Voltas

Muted demand continues amid rising cost pressures

We attended Voltas' analyst group meeting. Management indicated that demand continued to stay subdued in Q3. The industry decline, however, was less pronounced compared to Q2. Channel inventory has declined but remains elevated at 45 days (vs. 20–25 days a year ago). Rising raw material costs—driven by currency depreciation and 20–30% import dependence—are squeezing margins, with any potential price hikes contingent on summer demand strength. The project business continues to perform well domestically, aided by rising data centre demand, while Voltas Beko maintains strong traction with ongoing market share gains and targets reasonable profitability next year. We expect the company's growth to remain subdued this year, with a pick-up anticipated from next year onward. As demand gains traction, margin pressures should ease, in our view. Considering weak demand and cost pressure, we cut our revenue estimates by 3-4% and APAT estimates by 7/5/6% for FY26/27/28E, respectively. We have modelled 9/11/13% revenue/EBITDA/APAT CAGR for FY25-28E. We roll forward our valuation to Mar-28E from Sep-27E. We maintain ADD by valuing the company on SOTP basis (implying 40x Mar-28 EPS) to arrive at a TP of INR 1,430/sh.

- **Demand remains muted, cost pressure rising:** Management indicated that demand continued to stay subdued in Q3. The industry decline, however, was less pronounced compared to Q2. Channel inventory has declined but remains elevated at 45 days (vs. 20–25 days a year ago). The company highlighted rising raw material costs, driven by currency depreciation, as 20–30% of raw material is imported. Management mentioned that any price hike to offset higher costs will depend on the strength of summer demand. Ongoing discounts and schemes to boost demand are expected to continue till December.
- **Segmental highlights: (i) Project business:** The segment continues to perform well in the domestic market, with the company expecting healthy growth driven by rising domestic demand. **(ii) Voltas Beko:** The segment continues to witness healthy traction with ongoing market share gains. The company aims to achieve reasonable profitability in this segment by next year.
- **Outlook and valuation:** We expect the company's growth to remain subdued this year, with a pick-up anticipated from next year onward. Elevated channel inventory levels continue to act as a headwind. As demand gains traction, margin pressures should ease. Considering weak demand and cost pressure, we cut our revenue estimates by 3-4% and APAT estimates by 7/5/6% for FY26/27/28E, respectively. We have modelled 9/11/13% revenue/EBITDA/APAT CAGR for FY25-28E. We roll forward our valuation to Mar-28E from Sep-27E. We maintain ADD by valuing the company on SOTP basis (implying 40x Mar-28 EPS) to arrive at a TP of INR 1,430/sh.

Financial summary (INR mn)

Year Ending March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	94,988	1,24,812	1,54,128	1,39,473	1,66,979	1,97,353
EBITDA	5,724	4,746	11,162	7,378	12,925	15,422
APAT	3,788	2,520	8,414	5,440	9,902	12,052
Diluted EPS (Rs)	11.5	7.6	25.4	16.4	29.9	36.4
P/E (x)	124.0	186.4	55.8	85.0	46.7	38.4
EV / EBITDA (x)	81.4	97.6	41.9	62.0	35.3	29.4
RoE (%)	6.9	4.4	13.6	8.1	13.8	15.2

Source: Company, HSIE Research

ADD

CMP *(as on 18 Dec 2025)*	INR 1,402
Target Price	INR 1,430
NIFTY	25,816

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,420	INR 1,430
EPS %	FY26E	FY27E
	-9.0	-5.8

KEY STOCK DATA	
Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / ($ mn)	464/5,139
6m avg traded value (INR mn)	1,720
52 Week high / low	INR 1,860/1,135

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(2.0)	14.1	(17.0)
Relative (%)	(6.9)	9.5	(21.5)

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	30.30	30.30
FIs & Local MFs	33.36	20.26
FPIs	21.16	25.62
Public & Others	15.18	13.61
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Valuation table

Sep-27	Basis	Multiple	EPS	Value (INR)	Value %
Unitary Cooling Products	P/E	40.0	28.3	1,130	79.0
Electro-Mechanical Products and Services	P/E	18.0	5.6	100	7.0
Engineered Products and Services	P/E	18.0	4.5	80	5.6
Voltbek JV	P/S	2.0		118	8.4
Target Price				**1,485**	**100%**

