

May 08, 2024

RESULT REPORT Q4 FY24 | Sector: Consumer Durables

Voltas Ltd

Headwinds in projects business to recede, RAC to outshine; upgrade to ADD

Result Synopsis

Voltas has delivered better than expected revenue growth with UCP growing by 44% (higher than peers like BLSTR and Lloyd) and EMPS segment growing 47% on improved execution as order backlog continues to be robust. Voltas has outperformed industry in terms of revenue growth in UCP. It's YTD market share of 18.7% is expected to improve in Q1 as secondary sales will be higher in Q1 and will track primary sales. RAC margins at 10% continues to remain leading margins, segment margins are lower as commercial Ac and refrigeration margins were impacted on higher RM prices. Volt-Bek continues to see strong traction with washing machine and refrigerator market share standing at ~8% and 4% respectively. The projects business continues to be marred by provisioning related to international geography (QATAR) arising out of delay in collections and costs overrun. The company has provided for most of the cost overruns and FY25 will start on clean slate. On the positive side order book continues to remain robust. We now become positive on the stock and upgrade the stock to ADD rating as 1) Company will focus on volumes with margins at ~10%, 2) Provisioning in project business is largely done with and robust order-book tilted towards domestic projects will give an edge; 3) Volt-Bek to continue with strong revenue growth and 4) Commissioning of new plant for RAC and commercial AC will aid in increased efficiency.

Voltas being a market leader with solid distribution presence and increasing product offerings on the commercial refrigeration and RAC segments should see growth improving. Q4 has seen improved performance with outperformance on RAC front with strong volume growth. Volt-Bek JV has started gaining prominence in the market and localized production is expected to increase efficiency and bring down losses. Management is guiding for 4-5% margins in the project business as provisioning is largely done with. We now factor in strong RAC revenue growth in FY25 with margins of 9%. We have increased our multiple in the products business (UCP) to 60x as company is focusing on volume growth without significantly compromising on the margins and value projects business at 30x (in line with peers) resulting in SoTp based PT of Rs1,538 with ADD rating. We see strong momentum for RAC continuing in the upcoming summer season and steady improvement in project business.

Result Highlights

- Quarter summary** – Voltas delivered 14% beat on revenue growth with revenue growing 42.1% yoy. UCP registered revenue growth of 44.2%, EMPS (Electromechanical Projects and services) registered growth of 47.2%, while EPS (Engineering product and services) saw growth of 9.8%.
- UCP** –: Revenue grew 44.2% yoy. UCP business has outperformed industry and peers. Volumes in its RAC segment grew by 35% for FY24. Its market share in RAC stood at 18.7% as on YTD March'24.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	42,029	36,849	38,280	14.1	6.8	Voltas's EBITDA miss is on back of provisioning it had to undertake due to delayed collection.
EBITDA	1,906	2,396	2,610	-20.4	-72.7	
EBITDA Margin (%)	4.5	6.5	6.8	-200 bps	-230 bps	
Adjusted PAT	1,106	1,873	2,080	-40.9	-46.8	

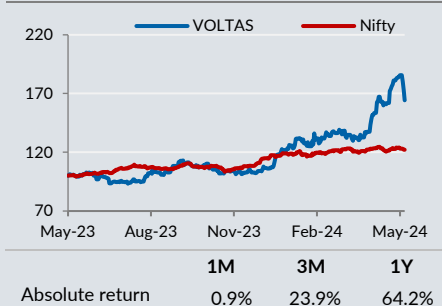
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 1,323
Target Price	: Rs 1,538
Potential Return	: +16.3%

Stock data (as on May 08, 2024)

Nifty	22,303
52 Week h/l (Rs)	1502 / 745
Market cap (Rs/USD mn)	459665 / 5508
Outstanding Shares (mn)	331
6m Avg t/o (Rs mn):	1,643
Div yield (%)	0.3
Bloomberg code:	VOLT IN
NSE code:	VOLTAS

Stock performance



Shareholding pattern (As of Jun'23 end)

