BUY
TP: Rs 1,260 | ▲ 19%

VOLTAS

| Consumer Durables | 09 November 2026

Core earnings miss; Q4 season key to recovery

- **Revenue grew 15% YoY, 5% above estimate; EBITDA rose 82% but fell 36% ex one-offs**
- **UCP EBIT near breakeven ex prior-period PLI as pricing lagged costs; EMPS margin ex write-back fell to 1.4%**
- **Cut FY27–29E EBITDA/PAT estimates; assign 42x to Sep'28E EPS to arrive at a Sep'27 TP of Rs 1,260; upgrade to BUY**

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One-offs drive the beat; core EBITDA falls YoY: Q2FY27 revenue rose 15% YoY to Rs 27.1bn (down 42% QoQ), 5% above estimate. EBITDA rose 82% YoY to Rs 1.3bn, 11% above estimate; margin was 4.7%, up 172bps YoY and down 96bps QoQ. Gross margin rose 402bps and employee cost fell 39bps of sales; other expenses rose 269bps. Ex one-offs, EBITDA fell 36% YoY. Owners' PAT rose 54% YoY to Rs 526mn, 28% below estimate, as the JV/associate loss widened 13% to Rs 411mn.

UCP outgrows the industry; pricing still trails costs: UCP revenue rose 29% YoY to Rs 15.7bn. EBIT was Rs 197mn vs a Rs 458mn loss, a 1.3% margin (up 503bps YoY, down 405bps QoQ), including Rs 250mn PLI. RAC volumes grew 32%, ahead of the industry; management cited an extended summer. RAC share was 17.4% YTD Sep'26. Price increases of ~14% trailed ~18% cost inflation. Commercial refrigeration was flat.

EMPS core margin slips; order book edges up: EMPS revenue fell 16% YoY to Rs 8.2bn but rose 22% QoQ. EBIT fell 19% YoY to Rs 748mn, a 9.2% margin (down 37bps YoY, up 354bps QoQ). Ex a Rs 630mn Qatar project write-back, margin was 1.4% (our calculation) vs 5.6% in Q1. Revenue recovered QoQ as Q1 guided; core margin did not. The order book rose to ~Rs 68bn at Sep'26 from Rs 63.5bn at Jun'26, implying ~Rs 13bn of inflow

EP&S keeps growing; margin dilutes YoY: EP&S revenue rose 33% YoY to Rs 1.9bn (up 17% QoQ). EBIT rose 20% to Rs 529mn, a 28.5% margin (down 308bps YoY, up 257bps QoQ). Management cited crushing and screening equipment, O&M contracts and African operations in mining, and spinning products in textile machinery. It gave no reason for the YoY margin decline.

Cut estimates; upgrade to BUY: We raise FY27E/FY28E/FY29E revenue by 2%/1%/1% but cut EBITDA by 14%/3%/7% and PAT by 14%/3%/7%. We lower the multiple to 42x Sep'28E EPS for a Sep'27 TP of Rs 1,260 (from Rs 1,440), 19% upside.

Key changes

Target	Rating
▼	▲

Ticker/Price	VOLT IN/Rs 1,057
Market cap	US$ 3.7bn
Free float	70%
3M ADV	US$ 10.4mn
52wk high/low	Rs 1,583/Rs 931
Promoter/FPI/DII	30%/21%/33%

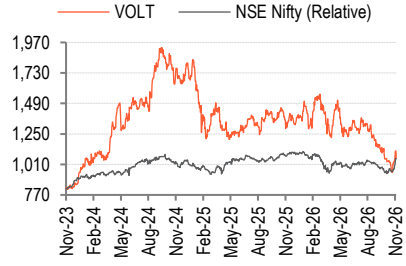
Source: NSE | Price as of 8 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,42,445	1,63,462	1,88,865
EBITDA (Rs mn)	6,469	8,825	13,232
Adj. net profit (Rs mn)	4,024	6,569	9,961
Adj. EPS (Rs)	12.2	19.9	30.1
Adj. ROAE (%)	6.2	10.0	13.8
Adj. P/E (x)	86.9	53.2	35.1
EV/EBITDA (x)	54.0	39.6	26.4
Adj. EPS growth (%)	(52.2)	63.3	51.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY27 financial snapshot

Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)	Q2FY27E	Var (%)
Revenue	27,066	23,473	15	46,735	(42)	73,801	62,859	17	25,669	5
EBITDA	1,279	704	82	2,655	(52)	3,934	2,489	58	1,157	11
EBITDA Margin (%)	4.7	3.0	170bps	5.7	(100bps)	5.3	4.0	140bps	4.5	22bps
Depreciation	236	244		213		449	429		214	10
Interest	198	200		128		325	335		150	32
Other Income	395	646		912		1,308	1,467		500	(21)
PBT	1,240	906	37	3,227	(62)	4,467	3,192	40	1,293	(4)
Tax	352	226		727		1,079	847		326	8
Adjusted PAT	477	343	39	2,128	(78)	2,664	1,748	52	717	(33)
Exceptional item	-	-		-		-	-		-	
Reported PAT	526	343	54	2,138	(75)	2,664	1,748	52	727	(28)
Adj. PAT Margin (%)	1.8	1.5	30bps	4.6	(280bps)	3.6	2.8	80bps	2.8	(103bps)
EPS (Rs)	1.6	1.0	54	6.5	(75)	10.2	7.1	44	2.2	(28)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

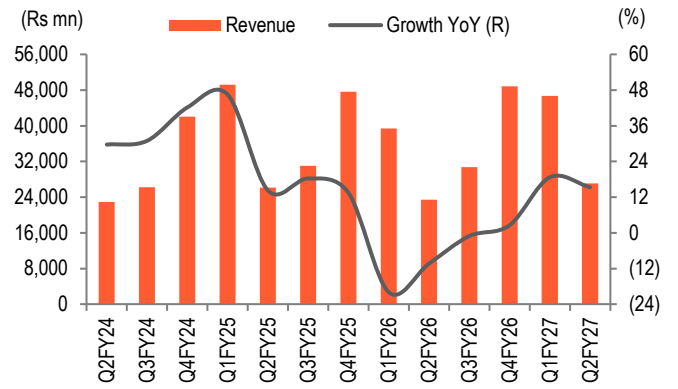
Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Services	8,164	9,662	(16)	6,718	22	14,882	18,880	(21)
Engineering Products and Services	1,854	1,391	33	1,589	17	3,442	2,745	25
Unitary Cooling Products	15,668	12,151	29	37,935	(59)	53,603	40,830	31
EBIT								
Electro- Mechanical Projects and Services	748	920	(19)	378	98	1,125	1,413	(20)
EBIT margin (%)	*9.2*	*9.5*	*(37bps)*	*5.6*	*354bps*	*7.6*	*7.5*	*8bps*
Engineering Products and Services	529	439	20	412	28	941	840	12
EBIT margin (%)	*28.5*	*31.6*	*(308bps)*	*25.9*	*257bps*	*27.3*	*30.6*	*(329bps)*
Unitary Cooling Products	197	(458)	(143)	2016	(90)	2214	586	278
EBIT margin (%)	*1.3*	*(3.8)*	*NA*	*5.3*	*(405bps)*	*4.1*	*1.4*	*270bps*

