

10 December 2024

India | Equity Research | Company Update

Voltas

White Goods

Voltbek likely to be value accretive from FY25

Voltbek, which is still in an investment mode, is likely to be value accretive from FY25, in our view. It has focussed on gaining volumes and market shares since its inception in FY18. We believe it will have market share of ~10% in its both the key categories i.e. refrigerators and washing machines in next couple of years. Its H1FY25, market shares in refrigerator and washing machine were ~5% and ~8%, respectively. We also model it to have low-mid single-digit market shares in categories like Dishwasher and Microwave ovens. Voltbek may reach revenues of INR25bn in FY25 and will be mostly EBITDA breakeven. As it will start generating earnings and cashflows, it will be able to fund growth from its internal accruals and will not be dependent on Voltas and Arcelik for additional capital. We also note Voltbek has been successful in creating competitive advantages such as (1) Voltbek brand, (2) distribution network of 11,400 outlets, (3) large portfolio of 298 SKUs across product categories and (4) Manufacturing unit at Sanand, Gujarat to launch differentiated products. We believe it will be able to add ~5% additional value to Voltas in FY27 and beyond. Maintain **HOLD**.

Voltbek likely to be profitable in FY25 at EBITDA level

Voltbek is focussing on gaining market shares and volumes since its inception in FY18. While it has largely succeeded in gaining high single digit market shares in refrigerators and washing machines, we note it is still in an investment mode. With reducing losses per unit, we model it to turn profitable at EBITDA level in FY25 once the revenues reach ~INR 25bn. We believe the earnings / cash flows will allow it to grow on its own without resorting to additional capital requirements from Voltas or Arcelik.

Rising market shares indicate strong consumer acceptance

Voltbek has reached market share of ~5% in Refrigerators at end of H1FY25. It has also achieved ~8% market share in washing machines. In the sub-segment of semi -automatic washing machines, it has reached market share of ~14% at end of H1FY25. We believe steady launches of 70+ SKUs each year and distribution expansion from 6,000 outlets in FY21 to 11,400 in FY24 has led to market share gains.

Path to profitability

Voltbek is steadily focussing on reducing EBITDA loss per unit and expects to reach breakeven soon. It believes it needs to reach revenues of ~INR25bn to breakeven. The profitability will likely inch upwards post that. It is focussing on reaching market shares of 10% in key categories. It is close to achieving 10% market shares in washing machines and we believe it can reach market shares of ~8% by FY25 in refrigerators. It will continue to focus on introducing differentiated products as well as invest in distribution expansion.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	1,24,812	1,57,428	1,86,194	2,20,265
EBITDA	4,746	9,603	12,940	17,291
EBITDA Margin (%)	380.3	610.0	695.0	785.0
Net Profit	2,540	7,274	9,436	12,808
EPS (INR)	7.7	22.0	28.5	38.7
EPS % Chg YoY	(32.4)	186.4	29.7	35.7
P/E (x)	229.8	80.2	61.9	45.6
EV/EBITDA (x)	114.7	56.7	41.5	30.5
RoCE (%)	4.1	9.6	11.8	14.3
RoE (%)	4.5	11.9	14.0	16.8

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Market Data

Market Cap (INR)	584bn
Market Cap (USD)	6,890mn
Bloomberg Code	VOLT IN
Reuters Code	VOLT.BO
52-week Range (INR)	1,946 /842
Free Float (%)	69.0
ADTV-3M (mn) (USD)	42.3

Price Performance (%)	3m	6m	12m
Absolute	(2.9)	21.6	106.2
Relative to Sensex	(2.9)	15.3	89.5

ESG Score	2023	2024	Change
ESG score	76.2	69.8	(6.4)
Environment	58.8	55.1	(3.7)
Social	77.1	71.2	(5.9)
Governance	83.2	77.5	(5.7)

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

31-10-2024: [Q2FY25 results review](#)

09-05-2024: [Q4FY24 results review](#)

Steady growth in cumulative units sold

Voltbek has sold cumulative 5mn units of white goods and durables since its inception, five years ago. It reported strong 53% volume growth in FY24, materially higher than most incumbents indicating market share gains. While it took almost three years for Voltbek to reach cumulative sales of 1mn units, it achieved sales of ~1.7mn units in FY24 itself.

