

Demand remains weak, all eyes on festive season

We attended Voltas' sell-side investor call. Management noted Q2 remained muted after a weak Q1, impacted by monsoon and elevated channel inventory (2-3 months current inventory level). It expects recovery in Q3, supported by festive season, deferred GST-led purchases, pent-up demand from a weak summer, a second summer in the South, and pre-buying ahead of BEE norms implementation in Q4. Management eluded margin will remain under pressure in Q2 and Q3, owing to higher channel inventory. The company focus stays on inventory normalization, RAC sales momentum, revenue diversification, and cost optimization. We revised our revenue and APAT estimates by 1-2% for FY26/27E, incorporating the impact of GST rate reduction. We have modelled 12/15/17% revenue/EBITDA/APAT CAGR for FY25-28E. We have introduced FY28E financials and roll forward our valuation to Sep-27E from Mar-27E. We maintain ADD by valuing the company on SOTP basis (implying 40x Sep-27 EPS) to arrive at a TP of INR 1,485/sh.

- Demand, pricing, and cost:** Management indicated that demand remained muted in Q2 as well, following a weak Q1, with the monsoon season and elevated channel inventories (2-3 months' current channel inventory) continuing to weigh on sales. Furthermore, secondary channel demand saw a slowdown after 15th August, due to GST rate reduction on RAC. It noted RAC industry has declined by 16% in the first four months in FY26. However, it expects demand to pick up in Q3, supported by the festive season, deferred purchases driven by the GST cut, pent-up demand after a weak summer, a second summer in the southern region, and pre-buying ahead of higher costs from the implementation of BEE norms in Q4. Management eluded margin will remain under pressure in Q2 and Q3, owing to higher channel inventory. Effective 22nd September, GST rates on RAC, commercial AC, and dishwashers will be reduced from 28% to 18%. However, RAC costs will increase by 3-5% for 3-star models and more for 5-star models once BEE norms are implemented starting Q4FY26. The company is currently focused on normalizing channel inventory levels, regaining sales momentum in the RAC segment, diversifying revenue streams, and pursuing cost optimization.
- Segmental highlights:** (i) **Commercial AC:** The segment is growing at 15-20%, with the weak summer having little impact. Growth is expected to accelerate from Q4, driven by channel expansion (ii) **Commercial refrigerator:** Both growth and margins have been weak, though the company is undertaking cost-reduction initiatives to improve performance (iii) **Washing machine and refrigerator:** The company is steadily gaining market share, albeit on a relatively small base (iv) **Air cooler:** The company aims to move from the third-largest to the second-largest player in this category within the next two quarters.
- Outlook and valuation:** We expect RAC demand to pick up in H2FY26 on the back of higher disposable incomes in consumer hands, pent-up demand, pre-buying ahead of BEE norm implementation, and pent-up demand. We revised our revenue and APAT estimates by 1-2% for FY26/27E, incorporating the impact of GST rate reduction. We have modelled 12/15/17% revenue/EBITDA/APAT CAGR for FY25-28E. We have introduced FY28E financials and roll forward our valuation to Sep-27E from Mar-27E. We maintain ADD by valuing the company on SOTP basis (implying 40x Sep-27 EPS) to arrive at a TP of INR 1,485/sh.

ADD

CMP (as on 19 Sep 2025)	INR 1,420
Target Price	INR 1,485
NIFTY	25,327

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,315	INR 1,485
EPS %	FY26E	FY27E
	1.3	2.0

KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	470/5,333
6m avg traded value (INR mn)	2,081
52 Week high / low	INR 1,946/1,135

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.6	(5.0)	(26.4)
Relative (%)	11.0	(14.5)	(25.7)

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	30.30	30.30
FIs & Local MFs	33.21	33.36
FPIs	21.96	21.16
Public & Others	14.53	15.18
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Financial summary (INR mn)