Source: Company, BOBCAPS Research

Earnings Call Highlights

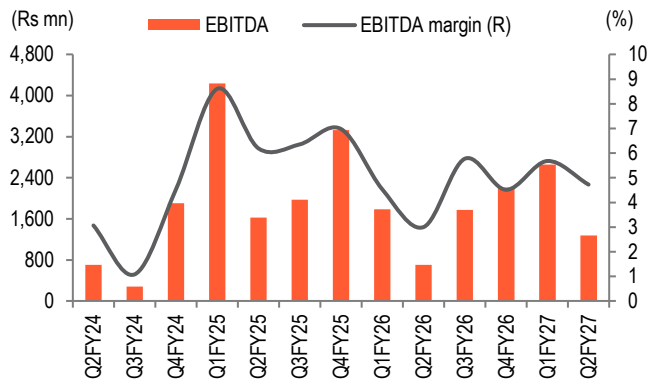
- RAC pricing rose a further 5–7% from October 2026, which management said covers the remaining cost gap; it expects the 3–4% margin erosion to reverse from Q3. Pass-through lagged because season prices are set in February and held for 4–6 months for organised and modern trade, ~35% of volume. Component prices were locked, but currency moved and ocean freight roughly doubled.
- RAC market share lead over the No. 2 brand widened to 4.2ppt YTD Sep'26 from 1.2ppt a year earlier, per management, on a share gain of ~1.5ppt. Management said its priority is share and absolute gross margin rather than gross margin percentage.
- Channel inventory fell to ~3 weeks at end-Q2, from 4–6 weeks a year earlier and ~4 weeks cited at the Q1 call. Management expects Q3 RAC demand to resemble Q2, and channel stocking in January–March ahead of a summer it expects to be hotter than normal (El Niño).
- Profitability guidance is set against the same quarter of the previous year, not sequentially. Management flagged a high Q3FY26 base, lifted by the BEE table change, and aims to beat Q3FY26 and Q4FY26 results. It declined to give a percentage margin target.
- Chennai capacity is ~1.5mn units, vs ~1.2mn cited in Q1. Outsourcing is ~20–25% of volume on an annualised basis, broadly unchanged from ~25%, as plants run year-round and OEMs fill gaps. Management reported no material under-absorption in H1FY27.
- PLI income should run at ~Rs 50mn a quarter for the next 5–6 quarters, with no further lump-sum catch-up, per management. Approval applies from 1 April 2025.
- The Atomberg compressor JV was not mentioned in the Q2 release or on the call. Management said only that compressor localisation remains a priority and that it is evaluating partnerships.
- Voltbek EBITDA breakeven is now targeted "sometime by next financial year" (FY28), after plastic, metal and insulation inflation set back the H1 recovery. Q1 had flagged a delay of "a few quarters". YTD Sep'26 share was 8.8% in washing machines and 7.0% in refrigerators, vs 9.4% and 7.4% cited in Q1.
- EMPS margin net of one-offs was ~2.5–3% in Q2, per management, which cited other debits. The long-term range remains 4–6%. Domestic wins came from industrial infrastructure, electronics manufacturing, metro and tunnel projects and data centres; the Q1 call's Q3–Q4 recovery was not reiterated.
- International exposure fell after Qatar's Court of Cassation dismissed the main contractor's appeal on 30 August 2026, ending the Sidra matter. Bank guarantees of QAR 166.6mn (Rs 4.4bn), previously a contingent liability, are cancelled. Transfer of the Dubai and Abu Dhabi branches to a step-down subsidiary is due by 31 December 2026.
- Leadership succession is set: Jayant Balan, now Head of RAC and MD Designate, becomes MD on 25 May 2027. Mukundan Menon retires on 24 May 2027.

Fig 3 – Revenue growth



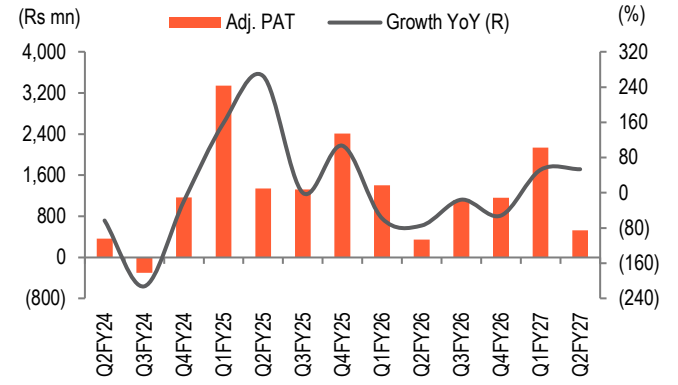
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