Indicative valuation of Voltbek

We believe Voltbek is on its path to generate strong value for Voltas. Once it reaches turnover of INR 25bn by FY25, it may start contributing to the EBITDA too. We believe Voltbek may add valuation of ~5% to overall valuation of Voltas. Voltas and Arcelik have invested total INR 15bn as capital investment in almost equal proportions.

Valuation

We model Voltas to report revenue and PAT CAGRs of 20.8% and 71.7%, respectively, over FY24–27E. Maintain **HOLD** with DCF-based revised target price of INR 1,700 (earlier: INR1,645; implied P/E of 60/44x FY26/27E EPS).

Key upside/downside risks: (1) Steep decrease/increase in raw material prices; (2) delays in new plant/product launches; and (3) faster-than-expected growth in the economy.

Voltbek likely to be value accretive from FY25

Timeline of Voltas Beko: Voltas entered into joint venture with Arcelik AS, part of Koc group of Turkey to introduce white goods products (Ex- air conditioners) in India. Voltas owns 49% stake in Voltbek Home appliances Private Ltd (Volbek) whereas Arcelik owns 49% stake. 1% is owned by Tata group and 1% by Koc group. Voltbek has manufacturing unit at Sanand, Gujarat and is likely to emerge as major value driver for Voltas.

Exhibit 1: Timeline of Voltas Beko

Year	Remarks
FY18	Voltbek JV commenced
FY20	Plant at Sanand (Gujarat) commences production
FY21	Retail touchpoints reach 6,000. Launched 89 new SKUs
FY22	Launches 1st Experience zone at Mumbai
FY23	Market share reaches close to 5% for Refrigerator and Washing machines
FY24	Sold cumulative 5mn appliances since inception
H1FY25	Reaching closer to 10% market share in Washing machines

Source: Company data, I-Sec research

Market shares of Voltas Beko: While Voltbek has introduced products across multiple segments, we note it has achieved strong success in washing machines as well as refrigerators. It has reached market share of 5%+ in refrigerators at Sept'24. Its market share in overall washing machine segment is 8%+ and market shares in semi-automatic washing machines is 14%+. It has steadily gained market shares due to differentiated launches and investments in distribution expansion, in our view.

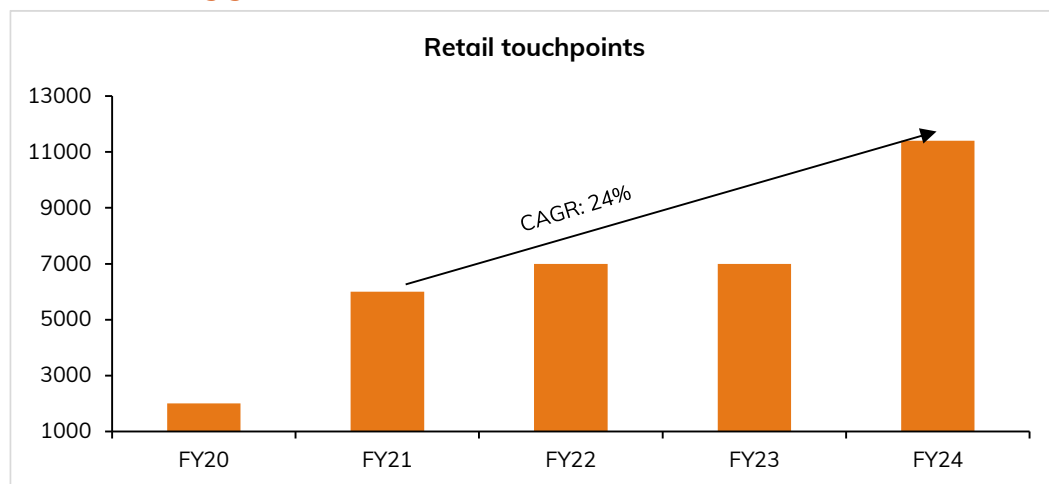
Exhibit 2: Market shares of Voltas Beko – Steadily rising

Product category	FY22	FY23	FY24	H1FY25
Refrigerator	3.5%	4.0%	5.3%	5%+
Washing Machine	4.0%	5.3%	8.5%	8%+
-Semi Automatic Washing machine		8.9%	15.0%	14%+

Source: Company data, I-Sec research

Distribution network of Voltas Beko: Voltbek leverages the distribution abilities of Voltas while strengthening its own trade network. It has expanded the distribution reach from 6,000 outlets in FY21 to 11,400 at end of FY24. It also has strong presence in E-commerce channel which accounted for ~12% of its revenues in FY24. It has also rolled out the experience zones along with Voltas which showcases the large product portfolio of Voltbek.

