RESULT REVIEW

HOLD
TP: Rs 1,440 | ⮝ 9%

VOLTAS | Consumer Durables | 17 August 2026

UCP growth accelerates; cost inflation limits margin recovery

- **Revenue grew 19% YoY but was 9% below estimates; EBITDA rose 49% YoY, supported by UCP margin expansion and cost optimisation**
- **UCP growth accelerates on strong RAC demand; EMPS recovery remains constrained by execution challenges**
- **Cut FY27-29 estimates; assign 45x to Jun'28E EPS to arrive at Jun'27 TP of Rs 1440; maintain HOLD on limited upside**

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Revenue growth holds; cost pressures constrain profitability: Voltas reported Q1FY27 revenue of Rs 46.7bn, up 19% YoY as seasonal demand normalised after Q4 channel restocking. EBITDA rose 49% YoY to Rs 2.7bn but missed estimates by 25%, with margin expanding 110bps YoY to 5.7%. Adjusted PAT grew 51% YoY to Rs 2.1bn, partly supported by higher other income.

UCP growth scales; cost inflation remains a margin headwind: UCP revenue grew 32% YoY to Rs 37.9bn, while EBIT rose 93% to Rs 2.0bn and margin expanded 168bps to 5.3%. Management indicated BEE table changes increased costs by ~7-8%, while commodity prices, INR depreciation, freight and plastics added another ~4-5%; while overall cost inflation was ~10-12%, with price increases broadly matching the increase.

EMPS revenue softens; selective booking protects project economics: EMPS revenue declined 27% YoY to Rs 6.7bn, while EBIT stood at Rs 378mn versus Rs 492mn a year ago, with margin at 5.6%. The carry-forward order book stood at Rs 63.5bn as of June, spanning domestic and international projects. Management is focusing on faster-gestation private-sector projects and selective order booking, with escalation clauses providing protection against cost inflation.

Engineering Products grows; textile machinery shows early recovery: Engineering Products and Services revenue grew 17% YoY to Rs 1.6bn, led by mining and construction equipment, O&M and Mozambique operations, while textile machinery saw double-digit growth and early improvement in order bookings despite geopolitical uncertainty.

Cut estimates; maintain HOLD: We cut FY27-29E PAT estimates by 6%/1%/3%, factoring in UCP margin pressures and a slower recovery in EMPS. We assign 45x to Jun'28E EPS to arrive at a Jun'27 TP of Rs 1440. The ascribed multiple reflects near-term margin uncertainty, offset by strong RAC demand, market-share gains and structural cooling demand tailwinds. Maintain HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VOLT IN/Rs 1,321
Market cap	US$ 4.6bn
Free float	70%
3M ADV	US$ 13.5mn
52wk high/low	Rs 1,583/Rs 1,187
Promoter/FPI/DII	30%/21%/33%

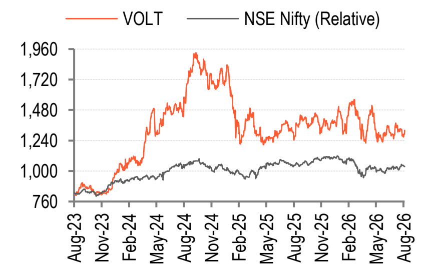
Source: NSE | Price as of 14 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,42,445	1,62,457	1,88,959
EBITDA (Rs mn)	6,469	10,579	13,975
Adj. net profit (Rs mn)	4,024	7,884	10,516
Adj. EPS (Rs)	12.2	23.8	31.8
Adj. ROAE (%)	6.2	11.8	14.3
Adj. P/E (x)	108.6	55.4	41.5
EV/EBITDA (x)	67.5	41.3	31.3
Adj. EPS growth (%)	(52.2)	95.9	33.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Q1FY27 Financial Snapshot