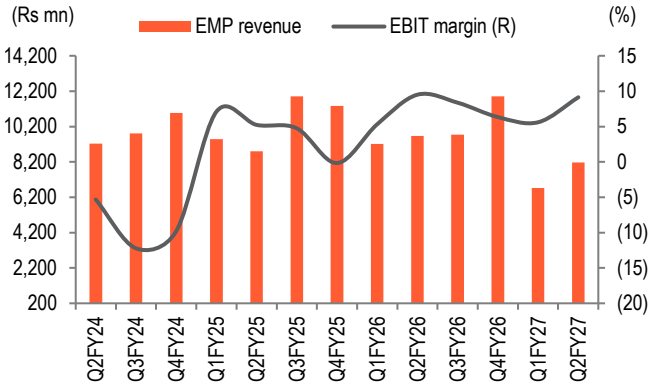
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



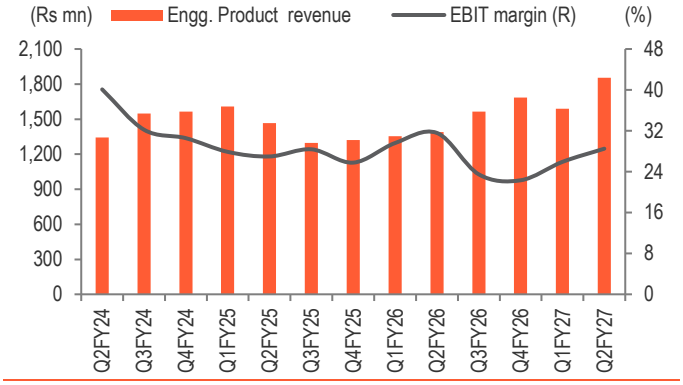
Source: Company, BOBCAPS Research

Fig 6 – EMP performance



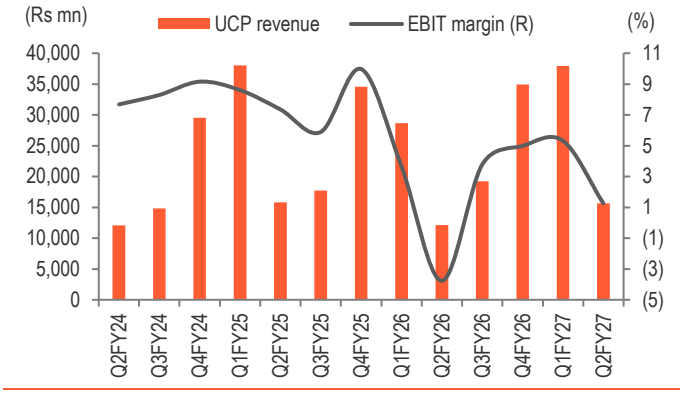
Source: Company, BOBCAPS Research

Fig 7 – Engineering products performance



Source: Company, BOBCAPS Research

Fig 8 – UCP performance

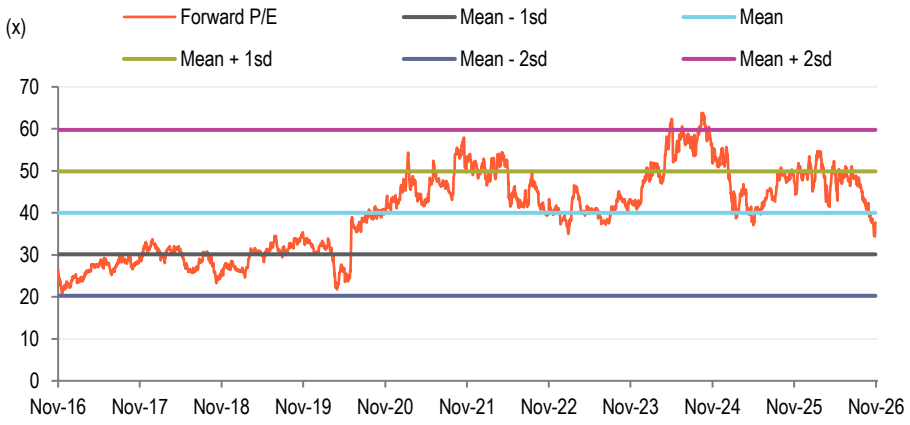


Source: Company, BOBCAPS Research

Valuation methodology

We raise FY27E/FY28E/FY29E revenue by 2%/1%/1% but cut EBITDA by 14%/3%/7% and PAT by 14%/3%/7%, as UCP pass-through lagged costs and the EMPS core margin fell. We lower the multiple to 42x from 45x for a slower margin recovery, applied to Sep'28E EPS. Our Sep'27 TP is Rs 1,260 (from Rs 1,440), 19% upside; we upgrade to BUY from HOLD.

Fig 9 – VOLT 1YF P/E band chart



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY28E
Revenue	1,63,462	1,88,865	2,16,485	1,60,025	1,86,139	2,14,798	2	1	1
EBITDA	8,825	13,232	12,955	10,218	13,654	13,890	(14)	(3)	(7)
EBITDA Margin (%)	5.4	7.0	6.0	6.4	7.3	6.5	(99bps)	(33bps)	(48bps)
PAT	6,569	9,961	9,922	7,619	10,286	10,627	(14)	(3)	(7)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,54,128**	**1,42,445**	**1,63,462**	**1,88,865**	**2,16,485**
EBITDA	11,162	6,469	8,825	13,232	12,955
Depreciation	618	841	860	901	1,070
EBIT	10,544	5,628	7,964	12,331	11,885
Net interest inc./(exp.)	(621)	(868)	(667)	(1,000)	(1,016)
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	10,035	14,207	13,889
Income taxes	3,565	1,871	2,529	3,580	3,500
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**	**6,569**	**9,961**	**9,922**
Adjustments	0	265	0	0	0
Adjusted net profit	**8,414**	**4,024**	**6,569**	**9,961**	**9,922**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	38,928	52,278	42,545	51,744	56,345
Other current liabilities	12,670	17,357	17,914	15,523	17,793
Provisions	0	0	0	0	0
Debt funds	8,633	9,664	9,535	9,089	9,234
Other liabilities	6,157	2,036	2,303	2,626	2,976
Equity capital	331	331	331	331	331
Reserves & surplus	64,802	63,431	67,850	75,662	83,434
Shareholders' fund	65,133	63,762	68,181	75,992	83,765
Total liab. and equities	**1,31,520**	**1,45,097**	**1,40,478**	**1,54,974**	**1,70,113**