Year Ending March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	94,988	1,24,812	1,54,128	1,46,497	1,79,953	2,14,554
EBITDA	5,724	4,746	11,162	10,042	14,184	17,007
APAT	3,788	2,520	8,414	7,616	11,068	13,539
Diluted EPS (Rs)	11.5	7.6	25.4	23.0	33.5	40.9
P/E (x)	124.0	186.4	55.8	61.7	42.4	34.7
EV / EBITDA (x)	81.4	97.6	41.9	46.0	32.4	26.7
RoE (%)	6.9	4.4	13.6	11.2	14.8	16.3

Source: Company, HSIE Research

Valuation table

Sep-27	Basis	Multiple	EPS	Value (INR)	Value %
Unitary Cooling Products	P/E	40.0	29.6	1,185	80%
Electro-Mechanical Products and Services	P/E	18.0	5.2	95	6%
Engineered Products and Services	P/E	18.0	4.7	85	6%
Voltbek JV	P/S	2.0		120	8%
Target Price		40.0	37.2	1,485	100%

Source: Company, HSIE Research

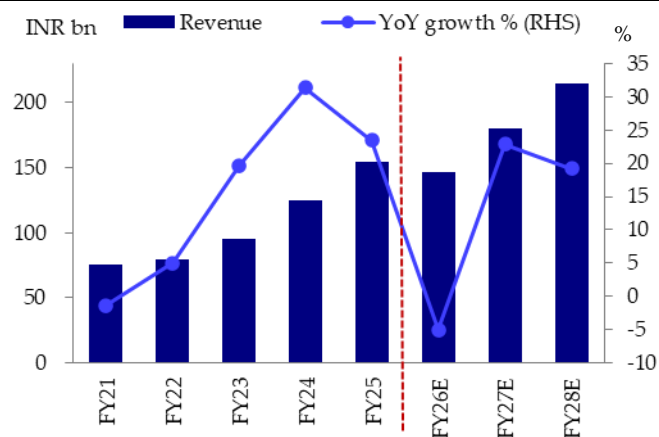
Change in estimates

Year End (March) - INR mn	Old		New		Change %	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	1,44,364	1,77,286	1,46,497	1,79,953	1.5	1.5
EBITDA	9,882	13,779	10,042	14,184	1.6	2.9
EBITDAM %	6.8	7.8	6.9	7.9	0bps	10bps
APAT	7,517	10,849	7,616	11,068	1.3	2.0
EPS (INR)	22.7	32.8	23.0	33.5	1.3	2.0