Promoter	30.3%
FII+DII	55.3%
Others	14.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	1,538	1,178

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	25.5	31.6
EPS (Old)	22.4	28.3
% change	13.8%	11.7%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	124,812	147,137	160,350
YoY Growth	31.4%	17.9%	9.0%
EBITDA	4,746	10,536	11,803
YoY Growth	-17.1	122.0	12.0
PAT	2,481	8,426	10,441
YoY Growth	-34.7%	239.6%	23.9%
ROE	4.4	13.7	15.3
EPS	7.5	25.5	31.6
P/E	176.4	51.9	41.9
BV	176.0	195.2	216.3
EV/EBITDA	92.0	41.1	36.2

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- **EMPS-** Revenue grew 47.2% yoy on improved execution and robust order book. The company has registered EBIT loss of Rs1077mn. EBIT loss is on account of provision made due to delay in collection.
- **Volt-Bek** – Voltas beko continues to see strong traction. Its market share in washing machine stands at ~8%. Expansion in distribution reach and new launches is helping the company to grow at the rapid pace. Company is looking to launch large capacity refrigerators and is on track to achieve its said objective of 10% share

Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	y/y %	q/q %	FY24	FY23	y/y %
Sales	29,568	33,599	22,928	26,257	42,029	42.1	60.1	124,812	94,987	31.4
EBITDA	2182	1854	703	284	1906	-12.6	570.6	4,746	5,724	-17.1
EBITDA Margin %	7.4	5.5	3.1	1.1	4.5			3.8	6.0	
Depreciation	103.8	112.6	116.8	128.4	118.1	13.8	-8.0	476	396	20.1
EBIT	2078	1741	586	156	1788	-14.0	1,047.4	4,270	5,327	-19.8
EBIT Margin %	7.0	5.2	2.6	0.6	4.3			3.4	5.6	
Interest charges	124	101	115	135	208	67.1	53.7	559	296	88.8
Other Income	467	700	710	579	544	16.6	-6.0	2,533	1,685	50.3
PBT	2138	2029	850	239	1741	-18.6	629.9	4,858	3,071	58.2
Tax	706	735	493	515	634	-10.2	23.3	2,377	1,709	39.1
Effective Tax Rate (%)	33.0	36.2	58.0	215.7	36.4			48.9	55.7	
PAT	1432	1294	357	-276	1106	-22.8	-500.9	2,481	1,362	82.2
PAT Margin %	4.8	3.9	1.6	-1.1	2.6			2.0	1.4	
EPS (Rs)	4.3	3.9	1.1	-0.8	3.3	-22.8	-500.9	7.5	4.1	82.2

