

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR1,223 TP: INR1,600 (+31%) Buy

UCP margin higher; near-term growth outlook challenging

Late-season demand likely to bridge the earlier gaps

- Voltas (VOLT)'s 4QFY25 performance was in line with our estimates. Total revenue grew ~13% YoY to INR47.7b, aided by ~17% YoY growth in the UCP segment. EBITDA surged ~75% YoY to INR3.3b and OPM jumped 2.5pp YoY to 7.0%. PAT grew 2.3x YoY to INR2.4b.
- Management indicated that margin improvement in the UCP segment was led by better product mix and higher demand for large-capacity/energy-efficient products, which enjoy slightly better margins. The unseasonal rains in a few parts of the country hit secondary sales in the initial few days (30-40 days) of the summer season. An extended summer season is anticipated, which should help make up for the volume lost in the last few days. In FY25, VOLT's UCP volume grew ~37% YoY. It projects double-digit growth in FY26.
- We broadly retain our EPS for FY26E/FY27E. However, we cut our valuation multiple for the UCP segment to 45x FY27E EPS (from 50x), reflecting uncertainty surrounding the summer season. **Reiterate BUY with a revised SoTP-based TP of INR1,600 (earlier INR1,710).**

UCP's EBIT margin beat estimates; RAC market share at ~19% YTD

- VOLT's consol. revenue/EBITDA/PAT stood at INR47.7b/INR3.3b/ INR2.4b (up 13%/75%/2.3x YoY and in line) in 4QFY25. Depreciation/interest costs grew 19%/12% YoY, whereas 'other income' rose 46% YoY.
- Segmental highlights: a) **UCP** – revenue grew 17% YoY to INR34.6b, and EBIT increased 27% YoY to INR3.4b. EBIT margin was up 80bp YoY to 10.0%; b) **EMPS** – revenue rose 4% YoY to INR11.4b. It reported a loss of INR17m vs. a loss of INR1.1b in 4QFY24; c) **PES** – revenue declined 16% YoY to INR1.3b, and EBIT was down 29% YoY to INR341m. EBIT margin dipped 4.8pp YoY to ~26%.
- In FY25, revenue/EBITDA/Adj. PAT stood at INR154.1b/11.2b/8.4b (up 23%/135%/252% YoY). The UCP/EMPS segments' revenue grew 30%/13% YoY to INR106.1b/INR41.6b, whereas the PES segment's revenue declined ~3% YoY to INR5.7b. UCP's EBIT grew 29% YoY to INR8.9b, while EBIT margin was flat YoY at 8.4%. Operating cash outflow stood at INR2.24b vs. OCF of 7.6b in FY24, led by a surge in working capital. Capex stood at INR2.1b vs. INR2.9b in FY24. Net cash outflow was INR4.3b vs. net cash inflow of INR4.7b in FY24.

Highlights from the management commentary

- Sales volume of RAC was 2.5m+ units in FY25. During FY25, the primary volume growth for UCP was ~36% YoY, and it maintained a YTD market share of ~19%.
- It recorded the highest-ever sales of air coolers in FY25, with volume rising 70%+ YoY to 0.5m+ units. VOLT achieved 8.5% market share in this category.
- Management is not planning for any price hikes in the RAC category immediately. However, it will take appropriate action as the situation demands.

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	404.7 / 4.7
52-Week Range (INR)	1946 / 1135
1, 6, 12 Rel. Per (%)	-15/-31/-16
12M Avg Val (INR M)	2924
Free float (%)	69.7

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	154.1	172.4	194.0
EBITDA	11.2	13.7	16.5
Adj. PAT	8.4	10.3	12.9
EBITA Margin (%)	7.2	8.0	8.5
Cons. Adj. EPS (INR)	25.4	31.0	38.9
EPS Gr. (%)	251.5	22.0	25.6
BV/Sh. (INR)	196.9	221.6	252.7