Source: Company, HSIE Research

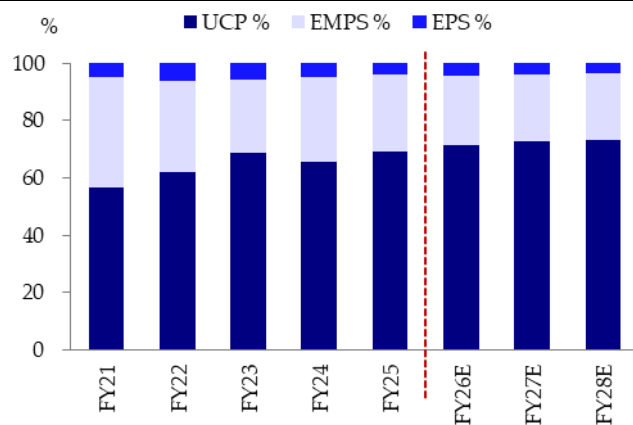
Voltas: Company Update

Revenue to grow at 12% CAGR over FY25-28E



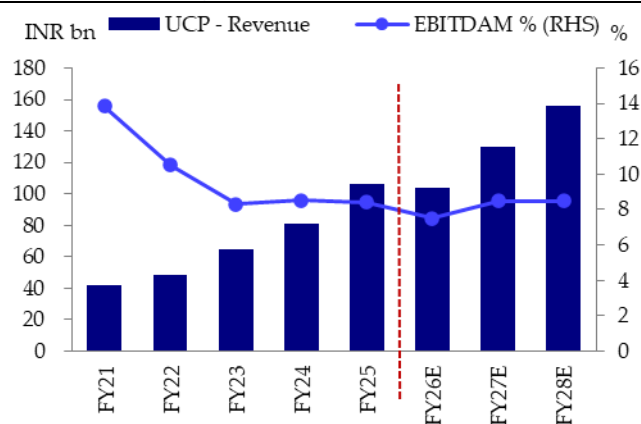
Source: Company, HSIE Research

UCP segment revenue mix will continue to increase



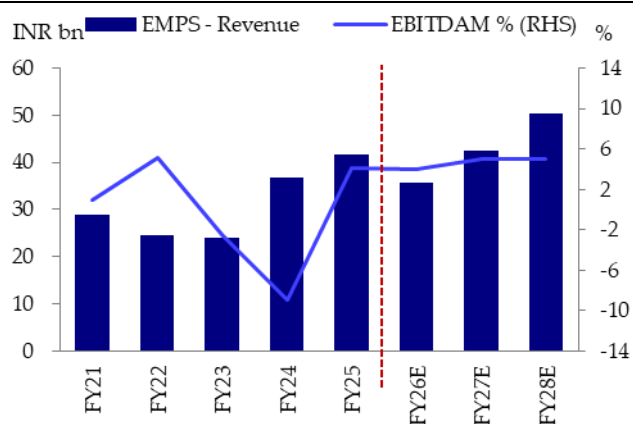
Source: Company, HSIE Research

UCP' revenue to grow at 14% CAGR over FY25-28E



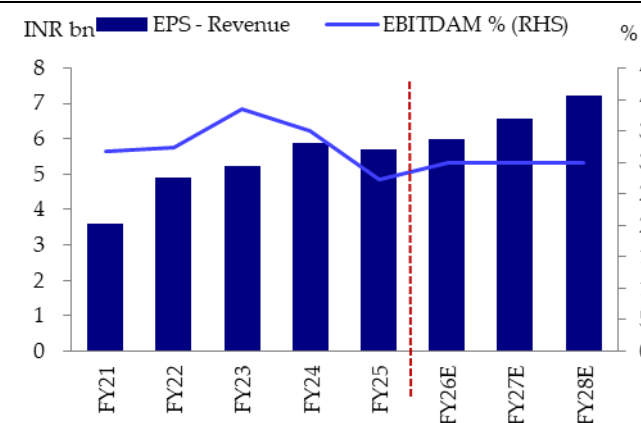
Source: Company, HSIE Research

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



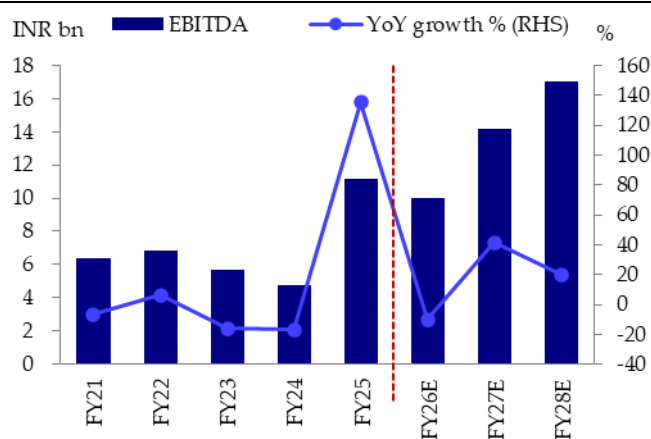
Source: Company, HSIE Research

EPS revenue to grow at 8% CAGR over FY25-28E



Source: Company, HSIE Research

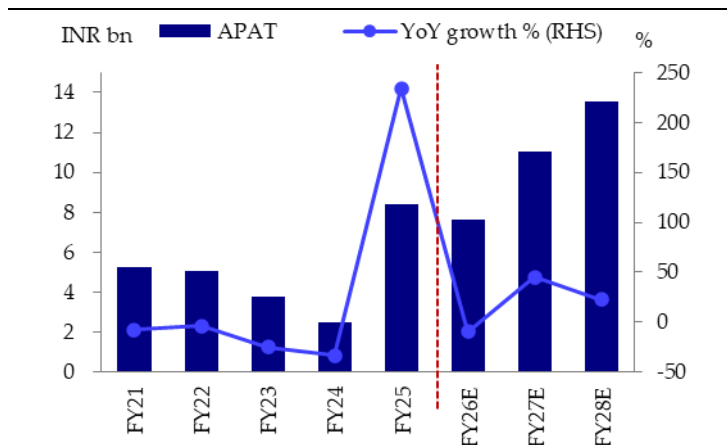
EBITDA to grow at 15% CAGR over FY25-28E



