HOLD
TP: Rs 1,440 | ⮝ 7%

VOLTAS | Consumer Durables | 16 November 2025

Miss estimates; maintains leadership

- **Q2 revenue and EBITDA below estimates; 10% YoY drop led by a sharp 23% decline in UCP sales (-23% YoY) amid weak RAC offtake**
- **EMP revenue grew 10% partially offsetting UCP drag, segment profitability significantly improves (430bps YoY)**
- **Cut FY27–28 estimates by 6%, roll forward to Sept'26 TP of Rs 1,440 (SOTP basis); maintain HOLD on limited upside**

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Misses estimates; UCP revenue declined 23% YoY: Voltas delivered another weak quarter in Q2FY26, with revenue declining 10% YoY to Rs 23.5bn (7% below our estimate) as UCP sales remained subdued (-23% YoY). Gross margin softened 100bps YoY to 24.8%. EBITDA fell 57% YoY to Rs 704mn, a 38% miss vs our estimate, with margin contracting 320bps YoY to 3.0% (vs est. 4.5%). Profitability was weighed down by muted secondary offtake, elevated channel inventory, higher marketing spending (support to channel), and under-absorption at the newly commissioned Chennai and Waghodia facilities. Adjusted PAT declined 76% YoY to Rs 315mn.

EMP segment revenue growth (+10% YoY) partially offset UCP drag: The EMP segment registered strong growth with revenue up 10% YoY to Rs 9.7bn and EBIT rising to Rs 920mn, driving margin expansion to 9.5% on steady execution across domestic and international projects. EPS revenue declined 5% YoY to Rs 1.4bn; while EBIT increased 11% YoY to Rs 439mn and margin expanded to 31.6%, supported by stable performance in mining and construction equipment, steady textile machinery execution and continued after-sales contribution.

Emerging growth drivers in the project business; improving UCP outlook: Voltas is seeing early signs of renewed momentum in its projects business, led by healthier order book and improving execution cycles. The project segment also witnesses renewed growth in drivers such as demand for cooling from data centers and district cooling centers, however it remains small in the overall order book (current 2-5%, potential to reach 30% of the order book). Management commentary also turned incrementally positive, highlighting optimism around a recovery in UCP demand as channel inventory normalizes, expect December to report growth.

Cut estimates, maintain HOLD: We cut our FY27-28 earnings by 6% to capture temporary UCP softness. We change our valuation methodology to SOTP basis and arrive at Sept 26TP of Rs 1440 (vs June 26TP of Rs 1400). We remain cautiously optimistic about stock as inventory situation remains a key monitorable. We maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VOLT IN/Rs 1,351
Market cap	US$ 5.0bn
Free float	70%
3M ADV	US$ 18.7mn
52wk high/low	Rs 1,859/Rs 1,135
Promoter/FPI/DII	30%/21%/33%

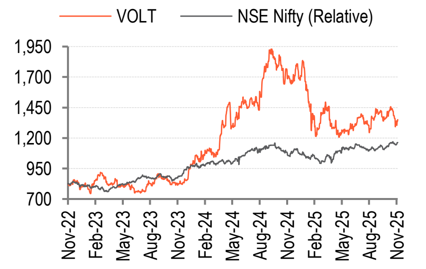
Source: NSE | Price as of 14 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,54,128	1,47,213	1,70,189
EBITDA (Rs mn)	11,162	8,893	12,135
Adj. net profit (Rs mn)	8,414	6,805	9,274
Adj. EPS (Rs)	25.4	20.6	28.0
Consensus EPS (Rs)	24.5	31.0	39.0
Adj. ROAE (%)	13.6	10.1	12.6
Adj. P/E (x)	53.1	65.7	48.2
EV/EBITDA (x)	40.0	50.3	36.8
Adj. EPS growth (%)	233.9	(19.1)	36.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY26 performance