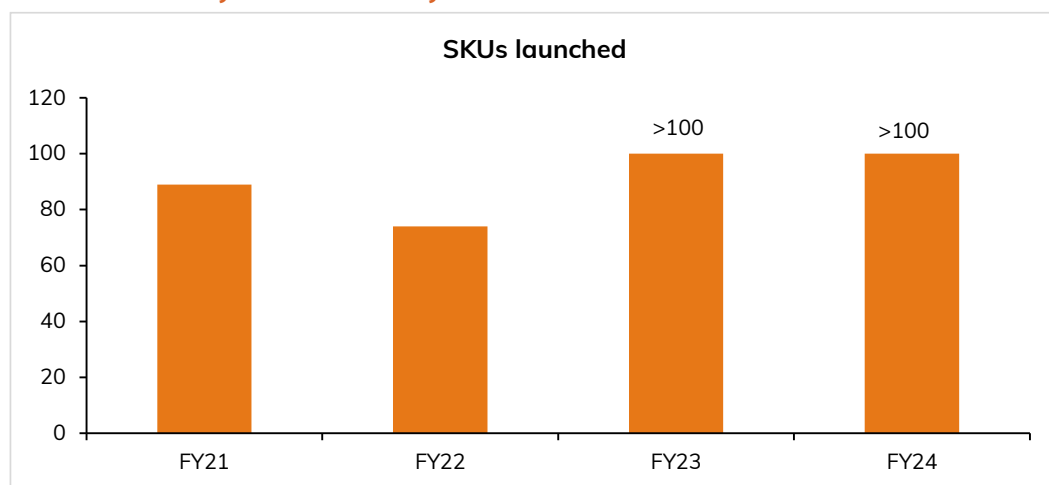
Exhibit 3: Strong growth in distribution network of Voltas Beko



Source: Company data, I-Sec research

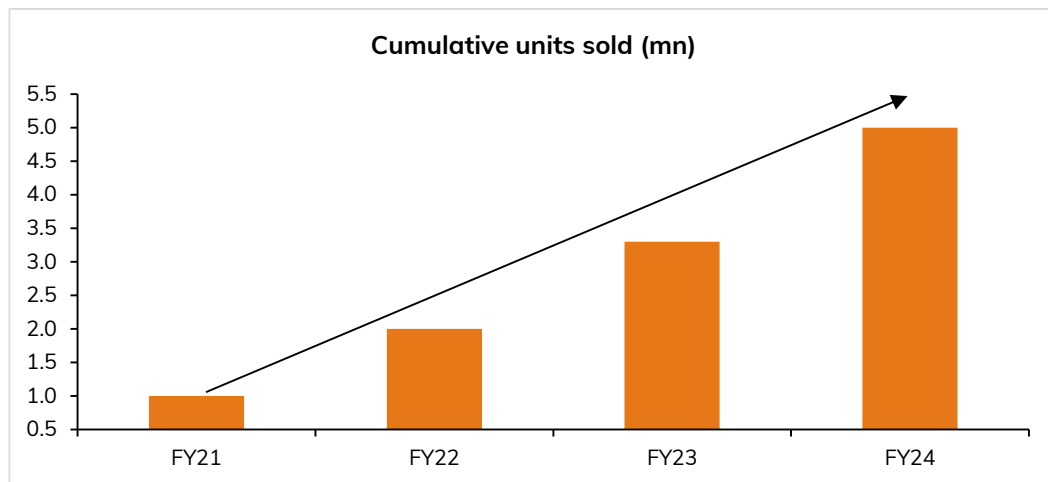
Product portfolio: Voltbek is introducing 70+ SKUs each year and has established a large product portfolio catering to multiple consumers. It has reached to total SKUs of 298 at the end of FY24. We note the company has introduced the products at value-for-money segment as well as premium end of the market.

Exhibit 4: Healthy launches each year



Source: Company data, I-Sec research

Steady growth in cumulative units sold: Voltbek has sold cumulative 5mn units of white goods and durables since its inception five years ago. It reported strong 53% volume growth in FY24, materially higher than most incumbents. While it took almost three years for Voltbek to reach cumulative sales of 1mn units, it achieved sales of ~1.7mn units in FY24 itself.