Source: Company, HSIE Research

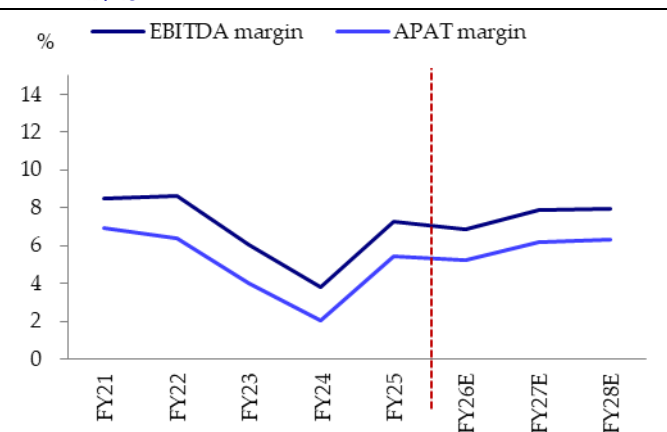
Voltas: Company Update

APAT to grow at 17% CAGR over FY25-28E



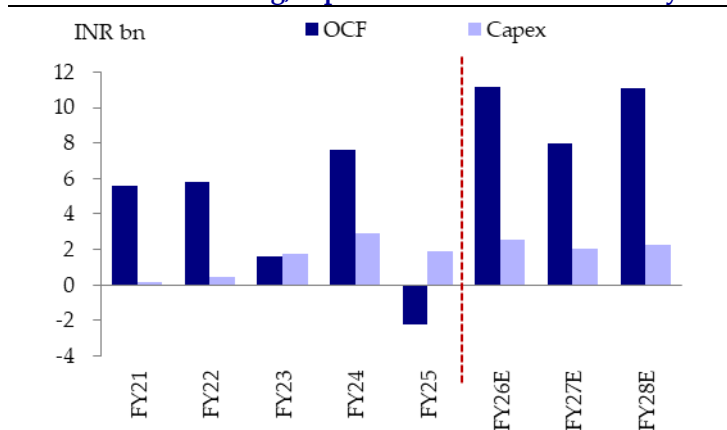
Source: Company, HSIE Research

Margins to decline in FY26E, however, to be improve in FY27/28E



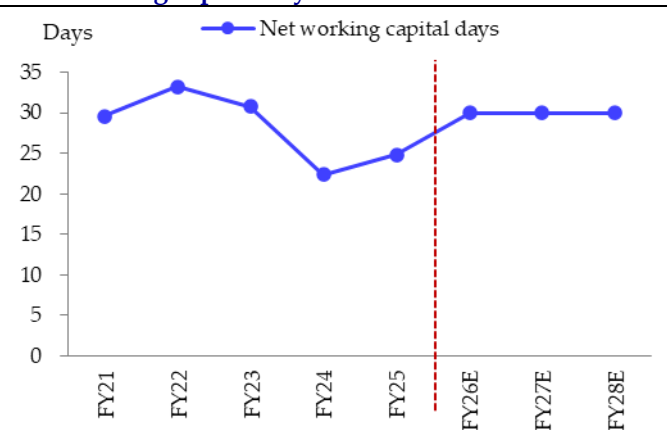
Source: Company, HSIE Research

OCF to remain strong, capex will 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	1,46,497	1,79,953	2,14,554
Growth (%)	19.7	31.4	23.5	(5.0)	22.8	19.2
Material Expenses	73,782	98,140	1,19,604	1,13,535	1,37,664	1,63,061
Employee Expense	6,672	7,788	8,901	9,156	11,247	13,410
Other Expenses	8,810	14,138	14,462	13,764	16,858	21,076
EBITDA	5,724	4,746	11,162	10,042	14,184	17,007
EBITDA Growth (%)	(16.0)	(17.1)	135.2	(10.0)	41.3	19.9
EBITDA Margin (%)	6.0	3.8	7.2	6.9	7.9	7.9
Depreciation	396	476	618	748	890	1,028
EBIT	5,328	4,270	10,544	9,294	13,294	15,979
Other Income (Including EO Items)	1,685	2,533	3,245	3,019	3,451	3,599
Interest	296	559	621	573	503	535
PBT	6,716	6,244	13,168	11,740	16,242	19,043
Total Tax	1,709	2,377	3,565	3,111	4,304	4,856
Profit before JV/Associates/NCI	5,007	3,867	9,603	8,629	11,938	14,187
Share of JV/Associates	(1,207)	(1,386)	(1,260)	(1,018)	(860)	(637)
Non-controlling Interest	12	(39)	(71)	(5)	10	11
Exceptional Gain/ (loss)	(2,438)	-	-	-	-	-
RPAT	1,350	2,520	8,414	7,616	11,068	13,539
Adjusted PAT	3,788	2,520	8,414	7,616	11,068	13,539
APAT Growth (%)	(24.8)	(33.5)	233.9	(9.5)	45.3	22.3
EPS	11.5	7.6	25.4	23.0	33.5	40.9
EPS Growth (%)	(24.8)	(33.5)	233.8	(9.5)	45.3	22.3

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	70,102	77,862	87,432
Total Shareholders Funds	54,521	58,205	65,133	70,433	78,193	87,763
NCI	417	337	271	266	276	287
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	257	419	610
Other Non-Current Liabilities	1,393	1,383	1,656	1,577	1,932	2,299
TOTAL SOURCES OF FUNDS	62,187	67,234	75,832	80,665	88,453	98,091
APPLICATION OF FUNDS						
Net Block	3,611	3,902	8,198	9,883	11,624	12,948
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	471	566	648