Cash and cash eq.	6,782	7,809	4,285	5,320	4,886
Accounts receivables	25,115	30,350	31,349	34,668	38,552
Inventories	27,148	34,329	32,245	36,221	41,518
Other current assets	30,500	30,805	29,123	33,649	38,570
Investments	0	0	0	0	0
Net fixed assets	8,198	9,352	10,992	12,590	14,020
CWIP	824	221	253	293	335
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**	**1,40,478**	**1,54,974**	**1,70,113**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**(8,455)**	**(3,517)**	**1,020**	**5,850**	**3,763**
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	234	283	308
Cash flow from investing	**1,579**	**2,818**	**(2,266)**	**(2,217)**	**(2,192)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,500	728	(129)	(447)	145
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)**	**(2,279)**	**(2,597)**	**(2,005)**
Chg in cash & cash eq.	**(7,873)**	**(3,324)**	**(3,525)**	**1,036**	**(435)**
Closing cash & cash eq.	**6,782**	**7,809**	**4,285**	**5,320**	**4,886**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	25.4	11.4	19.9	30.1	30.0
Adjusted EPS	25.4	12.2	19.9	30.1	30.0
Dividend per share	7.0	4.0	6.5	6.5	6.5
Book value per share	196.9	192.8	206.1	229.7	253.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.3	2.5	2.1	1.9	1.6
EV/EBITDA	31.3	54.0	39.6	26.4	27.0
Adjusted P/E	41.5	86.9	53.2	35.1	35.2
P/BV	5.4	5.5	5.1	4.6	4.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	63.9	56.3	65.5	70.1	71.4
Interest burden (PBT/EBIT)	124.9	126.9	126.0	115.2	116.9
EBIT margin (EBIT/Revenue)	6.8	4.0	4.9	6.5	5.5
Asset turnover (Rev./Avg TA)	18.8	15.2	14.9	15.0	15.4
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.2	0.2	0.2
Adjusted ROAE	13.6	6.2	10.0	13.8	12.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	23.5	(7.6)	14.8	15.5	14.6
EBITDA	135.2	(42.0)	36.4	49.9	(2.1)
Adjusted EPS	233.9	(52.2)	63.3	51.6	(0.4)
Profitability & Return ratios (%)					
EBITDA margin	7.2	4.5	5.4	7.0	6.0
EBIT margin	6.8	4.0	4.9	6.5	5.5
Adjusted profit margin	5.5	2.8	4.0	5.3	4.6
Adjusted ROAE	13.6	6.2	10.0	13.8	12.4
ROCE	12.7	6.3	9.3	13.1	12.0
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	1.4	1.5	1.5
Net interest coverage ratio	17.0	6.5	11.9	12.3	11.7
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

