

BUY

TP: Rs 1,460 | ▲ 19%

VOLTAS

| Consumer Durables

| 09 May 2025

Market share held, but fragile; Q1 key to watch

- **Q4 revenue in line, EBITDA below estimates.** Revenue grew 13% YoY led by 17% YoY growth in UCP segment, other segments growth muted
- **Market share held at 19% on YTD basis, a possibility of market share loss in Q4.** UCP margin surprises positively on favourable product mix
- **Ascribe 45x to FY27E EPS to arrive at Mar'26TP of Rs 1,460.** Assume coverage with BUY

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Revenue in line; miss on EBITDA: VOLT Q4 revenue was in line with our estimates, however, a 45bps miss on EBITDA margin led to 5% miss in EBITDA. Q4 revenue grew 13% YoY, led by strong growth in the UCP business (+17% YoY) while EMP business reported muted growth of 4% YoY/-4% QoQ. Gross margin expanded 160bps YoY to 21.4% on improved mix of premium products. EBITDA margin expanded 240bps YoY to 7.0%, aided by operating leverage. Adjusted PAT came in at Rs 2.3bn vs Rs 1.1bn in Q4FY24. For FY25, revenue/EBITDA/ PAT grew 23%/107%/234% YoY on account of strong summer-led RAC sales and improved margin profile.

UCP revenue growth in line; margin surprises positively: UCP segment revenue grew 17%, in line with our estimates on account of strong RAC sales on a high base of Q4FY24 (UCP was up 44% YoY, RAC sales grew 70% YoY last year). Commercial refrigerators saw 19-20% YoY growth led by QCO-led stock liquidation. Air coolers also saw significant growth. EBIT margin in UCP surprised positively with 80bps YoY expansion largely; this was after 8 quarters where we saw such margin. This was largely led by improved product mix towards premium category products such as higher energy-efficient RACs and commercial ACs. FY25YTD, the company maintained its leadership with ~19 market share.

Muted growth in EMP, loss on account of provisions: EMP segment revenue grew 4% YoY to Rs 11.4bn, supported by steady project execution across geographies. Overseas growth was driven by projects in the UAE and Saudi Arabia. EBIT loss narrowed to Rs 17mn. Excluding a Rs 40mn ECL provision on international projects, the segment would have posted a Rs 23mn profit.

Assume coverage with BUY: We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 14%/15%/13% over FY25–27E, driven by: a) sustained leadership enabling above-industry growth b) capacity expansion in southern markets to improve share and margins c) a selective order book strategy supporting profitable, sticky growth. We assign a 45x FY27E EPS multiple to arrive at a Mar'26 target price of Rs 1,460 and assume coverage with a BUY rating.

Key changes

Target	Rating
▲	▲

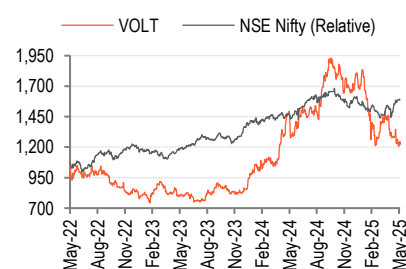
Ticker/Price	VOLT IN/Rs 1,223
Market cap	US\$ 4.7bn
Free float	70%
3M ADV	US\$ 32.8mn
52wk high/low	Rs 1,945/Rs 1,135
Promoter/FPI/DII	30%/21%/33%