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	3,495	4,060	4,614
Total Non-current Assets	37,970	42,698	42,297	44,072	45,991	47,966
Current-Investments	3,072	5,015	3,987	6,987	9,987	12,987
Inventories	15,920	21,354	27,148	24,082	29,581	35,269
Debtors	21,919	24,003	25,115	28,095	34,512	41,147
Cash & Equivalents	7,084	8,523	6,782	9,232	8,167	9,229
Other Current Assets	16,471	18,352	25,747	23,594	28,082	32,409
Total Current Assets	64,465	77,246	88,779	91,989	1,10,329	1,31,042
Creditors	30,126	37,755	38,928	40,136	49,302	58,782
Other Current Liabilities & Provns	10,121	14,956	16,317	15,260	18,565	22,134
Total Current Liabilities	40,247	52,711	55,245	55,396	67,867	80,916
Net Current Assets	24,218	24,536	33,534	36,593	42,462	50,125
TOTAL APPLICATION OF FUNDS	62,187	67,234	75,832	80,665	88,453	98,091

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	10,722	15,382	18,406
Non-operating & EO Items	884	3,036	(1,349)	(151)	(535)	(416)
Interest Expenses	296	559	621	573	503	535
Depreciation	396	476	618	748	890	1,028
Working Capital Change	(3,836)	801	(10,932)	2,396	(3,956)	(3,625)
Tax Paid	(1,656)	(2,115)	(3,107)	(3,111)	(4,304)	(4,856)
OPERATING CASH FLOW (a)	1,594	7,615	(2,241)	11,176	7,981	11,073
Capex	(1,774)	(2,883)	(1,907)	(2,550)	(2,050)	(2,250)
Free Cash Flow (FCF)	(181)	4,732	(4,149)	8,626	5,931	8,823
Investments	253	(3,176)	2,178	(3,000)	(3,000)	(3,000)
Non-operating Income	450	549	955	427	438	370
Others	255	286	354	-	-	-
INVESTING CASH FLOW (b)	(816)	(5,224)	1,579	(5,123)	(4,612)	(4,880)
Debt Issuance/(Repaid)	2,728	974	1,500	(500)	(500)	(500)
Interest Expenses	(284)	(555)	(610)	(573)	(503)	(535)
FCFE	2,263	5,150	(3,259)	7,554	4,927	7,788
Share Capital Issuance	-	-	-	-	-	-
Dividend	(1,829)	(1,432)	(1,820)	(2,315)	(3,308)	(3,969)
Others	(65)	(149)	(67)	(216)	(122)	(126)
FINANCING CASH FLOW (c)	550	(1,163)	(997)	(3,604)	(4,433)	(5,130)
NET CASH FLOW (a+b+c)	1,328	1,228	(1,659)	2,449	(1,065)	1,062
EO Items, Others	-	-	-	-	-	-
Closing Cash & Equivalents	6,927	8,153	6,498	8,947	7,883	8,945