Source: Company, YES Sec

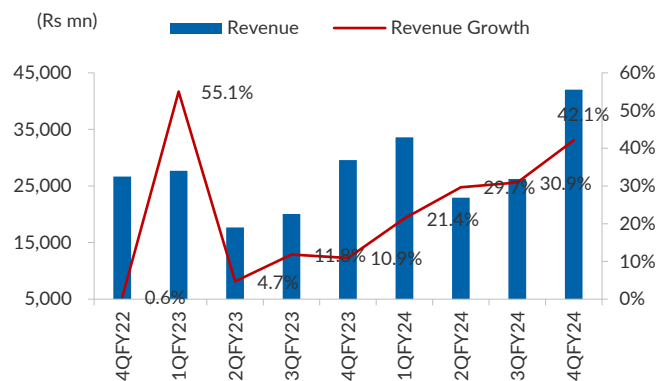
Exhibit 3: Segmental Performance

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
EMPS	7,458	6,791	9,242	9,819	10,979	47.2	11.8	36,830	24,029	53.3
EPS	1,424	1,423	1,344	1,548	1,564	9.8	1.0	5,879	5,220	12.6
UCP	20,486	25,140	12,088	14,756	29,551	44.2	100.3	81,535	64,745	25.9
Less: Intersegment	0	0	0	0	171	NM	NM	171	0	
Income from operations	29,368	33,353	22,674	26,123	41,923	42.8	60.5	124,244	93,994	32.2
PBIT										
EMPS	(140)	(519)	(490)	(1,200)	(1,077)	668.7	-10.2	-3,285	-582	464.1
EPS	559	541	539	499	478	-14.5	-4.2	2,057	2,007	2.5
UCP	2,057	2,073	928	1,229	2,704	31.5	120.0	6,935	5,378	28.9
Total PBIT	2,475	2,096	977	528	2,105	-14.9	298.7	5,707	6,803	-16.1
Less: Unallocable expense	213	(34)	13	154	157	-26.3	1.6	290	998	-70.9
Operating Income	2,263	2,130	964	374	1,949	-13.9	421.3	5,417	5,806	-6.7
Less: Interest Expense	124	101	115	135	208	67.1	53.7	559	296	88.8
Exceptional	-	-	-	-	-			0	0	
PBT	2,138	2,029	850	239	1,741	-18.6	629.9	4,858	5,510	-11.8
PBIT Margins (%)						(bps)	(bps)			(bps)
EMPS	(1.9)	(7.6)	(5.3)	(12.2)	(9.8)	(793)	241	(8.9)	(2.4)	(650)
EPS	39.3	38.0	40.1	32.2	30.6	(869)	(165)	35.0	38.5	(347)
UCP	10.0	8.2	7.7	8.3	9.2	(89)	82	8.5	8.3	20
Total PBIT	8.4	6.3	4.3	2.0	5.0	(341)	300	4.6	7.2	(264)