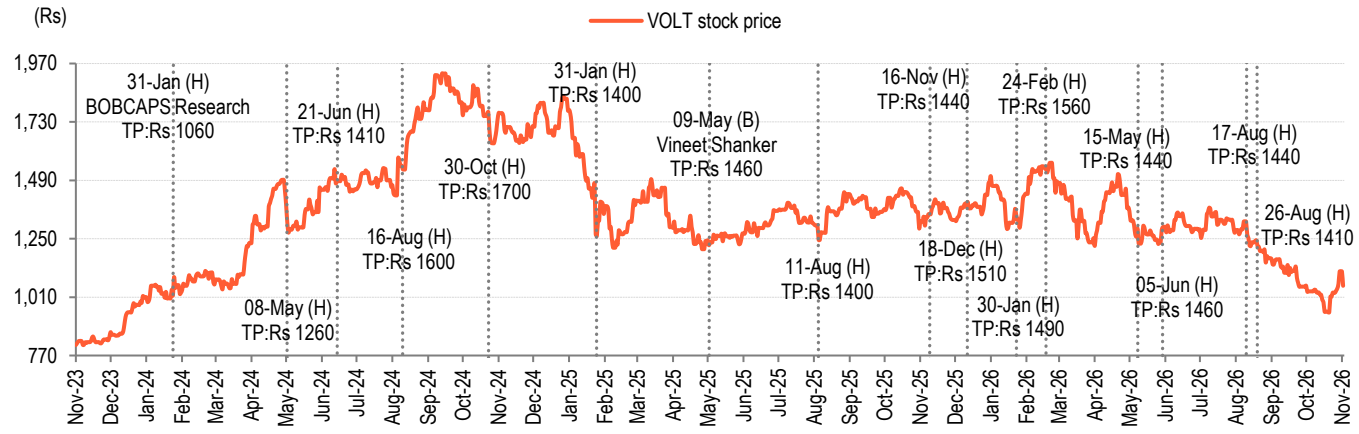
HOLD – Expected return from -6% to +15%

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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