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	H1FY26	H1FY25	YoY (%)	Q2FY26E	Variance (%)
Revenue	23,473	26,191	(10)	39,386	(40)	62,859	75,401	(17)	25,223	(7)
EBITDA	704	1,622	(57)	1,785	(61)	2,489	5,860	(58)	1,137	(38)
EBITDA Margin (%)	3.0	6.2	(320bps)	4.5	(150bps)	4.0	7.8	(380bps)	4.5	(151bps)
Depreciation	244	164		185		429	299		195	25
Interest	200	136		135		335	233		136	47
Other Income	646	1,055		821		1,467	1,857		870	(26)
PBT	906	2,377	(62)	2,286	(60)	3,192	7,186	(56)	1,676	(46)
Tax	226	726		621		847	1,891		454	(50)
Adjusted PAT	315	1,340	(76)	1,406	(78)	1,748	4,682	(63)	922	(66)
Exceptional item	-	-		-		-	-		-	
Reported PAT	343	1,340	(74)	1,405	(76)	1,748	4,682	(63)	922.2	(63)
Adj. PAT Margin (%)	1.3	5.1	(380bps)	3.6	(220bps)	2.8	6.2	(340bps)	3.7	(231bps)
EPS (Rs)	1.0	4.0	(74)	4.2	(76)	7.1	16.0	(56)	2.8	(63)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	H1FY26	H1FY25	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Services	9,662	8,799	10	9,218	5	18,880	18,290	3
Engineering Products and Services	1,391	1,467	(5)	1,354	3	2,745	3,075	(11)
Unitary Cooling Products	12,151	15,822	(23)	28,679	(58)	40,830	53,844	(24)
EBIT								
Electro- Mechanical Projects and Services	920	462	99	492	87	1,413	1,137	24
margin (%)	9.5	5.2	428bps	5.3	418bps	7.5	6.2	127bps
Engineering Products and Services	439	396	11	401	9	840	844	(0)
margin (%)	31.6	27.0	459bps	29.6	197bps	30.6	27.5	315bps
Unitary Cooling Products	(458)	1162	(139)	1044	(144)	586	4432	(87)
margin (%)	(3.8)	7.3	(1,111bps)	3.6	(741bps)	1.4	8.2	(680bps)

Source: Company, BOBCAPS Research

Earnings Call Highlights

Industry demand and GST / BEE triggers

- Management reiterated that H1 was weak for cooling products owing to an extended monsoon and GST-related demand deferment, but stressed that demand has been deferred, not destroyed.
- The GST rate cut on RACs from 28% to 18% is already supporting an uptick in secondary offtake and is expected to be a key demand catalyst in the coming summer (Q4FY26) as channels restock.
- The upcoming BEE energy change effective 1 Jan 2026 is another important trigger, with dealers likely to pre-buy old BEE rating SKUs in late Q3 given the 3-6 month sell-through window, supporting both primary volumes and mix in H2.

Unitary Cooling Products (RAC + commercial AC + other cooling)

- UCP had an atypically soft quarter, with lean-season demand and the GST announcement in late September prompting delayed purchases and elevated channel inventory, necessitating higher market support and weighing on margins.
- Despite this, Voltas' RAC market share continued to improve sequentially from ~16% in Q4FY25 to 17.8% in Q1FY26 and further to 18.5% in Q2FY26 widening the lead over the No. 2 brand to ~3ppt and reinforcing its position as clear category leader.
- Within UCP, commercial air-conditioning (VRF, ducted, cassette, centrifugal chillers) and commercial refrigeration are scaling well and are positioned as the next growth engines, backed by aggressive channel expansion and an enlarged product portfolio.
- Looking ahead, management expects UCP performance to strengthen through H2 as GST-led affordability, BEE rating change driven channel stocking, and improved fixed-cost absorption at the Chennai and Waghodia plants take hold. While no numerical guidance was provided, they indicated that UCP margins should improve as volumes recover and cost-optimisation/value-engineering initiatives on new BEE-compliant products begin to flow through.

Voltbek home appliances

- Management reiterated that Voltbek is firmly in the investment phase with marketing and distribution spends geared towards building a scaled, premium home-appliance brand and that the immediate focus is on share and footprint rather than near-term profitability.

