

HOLD
 TP: Rs 1,440 | ▲ 11%

VOLTAS

| Consumer Durables

| 15 May 2026

UCP margin pressure persists; demand outlook improves

- Q4 revenue rose 3% YoY to Rs 48.9bn, while EBITDA missed by ~25% on a 499bps YoY UCP margin contraction
- EMPS' earnings supported by EBIT recovering to Rs 756mn, with margins at 6.4%; led by the mix shifting towards the higher-margin MEP vertical
- Cut FY27-28 estimates; arrive at Mar'27 TP of Rs 1,440; maintain HOLD on a limited upside

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Sequential recovery in revenue; margin compression persists on input cost and currency pressure: Voltas reported Q4FY26 revenue of Rs 48.9bn, up 3% YoY and 59% QoQ; driven by channel restocking ahead of the summer and BEE transition-related pre-buying. EBITDA declined 34% YoY to Rs 2.2bn, ~25% below estimates, with margin contracting 250bps YoY to 4.5% on commodity inflation, INR depreciation, and elevated channel support. Adjusted PAT fell 53% YoY to Rs 1.1bn, ~40% below estimates, further weighed by forex mark-to-market losses in other income. FY26 revenue/EBITDA/Adj. PAT declined 8%/42%/52% YoY to Rs 142.4bn/Rs 6.5bn/Rs 4.0bn respectively.

UCP margin erosion deepens, as price hikes are insufficient; EBIT halves YoY: UCP revenue at Rs 34.9bn grew 1% YoY. EBIT margin contracted 499bps YoY to 5.0%, with absolute EBIT declining 50% YoY to Rs 1.7bn, as commodity inflation and INR depreciation outpaced price actions. So far, cumulative price hikes of 7-8% (BEE table change) and 2-3% (commodity-linked) have been taken, with a further double-digit pass-through expected as newer, higher-cost inventory flows through.

EMPS profitability recovers sharply; order book provides multi-year visibility: EMP revenue grew 5% YoY to Rs 11.9bn, with EBIT at Rs 756mn (vs loss of Rs 17mn in Q4FY25) at a 6.4% margin. EBIT margin in FY26 expanded 331bps YoY to 7.4%, owing to improved project mix skewed toward data centres, electronics manufacturing, and metro projects. Order book stood at Rs 62bn as of Mar'26 (Rs 45bn domestic), with 40-50% carrying price variation clauses.

Engineering products deliver steady growth; textile machinery remains a drag: EPS revenue grew 27% YoY to Rs 1.7bn with EBIT margin at 22.3% (-345bps YoY), normalising from an elevated base. Mining and construction equipment distribution stayed supported by crushing/screening demand and Mozambique operations, while the textile machinery agency business continued to face headwinds from weak global capex cycles across the sector.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VOLT IN/Rs 1,294
Market cap	US\$ 4.5bn
Free float	70%
3M ADV	US\$ 17.2mn
52wk high/low	Rs 1,583/Rs 1,187
Promoter/FPI/DII	30%/21%/33%

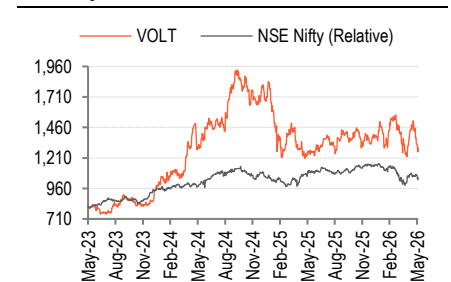
Source: NSE | Price as of 14 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,42,445	1,65,356	1,88,913
EBITDA (Rs mn)	6,469	11,654	14,181
Adj. net profit (Rs mn)	4,024	8,377	10,577
Adj. EPS (Rs)	12.2	25.3	32.0
Adj. ROAE (%)	6.2	12.5	14.3
Adj. P/E (x)	106.3	51.1	40.5
EV/EBITDA (x)	66.2	36.7	30.2
Adj. EPS growth (%)	(52.2)	108.2	26.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Qatar bank guarantee overhang removed; Voltbek scales distribution in investment phase: The Court of Appeal (Qatar) ruled in Voltas' favour on 4 May 2026, directing the return of bank guarantees of Rs 4.3bn, removing a long-standing contingent liability. Voltbek expanded its product portfolio with new launches in frost-free refrigerators and fully automatic washing machines, while deepening localisation at the Sanand facility.