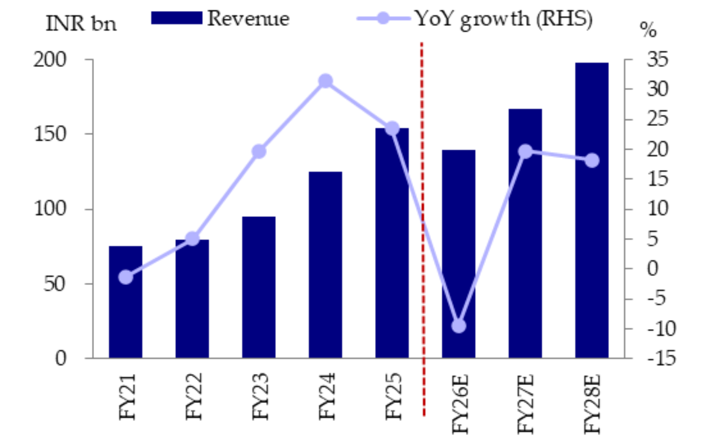
Source: Company, HSIE Research

Change in estimates

Year End (March) - INR mn	Old			New			Change %		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,43,694	1,72,973	2,05,892	1,39,473	1,66,979	1,97,353	-2.9	-3.5	-4.1
EBITDA	7,965	13,644	16,352	7,378	12,925	15,422	-7.4	-5.3	-5.7
EBITDAM %	5.5	7.9	7.9	5.3	7.7	7.8	-30bps	-10bps	-10bps
APAT	5,976	10,515	12,873	5,440	9,902	12,052	-9.0	-5.8	-6.4
EPS (INR)	18.1	31.8	38.9	16.4	29.9	36.4	-9.0	-5.8	-6.4