Exhibit 5: Cumulative units sold growing rapidly

Source: Company data, I-Sec research

Key financials: The company has reported revenue CAGR of 72% over FY19-24. It has reported strong revenue growth of 43% in FY24. It also reported 54% volume growth in H1FY25 YoY. However, as the business is still in investment mode, the company incurred loss of INR 2.7bn in FY24. We model it to be to EBITDA breakeven in FY25.

Exhibit 6: Key financials of Voltbek

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenues (INR mn)	-	994	2,902	6,369	9,445	11,018	16,029
PAT (INR mn)	(103)	(987)	(1,465)	(1,311)	(2,224)	(2,507)	(2,671)

Source: Company data, I-Sec research

Path to profitability: Voltbek is focussing on steadily reducing EBITDA loss per unit and expects to reach breakeven soon. It believes it needs to reach revenues of ~INR25bn to breakeven. The profitability will likely inch upwards post that. It is focussing on reaching market shares of 10% in key categories. It is close to achieving 10% market shares in washing machines and we believe it can reach market shares of ~8% by FY25 in refrigerators. It will continue to focus on introducing differentiated products as well as expand distribution expansion.

Indicative valuation of Voltbek: We believe Voltbek is on its path to generate strong value for Voltas. Once it reaches turnover of INR 25bn by FY2E, it may start contributing to the EBITDA too. We believe Voltbek may add valuation of ~5% to overall valuation of Voltas. Voltas and Arcelik have invested total INR 15bn as capital investment in almost equal proportions.

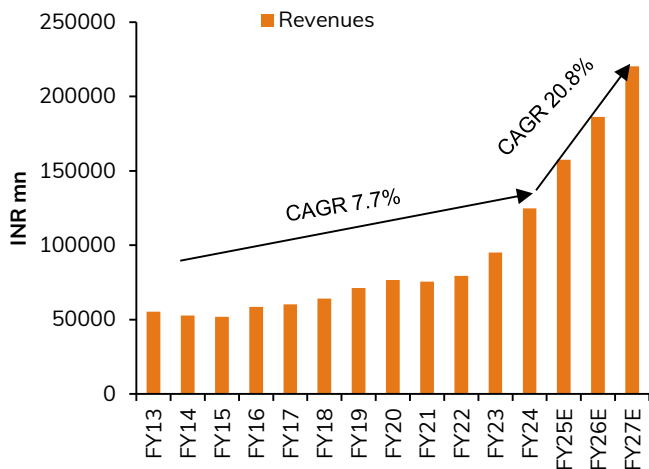
Exhibit 7: Indicative valuation of Voltbek

Particulars	INR mn	Comments
FY24 revenues	16,029	As reported
FY27E revenues	35,216	Assumed 30% revenue CAGR over FY24-27
Sales multiple (x)	2	Similar to other White Goods and Durable companies
Value of Voltbek	70,431	Based on FY27E sales
Share of Voltas	34,511	49% stake