Electromechanical Projects & Services

- Management noted that the EMP segment continued to provide stability, backed by a strong Rs 62bn order book, comprising ~Rs 48bn of domestic projects and ~Rs 14bn from international operations. It was highlighted that the domestic infra portfolio is now well diversified across MEP, electrical & solar, and water, with a balanced distribution across these verticals.
- Voltas indicated that MEP is largely private sector driven, whereas electrical/solar and water businesses are supported by government infrastructure spending, ensuring steady visibility. The company emphasised that disciplined order selection and faster execution have helped maintain a consistent, non-volatile margin profile, avoiding sharp quarter-to-quarter swings.
- Management indicated that project margins remain steady and sustainable, supported by disciplined project selection and faster execution. They noted that the margin profile of the EMP business is structurally stable and avoids the typical volatility seen in project segments. On medium-term drivers, the company pointed to data centres and district cooling as significant opportunities. Data-centre MEP, currently <5% of the MEP portfolio, was noted as an area that could scale meaningfully potentially towards ~30% as centrifugal chiller and low-side works gain traction.

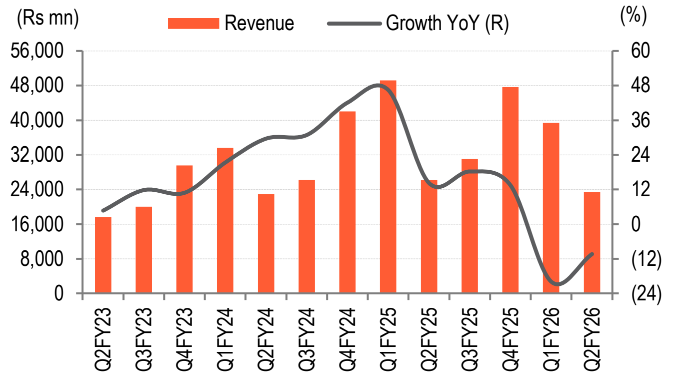
Channel inventory, working capital and trade support

- Management acknowledged that channel and on-book inventories remain elevated after the weak summer season, but pegged combined brand + channel stock at roughly **two months** a level they do not see as alarming, especially ahead of the stocking cycle for the next summer and the BEE rating change.
- Support to channel partners is focused on enabling sell-out (subsidised installation, enhanced consumer-finance schemes, tactical sales-out programmes) rather than deep discounting, with the twin objectives of protecting brand equity and ensuring dealers can rotate stock and then participate in the upcoming restocking cycle.
- Working capital is being managed "judiciously" in this environment; management expects retail momentum in Q3 and production normalisation across plants to help inventory and cash-conversion cycles revert to healthier levels through H2FY26.

Margins, profitability and medium-term guidance

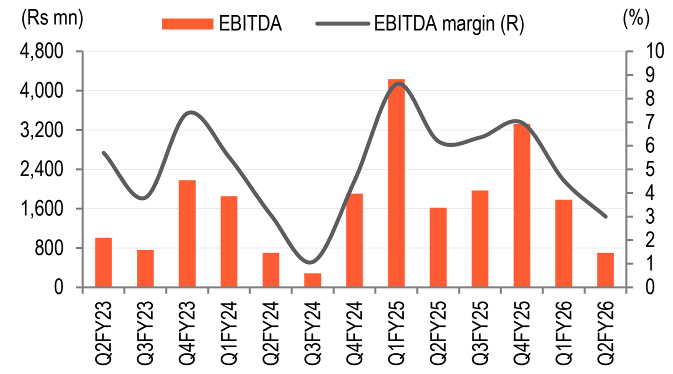
- For UCP, management reiterated a structurally positive margin trajectory driven by volume recovery, mix improvement (via commercial AC and premium RAC), cost-optimisation on "new-table" products and better fixed-cost absorption as utilisation ramps.
- On Voltbek, management reaffirmed a steady progression toward EBITDA breakeven as the franchise scales.

Fig 3 – Revenue growth trend



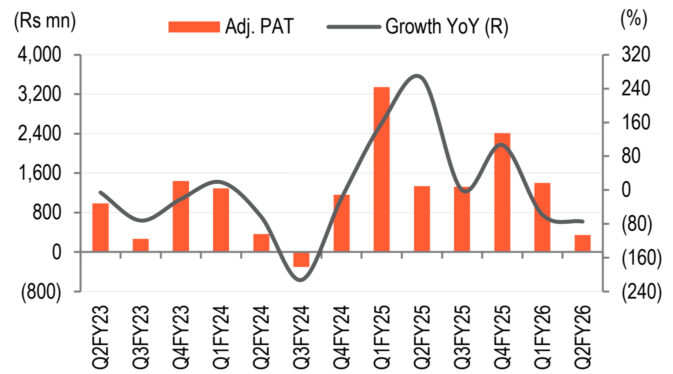
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