Particulars (Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Revenue	46,735	39,386	19	48,878	(4)	51,444	(9)
EBITDA	2,655	1,785	49	2,207	20	3,542	(25)
EBITDA Margin (%)	5.7	4.5	110bps	4.5	120bps	6.9	(120bps)
Depreciation	213	185		206		220	(3)
Interest	128	135		222		145	(12)
Other Income	912	821		426		811	12
PBT	3,227	2,286	41	2,205	46	3,988	(19)
Tax	727	621		711		1,081	(33)
Adjusted PAT	2,128	1,405	51	1,134	88	2,707	(21)
Exceptional item	-	-		-		-	
Reported PAT	2,138	1,405	52	1,162	84	2,707	(21)
Adj. PAT Margin (%)	4.6	3.6	100bps	2.3	220bps	5.3	(71bps)
EPS (Rs)	6.5	4.2	52	3.5	84	8.2	(21)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Segment revenue					
Electro- mechanical projects and services	6,718	9,218	(27)	11,903	(44)
Engineering products and services	1,589	1,354	17	1,684	(6)
Unitary cooling products	37,935	28,679	32	34,934	9
EBIT					
Electro- mechanical projects and services	378	492	(23)	756	(50)
EBIT Margin (%)	5.6	5.3	28bps	6.4	(73bps)
Engineering products and services	412	401	3	376	10
EBIT Margin (%)	25.9	29.6	(368bps)	22.3	360bps
Unitary cooling products	2016	1044	93	1741	16
EBIT Margin (%)	5.3	3.6	168bps	5.0	33bps

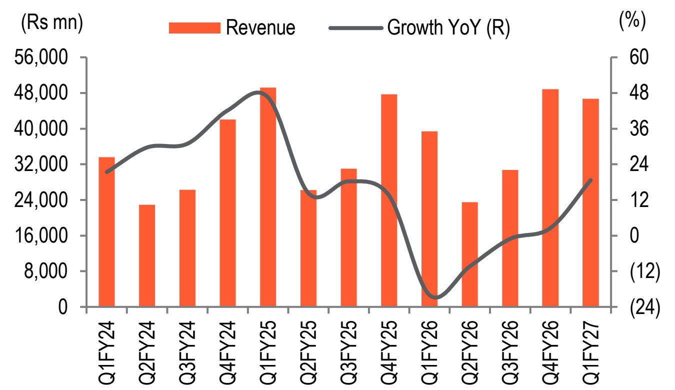
Source: Company, BOBCAPS Research

Earnings Call Highlights

- Management said the quarter benefited from strong cooling demand, with RAC volumes materially ahead of the industry. Industry primary sales were estimated at 20-22% volume growth and 25-26% value growth, vs Voltas' ~44% volume growth.
- RAC market share increased to 17.3% from 15.9% in FY26, with the lead over the nearest competitor widening to four percentage points. Management attributed the gain to product positioning, channel expansion, manufacturing readiness and supply-chain execution.
- Management estimated total RAC cost inflation at 10-12%, comprising the BEE table change and further commodity, currency, freight and plastic-cost increases. Price increases have broadly matched the cost inflation, with limited residual absorption due to inventory procured before the cost shock.