Source: NSE | Price as of 8 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,54,128	1,73,806	2,01,406
EBITDA (Rs mn)	11,162	11,989	14,667
Adj. net profit (Rs mn)	8,414	8,781	10,708
Adj. EPS (Rs)	25.4	26.5	32.4
Consensus EPS (Rs)	24.5	31.0	39.0
Adj. ROAE (%)	13.6	12.8	14.1
Adj. P/E (x)	48.1	46.1	37.8
EV/EBITDA (x)	36.3	33.8	27.6
Adj. EPS growth (%)	233.9	4.4	21.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	Q4FY25E	Variance (%)
Revenue	47,676	42,029	13	31,051	54	1,54,128	1,24,812	23	47,230	1
EBITDA	3,328	1,906	75	1,974	69	9,808	4,746	107	3,510	(5)
EBITDA Margin (%)	7.0	4.5	240bps	6.4	60bps	6.4	3.8	260bps	7.4	(45bps)
Depreciation	141	118		179		618	476		178	(21)
Interest	233	208		155		621	559		155	50
Other Income	797	544		591		2,992	2,533		409	95
PBT	3,751	2,124	77	2,231	68	13,168	6,244	111	3,586	5
Tax	1,075	634		599		3,565	2,377		1,021	5
Adjusted PAT	2,357	1,164	102	1,308	80	8,414	2,520	234	2,286	3
Exceptional item	-	-		0		-	-		-	
Reported PAT	2,410	1,164	107	1,321	82	8,414	2,520	234	2,300.2	5
Adj. PAT Margin (%)	4.9	2.8	220bps	4.2	70bps	5.5	2.0	340bps	4.8	10bps
EPS (Rs)	7.3	3.5	107	4.0	82	29	7	304	7.0	5

Source: Company, BOBCAPS Research

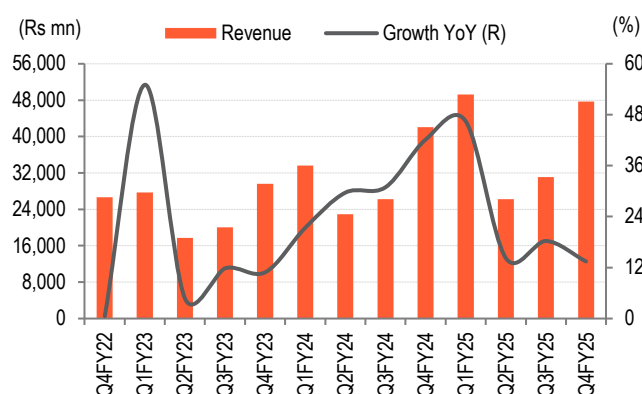
Fig 2 – Segmental performance

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Services	11,375	10,979	4	11,902	(4)	41,568	36,830	13
Engineering Products and Services	1,321	1,564	(16)	1,297	2	5,693	5,879	(3)
Unitary Cooling Products	34,584	29,551	17	17,711	95	1,06,139	81,605	30
EBIT								
Electro- Mechanical Projects and Services	(17)	(1076.9)	NA	566.9	(103)	1,686	(3,285)	NA
EBIT margin (%)	(0.2)	(9.8)	NA	4.8	(492bps)	4.1	(8.9)	NA
Engineering Products and Services	341	478	(29)	368	(7)	1553	2057	(24)
EBIT margin (%)	25.8	30.6	(478bps)	28.4	(260bps)	27.3	35.0	(770bps)
Unitary Cooling Products	3448	2704	27	1043	231	8923	6935	29
EBIT margin (%)	10.0	9.2	82bps	5.9	408bps	8.4	8.5	(9bps)