Cut estimates; maintain HOLD: We cut FY27-28E PAT estimates by 3-8%, considering the sustained UCP margin pressure, earlier due to lower utilization while in FY27 rising input pressure across segments. We assign 45x to Mar28E EPS to arrive at TP of Rs 1440. The ascribed multiple reflects near-term margin uncertainty in UCP, offset by structural cooling demand tailwinds and the company's widening market share lead. Maintain HOLD.

Fig 1 – Quarterly & FY26 financial highlights

Particulars (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)	Q4FY26E	Var (%)
Revenue	48,878	47,676	3	30,708	59	1,42,445	1,54,128	(8)	50,596	(3)
EBITDA	2,207	3,328	(34)	1,773	24	6,469	11,162	(42)	2,961	(25)
EBITDA Margin (%)	4.5	7.0	(250bps)	5.8	(130bps)	4.5	7.2	(270bps)	5.9	(134bps)
Depreciation	206	141		206		841	618		209	(2)
Interest	222	233		311		868	621		309	(28)
Other Income	426	797		488		2,382	3,245		640	(33)
PBT	2,205	3,751	(41)	1,744	26	7,142	13,168	(46)	3,083	(28)
Tax	711	1,075		313		1,871	3,565		788	(10)
Adjusted PAT	1,134	2,410	(53)	1,110	2	4,024	8,414	(52)	1,891	(40)
Exceptional item	-	-		265		265	-		-	
Reported PAT	1,162	2,410	(52)	849	37	3,759	8,414	(55)	1,890.5	(39)
Adj. PAT Margin (%)	2.3	5.1	(270bps)	3.6	(130bps)	2.8	5.5	(260bps)	3.7	(142bps)
EPS (Rs)	3.5	7.3	(52)	2.6	37	15.9	29.0	(45)	5.7	(39)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Particulars (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Segment revenue								
Electro- Mechanical Projects and Services	11,903	11,375	5	9,742	22	40,525	41,568	(3)
Engineering Products and Services	1,684	1,321	27	1,566	8	5,994	5,693	5
Unitary Cooling Products	34,934	34,584	1	19,242	82	95,006	1,06,139	(10)
EBIT								
Electro- Mechanical Projects and Services	756	(17)	(4,471)	817	(7)	2,986	1,686	77
EBIT margin (%)	6.4	(0.2)	NA	8.4	(203bps)	7.4	4.1	331bps
Engineering Products and Services	376	341	10	368	2	1,584	1,553	2
EBIT margin (%)	22.3	25.8	(345bps)	23.5	(116bps)	26.4	27.3	(85bps)
Unitary Cooling Products	1,741	3,448	(50)	726	140	3,052	8,923	(66)
EBIT margin (%)	5.0	10.0	(499bps)	3.8	121bps	3.2	8.4	(519bps)