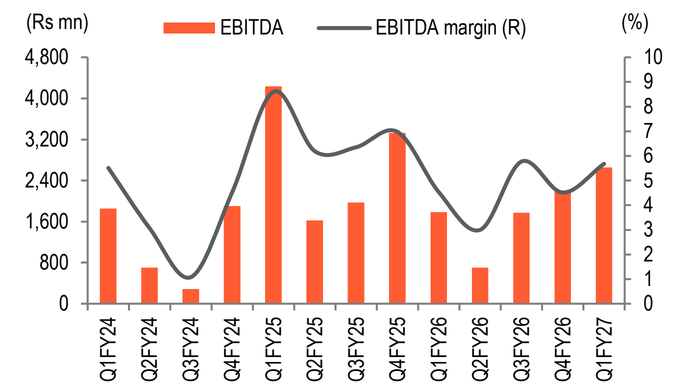
- Management highlighted it signed a binding term sheet with Atomberg for a 50:50 JV to manufacture RAC compressors in India, with commercial production targeted in ~18 months, subject to due diligence, definitive agreements and approvals.
- The cost optimisation programme spans strategic sourcing, localisation, product design, manufacturing productivity and inventory management.
- Manufacturing capacity is increasingly internalised, with outsourcing expected to remain broadly stable. Management indicated capacity of ~1.4mn units at Pantnagar and ~1.2mn at Chennai, while split AC outsourcing is expected to remain at roughly 25%.
- Channel inventory remained cautious at around four weeks, with management expecting secondary sales to determine replenishment; visibility on the festive season, particularly for home appliances, should improve over the next 4-6 weeks.
- Commercial air conditioning delivered reasonable growth, while commercial refrigeration remained muted. Management said refrigeration demand was affected by steep price increases but has shown some improvement as the channel increasingly accepts the need for cost pass-through.
- Voltbek continued to scale, with market share reaching 9.4% in washing machines and 7.4% in refrigerators. Management highlighted premiumisation, localisation, sourcing efficiencies, channel expansion and refreshed product launches as key levers, while the EBITDA breakeven target could be pushed out by a few quarters amid commodity inflation and limited cost pass-through.
- The Atomberg JV is aimed at securing domestic compressor supply amid QCO-related import constraints. Management expects the facility to ramp from below 1mn compressors initially to 1-2mn and eventually above 2.5mn, with the first production targeted around 18 months from the call.
- EMPS execution was affected by a softer quarter, with management expecting limited improvement in Q2 and a more meaningful recovery in Q3-Q4. Order selection is shifting towards faster-gestation manufacturing, data-centre and MEP projects, with greater focus on private-sector work to reduce payment-delay risks.
- International projects continued to face delays in new order booking due to the Middle East conflict, although management said project continuity was maintained through tighter controls and selective risk-taking. Domestic order momentum remained focused on industrial infrastructure, electronics manufacturing, metro, turnkey projects and data centres.
- Engineering Products growth was led by mining and construction equipment, supported by crushing/screening demand, O&M contracts and Mozambique operations. Management is increasing the contribution of higher-margin aftermarket and service revenues, while textile machinery is seeing early improvement in order bookings despite cautious industry sentiment.
- Working capital remained a management focus, with emphasis on inventory, collections and cash-flow discipline. Management said liquidity and working-capital conditions remained controlled at the end of the quarter, supporting continued investment across brands, products, channels and manufacturing.

Fig 3 – Revenue growth



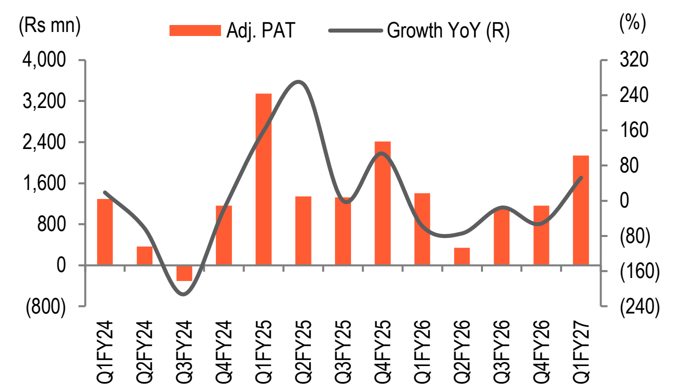
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



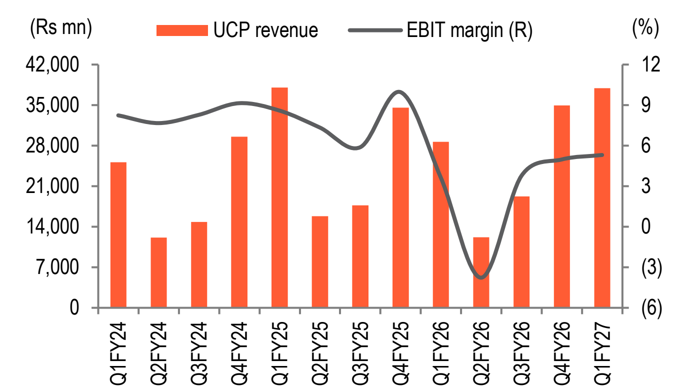
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