Ratios

Net D:E	0.0	(0.0)	(0.1)
RoE (%)	12.9	14.0	15.4
RoCE (%)	13.6	14.4	15.1
Payout (%)	25.0	25.0	25.0

Valuations

P/E (x)	48.1	39.5	31.4
P/BV (x)	6.2	5.5	4.8
EV/EBITDA (x)	36.5	29.4	24.1
Div Yield (%)	0.5	0.6	0.8
FCF Yield (%)	(1.1)	1.8	2.2

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	30.3	30.3	30.3
DII	33.2	34.6	40.6
FII	22.0	21.3	14.7
Others	14.5	13.8	14.4

FII Includes depository receipts

Valuation and view

- VOLT reported a strong performance in FY25 with strong growth in the UCP segment and healthy margins. The company retains leadership in RAC with ~19% market share and benefits from the ramp-up of its Chennai facility. However, increased competition and seasonality concerns warrant caution. The demand tailwind from the anticipated extended summer should be closely monitored for stock performance.
 - We expect VOLT's revenue/EBITDA/adj. PAT to report a CAGR of 12%/22%/24% over FY25-27. We estimate OPM to be at 8.0%/8.5% in FY26/FY27 vs. 7.2% in FY25. We estimate UCP's margin at 8.8%/9.0% for FY26E/27E vs. 8.4% in FY25. We have revised the valuation multiple for the UCP segment downward to 45x FY27E EPS (from 50x), reflecting uncertainty surrounding the summer season.
- Reiterate BUY with a revised SoTP-based TP of INR1,600 (earlier INR1,710).**

Quarterly performance

Y/E March	FY24				FY25				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY24	FY25	MOFSL	Var.
Sales	33,599	22,928	26,257	42,029	49,210	26,191	31,051	47,676	1,24,812	1,54,128	48,940	(3)
Change (%)	21.4	29.7	30.9	42.1	46.5	14.2	18.3	13.4	31.4	23.5	16.4	
Adj. EBITDA	1,854	703	284	1,906	4,238	1,622	1,974	3,328	4,746	11,162	3,411	(2)
Change (%)	4.7	-30.3	-62.8	(12.6)	128.6	130.8	594.5	74.6	(17.1)	135.2	79.0	
Adj. EBITDA margin (%)	5.5	3.1	1.1	4.5	8.6	6.2	6.4	7.0	3.8	7.2	7.0	1
Depreciation	113	117	128	118	134	164	179	141	476	618	183	(23)
Interest	101	115	135	208	98	136	155	233	559	621	162	44
Other Income	700	710	579	544	803	1,055	591	797	2,533	3,245	684	16
Extra-ordinary items	0	0	0	-	0	0	0	-	0	0	0	
PBT	2,339	1,181	599	2,124	4,809	2,377	2,231	3,751	6,244	13,168	3,750	0
Tax	735	493	515	634	1,165	726	599	1,075	2,377	3,565	999	8
Effective Tax Rate (%)	31.4	41.7	85.9	29.9	24.2	30.5	26.8	28.7	38.1	27.1	26.6	
Share of profit of associates/JV's	(312)	(321)	(389)	(325)	(294)	(323)	(324)	(320)	(1,347)	(1,260)	-314	2
Reported PAT	1,293	367	-304	1,164	3,350	1,328	1,308	2,357	2,520	8,343	2,437	(3)
Change (%)	18.7	NM	NM	(19.1)	159.1	262.1	NA	102.4	86.7	231.1	109.3	
Minority Interest	1	(10)	28	(58)	8	(12)	(14)	(53)	(39)	(71)	-21	
Adj. PAT	1,293	367	-304	1,038	3,342	1,340	1,321	2,410	2,394	8,414	2,458	(2)
Change (%)	18.7	-62.9	NM	(27.9)	158.5	265.3	NM	132.2	-36.8	251.5	137	