Source: Company, BOBCAPS Research

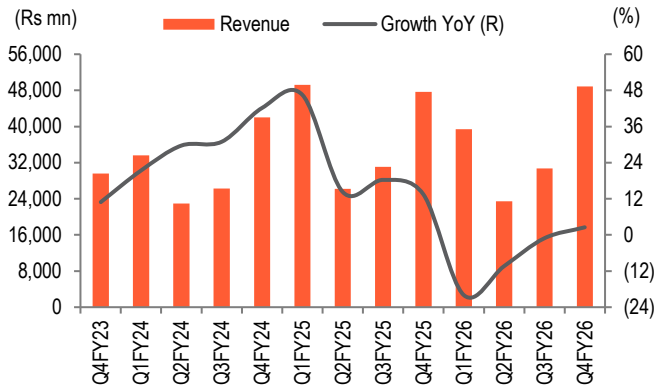
Earnings Call Highlights

- Management highlighted a progressive recovery in Q4FY26 despite delayed summer onset in select markets, supply-chain constraints and currency volatility, supported by cooling segment momentum, stronger channel engagement and disciplined execution.
- RAC leadership remained intact, with management indicating continued leadership in the market as also a widened primary-sales gap vs the next cluster of competitors to ~5.1%. FY26 RAC volumes stood at ~2.25mn units in an industry that declined ~10-12%.
- Demand trends improved entering the peak season, with March'26 being one of the strongest sales months in the company's history and April also remaining buoyant. Management indicated that the secondary sales have picked up well in May, aided by heatwaves across several regions.
- Management expects the RAC industry to recover in FY27, with growth likely in the ~15-20% range, on a weak base; subject to summer intensity and affordability. GST reduction from 28% to 18% has partly cushioned the impact of BEE transition-led and commodity-led price hikes.
- On pricing, management indicated that new BEE table products saw price hikes of ~5% for 3-star and ~10% for 5-star models, translating into a blended hike of ~7-8%. Additional price hikes of ~2-3% have been taken for copper inflation, with further pass-through likely, if commodity and currency pressures persist.
- Management highlighted that cost optimisation has been institutionalised as an ongoing programme, with initiatives across sourcing, design innovation, localisation, automation, warehouse rationalisation and integrated inventory planning. Some benefits have started flowing through, though partly offset by inflation and currency movement.
- Manufacturing utilisation has improved at the Chennai and Pantnagar facilities. Chennai capacity has been scaled up to ~1.5mn units from ~1mn earlier, with the facility designed for ~2mn units, providing headroom for future expansion with limited incremental capex.
- Commercial air-conditioning delivered a strong performance, supported by product and AMC mix, with management seeing huge growth opportunities from manufacturing facilities, offices, restaurants, healthcare, hospitality and digital infrastructure. Management indicated that CAC remains under-leveraged for Voltas and could emerge as the next growth engine.
- Commercial refrigeration remained season-sensitive, with demand linked to ice-cream freezers and visi coolers. Management indicated that the category was weak in FY26 due to unseasonal rains but could recover on stronger summer. Focus remains on institutional sales, channel expansion and new product line-ups.
- Voltbek continued to scale as part of Voltas's long-term home appliances strategy, with YTD market share of 8.6% in washing machines and 6.2% in refrigerators. Management emphasised portfolio premiumisation, deeper localisation at Sanand,

channel expansion and improved consumer engagement as key levers for medium-term operating leverage.

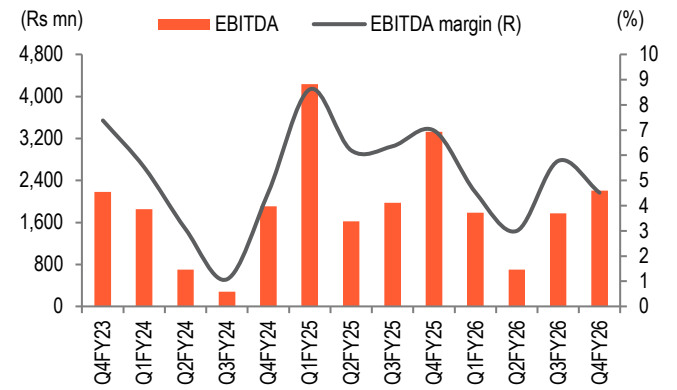
- Projects business continued to lend portfolio stability, supported by selective order booking, execution discipline, working capital management and focus on margin-accretive opportunities across electronics manufacturing, industrial infrastructure, data centres, metros and tunnels.
- Consolidated projects order book stood at ~Rs 62bn, including ~Rs 45bn domestic orders and the balance international. Management indicated that order selection remains prudent and that a meaningful portion of the MEP order book has price-variation clauses, limiting margin risk from commodity volatility.
- International projects faced disruption from geopolitical tensions in the Middle East, impacting travel, logistics, site execution and commercial settlements. However, management clarified that no major force majeure impact was seen. This was supported by crisis response teams, safety protocols, tighter travel controls and daily monitoring of operations, liquidity and collections.
- Engineering Products delivered steady performance, led by mining and construction equipment, O&M contracts, service annuities and Mozambique operations. Textile machinery remained impacted by geopolitical uncertainty, supply-chain disruption and cautious capex, though management expects a gradual recovery aided by the policy measures and PLI expansion.
- Working capital remained tightly managed, with reduction in working capital borrowings and disciplined receivables, payables and inventory controls. Inventory was moderately elevated due to peak-season readiness and new product launches. Channel inventory in RAC has reduced sharply to below 45 days, closer to ~30 days.