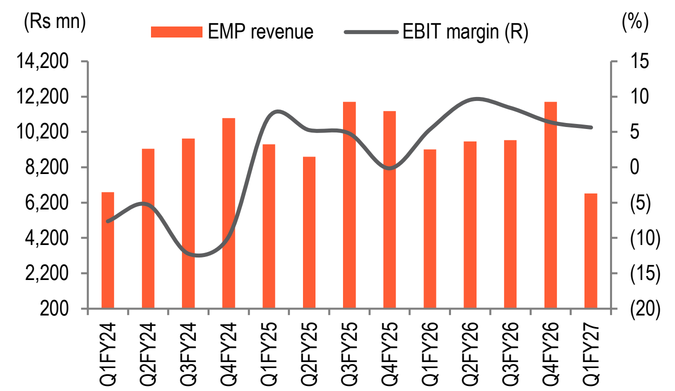
Source: Company, BOBCAPS Research

Fig 6 – UCP performance



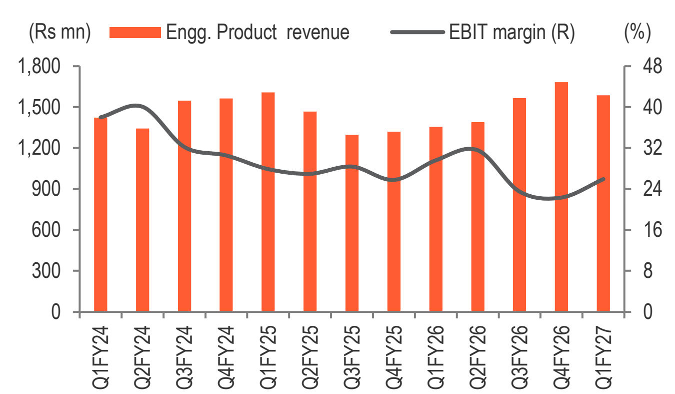
Source: Company, BOBCAPS Research

Fig 7 – EMP performance



Source: Company, BOBCAPS Research

Fig 8 – Engineering products performance

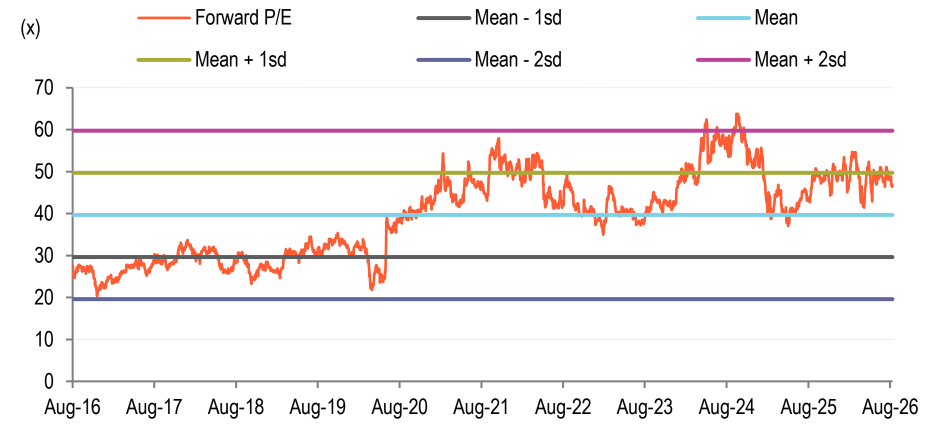


Source: Company, BOBCAPS Research

Valuation methodology

We cut FY27-29E PAT estimates by 6%/1%/3%, factoring in UCP cost pressures and a slower EMPS recovery. We assign 45x to Jun'28E EPS to arrive at a Jun'27 TP of Rs 1,440, with near-term earnings impacted by cost pressures and project execution. Maintain HOLD.