Note: 4QFY24 and FY24 Adj. PAT is after adjusting tax related to earlier period

Segmental revenue (INR m)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY24	FY25	4QE	Var. (%)
EMP & Services	6,791	9,242	9,819	10,979	9,491	8,799	11,902	11,375	36,830	41,568	11,933	(5)
Engineering products and services	1,423	1,344	1,548	1,564	1,608	1,467	1,297	1,321	5,879	5,693	1,508	(12)
Unitary cooling business	25,140	12,088	14,826	29,551	38,022	15,822	17,711	34,584	81,605	1,06,139	35,315	(2)
Others	245	253	65	-65	89	103	141	395	498	728	185	114
Total	33,599	22,928	26,257	42,029	49,210	26,191	31,051	47,676	1,24,812	1,54,128	48,940	(3)
Segment PBIT												
EMP & Services	(519)	(490)	(1,200)	(1,077)	675	462	567	(17)	(3,285)	1,686	571	(103)
Engineering products and services	541	539	499	478	448	396	368	341	2,057	1,553	434	(21)
Unitary cooling business	2,073	928	1,229	2,704	3,270	1,162	1,043	3,448	6,935	8,923	2,647	30
Total PBIT	2,096	977	528	2,105	4,394	2,020	1,978	3,771	5,707	12,163	3,652	3
Segment PBIT (%)												
EMP & Services (%)	(7.6)	(5.3)	(12.2)	(9.8)	7.1	5.2	4.8	(0.2)	(8.9)	4.1	4.8	(494)
Engineering products and services (%)	38.0	40.1	32.2	30.6	27.9	27.0	28.4	25.8	35.0	27.3	28.8	(298)
Unitary cooling business (%)	8.2	7.7	8.3	9.2	8.6	7.3	5.9	10.0	8.5	8.4	7.5	247
Total PBIT (%)	6.2	4.3	2.0	5.0	8.9	7.7	6.4	7.9	4.6	7.9	7.5	45



Highlights from the management commentary

Macro trends

- The global economy is weakening due to the US tariffs and retaliatory measures by other nations, raising uncertainty and inflation risks. This environment is expected to reduce investment and consumer confidence. Though India may not be directly hit, it could suffer from spillover effects due to slowdowns in the US and China, compounded by Indo-Pak tensions. Global growth forecasts for 2025 and 2026 have been revised downward, falling below historical averages.
- In India, the economy continued to grow, driven by strong performance in the services and agricultural sectors. However, inflationary pressures, particularly in food prices, posed challenges, leading to a cautious monetary policy stance by the RBI. Despite global uncertainties, India's economic fundamentals remain strong, positioning it as a key player in the global economic landscape.

Unitary Cooling Products (UCP)

- Sales volume of RAC was 2.5m+ units in FY25. In FY25, primary volume growth for the UCP category was ~36% YoY, and it maintained a YTD market share of ~19%. The company also recorded the highest-ever sales of air coolers, with volumes increasing 70%+ YoY to 0.5m+ units in FY25. The company achieved 8.5% market share in this category.
- Unseasonal rains in a few parts of the country affected secondary sales in the initial few days (30-40 days) of the summer season. There is an expectation of an extended summer season, which should help to make up for the volume lost in the last few days.
- Increasing number of players in the RAC category (~60-65 players) is making it difficult to maintain market share, which was seen earlier (23-24%). However, there remains a significant gap between No. 1 & No. 2 players.
- The Commercial Refrigeration (CR) segment had encountered challenges due to inventory liquidation and lower customer capital expenditures, which affected margins in FY25. With a slowdown during the year, production ramp-up for the new factory was not as planned, and this also resulted in higher costs.