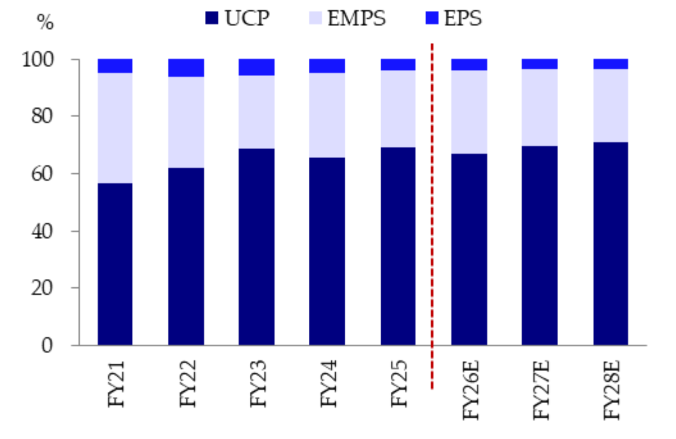
Source: Company, HSIE Research

Revenue to grow at 9% CAGR over FY25-28E



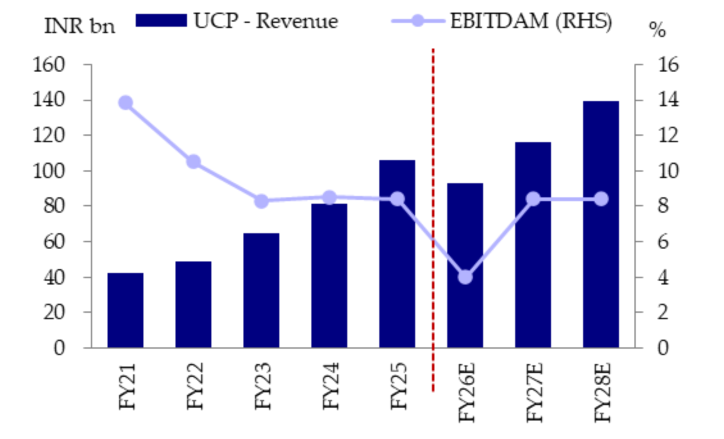
Source: Company, HSIE Research

UCP segment revenue mix will continue to increase



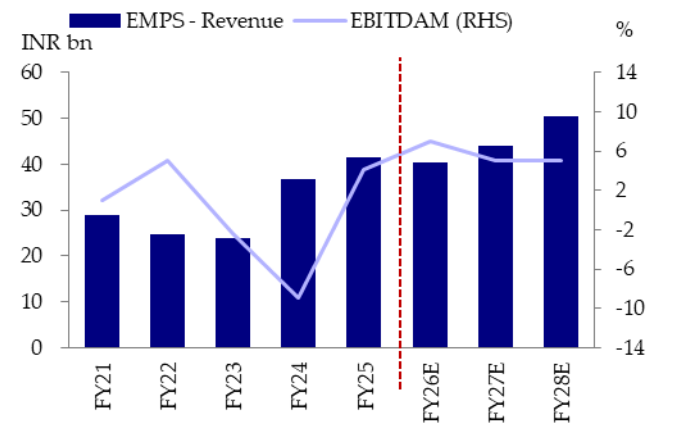
Source: Company, HSIE Research

UCP's revenue to grow at 9% CAGR over FY25-28E



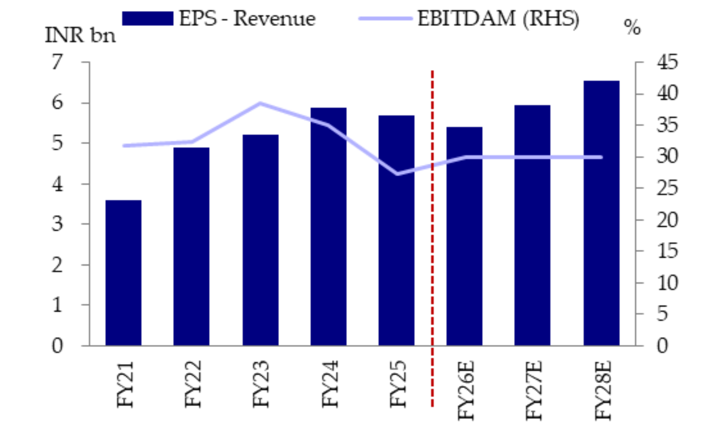
Source: Company, HSIE Research

EMPS revenue to grow at 7% CAGR over FY25-28E



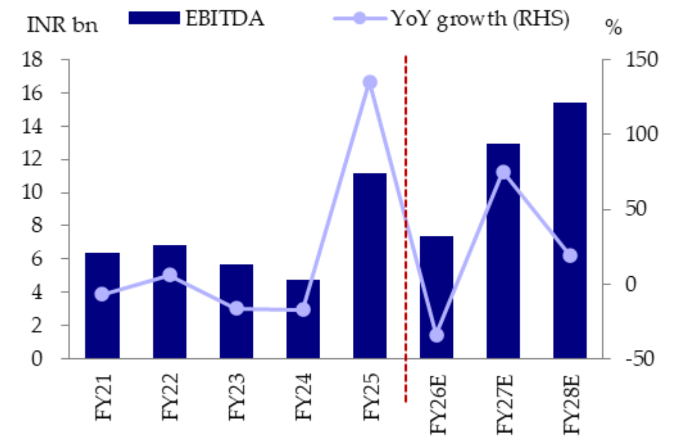
Source: Company, HSIE Research

EPS revenue to grow at 5% CAGR over FY25-28E



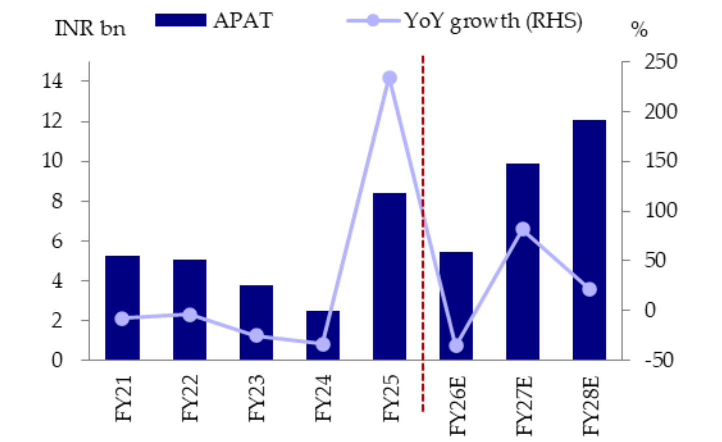
Source: Company, HSIE Research

EBITDA to grow at 11% CAGR over FY25-28E



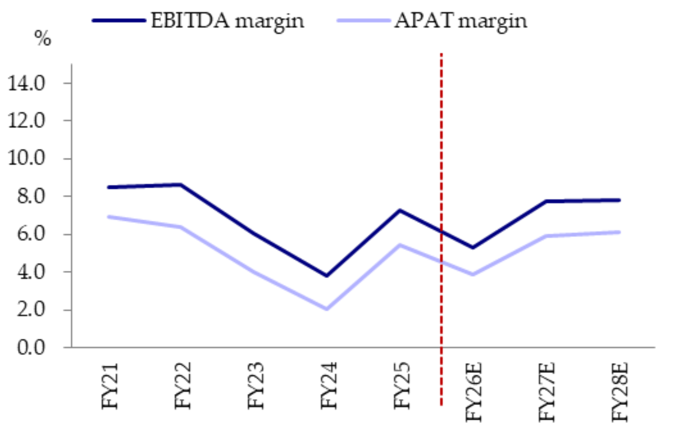
Source: Company, HSIE Research

APAT to grow at 13% CAGR over FY25-28E



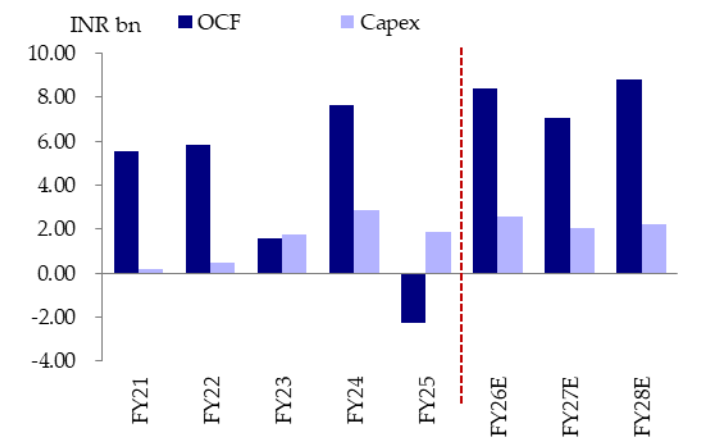
Source: Company, HSIE Research

Margin to decline in FY26, albeit improve in FY27/28E



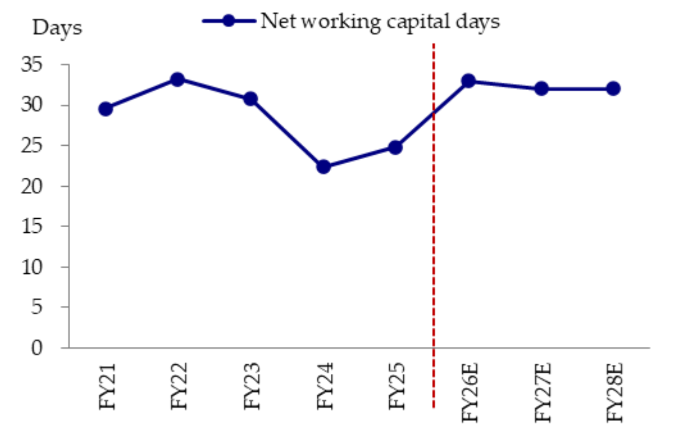
Source: Company, HSIE Research

OCF to remain strong; capex to be funded internally



Source: Company, HSIE Research

Net working capital days to remain stable



Source: Company, HSIE Research