Fig 3 – Revenue growth trend



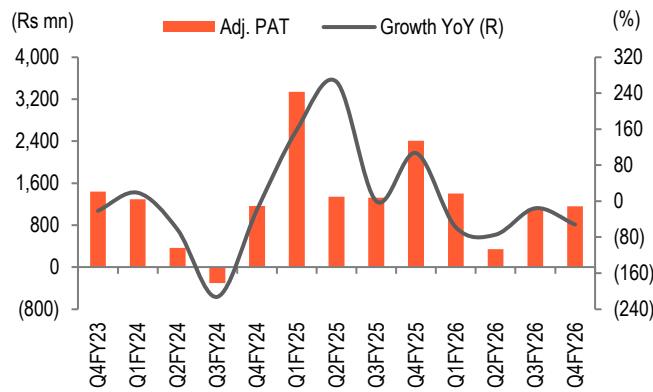
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



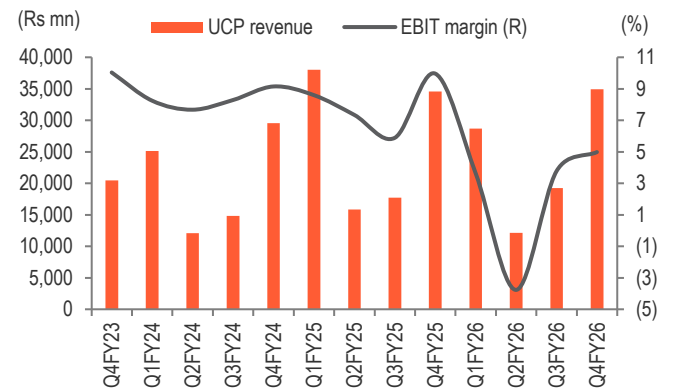
Source: Company, BOBCAPS Research

Fig 5 – Profit trend



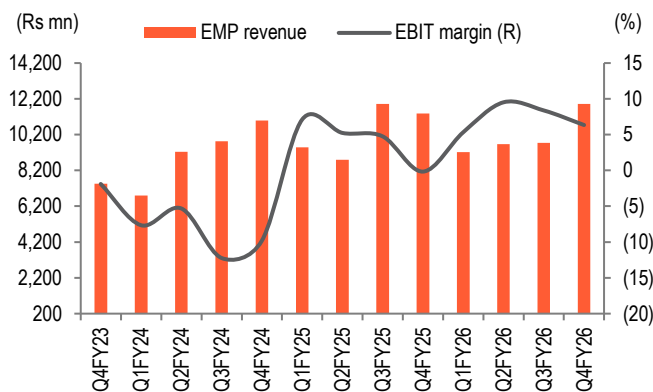
Source: Company, BOBCAPS Research

Fig 6 – UCP performance



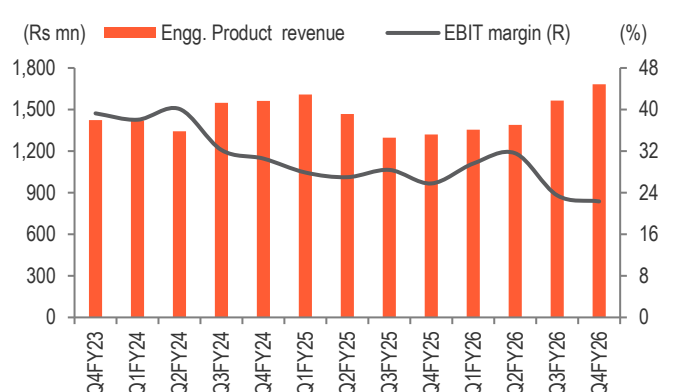
Source: Company, BOBCAPS Research

Fig 7 – EMP performance



Source: Company, BOBCAPS Research

Fig 8 – Engineering products performance



Source: Company, BOBCAPS Research

Valuation Methodology

We cut FY27-28E PAT estimates by 3-8%, on sustained UCP margin pressure, earlier due to lower utilisation while in FY27 rising input pressure across segments. We assign 45x to Mar28E EPS to arrive at TP of Rs 1440. The ascribed multiple reflects near-term margin uncertainty in UCP, offset by structural cooling demand tailwinds and Voltas' widening market share leads. 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	1,65,356	1,88,913	2,14,130	1,71,673	1,95,783	NA	(4)	(4)	NA
EBITDA	11,654	14,181	14,640	12,317	14,500	NA	(5)	(2)	NA
EBITDA Margin (%)	7.0	7.5	6.8	7.2	7.4	NA	(13bps)	10bps	NA
PAT	8,377	10,577	11,092	9,074	10,851	NA	(8)	(3)	NA

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	1,65,356	1,88,913	2,14,130
EBITDA	11,162	6,469	11,654	14,181	14,640
Depreciation	618	841	860	901	1,070
EBIT	10,544	5,628	10,793	13,280	13,570
Net interest inc./(exp.)	(621)	(868)	(961)	(1,000)	(1,005)
Other inc./(exp.)	3,245	2,382	2,620	2,751	2,888
Exceptional items	0	0	0	0	0