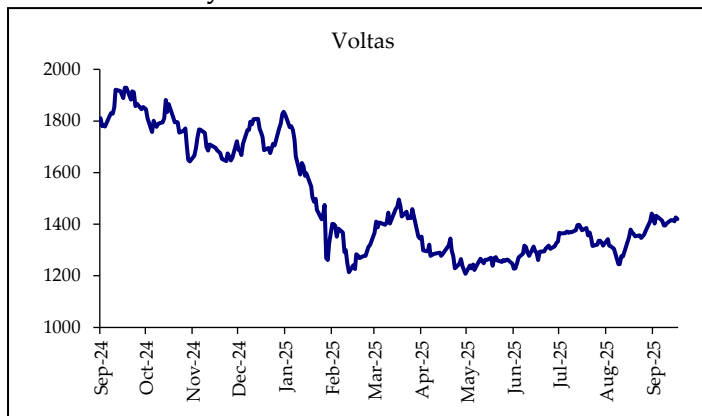
Source: Company, HSIE Research

Key Ratios

Year end march	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)						
GPM	22.3	21.4	22.4	22.5	23.5	24.0
EBITDA Margin (%)	6.0	3.8	7.2	6.9	7.9	7.9
EBIT Margin	5.6	3.4	6.8	6.3	7.4	7.4
PBT Margin	7.1	5.0	8.5	8.0	9.0	8.9
APAT Margin	4.0	2.0	5.5	5.2	6.2	6.3
RoE	6.9	4.4	13.6	11.2	14.8	16.3
RoIC (or Core RoCE)	8.0	5.1	13.3	10.9	15.0	16.9
RoCE	11.7	10.7	19.7	16.1	20.3	21.6
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	11.5	11.9	12.2
Inventory (days)	63	62	64	60	60	60
Debtors (days)	83	70	59	70	70	70
Other Current Assets (days)	53	54	61	59	57	55
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	51	49	47
Net D/E (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)
Interest Coverage (x)	18.0	7.6	17.0	16.2	26.4	29.9
PER SHARE DATA (Rs)						
EPS	11.5	7.6	25.4	23.0	33.5	40.9
CEPS	12.7	9.1	27.3	25.3	36.2	44.0
Dividend	4.3	5.5	7.0	10.0	12.0	14.0
Book Value	164.8	176.0	196.9	212.9	236.4	265.3
VALUATION						
P/E (x)	124.0	186.4	55.8	61.7	42.4	34.7
P/BV (x)	8.6	8.1	7.2	6.7	6.0	5.4
EV/EBITDA (x)	81.4	97.6	41.9	46.0	32.4	26.7
EV/Revenues (x)	4.9	3.7	3.0	3.2	2.6	2.1
OCF/EV (%)	0.3	1.6	(0.5)	2.4	1.7	2.4
FCF/EV (%)	(0.0)	1.0	(0.9)	1.9	1.3	1.9
FCFE/Mkt Cap (%)	0.5	1.1	(0.7)	1.6	1.0	1.7
Dividend Yield (%)	0.3	0.4	0.5	0.7	0.8	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:

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HDFC Securities**Institutional Equities**

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