- The Commercial Air Conditioning (CAC) vertical recorded steady performance driven by higher sales of Chillers, VRF, Light Commercial ACs, Ducted, and packaged ACs.
- Better product-mix, like larger size/industrial coolers; higher energy-efficient products in RAC and volume growth in CAC, helped margin improvement for the UCP segment.
- Growth prospects in the CAC and CR categories look good. There were some challenges in demand for CR due to quality check norms and rising RM costs during FY25; however, there seems to be an improvement in demand for this category. CR should continue to grow at 15%+ YoY. In the CR category, volume growth was 19-20% YoY in 4QFY25, though the profitability was muted.
- The company is not planning for any price hike for RAC as of now.
- Ramp-up of Chennai plant is on track and as per the company's plans. This factory has helped to cater to the increased demand and balance the supply chain, particularly in the South and West markets. It is further planning to scale up its capacity, mainly at this plant, which is fully backward-integrated.

Electro-Mechanical Projects and Services

- Project execution across verticals and geographies was sturdy during the quarter as well as the full year FY25. Focus on completion certification and various project management initiatives continues to boost bottom-line growth.
- In domestic business, it faced certain challenges in collections in certain projects, while it is relatively optimistic about recovery in subsequent quarters. In the International Projects business, performance is driven by projects in the UAE and Saudi Arabia.
- For the project business, it continues to focus on the efficient execution of existing ongoing projects, including the collection of due receivables within the contractual timelines, to minimize the company's exposure. As of 31st Mar'25, the total carried forward order book for the segment was +INR65.0b.
- VOLT has made a provision of ~INR400m in the international project business, which affected the margin of the project business. These provisions are for expected credit loss as per the timeline of the project.
- Demand notice of ~INR250m from customs was for copper tubes. This would have happened as the company is also procuring copper from countries where duty-free agreements are there from the government side. It is still examining this order.

PES segment

- The Mining and Construction Equipment vertical showed positive momentum on the top line, ensuring continuity in operations and maintenance jobs, as well as sales of power screen machines. However, the revenue mix and challenges in job renewals at sustained margins limited the ability to translate topline growth into bottom-line growth. Going forward, the expected increase in coal production in both Mozambique and India is expected to enhance business opportunities with existing contracts.
- In the Textile Machinery Division, geopolitical issues in Europe and China, political unrest in Bangladesh, and supply chain disruptions in textiles caused major challenges globally for the industry. Stagnant yarn prices also impacted

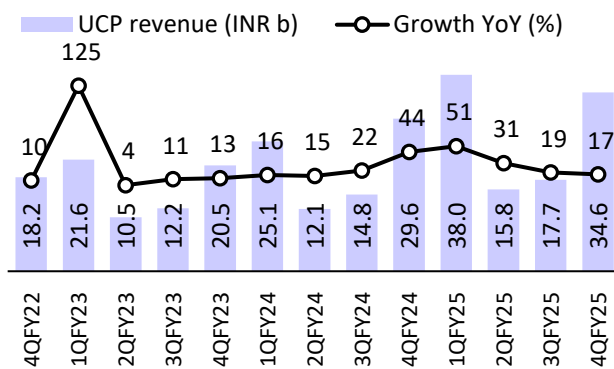
the business. These dynamics led to low capital expenditure across the sector during the year, resulting in underperformance and a revenue decline for the vertical.

- Demand and margins for its agency business remained under pressure throughout the year. However, its aftersales and post-spinning business showed positive performance. With a focus on growing presence and reach in the spinning machinery, post-spinning, and after-sales divisions, and enhancing service delivery, it is putting efforts into navigating the headwinds in the business.