EBT	13,168	7,142	12,452	15,030	15,453
Income taxes	3,565	1,871	3,138	3,788	3,894
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	8,377	10,577	11,092
Adjustments	0	265	0	0	0
Adjusted net profit	8,414	4,024	8,377	10,577	11,092

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	38,928	52,278	45,303	51,757	55,732
Other current liabilities	12,670	17,357	18,121	15,527	17,600
Provisions	0	0	0	0	0
Debt funds	8,633	9,664	9,614	9,091	9,136
Other liabilities	6,157	2,036	2,327	2,626	2,946
Equity capital	331	331	331	331	331
Reserves & surplus	64,802	63,431	69,658	78,085	87,027
Shareholders' fund	65,133	63,762	69,989	78,416	87,358
Total liab. and equities	1,31,520	1,45,097	1,45,354	1,57,417	1,72,772
Cash and cash eq.	6,782	7,809	8,989	7,737	8,839
Accounts receivables	25,115	30,350	30,806	34,677	38,133
Inventories	27,148	34,329	32,618	36,230	41,066
Other current assets	30,500	30,805	29,461	33,658	38,151
Investments	0	0	0	0	0
Net fixed assets	8,198	9,352	10,992	12,590	14,020
CWIP	824	221	256	293	332
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	1,45,354	1,57,417	1,72,772

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	(8,455)	(3,517)	5,625	3,659	5,426
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	255	263	281
Cash flow from investing	1,579	2,818	(2,245)	(2,237)	(2,219)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,500	728	(50)	(523)	46
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)	(2,200)	(2,673)	(2,105)
Chg in cash & cash eq.	(7,873)	(3,324)	1,180	(1,252)	1,102
Closing cash & cash eq.	6,782	7,809	8,989	7,737	8,839