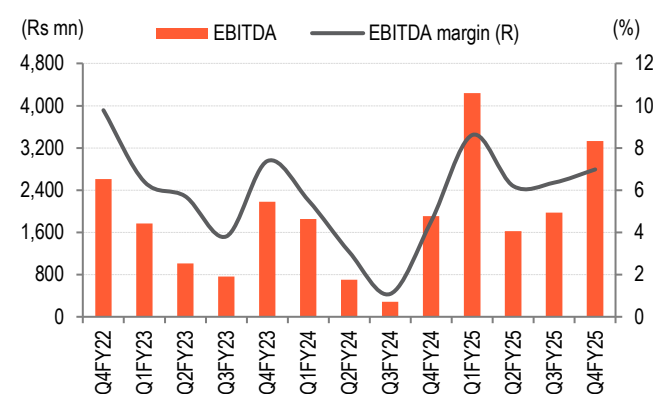
Source: Company, BOBCAPS Research

Earning call highlights

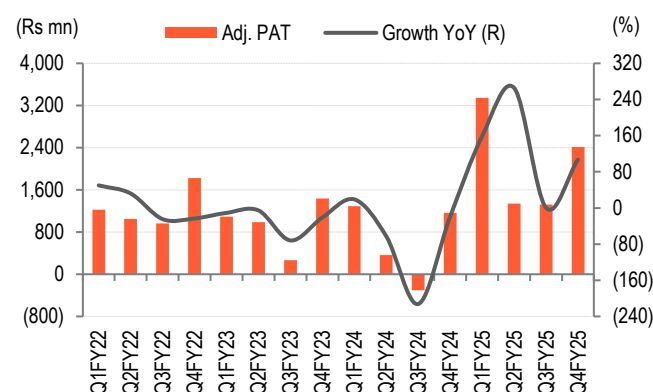
- The company maintained its market leadership with ~19% share on a YTD basis. Further, management highlighted a possibility of market share loss in few regions for a few months, which they believe to be a temporary event and remain optimistic is gaining back share. Focus continues to be on maintaining its leadership position with a healthy gap over the No. 2 player, even as the market becomes increasingly fragmented.
- For the upcoming summer season, temporary dips were seen due to unseasonal rains in April, impacting secondary and tertiary sales. However, extended summer may also aid recovery.
- Management highlighted an all-round improvement across the UCP portfolio was witnessed during the quarter, except for commercial refrigeration. Room AC margins remained stable at ~9–10%, aided by a favourable mix of energy-efficient products and higher-margin coolers (industrial segment).
- Commercial Refrigeration grew ~19–20% YoY in Q4, but profitability remained subdued due to stock liquidation on account of QCO (Quality control order) regulations. However, management expects a recovery in FY26, led by a revival in cold chain demand and improving macro tailwinds.
- Projects segment reported a loss in Q4FY25, primarily due to Rs 40bn provisioning for 3-4 international projects in the GCC countries where payments were delayed. While recovery efforts are underway, domestic projects remained stable with no reported execution challenges.
- Management expects both commercial AC and refrigeration segments to post double-digit growth in FY26. Capex across infrastructure, offices, metros, and data centres is reviving, and Voltas is already benefiting from large orders from Tata Group companies. The cold chain segment is also seeing structural demand uptick, supporting growth prospects.
- The company received a customs duty notice related to copper tubes imported under FTA terms. Voltas believes imports were compliant, based on supplier declarations and is currently evaluating the notice. This issue may affect the broader industry and is under legal and policy review.
- Management is continuously evaluating demand and considering commodity price and forex movements to determine if a price hike is necessary, but no immediate price hike is planned.
- Management stated that the focus in the projects business remains on efficient execution and timely collection of receivables to minimise exposure. As of Q4FY2025, the segment's order book stood at over Rs 65bn.
- The company's Chennai plant is operational, which is strategically located to serve the southern and western markets more efficiently. The plant will receive state incentives over 15 years, which will aid brand and volume expansion. Benefits include faster transit and reduced logistics cost, enabling reinvestment into branding and distribution.

Fig 3 – Revenue growth trend

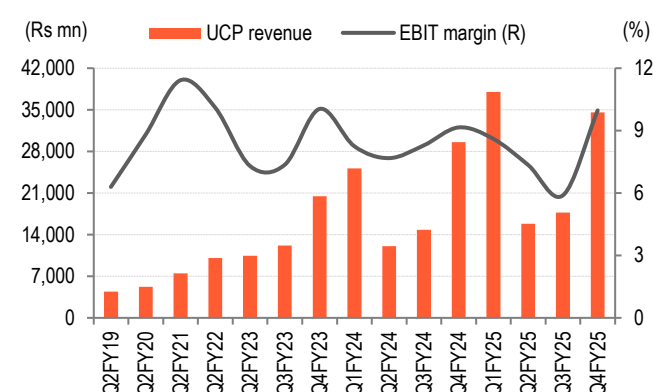
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