Source: Company, YES Sec

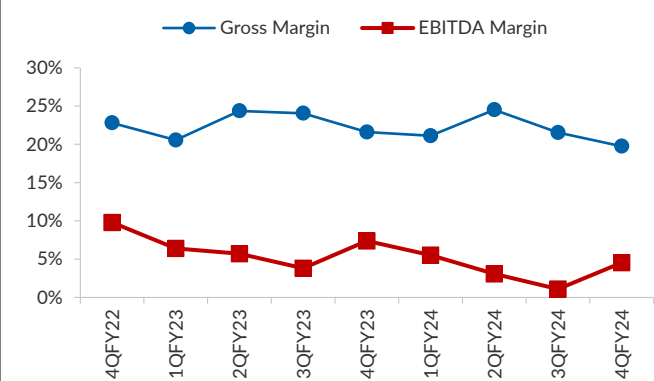
CHARTS

Exhibit 4: Revenue beat is on account of strong RAC sales and improved execution



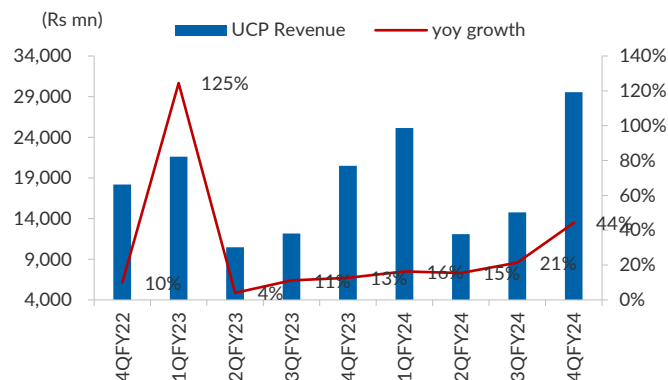
Source: Company, YES Sec

Exhibit 5: Provisioning has resulted in EBITDA margin contraction



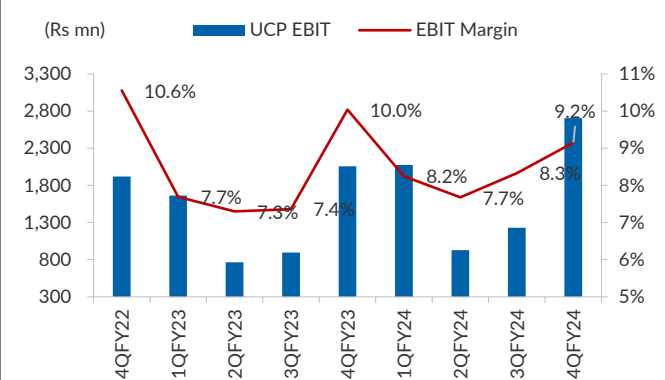
Source: Company, YES Sec

Exhibit 6: UCP revenue growth has been better than expected



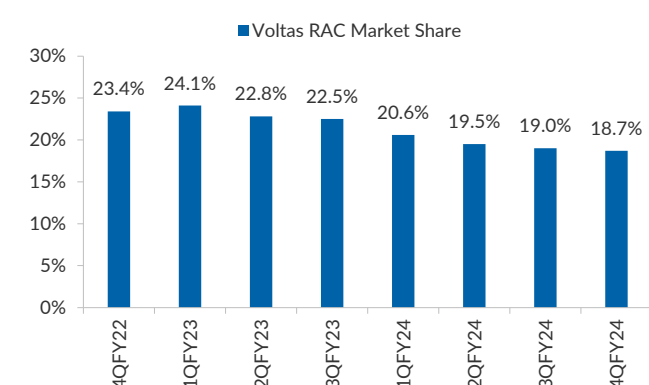
Source: Company, YES Sec

Exhibit 7: EBIT margins has been lower than expectation despite strong revenue growth