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	25.4	11.4	25.3	32.0	33.5
Adjusted EPS	25.4	12.2	25.3	32.0	33.5
Dividend per share	7.0	4.0	6.5	6.5	6.5
Book value per share	196.9	192.8	211.6	237.0	264.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.8	3.0	2.6	2.3	2.0
EV/EBITDA	38.3	66.2	36.7	30.2	29.2
Adjusted P/E	50.9	106.3	51.1	40.5	38.6
P/BV	6.6	6.7	6.1	5.5	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	63.9	56.3	67.3	70.4	71.8
Interest burden (PBT/EBIT)	124.9	126.9	115.4	113.2	113.9
EBIT margin (EBIT/Revenue)	6.8	4.0	6.5	7.0	6.3
Asset turnover (Rev./Avg TA)	18.8	15.2	15.0	15.0	15.3
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.2	0.2	0.2
Adjusted ROAE	13.6	6.2	12.5	14.3	13.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	23.5	(7.6)	16.1	14.2	13.3
EBITDA	135.2	(42.0)	80.1	21.7	3.2
Adjusted EPS	233.9	(52.2)	108.2	26.3	4.9
Profitability & Return ratios (%)					
EBITDA margin	7.2	4.5	7.0	7.5	6.8
EBIT margin	6.8	4.0	6.5	7.0	6.3
Adjusted profit margin	5.5	2.8	5.1	5.6	5.2
Adjusted ROAE	13.6	6.2	12.5	14.3	13.4
ROCE	12.7	6.3	11.9	13.5	12.8
Working capital days (days)					
Receivables	59	78	68	67	65
Inventory	64	88	72	70	70
Payables	92	134	100	100	95
Ratios (x)					
Gross asset turnover	15.7	10.7	10.7	10.5	10.4
Current ratio	1.6	1.4	1.4	1.5	1.5
Net interest coverage ratio	17.0	6.5	11.2	13.3	13.5
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%

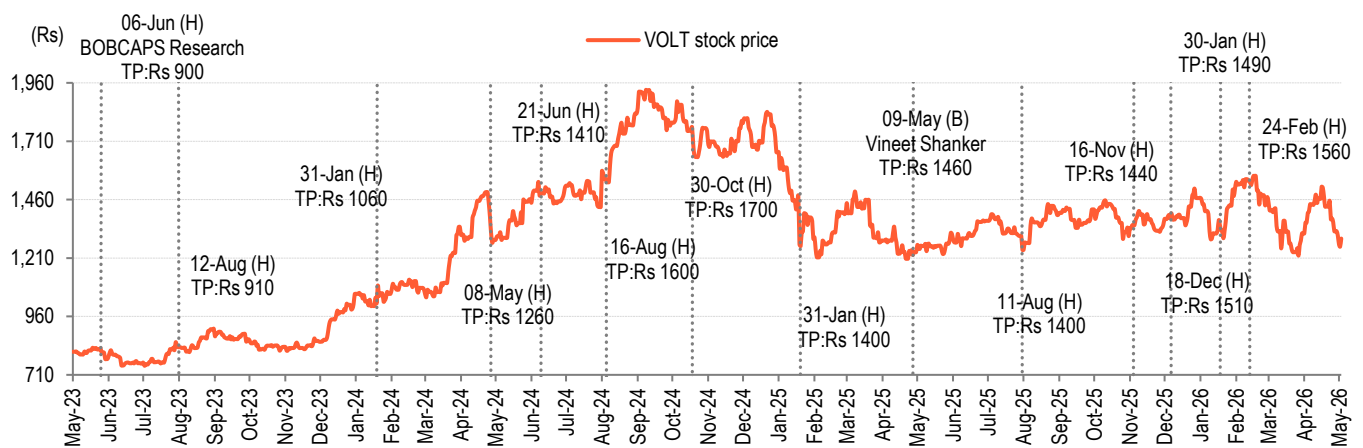
HOLD – Expected return from -6% to +15%

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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