Voltas Beko

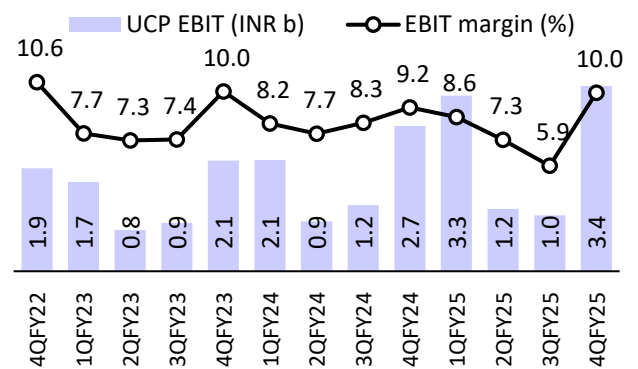
- Voltas Beko recorded sales of over 1m refrigerators and washing machines and established itself as the fastest growing home appliances brand in the country. Overall, Voltas Beko recorded 57%+ YoY volume growth despite only single-digit growth in washing machines and negligible growth in refrigerators for the industry. As of YTD Feb'25; its market share improved to 8.7% for Washing Machines and 5.3% for Refrigerators. Semi-Automatic Washing Machines became the 2nd largest player in the product category with a YTD market share of 15.3%.