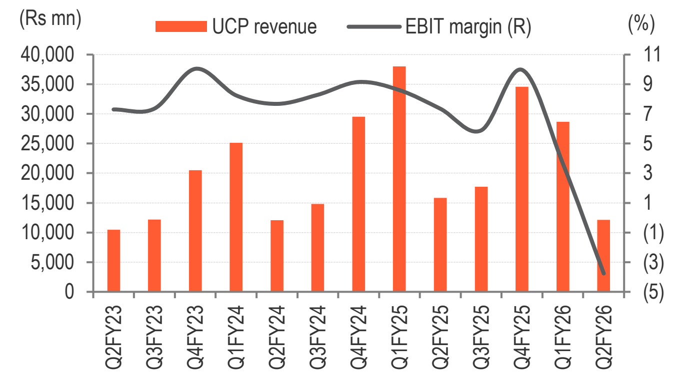
Source: Company, BOBCAPS Research

Fig 5 – Profit trend



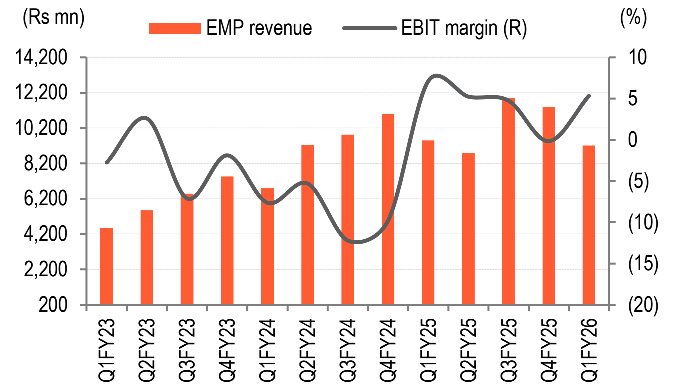
Source: Company, BOBCAPS Research

Fig 6 – UCP performance



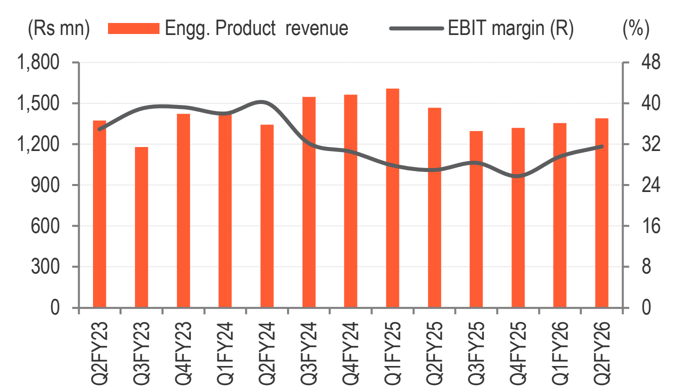
Source: Company, BOBCAPS Research

Fig 7 – EMP performance



Source: Company, BOBCAPS Research

Fig 8 – Engineering Products performance

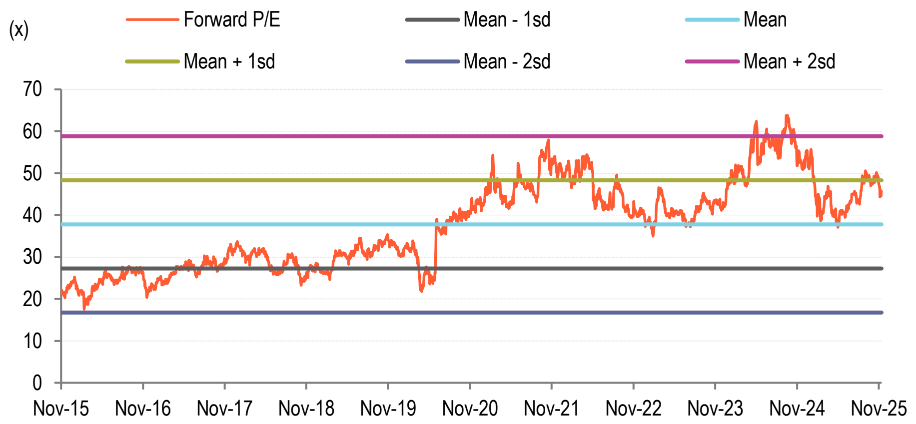


Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY27-28 earnings by 6% respectively to reflect the continued weakness in primary sales driven by elevated channel inventories. We shift the valuation methodology to a SOTP valuation framework, recognising the distinct business drivers and capital intensity across UCP, EMP, EPS and Voltbek and arrive at Sept-26TP of Rs 1,440 (implied 44x Sep'27E P/E). We maintain **HOLD** given the limited upside from current levels.

Fig 9 – VOLT 1YF P/E



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,47,213	1,70,189	1,94,076	1,58,439	1,81,239	2,05,600	(7)	(6)	(6)
EBITDA	8,893	12,135	14,293	10,446	12,938	15,206	(15)	(6)	(6)
EBITDA margin (%)	6.0	7.1	7.4	6.6	7.1	7.4	(55bps)	(1bps)	(3bps)
PAT	6,805	9,274	11,043	8,012	9,865	11,708	(15)	(6)	(6)