Fig 9 – VOLT 1YF P/E band chart



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,62,457	1,88,959	2,18,042	1,65,356	1,88,913	2,14,130	(2)	0	2
EBITDA	10,579	13,975	14,119	11,654	14,181	14,640	(9)	(1)	(4)
EBITDA Margin (%)	6.5	7.4	6.5	7.0	7.5	6.8	(54bps)	(11bps)	(36bps)
PAT	7,884	10,516	10,787	8,377	10,577	11,092	(6)	(1)	(3)

Source: BOBCAPS Research

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,54,128**	**1,42,445**	**1,62,457**	**1,88,959**	**2,18,042**
EBITDA	11,162	6,469	10,579	13,975	14,119
Depreciation	618	841	860	901	1,070
EBIT	10,544	5,628	9,718	13,073	13,049
Net interest inc./(exp.)	(621)	(868)	(665)	(1,000)	(1,023)
Other inc./(exp.)	3,245	2,382	2,739	2,876	3,019
Exceptional items	0	0	0	0	0
EBT	13,168	7,142	11,792	14,949	15,045
Income taxes	3,565	1,871	2,972	3,767	3,791
Extraordinary items	0	265	0	0	0
Min. int./Inc. from assoc.	(1,260)	(1,306)	(1,037)	(765)	(566)
Reported net profit	**8,414**	**3,759**	**7,884**	**10,516**	**10,787**
Adjustments	0	265	0	0	0
Adjusted net profit	**8,414**	**4,024**	**7,884**	**10,516**	**10,787**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	38,928	52,278	42,283	51,770	56,751
Other current liabilities	12,670	17,357	17,803	15,531	17,921
Provisions	0	0	0	0	0
Debt funds	8,633	9,664	9,494	9,093	9,298
Other liabilities	6,157	2,036	2,290	2,627	2,996
Equity capital	331	331	331	331	331
Reserves & surplus	64,802	63,431	69,165	77,531	86,168
Shareholders' fund	65,133	63,762	69,495	77,862	86,499
Total liab. and equities	**1,31,520**	**1,45,097**	**1,41,366**	**1,56,882**	**1,73,465**
Cash and cash eq.	6,782	7,809	5,744	7,176	7,382
Accounts receivables	25,115	30,350	31,156	34,686	38,829
Inventories	27,148	34,329	32,046	36,239	41,816
Other current assets	30,500	30,805	28,944	33,666	38,848
Investments	0	0	0	0	0
Net fixed assets	8,198	9,352	10,992	12,590	14,020
CWIP	824	221	252	293	338
Intangible assets	1,097	1,077	1,077	1,077	1,077
Deferred tax assets, net	0	0	0	0	0
Other assets	31,856	31,156	31,156	31,156	31,156
Total assets	**1,31,520**	**1,45,097**	**1,41,366**	**1,56,882**	**1,73,465**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**(8,455)**	**(3,517)**	**2,532**	**6,188**	**4,326**
Capital expenditures	(2,082)	(1,287)	(2,500)	(2,500)	(2,500)
Change in investments	2,841	3,059	0	0	0
Other investing cash flows	820	1,045	223	295	324
Cash flow from investing	**1,579**	**2,818**	**(2,277)**	**(2,205)**	**(2,176)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,500	728	(170)	(401)	206
Interest expenses	0	0	0	0	0
Dividends paid	(2,497)	(3,353)	(2,150)	(2,150)	(2,150)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(997)**	**(2,624)**	**(2,320)**	**(2,551)**	**(1,944)**
Chg in cash & cash eq.	**(7,873)**	**(3,324)**	**(2,065)**	**1,432**	**206**
Closing cash & cash eq.	**6,782**	**7,809**	**5,744**	**7,176**	**7,382**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	25.4	11.4	23.8	31.8	32.6
Adjusted EPS	25.4	12.2	23.8	31.8	32.6
Dividend per share	7.0	4.0	6.5	6.5	6.5
Book value per share	196.9	192.8	210.1	235.4	261.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.8	3.1	2.7	2.3	2.0
EV/EBITDA	39.1	67.5	41.3	31.3	30.9
Adjusted P/E	51.9	108.6	55.4	41.5	40.5
P/BV	6.7	6.9	6.3	5.6	5.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	63.9	56.3	66.9	70.3	71.7
Interest burden (PBT/EBIT)	124.9	126.9	121.3	114.3	115.3
EBIT margin (EBIT/Revenue)	6.8	4.0	6.0	6.9	6.0
Asset turnover (Rev./Avg TA)	18.8	15.2	14.8	15.0	15.6
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.2	0.2	0.2
Adjusted ROAE	13.6	6.2	11.8	14.3	13.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	23.5	(7.6)	14.0	16.3	15.4
EBITDA	135.2	(42.0)	63.5	32.1	1.0
Adjusted EPS	233.9	(52.2)	95.9	33.4	2.6
Profitability & Return ratios (%)					
EBITDA margin	7.2	4.5	6.5	7.4	6.5
EBIT margin	6.8	4.0	6.0	6.9	6.0
Adjusted profit margin	5.5	2.8	4.9	5.6	4.9
Adjusted ROAE	13.6	6.2	11.8	14.3	13.1
ROCE	12.7	6.3	11.0	13.5	12.6
Working capital days (days)					
Receivables	59	78	70	67	65
Inventory	64	88	72	70	70
Payables	92	134	95	100	95
Ratios (x)					
Gross asset turnover	15.7	10.7	10.5	10.5	10.6
Current ratio	1.6	1.4	1.5	1.5	1.5
Net interest coverage ratio	17.0	6.5	14.6	13.1	12.8
Adjusted debt/equity	0.1	0.2	0.1	0.1	0.1