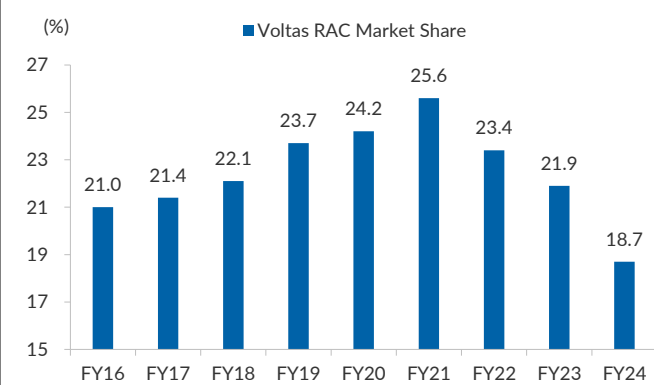
Source: Company, YES Sec

Exhibit 8: Company's market share has been trending lower



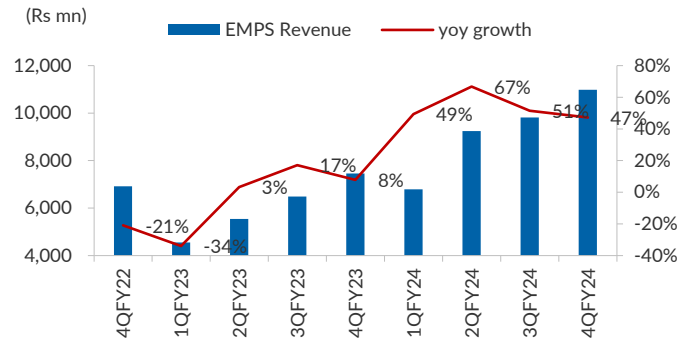
Source: Company, YES Sec

Exhibit 9: Company has lost market share for second consecutive year



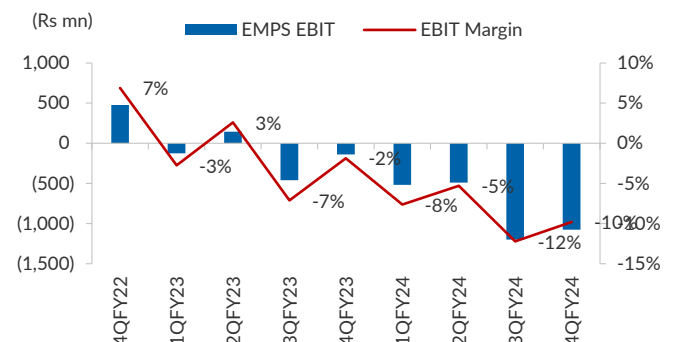
Source: Company, YES Sec

Exhibit 10: EMPS revenue has seen strong positive traction on healthy orderbook



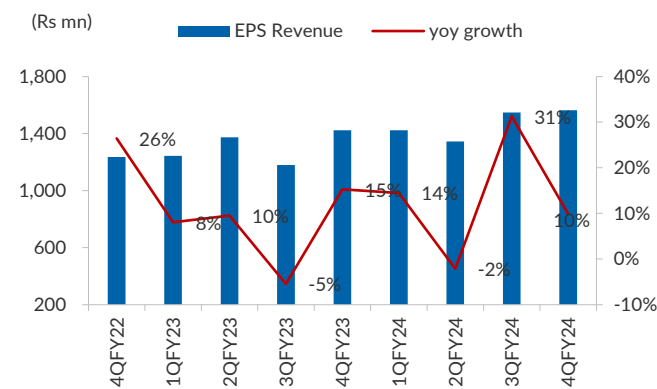
Source: Company, YES Sec

Exhibit 11: VOLT continues to pose EBIT loss on back of provisioning



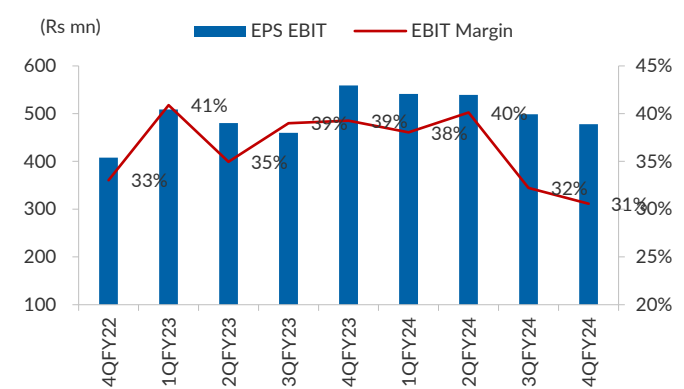
Source: Company, YES Sec

Exhibit 12: Slowdown in textile has resulted in muted growth



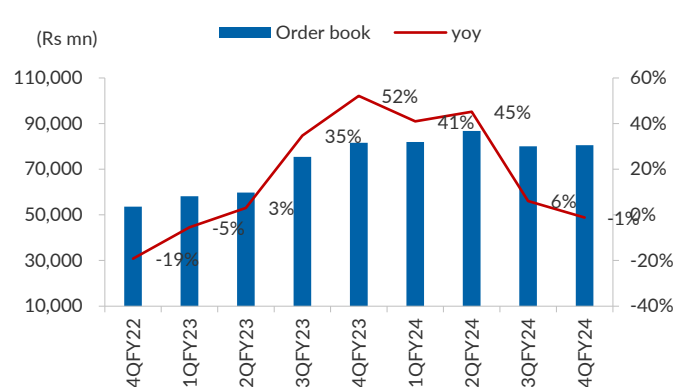
Source: Company, YES Sec

Exhibit 13: EPS margins continues to remain healthy



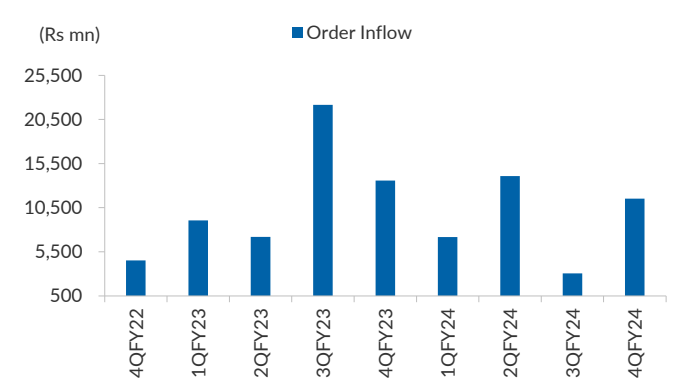
Source: Company, YES Sec

Exhibit 14: Order-book remains healthy



Source: Company, YES Sec

Exhibit 15: Order-inflow has slowed down



Source: Company, YES Sec

Exhibit 16: Revenue and Margin Assumption

Revenue (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
EMPS	24,705	24,029	36,830	42,002	44,533
Yoy	-14%	-3%	53%	14%	6%
Order Inflow	11,955	51,969	35,830	42,996	49,446
Yoy	-50%	335%	-31%	20%	15%
Order Book	53,600	81,540	80,540	81,534	86,447
Yoy	-19%	52%	-1%	1%	6%
EPS	4,887	5,220	5,879	6,622	7,459
Yoy	36%	7%	13%	13%	13%
UCP	48,819	64,745	81,605	97,926	107,718
Yoy	16%	33%	26%	20%	10%
Total Revenue	78,411	93,994	124,314	146,550	159,710
Yoy	5%	20%	32%	18%	9%
PBIT (Rs mn)					
EMPS	1,258	-582	-3,285	1,680	2,227
% Margin	5%	-2%	-9%	4%	5%
EPS	1,579	2,007	2,057	2,317	2,610
% Margin	32%	38%	35%	35%	35%
UCP	5,134	5,378	6,935	8,715	9,910
% Margin	10.5%	8.3%	8.5%	8.9%	9.2%
Total PBIT	7,971	6,803	5,707	12,712	14,746
% Margin	10%	7%	5%	9%	9%

Exhibit 17: SoTP Valuation based on FY26 estimates

Segment	PAT	Multiple	Rs mn
EMPS	1,508	30	45,235
EPS	1,767	30	53,015
UCP	6,711	60	402,650
Total MCAP			500,900
Number of Shares			331
Target Price			1,515
Value of VoltBek			23
Total Value			1,538

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

UCP

- Growth in last 2-3 months has been in excess of 60%. Stocks have been vanishing from the warehouses and factories are working overtime to supply the unprecedented demand
- RAC margins have been 10%. Commercial air-conditioning has pulled down the segment margin to 9.2% which have been reported.