Source: BOBCAPS Research

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	**94,988**	**1,24,812**	**1,54,128**	**1,47,213**	**1,70,189**
EBITDA	5,724	4,746	11,162	8,893	12,135
Depreciation	396	476	618	762	939
EBIT	5,327	4,270	10,544	8,131	11,196
Net interest inc./(exp.)	(296)	(559)	(621)	(588)	(521)
Other inc./(exp.)	1,685	2,533	3,245	3,245	3,245
Exceptional items	0	0	0	0	0
EBT	6,716	6,244	13,168	10,787	13,919
Income taxes	1,709	2,377	3,565	2,913	3,758
Extraordinary items	2,438	0	0	0	0
Min. int./Inc. from assoc.	(1,207)	(1,386)	(1,260)	(1,070)	(887)
Reported net profit	**1,350**	**2,520**	**8,414**	**6,805**	**9,274**
Adjustments	2,438	0	0	0	0
Adjusted net profit	**3,788**	**2,520**	**8,414**	**6,805**	**9,274**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	30,126	38,557	38,928	38,316	44,296
Other current liabilities	10,029	14,060	12,670	12,100	13,988
Provisions	0	0	0	0	0
Debt funds	6,506	7,436	8,633	6,917	6,134
Other liabilities	1,609	2,099	6,157	5,893	6,771
Equity capital	331	331	331	331	331
Reserves & surplus	54,190	57,874	64,802	69,456	76,579
Shareholders' fund	54,521	58,205	65,133	69,786	76,910
Total liab. and equities	**1,02,790**	**1,20,357**	**1,31,520**	**1,33,012**	**1,48,098**
Cash and cash eq.	7,084	8,523	6,782	14,481	13,466
Accounts receivables	21,919	25,328	25,115	23,796	25,645
Inventories	15,920	21,354	27,148	25,813	29,375
Other current assets	19,543	22,042	30,500	26,226	30,319
Investments	0	0	0	0	0
Net fixed assets	3,611	3,902	8,198	10,436	11,997
CWIP	983	3,675	824	787	909
Intangible assets	1,142	1,127	1,097	1,048	1,211
Deferred tax assets, net	0	0	0	0	0
Other assets	32,590	34,408	31,856	30,427	35,175
Total assets	**1,02,790**	**1,20,357**	**1,31,520**	**1,33,012**	**1,48,098**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	**1,594**	**7,615**	**(8,455)**	**13,313**	**8,577**
Capital expenditures	(1,774)	(2,883)	(2,082)	(3,000)	(2,500)
Change in investments	253	(3,938)	2,841	0	0
Other investing cash flows	706	1,597	820	1,251	(4,158)
Cash flow from investing	**(816)**	**(5,224)**	**1,579**	**(1,749)**	**(6,658)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,728	453	1,500	(1,716)	(783)