Consolidated Income Statement

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	94,988	1,24,812	1,54,128	1,39,473	1,66,979	1,97,353
Growth (%)	19.7	31.4	23.5	(9.5)	19.7	18.2
Material Expenses	73,782	98,140	1,19,604	1,07,952	1,27,739	1,51,962
Employee Expense	6,672	7,788	8,901	9,345	10,436	12,236
Other Expenses	8,810	14,138	14,462	14,798	15,879	17,733
EBITDA	5,724	4,746	11,162	7,378	12,925	15,422
EBITDA Growth (%)	(16.0)	(17.1)	135.2	(33.9)	75.2	19.3
EBITDA Margin (%)	6.0	3.8	7.2	5.3	7.7	7.8
Depreciation	396	476	618	938	1,036	1,195
EBIT	5,328	4,270	10,544	6,440	11,889	14,227
Other Income (Including EO Items)	1,685	2,533	3,245	2,934	3,269	3,353
Interest	296	559	621	656	501	532
PBT	6,716	6,244	13,168	8,719	14,656	17,047
Total Tax	1,709	2,377	3,565	2,310	3,884	4,347
Profit before JV/Associates/NCI	5,007	3,867	9,603	6,408	10,772	12,700
Share of JV/Associates	(1,207)	(1,386)	(1,260)	(1,018)	(860)	(637)
Non-controlling Interest	12	(39)	(71)	(50)	10	11
Exceptional Gain/ (loss)	(2,438)	-	-	-	-	-
RPAT	1,350	2,520	8,414	5,440	9,902	12,052
Adjusted PAT	3,788	2,520	8,414	5,440	9,902	12,052
APAT Growth (%)	(24.8)	(33.5)	233.9	(35.3)	82.0	21.7
EPS	11.5	7.6	25.4	16.4	29.9	36.4
EPS Growth (%)	(24.8)	(33.5)	233.8	(35.3)	82.0	21.7