Exhibit 1: UCP's revenue up 17% YoY



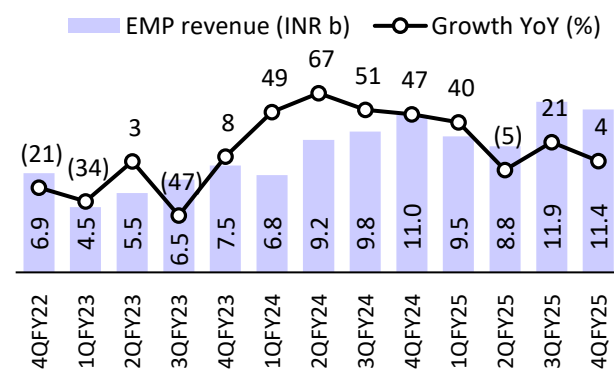
Source: MOFSL, Company

Exhibit 2: UCP's EBIT margin up 80bpYoY to 10.0%



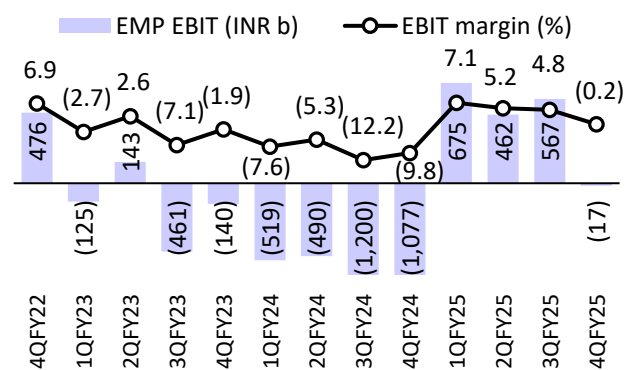
Source: MOFSL, Company

Exhibit 3: EMPS' revenue up 4% YoY



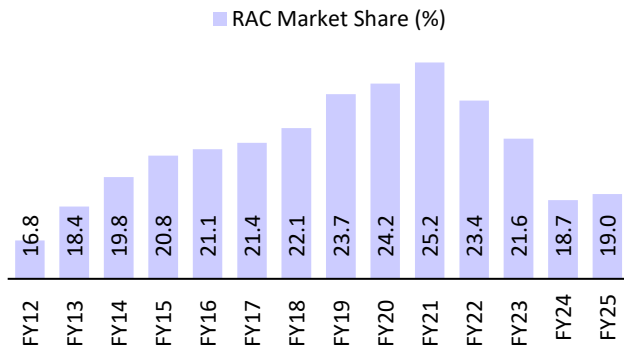
Source: MOFSL, Company

Exhibit 4: EMPS segment reported a loss



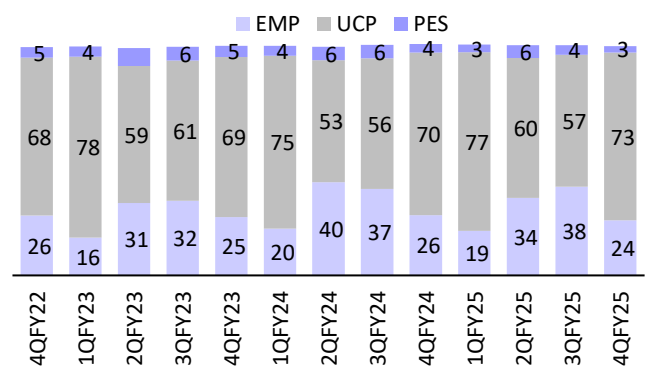
Source: MOFSL, Company

Exhibit 5: VOLT's market share in the RAC segment



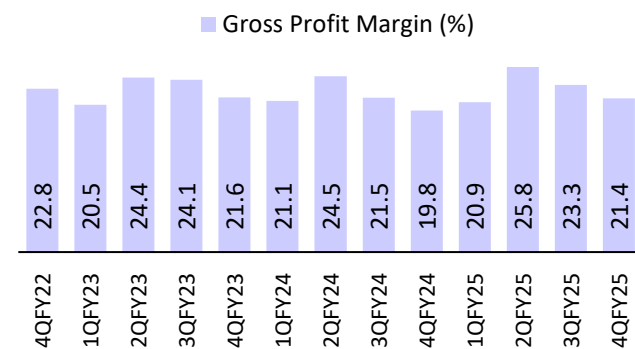
Source: MOFSL, Company; Note: market share YTD