Interest expenses	0	0	0	0	0
Dividends paid	(2,177)	(1,616)	(2,497)	(2,151)	(2,151)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**550**	**(1,163)**	**(997)**	**(3,866)**	**(2,934)**
Chg in cash & cash eq.	**1,328**	**1,228**	**(7,873)**	**7,698**	**(1,014)**
Closing cash & cash eq.	**7,084**	**8,523**	**6,782**	**14,481**	**13,466**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	4.1	7.6	25.4	20.6	28.0
Adjusted EPS	11.4	7.6	25.4	20.6	28.0
Dividend per share	4.3	5.5	7.0	6.5	6.5
Book value per share	164.8	175.9	196.9	210.9	232.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	4.7	3.6	2.9	3.0	2.6
EV/EBITDA	78.1	94.2	40.0	50.3	36.8
Adjusted P/E	118.0	177.4	53.1	65.7	48.2
P/BV	8.2	7.7	6.9	6.4	5.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	56.4	40.4	63.9	63.1	66.6
Interest burden (PBT/EBIT)	126.1	146.2	124.9	132.7	124.3
EBIT margin (EBIT/Revenue)	5.6	3.4	6.8	5.5	6.6
Asset turnover (Rev./Avg TA)	26.3	32.0	18.8	14.1	14.2
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.1	0.2	0.2
Adjusted ROAE	6.9	4.5	13.6	10.1	12.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	19.7	31.4	23.5	(4.5)	15.6
EBITDA	(16.0)	(17.1)	135.2	(20.3)	36.5
Adjusted EPS	(24.8)	(33.5)	233.9	(19.1)	36.3
Profitability & Return ratios (%)					
EBITDA margin	6.0	3.8	7.2	6.0	7.1
EBIT margin	5.6	3.4	6.8	5.5	6.6
Adjusted profit margin	4.0	2.0	5.5	4.6	5.4
Adjusted ROAE	6.9	4.5	13.6	10.1	12.6
ROCE	6.7	4.5	12.7	9.6	12.0
Working capital days (days)					
Receivables	84	74	59	59	55
Inventory	61	62	64	64	63
Payables	116	113	92	95	95
Ratios (x)					
Gross asset turnover	16.6	17.9	15.7	10.7	10.3
Current ratio	1.4	1.3	1.6	1.6	1.6
Net interest coverage ratio	18.0	7.6	17.0	13.8	21.5
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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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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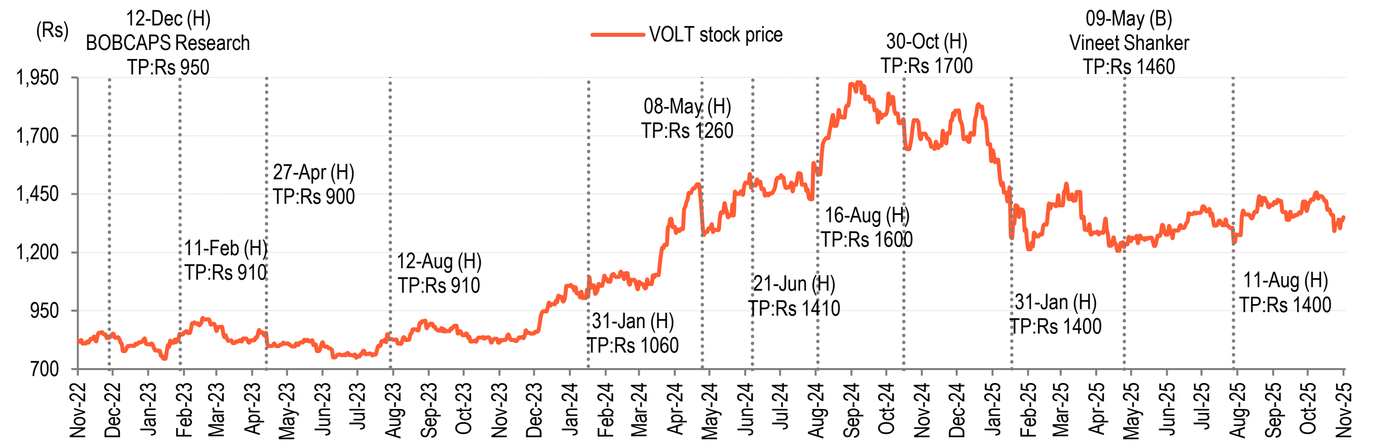
Ratings and Target Price (3-year history): VOLTAS (VOLT IN)



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

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