
Net fixed assets	3,902	8,198	10,436	11,997	13,417
CWIP	3,675	824	847	968	1,099
Intangible assets	1,127	1,097	1,128	1,290	1,463
Deferred tax assets, net	0	0	0	0	0
Other assets	34,408	31,856	32,747	37,459	42,494
Total assets	1,20,357	1,31,520	1,38,843	1,54,447	1,72,538

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	7,615	(8,455)	12,582	9,350	8,915
Capital expenditures	(2,883)	(2,082)	(3,000)	(2,500)	(2,500)
Change in investments	(3,938)	2,841	0	0	0
Other investing cash flows	1,597	820	(780)	(4,126)	(4,408)
Cash flow from investing	(5,224)	1,579	(3,780)	(6,626)	(6,908)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	453	1,500	(1,365)	(788)	(740)
Interest expenses	0	0	0	0	0
Dividends paid	(1,616)	(2,497)	(2,151)	(2,151)	(2,151)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(1,163)	(997)	(3,516)	(2,939)	(2,890)
Chg in cash & cash eq.	1,228	(7,873)	5,286	(215)	(883)
Closing cash & cash eq.	8,523	6,782	12,068	11,853	10,970

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.6	25.4	24.2	29.8	35.4
Adjusted EPS	7.6	25.4	24.2	29.8	35.4
Dividend per share	5.5	7.0	6.5	6.5	6.5
Book value per share	175.9	196.9	214.6	237.9	266.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.5	2.8	2.7	2.4	2.1
EV/EBITDA	91.0	38.7	41.3	33.4	28.4
Adjusted P/E	171.3	51.3	53.9	43.8	36.9
P/BV	7.4	6.6	6.1	5.5	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	40.4	63.9	65.1	67.1	69.3
Interest burden (PBT/EBIT)	146.2	124.9	127.1	122.5	119.5
EBIT margin (EBIT/Revenue)	3.4	6.8	6.1	6.6	6.9
Asset turnover (Rev./Avg TA)	32.0	18.8	15.2	15.1	15.3
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.2	0.2	0.2
Adjusted ROAE	4.5	13.6	11.8	13.2	14.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	31.4	23.5	2.8	14.4	13.4
EBITDA	(17.1)	135.2	(6.4)	23.9	17.5
Adjusted EPS	(33.5)	233.9	(4.8)	23.1	18.7

Profitability & Return ratios (%)

EBITDA margin	3.8	7.2	6.6	7.1	7.4
EBIT margin	3.4	6.8	6.1	6.6	6.9
Adjusted profit margin	2.0	5.5	5.1	5.4	5.7
Adjusted ROAE	4.5	13.6	11.8	13.2	14.0
ROCE	4.5	12.7	11.1	12.5	13.4

Working capital days (days)

Receivables	74	59	59	55	55
Inventory	62	64	64	63	63
Payables	113	92	95	95	95

Ratios (x)

Gross asset turnover	17.9	15.7	11.5	11.0	10.8
Current ratio	1.3	1.6	1.6	1.5	1.5
Net interest coverage ratio	7.6	17.0	15.7	21.8	29.0
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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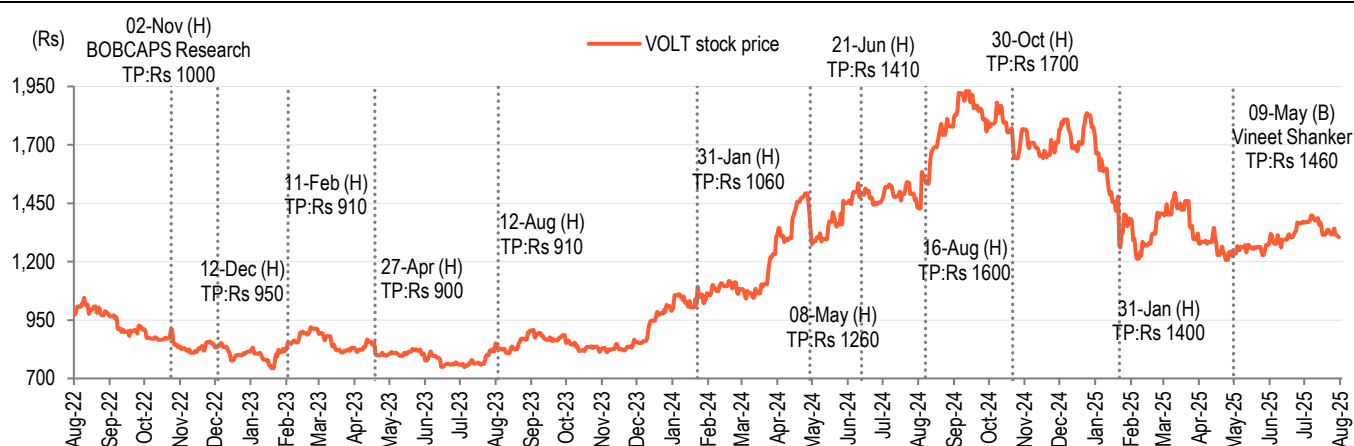
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): VOLTAS (VOLT IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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