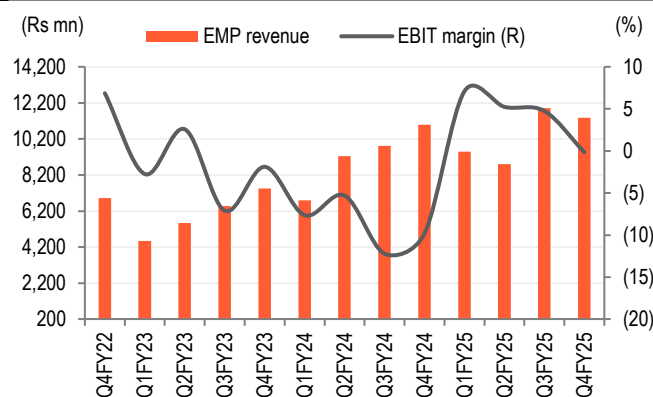
Source: Company, BOBCAPS Research

Fig 5 – Profit trend

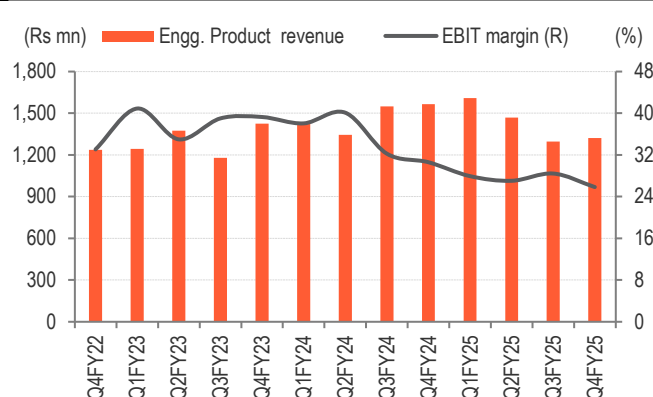
Source: Company, BOBCAPS Research

Fig 6 – UCP performance

Source: Company, BOBCAPS Research

Fig 7 – EMP performance

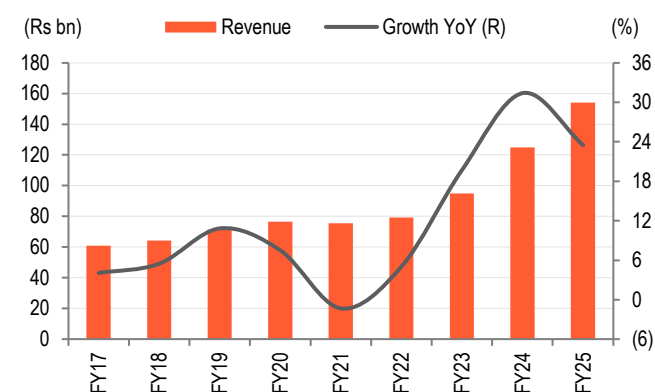
Source: Company, BOBCAPS Research

Fig 8 – Engineering Products performance

Source: Company, BOBCAPS Research

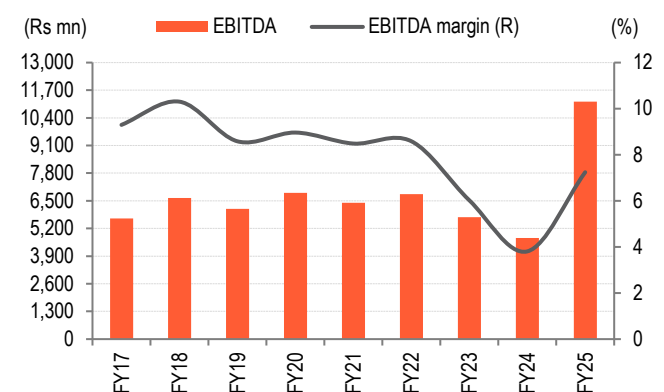
Annual Charts

Fig 9 – Revenue growth trend



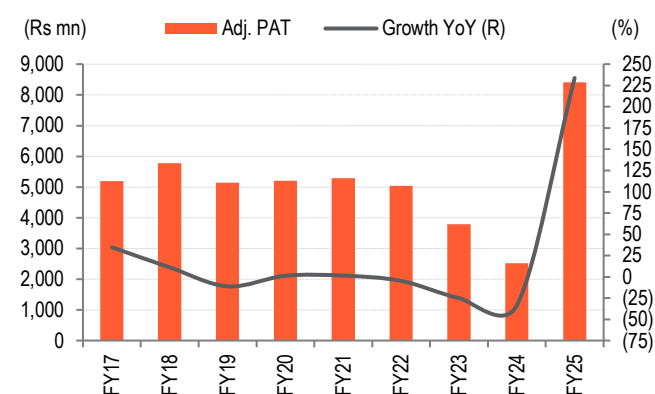
Source: Company, BOBCAPS Research

Fig 10 – EBITDA growth trend



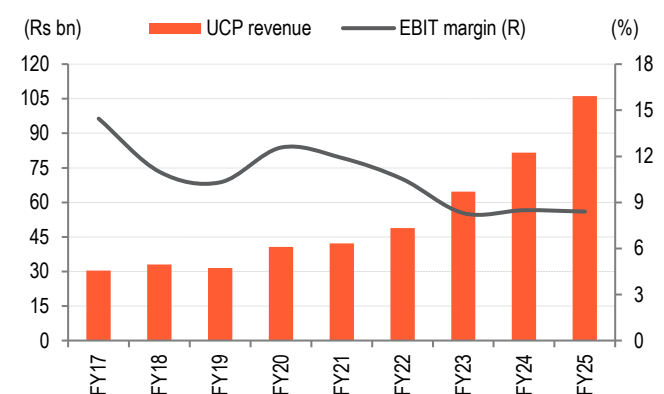
Source: Company, BOBCAPS Research

Fig 11 – Profit trend



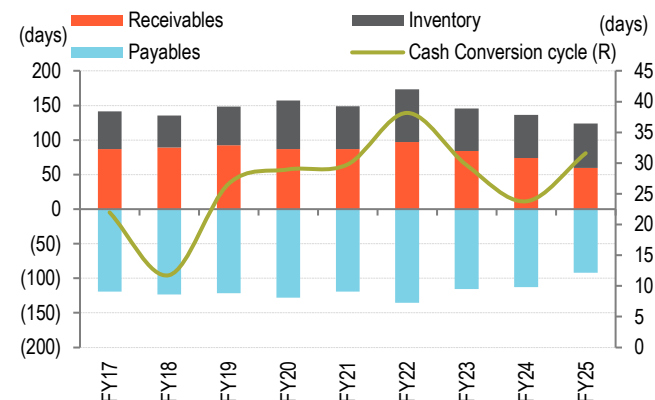
Source: Company, BOBCAPS Research

Fig 12 – UCP performance



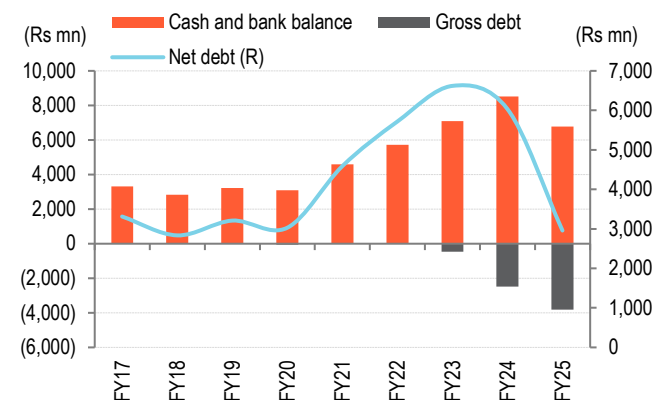
Source: Company, BOBCAPS Research

Fig 13 – Working capital cycle trend



Source: Company, BOBCAPS Research

Fig 14 – Net debt movement

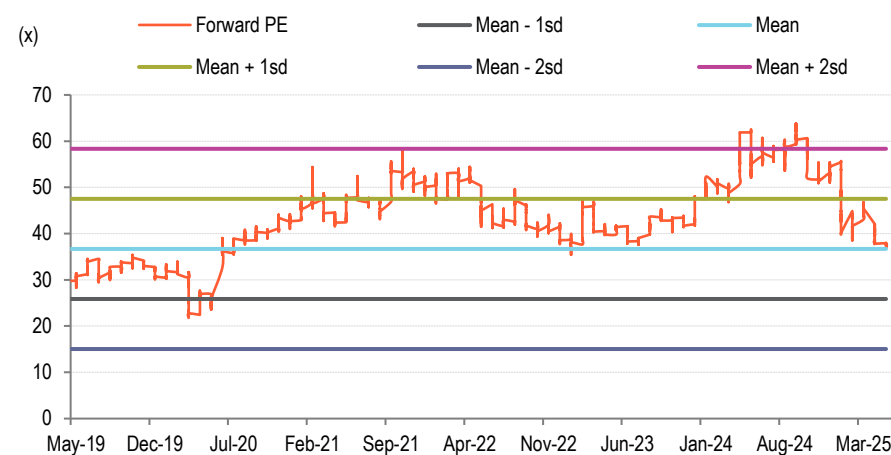


Source: Company, BOBCAPS Research