Exhibit 6: UCP contributed 73% to revenue vs. 70% in 4QFY24



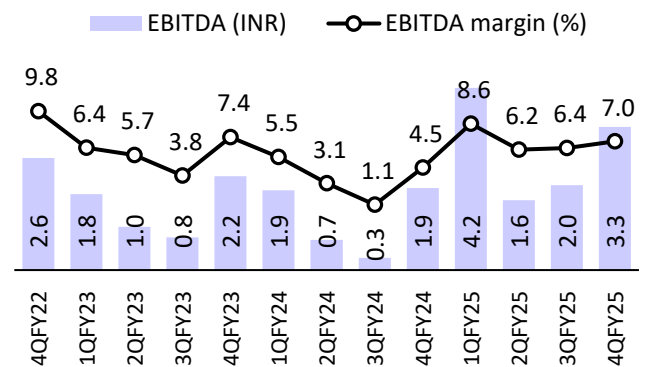
Source: MOFSL, Company

Exhibit 7: Gross margin up 1.7pp YoY to 21.4% in 4QFY25



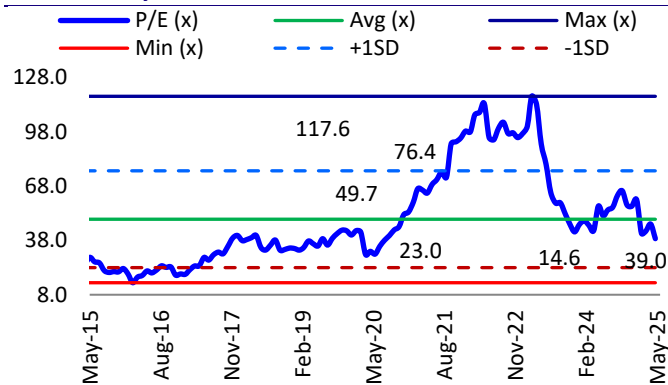
Source: MOFSL, Company

Exhibit 8: EBITDA margin up 75bp YoY to 7.0%



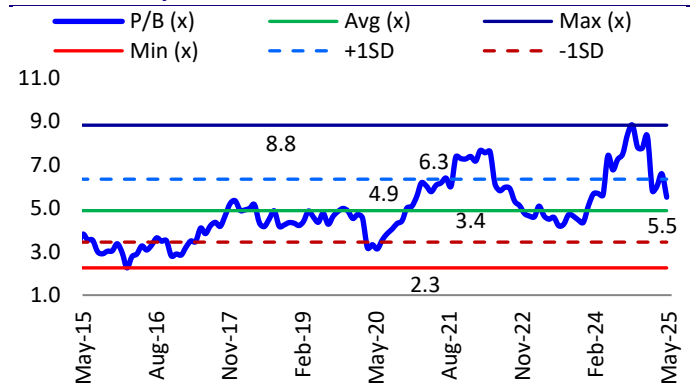
Source: MOFSL, Company

Exhibit 9: 1-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: 1-year forward P/B chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement						(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Revenues	75,558	79,345	94,988	1,24,812	1,54,128	1,72,411	1,93,979
Change (%)	-1.3	5.0	19.7	31.4	23.5	11.9	12.5
EBITDA	6,414	6,816	5,724	4,746	11,162	13,729	16,550
% of Total Revenues	8.5	8.6	6.0	3.8	7.2	8.0	8.5
Other Income	1,889	1,892	1,685	2,533	3,245	3,168	3,340
Depreciation	339	373	396	476	618	802	910
Interest	262	259	296	559	621	600	550
Exceptional Items	0	0	-2,438	0	0	0	0
PBT	7,702	8,076	4,278	6,244	13,168	15,495	18,430
Tax	1,804	1,913	1,709	2,377	3,565	4,184	4,976
Rate (%)	23.4	23.7	40.0	38.1	27.1	27.0	27.0
PAT	5,898	6,163	2,569	3,867	9,603	11,312	13,454
Change (%)	0.0	4.5	-58.3	50.6	148.3	17.8	18.9
Profit/(Loss) share of associates/JVs	-610	-1,103	-1,207	-1,386	-1,260	-1,121	-640
Minority interest (MI)	37	19	12	-39	-71	-71	-71
PAT after MI	5,251	5,041	1,350	2,520	8,414	10,261	12,884
Change (%)	1.5	-4.0	-73.2	86.7	233.9	22.0	25.6
Adj. PAT after MI	5,251	5,041	3,788	2,394	8,414	10,261	12,884
Change (%)	-5.1	-4.0	-24.8	-36.8	251.5	22.0	25.6

Balance Sheet							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	331	331	331	331	331	331	331
Reserves	49,603	54,665	54,190	57,874	64,802	72,959	83,278
Net Worth	49,934	54,996	54,521	58,205	65,133	73,290	83,609
Minority Interest	361	381	417	337	271	200	129
Loans	2,606	3,432	6,160	7,133	8,633	8,133	7,633
Deferred Tax Liability	-558	-317	-303	176	140	140	140
Capital Employed	52,343	58,492	60,794	65,851	74,176	81,762	91,510
Gross Fixed Assets	6,690	7,020	8,826	9,533	14,408	16,231	18,731
Less: Depreciation	3,534	3,906	4,302	4,778	5,396	6,198	7,108
Net Fixed Assets	3,157	3,114	4,524	4,754	9,012	10,033	11,623
Capital WIP	88	593	983	3,675	824	1,500	1,500
Investments	30,464	36,154	31,086	35,083	32,432	32,311	32,670
Goodwill	723	723	723	723	723	723	723
Curr. Assets	51,565	56,440	65,119	75,709	88,086	1,00,846	1,16,607
Inventory	12,796	16,614	15,920	21,354	27,148	30,369	34,167
Debtors	18,009	21,097	21,919	25,328	25,115	28,094	31,608
Cash & Bank Balance	4,588	5,717	7,084	8,523	6,782	9,898	14,282
Loans & Advances	23	32	6	13	11	12	14
Other current assets	16,149	12,981	20,191	20,491	29,030	32,473	36,536
Current Liab. & Prov.	33,654	38,532	41,640	54,093	56,901	63,651	71,613
Creditors	24,645	29,421	30,126	38,557	38,928	43,546	48,993
Other Liabilities	9,009	9,111	11,514	15,536	17,973	20,105	22,620
Net Current Assets	17,911	17,908	23,479	21,616	31,185	37,195	44,994
Application of Funds	52,343	58,492	60,794	65,851	74,176	81,762	91,510