Source: Company data, I-Sec research

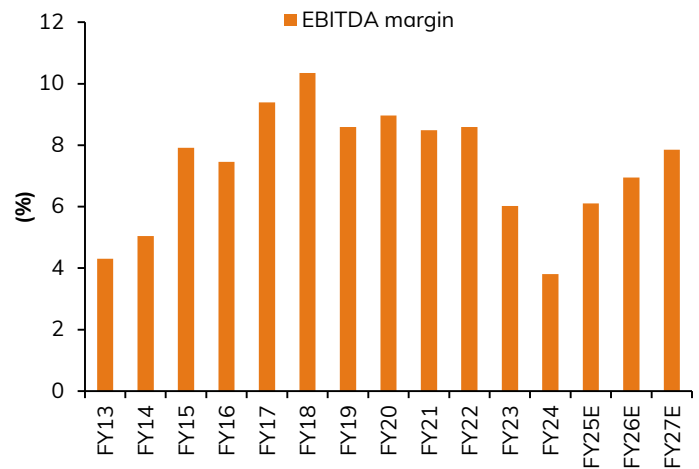
Key indicators – Annual

Exhibit 8: Revenue growth



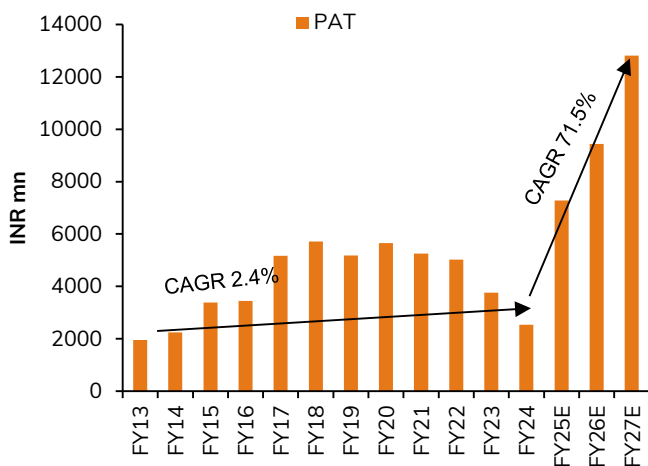
Source: Company data, I-Sec research

Exhibit 9: EBITDA margin



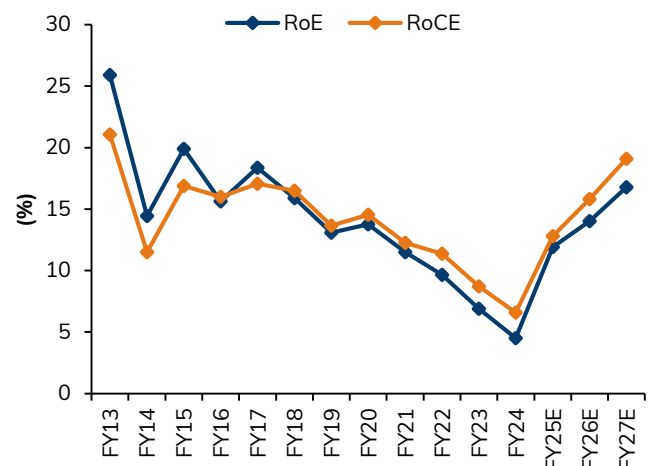
Source: Company data, I-Sec research

Exhibit 10: PAT growth



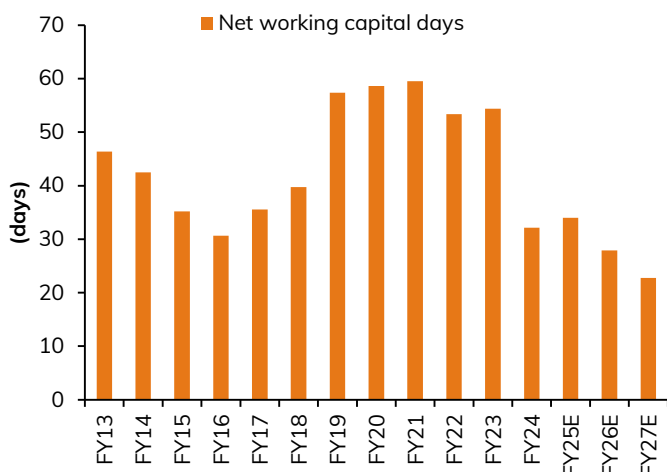
Source: Company data, I-Sec research

Exhibit 11: RoE and RoCE



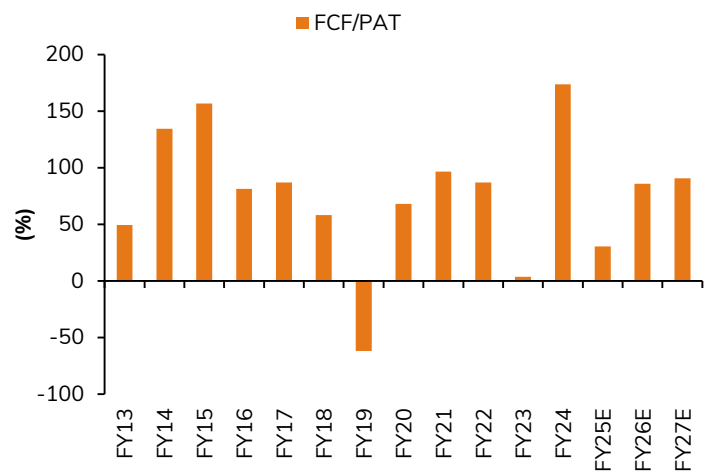
Source: Company data, I-Sec research

Exhibit 12: Net working capital days



Source: Company data, I-Sec research

Exhibit 13: FCF/PAT



Source: Company data, I-Sec research

Valuation and risks

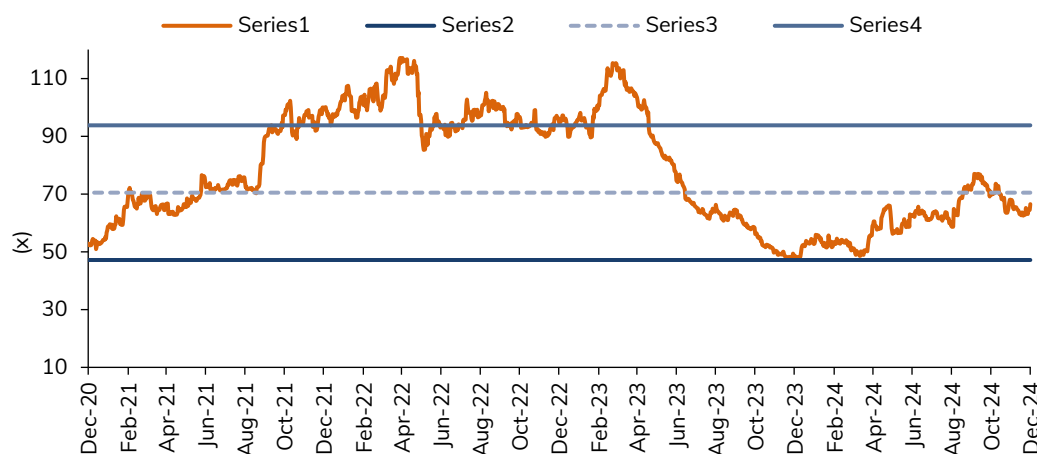
We model Voltas to report revenue and PAT CAGRs of 20.8% and 71.7% over FY24-27E and improvement in RoCE. At our DCF-based revised target price of INR 1,700 (earlier:1,645; implied P/E works out to 60/44x FY26/27E EPS. Maintain **HOLD**.

Exhibit 14: DCF-based valuation

Particulars	
Cost of Equity (%)	11.6%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	1,41,401
Discounted terminal value (INR mn)	4,20,860
Total equity value (INR mn)	5,62,261
Value per share (INR)	1,700

Source: Company data, I-Sec research

Exhibit 15: Mean PE (x) and standard deviations



Source: I-Sec research, Bloomberg