Valuation methodology

We estimate BLSTR to deliver revenue/EBITDA/PAT CAGR of 14%/15%/13% over FY25–27E, driven by: a) sustained leadership enabling above-industry growth b) capacity expansion in southern markets to improve share and margins c) selective order book strategy supporting profitable, sticky growth. At the current market price, the stock trades at 38x FY27E EPS. We assign a 45x FY27E EPS multiple to arrive at a Mar'26 TP of Rs 1,460; we assume coverage with a BUY rating.

Fig 15 – VOLT 1YF PE multiple band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	94,988	1,24,812	1,54,128	1,73,806	2,01,406
EBITDA	5,724	4,746	11,162	11,989	14,667
Depreciation	396	476	618	820	934
EBIT	5,327	4,270	10,544	11,169	13,733
Net interest inc./(exp.)	(296)	(559)	(621)	(659)	(604)
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	13,755	16,373
Income taxes	1,709	2,377	3,565	3,714	4,421
Extraordinary items	2,438	0	0	0	0
Min. int./Inc. from assoc.	(1,207)	(1,386)	(1,260)	(1,260)	(1,244)
Reported net profit	1,350	2,520	8,414	8,781	10,708
Adjustments	2,438	0	0	0	0
Adjusted net profit	3,788	2,520	8,414	8,781	10,708

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	30,126	38,557	38,928	45,237	52,421
Other current liabilities	10,029	14,060	12,670	14,285	16,554
Provisions	0	0	0	0	0
Debt funds	6,506	7,436	8,633	7,747	7,108
Other liabilities	1,609	2,099	6,157	6,909	7,963
Equity capital	331	331	331	331	331
Reserves & surplus	54,190	57,874	64,802	71,433	79,990
Shareholders' fund	54,521	58,205	65,133	71,763	80,321
Total liab. and equities	1,02,790	1,20,357	1,31,520	1,45,942	1,64,367
Cash and cash eq.	7,084	8,523	6,782	7,941	7,293
Accounts receivables	21,919	25,328	25,115	28,095	30,349
Inventories	15,920	21,354	27,148	30,476	34,763
Other current assets	19,543	22,042	30,500	30,963	35,880
Investments	0	0	0	0	0
Net fixed assets	3,611	3,902	8,198	10,378	11,944
CWIP	983	3,675	824	929	1,076
Intangible assets	1,142	1,127	1,097	1,237	1,434
Deferred tax assets, net	0	0	0	0	0
Other assets	32,590	34,408	31,856	35,923	41,627
Total assets	1,02,790	1,20,357	1,31,520	1,45,942	1,64,367