- Commercial refrigeration for FY24 stands at Rs10bn and for commercial AC revenue is Rs13bn in the similar period.
- YTD market share stood at 18.7%. Focus on inventor category, price calibration and other efficiencies have resulted in margin improvement. Stable commodity prices have helped to improve margin. In the coming months secondary market share is expected to increase
- On the primary sales basis the company's market share stands at ~20% as industry size is 10mn units and Voltas has done volume of ~2mn units.
- Commercial refrigeration growth has been tepid, however the prospects of this category has been promising.
- Air-cooler and commercial refrigeration has seen strong traction. Chocolate category and push from cold beverages has resulted in strong growth.
- Water heater launched in the quarter has strong acceptance in the channel.
- Volume growth in RAC at 35% for FY24 has been encouraging with expanded product portfolio . Sales has surpassed 2mn units for FY24. Sales of split AC's have doubled in Q4
- Commercial air-conditioners which include ducted AC and VRF has seen strong growth. Raw-material fluctuation has impacted margins
- Capex for the Chennai and Wagodia plant is as per expectation and commercial production is expected to be start soon and company is looking to capture the second summer in October
- 1mn units of RAC capacity will be added in Chennai plant. Current capacity from Pantnagar plant is ranging from 1.2-1.5mn units.

EMPS – Domestic project business grew at 38% with the carried forward order-book stood at Rs50.4bn. On the international projects front Saudi continues to deliver well. Qatar continues to face challenges and losses is on account of provisioning for Qatar based projects. **Company expects that provisioning is largely done with unless there are further setbacks. Order-book for the international front stands at Rs30bn. Overall order-book stood at Rs80.5bn vs 74.1bn in FY23. Company is guiding margins of 4-5% on steady state basis. Focus will be more on domestic execution.**

EPS – Mining and construction has achieved the targeted numbers. Commercial mining is expected to see positive development as mining laws has been relaxed and there will be demand for margin equipment. Textile industry has been has been volatile and textile machinery remains sluggish. Healthy order-book has resulted in company in navigating the challenges in the textile machinery.