Financials and valuations (Consolidated)

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
Adj EPS	15.9	15.2	11.5	7.2	25.4	31.0	38.9
Cash EPS	16.9	16.4	12.6	8.7	27.3	33.4	41.7
Book Value	150.9	166.3	164.8	176.0	196.9	221.6	252.7
DPS	5.0	5.5	4.3	2.2	6.4	7.8	9.7
Payout (incl. Div. Tax.)	31.5	36.1	37.1	30.0	25.0	25.0	25.0
Valuation (x)							
P/E	77.1	80.3	106.9	169.2	48.1	39.5	31.4
Cash P/E	72.4	74.8	96.8	141.1	44.8	36.6	29.4
EV/EBITDA	62.8	59.1	70.6	85.0	36.5	29.4	24.1
EV/Sales	5.3	5.1	4.3	3.2	2.6	2.3	2.1
Price/Book Value	8.1	7.4	7.4	7.0	6.2	5.5	4.8
Dividend Yield (%)	0.4	0.4	0.3	0.2	0.5	0.6	0.8
Profitability Ratios (%)							
RoE	10.5	9.2	6.9	4.1	12.9	14.0	15.4
RoCE	11.6	10.9	6.9	6.4	13.6	14.4	15.1
RoIC	26.9	29.6	14.1	11.9	22.0	23.9	25.6
Turnover Ratios							
Debtors (Days)	87	97	84	74	59	59	59
Inventory (Days)	62	76	61	62	64	64	64
Creditors. (Days)	119	135	116	113	92	92	92
Asset Turnover (x)	1.4	1.4	1.6	1.9	2.1	2.1	2.1
Leverage Ratio							
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.1)

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT before EO Items	7,735	5,610	7,787	10,207	13,488	15,495	18,430
Add : Depreciation	339	3,726	396	476	618	802	910
Interest	262	259	296	559	621	600	550
Less : Direct Taxes Paid	(693)	(2,169)	(1,656)	(2,115)	(3,107)	(4,184)	(4,976)
(Inc)/Dec in WC	(1,580)	(438)	(3,836)	801	(10,932)	(2,895)	(3,415)
CF from Operations	6,063	6,988	2,987	9,928	688	9,819	11,499
Others	(502)	(1,145)	(1,393)	(2,312)	(2,929)	-	-
CF from Oper. Incl. EO Items	5,561	5,842	1,594	7,615	(2,241)	9,819	11,499
(Inc)/Dec in FA	(208)	(482)	(1,799)	(2,931)	(2,082)	(2,500)	(2,500)
Free Cash Flow	5,353	5,361	(206)	4,685	(4,323)	7,319	8,999
Investment in liquid assets	(2,645)	(3,165)	983	(2,293)	3,661	(1,000)	(1,000)
CF from Investments	(2,853)	(3,646)	(816)	(5,224)	1,579	(3,500)	(3,500)
(Inc)/Dec in Debt	425	918	2,728	974	1,500	(500)	(500)
Less : Interest Paid	(271)	(312)	(349)	(493)	(759)	(600)	(550)
Dividend Paid	(1,358)	(1,676)	(1,829)	(1,432)	(1,820)	(2,103)	(2,565)
CF from Fin. Activity	(1,204)	(1,070)	550	(952)	(1,079)	(3,203)	(3,615)
Inc/Dec of Cash	1,504	1,126	1,328	1,439	(1,741)	3,116	4,384
Add: Beginning Balance	3,084	4,591	5,756	7,084	8,523	6,782	9,898
Closing Balance	4,588	5,717	7,084	8,523	6,782	9,898	14,282

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