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	1,594	7,615	(8,455)	10,756	9,636
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	(3,561)	(4,994)
Cash flow from investing	(816)	(5,224)	1,579	(6,561)	(7,494)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,728	453	1,500	(886)	(639)
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)	(3,037)	(2,789)
Chg in cash & cash eq.	1,328	1,228	(7,873)	1,158	(648)
Closing cash & cash eq.	7,084	8,523	6,782	7,941	7,293

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	4.1	7.6	25.4	26.5	32.4
Adjusted EPS	11.4	7.6	25.4	26.5	32.4
Dividend per share	4.3	5.5	7.0	6.5	6.5
Book value per share	164.8	175.9	196.9	216.9	242.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	4.3	3.2	2.6	2.3	2.0
EV/EBITDA	70.7	85.3	36.3	33.8	27.6
Adjusted P/E	106.8	160.6	48.1	46.1	37.8
P/BV	7.4	7.0	6.2	5.6	5.0

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	56.4	40.4	63.9	63.8	65.4
Interest burden (PBT/EBIT)	126.1	146.2	124.9	123.2	119.2
EBIT margin (EBIT/Revenue)	5.6	3.4	6.8	6.4	6.8
Asset turnover (Rev./Avg TA)	26.3	32.0	18.8	16.7	16.9
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.1	0.2	0.2
Adjusted ROAE	6.9	4.5	13.6	12.8	14.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	19.7	31.4	23.5	12.8	15.9
EBITDA	(16.0)	(17.1)	135.2	7.4	22.3
Adjusted EPS	(24.8)	(33.5)	233.9	4.4	21.9

Profitability & Return ratios (%)

EBITDA margin	6.0	3.8	7.2	6.9	7.3
EBIT margin	5.6	3.4	6.8	6.4	6.8
Adjusted profit margin	4.0	2.0	5.5	5.1	5.3
Adjusted ROAE	6.9	4.5	13.6	12.8	14.1
ROCE	6.7	4.5	12.7	12.0	13.3

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	12.6	12.2
Current ratio	1.4	1.3	1.6	1.5	1.4
Net interest coverage ratio	18.0	7.6	17.0	17.0	22.7
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

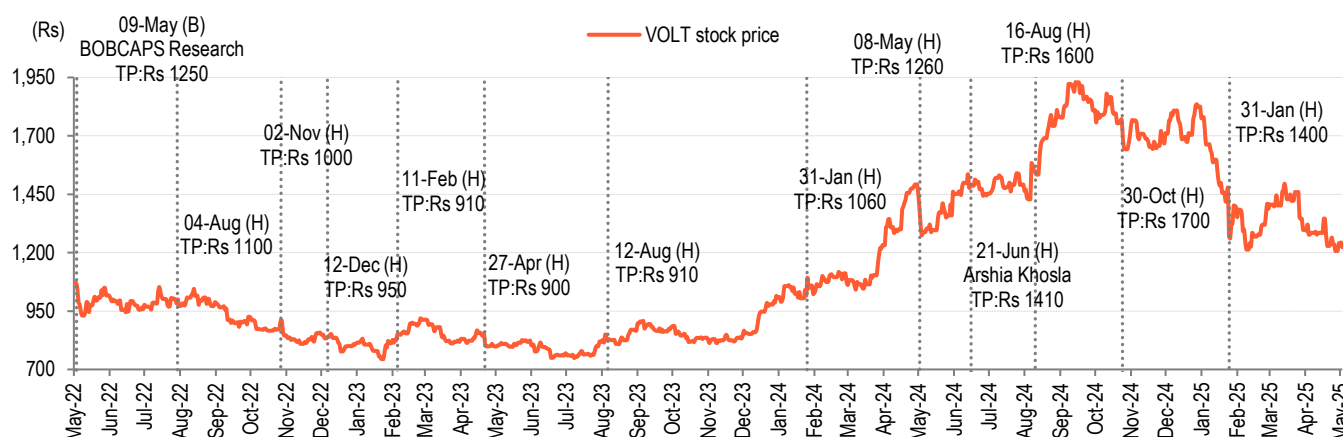
HOLD – Expected return from -6% to +15%

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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