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

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BUY – Expected return >+15%

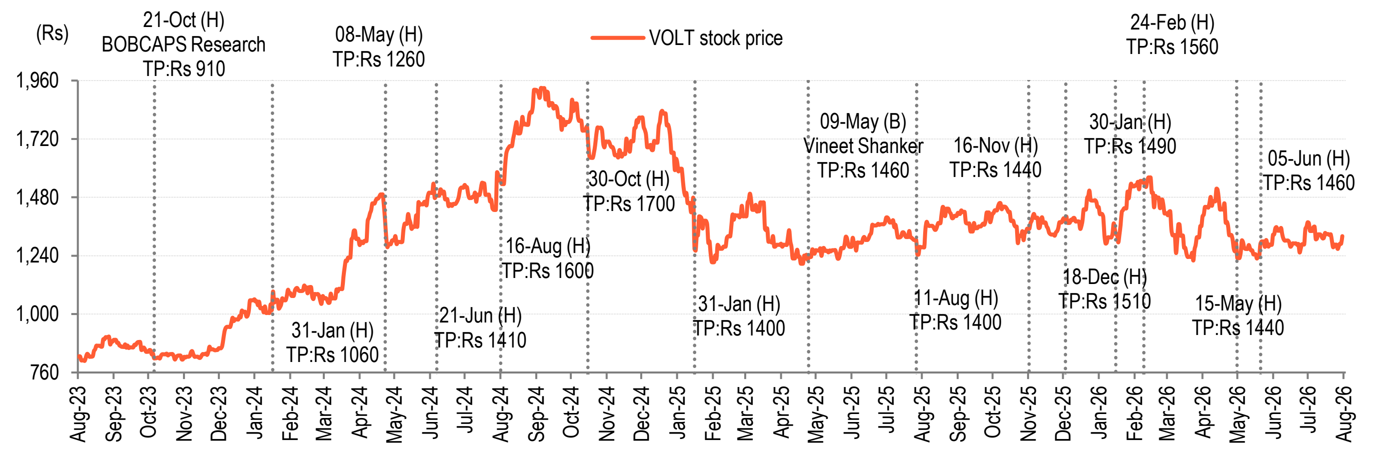
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



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

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