Source: Company, HSIE Research

Consolidated Balance Sheet

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital – Equity	331	331	331	331	331	331
Other Equity	54,190	57,874	64,802	67,926	74,521	82,604
Total Shareholders' Funds	**54,521**	**58,205**	**65,133**	**68,257**	**74,852**	**82,935**
NCI	417	337	271	221	231	242
Long Term Debt	212	2,280	3,823	3,323	2,823	2,323
Short Term Debt	5,948	4,853	4,810	4,810	4,810	4,810
Total Debt	6,160	7,133	8,633	8,133	7,633	7,133
Net Deferred Taxes	(303)	176	140	227	373	544
Other Non-Current Liabilities	1,393	1,383	1,656	1,503	1,795	2,117
TOTAL SOURCES OF FUNDS	**62,187**	**67,234**	**75,832**	**78,340**	**84,883**	**92,970**
APPLICATION OF FUNDS						
Net Block	3,611	3,902	8,198	9,692	11,281	12,429
Goodwill	723	723	723	723	723	723
CWIP	983	3,675	824	1,000	500	500
Intangible assets	62	56	34	54	73	89
Right of Use Assets	357	348	340	435	502	569
Non-Current Investments	28,015	30,068	28,446	28,446	28,446	28,446
Other Non-Current Assets	4,220	3,927	3,733	3,355	3,809	4,289
Total Non-current Assets	**37,970**	**42,698**	**42,297**	**43,705**	**45,333**	**47,044**
Current-Investments	3,072	5,015	3,987	5,987	7,987	9,987
Inventories	15,920	21,354	27,148	24,074	28,364	33,523
Debtors	21,919	24,003	25,115	26,748	32,023	37,849
Cash & Equivalents	7,084	8,523	6,782	7,407	6,424	6,226
Other Current Assets	16,471	18,352	25,747	23,160	27,727	32,771
Total Current Assets	**64,465**	**77,246**	**88,779**	**87,376**	**1,02,525**	**1,20,355**
Creditors	30,126	37,755	38,928	38,212	45,748	54,069
Other Current Liabilities & Provns	10,121	14,956	16,317	14,528	17,226	20,360
Total Current Liabilities	40,247	52,711	55,245	52,740	62,974	74,429
Net Current Assets	24,218	24,536	33,534	34,636	39,551	45,926
TOTAL APPLICATION OF FUNDS	**62,187**	**67,234**	**75,832**	**78,340**	**84,883**	**92,970**

Source: Company, HSIE Research

Consolidated Cash Flow

Year end march (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	5,510	4,858	11,908	7,701	13,796	16,410
Non-operating & EO Items	884	3,036	(1,349)	(106)	(489)	(393)
Interest Expenses	296	559	621	656	501	532
Depreciation	396	476	618	938	1,036	1,195
Working Capital Change	(3,836)	801	(10,932)	1,534	(3,917)	(4,594)
Tax Paid	(1,656)	(2,115)	(3,107)	(2,310)	(3,884)	(4,347)
OPERATING CASH FLOW (a)	**1,594**	**7,615**	**(2,241)**	**8,412**	**7,044**	**8,804**
Capex	(1,774)	(2,883)	(1,907)	(2,550)	(2,050)	(2,250)
Free Cash Flow (FCF)	(181)	4,732	(4,149)	5,862	4,994	6,554
Investments	253	(3,176)	2,178	(2,000)	(2,000)	(2,000)
Non-operating Income	450	549	955	425	432	361
Others	255	286	354	-	-	-
INVESTING CASH FLOW (b)	**(816)**	**(5,224)**	**1,579**	**(4,125)**	**(3,618)**	**(3,889)**
Debt Issuance/(Repaid)	2,728	974	1,500	(500)	(500)	(500)
Interest Expenses	(284)	(555)	(610)	(656)	(501)	(532)
FCFE	2,263	5,150	(3,259)	4,706	3,992	5,521
Share Capital Issuance	-	-	-	-	-	-
Dividend	(1,829)	(1,432)	(1,820)	(2,315)	(3,308)	(3,969)
Others	(65)	(149)	(67)	(190)	(100)	(111)
FINANCING CASH FLOW (c)	**550**	**(1,163)**	**(997)**	**(3,662)**	**(4,409)**	**(5,112)**
NET CASH FLOW (a+b+c)	**1,328**	**1,228**	**(1,659)**	**625**	**(984)**	**(198)**
EO Items, Others	-	-	-	-	-	-
Closing Cash & Equivalents	6,927	8,153	6,498	7,123	6,139	5,942