Voltas-Beko – Voltas-Beko has been the fastest growing brand in the home appliances. The company has sold more than 5mn units of Appliances since inception. Volt-Bek has been the top brand in the semi-automatic washing machines. Volume growth has been around 50%. The company is focusing on omni channel approach. The company is looking to introduce large capacity refrigerator to achieve break even levels and 10% market share target. **Washing machine market share is 8.5%, while semi-automatic washing machine is 15%. Volt-Bek has 12,500 touch point**

- Volt-Bek revenue stood at Rs15.8bn vs Rs10.8bn in FY23

FINANCIALS

Exhibit 18: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	331	331	331	331	331
Reserves	54,665	54,190	57,874	64,227	71,220
Net worth	54,996	54,521	58,205	64,558	71,550
Debt	3,608	6,506	7,436	8,766	9,554
Deferred tax liab (net)	272	53	589	589	589
Other non current liabilities	1,411	1,336	1,321	1,497	1,602
Total liabilities	60,287	62,416	67,552	75,411	83,294
Fixed Asset	3,173	5,014	7,980	10,025	10,123
Investments	36,687	31,581	35,532	35,532	35,532
Other Non-current Assets	3,033	4,658	4,484	5,082	5,437
Net Working Capital	11,677	14,152	11,213	11,701	12,708
Inventories	16,614	15,920	21,354	25,173	27,434
Sundry debtors	21,097	21,919	25,328	29,858	32,539
Loans and Advances	3,486	6,554	9,579	11,293	12,307
Sundry creditors	29,421	30,126	38,557	45,454	49,536
Other current liabilities	6,167	8,588	12,137	13,040	13,574
Cash & equivalents	5,717	7,012	8,343	13,071	19,495
Total Assets	60,287	62,416	67,552	75,411	83,294

Source: Company, YES Sec

Exhibit 19: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	79,345	94,988	124,812	147,137	160,350
Operating profit	6,816	5,724	4,746	10,536	11,803
Depreciation	373	396	476	612	659
Interest expense	259	296	559	659	718
Other income	1,892	1,685	2,533	2,863	2,923
Profit before tax	8,076	6,716	6,244	12,129	13,349
Taxes	1,913	1,709	2,377	3,053	3,360
Minorities and other	1,103	1,207	1,386	650	(453)
Adj. profit	5,060	3,800	2,481	8,426	10,441
Exceptional items	-	2,438	-	-	-
Net profit	5,060	1,362	2,481	8,426	10,441

Source: Company, YES Sec

Exhibit 20: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	8,335	7,012	6,803	12,788	14,067
Depreciation	373	396	476	612	659
Tax paid	(1,913)	(1,709)	(2,377)	(3,053)	(3,360)
Working capital Δ	(1,442)	(1,204)	996	(488)	(1,007)
Other operating items					
Operating cashflow	5,353	4,495	5,898	9,859	10,359
Capital expenditure	(857)	(2,236)	(3,443)	(2,657)	(757)
Free cash flow	4,496	2,259	2,455	7,202	9,602
Equity raised	1,821	(431)	3,023	650	(453)
Investments	(3,818)	3,836	(2,008)	-	-
Debt financing/disposal	1,002	2,898	931	1,330	787
Interest paid	(259)	(296)	(559)	(659)	(718)
Dividends paid	(1,819)	(1,406)	(1,819)	(2,723)	(2,997)
Net Δ in cash	1,135	1,330	1,252	4,728	6,425