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures may result in downside to our estimates.

Delays in launch of new plants/products

Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Faster than expected economic growth

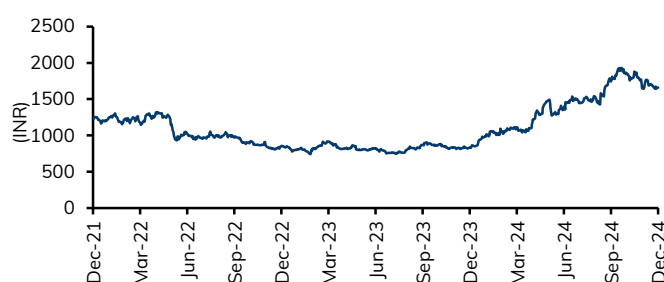
Faster than expected economic growth is an upside risk to our estimates.

Exhibit 16: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	30.3	30.3	30.3
Institutional investors	55.3	51.6	53.5
MFs and others	24.2	25.3	24.4
FIs/Banks	0.1	0.4	0.5
Insurance	15.5	14.2	10.5
FIIIs	15.5	15.1	18.1
Others	14.4	18.1	16.2

Source: Bloomberg

Exhibit 17: Price chart



Source: Bloomberg

Financial Summary

Exhibit 18: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	1,24,812	1,57,428	1,86,194	2,20,265
Operating Expenses	1,20,066	1,47,825	1,73,253	2,02,974
EBITDA	4,746	9,603	12,940	17,291
EBITDA Margin (%)	3.8	6.1	6.9	7.8
Depreciation & Amortization	476	662	901	1,029
EBIT	4,270	8,942	12,039	16,261
Interest expenditure	559	511	511	511
Other Non-operating Income	2,533	2,475	2,211	2,516
Recurring PBT	6,244	10,905	13,740	18,266
Profit / (Loss) from Associates	(1,386)	(800)	(750)	(750)
Less: Taxes	2,377	2,781	3,504	4,658
PAT	3,867	8,124	10,236	13,608
Less: Minority Interest	(59)	50	50	50
Extraordinaries (Net)	2,550	-	-	-
Net Income (Reported)	5,091	7,274	9,436	12,808
Net Income (Adjusted)	2,540	7,274	9,436	12,808