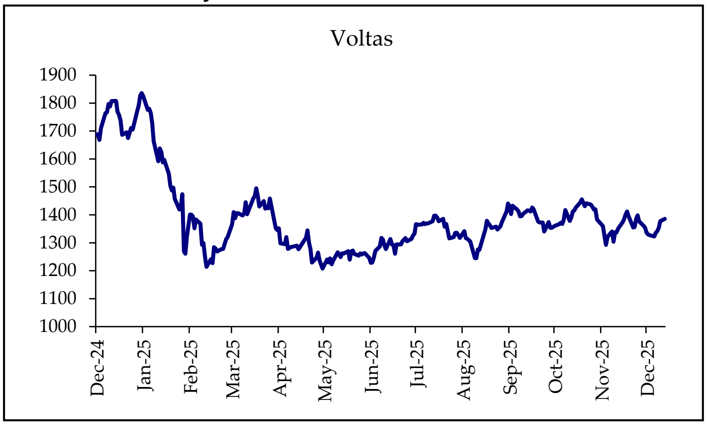
Source: Company, HSIE Research

Key Ratios

Year end march	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)						
GPM	22.3	21.4	22.4	22.6	23.5	23.0
EBITDA Margin (%)	6.0	3.8	7.2	5.3	7.7	7.8
EBIT Margin	5.6	3.4	6.8	4.6	7.1	7.2
PBT Margin	7.1	5.0	8.5	6.3	8.8	8.6
APAT Margin	4.0	2.0	5.5	3.9	5.9	6.1
RoE	6.9	4.4	13.6	8.1	13.8	15.2
RoIC (or Core RoCE)	8.0	5.1	13.3	7.5	13.3	14.9
RoCE	11.7	10.7	19.7	12.4	19.0	20.3
EFFICIENCY						
Tax Rate (%)	25.4	38.1	27.1	26.5	26.5	25.5
Fixed Asset Turnover (x)	16.9	18.8	16.7	10.9	11.0	11.3
Inventory (days)	63	62	64	63	62	62
Debtors (days)	83	70	59	70	70	70
Other Current Assets (days)	53	54	61	61	61	61
Payables (days)	114	110	92	100	100	100
Other Current Liab & Provns (days)	34	44	39	38	38	38
Cash Conversion Cycle (days)	49	32	54	56	55	55
Net D/E (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	18.0	7.6	17.0	9.8	23.7	26.7
PER SHARE DATA (Rs)						
EPS	11.5	7.6	25.4	16.4	29.9	36.4
CEPS	12.7	9.1	27.3	19.3	33.1	40.1
Dividend	4.3	5.5	7.0	10.0	12.0	14.0
Book Value	164.8	176.0	196.9	206.4	226.3	250.7
VALUATION						
P/E (x)	122.1	183.5	55.0	85.0	46.7	38.4
P/BV (x)	8.5	7.9	7.1	6.8	6.2	5.6
EV/EBITDA (x)	80.1	96.1	41.2	62.0	35.3	29.4
EV/Revenues (x)	4.8	3.7	3.0	3.3	2.7	2.3
OCF/EV (%)	0.3	1.7	(0.5)	1.8	1.5	1.9
FCF/EV (%)	(0.0)	1.0	(0.9)	1.3	1.1	1.4
FCFE/Mkt Cap (%)	0.5	1.1	(0.7)	1.0	0.9	1.2
Dividend Yield (%)	0.3	0.4	0.5	0.7	0.9	1.0

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:
We, **Keshav Lahoti, CA and CFA, Rajesh Ravi, MBA, Mahesh Nagda, CA & Riddhi Shah, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
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