Source: Company, YES Sec

Exhibit 21: Du-pont analysis

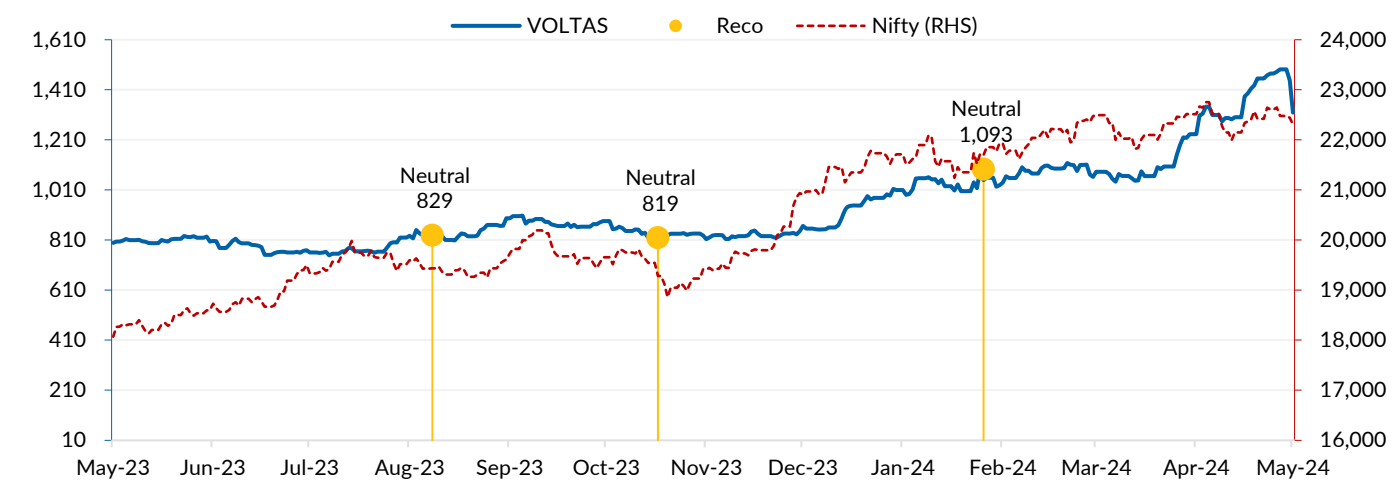
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.63	0.57	0.40	0.69	0.78
Interest burden (x)	0.97	0.96	0.92	0.95	0.95
EBIT margin (x)	0.11	0.07	0.05	0.09	0.09
Asset turnover (x)	0.86	0.95	1.12	1.14	1.11
Financial leverage (x)	1.75	1.83	1.98	2.10	2.12
RoE (%)	9.6	6.9	4.4	13.7	15.3

Exhibit 22: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	5.0	19.7	31.4	17.9	9.0
Op profit growth	6.3	(16.0)	(17.1)	122.0	12.0
EBIT growth	4.7	(15.9)	(3.0)	88.0	10.0
Net profit growth	(4.3)	(24.9)	(34.7)	239.6	23.9
Profitability ratios (%)					
OPM	8.6	6.0	3.8	7.2	7.4
EBIT margin	10.5	7.4	5.5	8.7	8.8
Net profit margin	6.4	4.0	2.0	5.7	6.5
RoCE	15.0	11.7	10.7	18.4	18.2
RoNW	9.6	6.9	4.4	13.7	15.3

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	5.5	3.8	2.2	6.5	7.2
Per share ratios					
EPS	15.3	11.5	7.5	25.5	31.6
Dividend per share	5.5	4.3	5.5	8.2	9.1
Cash EPS	16.4	12.7	8.9	27.3	33.6
Book value per share	166.3	164.8	176.0	195.2	216.3
Valuation ratios					
P/E	86.5	321.3	176.4	51.9	41.9
P/CEPS	67.0	147.6	100.8	45.2	41.1
P/B	8.0	8.0	7.5	6.8	6.1
EV/EBIDTA	63.9	76.4	92.0	41.1	36.2
Payout (%)					
Dividend payout	36.0	37.0	73.3	32.3	28.7
Tax payout	23.7	25.4	38.1	25.2	25.2
Liquidity ratios					
Debtor days	97.0	84.2	74.1	74.1	74.1
Inventory days	76.4	61.2	62.4	62.4	62.4
Creditor days	135.3	115.8	112.8	112.8	112.8

Recommendation Tracker



DISCLAIMER

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