Source Company data, I-Sec research

Exhibit 19: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	72,232	89,005	1,07,130	1,30,957
of which cash & cash eqv.	8,523	9,006	15,625	25,824
Total Current Liabilities & Provisions	52,711	65,333	77,270	91,410
Net Current Assets	19,521	23,672	29,859	39,547
Investments	39,065	39,065	39,065	39,065
Net Fixed Assets	4,249	9,063	10,162	11,132
ROU Assets	-	-	-	-
Capital Work-in-Progress	3,675	-	-	-
Total Intangible Assets	723	723	723	723
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	67,234	72,523	79,809	90,467
Liabilities				
Borrowings	8,516	8,516	8,516	8,516
Deferred Tax Liability	176	176	176	176
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	331	331	331	331
Reserves & Surplus	57,874	63,164	70,450	81,108
Total Net Worth	58,205	63,495	70,780	81,439
Minority Interest	337	337	337	337
Total Liabilities	67,234	72,523	79,809	90,467

Source Company data, I-Sec research

Exhibit 20: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	26,257	42,029	49,210	26,191
% growth (YOY)	30.9	42.1	46.5	14.2
EBITDA	284	1,906	4,238	1,622
Margin %	1.1	4.5	8.6	6.2
Other Income	579	544	803	1,055
Extraordinaries	(429)	562	854	867
Adjusted Net Profit	(279)	1,163	3,342	1,338

Source Company data, I-Sec research

Exhibit 21: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	9,596	4,268	10,769	14,349
Working Capital Changes	801	(3,668)	431	511
Capital Commitments	(2,931)	(1,800)	(2,000)	(2,000)
Free Cashflow	12,526	6,068	12,769	16,349
Other investing cashflow	(4,978)	-	-	-
Cashflow from Investing Activities	(7,909)	(1,800)	(2,000)	(2,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	974	-	-	-
Dividend paid	(1,432)	(1,985)	(2,150)	(2,150)
Others	-	-	-	-
Cash flow from Financing Activities	(459)	(1,985)	(2,150)	(2,150)
Chg. in Cash & Bank balance	1,228	483	6,618	10,199
Closing cash & balance	8,162	9,006	15,625	25,824

Source Company data, I-Sec research

Exhibit 22: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	7.7	22.0	28.5	38.7
Adjusted EPS (Diluted)	7.7	22.0	28.5	38.7
Cash EPS	9.1	24.0	31.2	41.8
Dividend per share (DPS)	4.3	6.0	6.5	6.5
Book Value per share (BV)	176.0	191.9	214.0	246.2
Dividend Payout (%)	177.3	366.5	438.8	595.7
Growth (%)				
Net Sales	31.4	26.1	18.3	18.3
EBITDA	(17.1)	102.3	34.8	33.6
EPS (INR)	(32.4)	186.4	29.7	35.7
Valuation Ratios (x)				
P/E	229.8	80.2	61.9	45.6
P/CEPS	193.5	73.5	56.5	42.2
P/BV	10.0	9.2	8.2	7.2
EV / EBITDA	114.7	56.7	41.5	30.5
EV / Sales	-	-	-	-
Dividend Yield (%)	0.2	0.3	0.4	0.4
Operating Ratios				
Gross Profit Margins (%)	21.4	23.0	24.0	24.9
EBITDA Margins (%)	3.8	6.1	6.9	7.8
Effective Tax Rate (%)	38.1	25.5	25.5	25.5
Net Profit Margins (%)	2.0	4.6	5.1	5.8
NWC / Total Assets (%)	16.4	20.2	17.8	15.2
Net Debt / Equity (x)	1.1	1.1	1.1	1.1
Net Debt / EBITDA (x)	14.1	7.5	6.2	5.2
Profitability Ratios				
RoCE (%)	4.1	9.6	11.8	14.3
RoE (%)	4.5	11.9	14.0	16.8
RoIC (%)	13.5	30.5	36.4	48.1
Fixed Asset Turnover (x)	17.0	15.3	13.2	13.7
Inventory Turnover Days	70.9	69.2	67.2	67.3
Receivables Days	84.1	93.7	91.0	91.0
Payables Days	168.1	162.9	158.2	158.2

Source Company data, I-Sec research

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