

Navigating headwinds: a slow start to FY26

We attended Voltas' analyst group meeting on 17 June 2025. Management noted a ~20-25% YoY Room Air Conditioner (RAC) volume decline across both the industry and company in April and May, due to the early monsoon onset. June has shown some recovery in some parts of the northern market. Current channel inventory remains high at 6-8 weeks for the company. Despite weak demand, prices have remained stable, although the industry is offering free installation and other incentives. The Electro-Mechanical Projects and Services (EMPS) is exercising caution regarding its international business, anticipating that growth in this region will take time. While domestic EMPS business is expected to register slow growth in FY26, it is expected to pick up in FY27. Beko JV has recorded growth in Q1FY26 to date. The company is focused on gaining market share and reducing losses, aiming to contain Beko EBITDAM at -5% in FY26. We model a CAGR of 10% for revenue, 15% for EBITDA, and 17% for APAT over FY25-27E. We maintain BUY on Voltas with a lower SOTP TP of INR 1,420/sh (~40x Mar-27E EPS).

- **Demand and pricing:** The management noted that both RAC industry and Voltas experienced a 20-25% YoY volume decline in April and May, attributed to the early onset of monsoon. Despite this, the company believes it gained market share in April. June has shown some recovery in some parts of the northern market. Both primary and secondary channels saw similar declines; hence, the company's channel inventory remained elevated at 6-8 weeks. Despite weak demand, prices have remained stable, although the industry is offering free installation and other incentives.
- **Segmental highlights: (1.) Unitary Cooling Products (UCP):** The commercial refrigeration sector's performance is currently subpar for both the company and the industry **(2) EMPS:** The company is exercising caution regarding its international business, anticipating growth in this region to take time. Domestic business is expected to register low growth in FY26, but will pick up in FY27 **(3) Beko:** The joint venture has recorded growth in Q1FY26 to date. The company is focused on gaining market share and reducing losses, aiming to contain its EBITDAM at -5% in FY26. Current capacity stands at around 1.6mn units, with plans for further expansion.
- **Other highlights:** Chennai plant utilization is currently at a low level; the company expects it to reach ~75-80% by the year-end provided demand picks up. New rating change regulations will be effective from January 2026. Voltas expects INR 800-1,000 per unit cost increase due to implementation of these regulations. It has booked INR 180mn for PLI benefit for FY24 and FY25 in Q4FY25. However, management noted it is difficult to ascertain at this time whether PLI income will accrue in FY26.
- **Outlook:** We anticipate a weak Q1FY26 for the company due to weak demand and a high base effect. We expect growth to rebound in Q2FY26. Furthermore, we project healthy growth in Q3FY26, as RAC prices are likely to increase from January 2026, driven by new rating change regulations. Considering the weak demand during the peak Q1 season, we have revised our revenue estimates downward by 10% for FY26 and 5% for FY27. Similarly, our APAT estimates have been cut by 11% for FY26 and 7% for FY27. We now model a CAGR of 10% for revenue, 15% for EBITDA, and 17% for APAT over FY25-27E. We value Voltas UPC business at 40x EPS Mar-27E and the EMPS and Engineering Products and Services (EPS) business at 20x EPS Mar-27E each; the loss-making Beko is valued at 2x FY27 sales, translating into ~40x Mar-27E EPS. We maintain BUY on Voltas with a lower TP of INR 1,420/sh.

BUY
CMP (as on 17 June 2025) INR 1,294

Target Price INR 1,420

NIFTY 24,853

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR1,505	INR 1,420
EPS %	FY26E	FY27E
	(11)	(7)

KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	428/4,965
6m avg traded value (INR mn)	2,588
52 Week high / low	INR 1,946/1,135

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.3)	(26.9)	(13.6)
Relative (%)	(21.3)	(28.0)	(19.6)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	30.30	30.30
FIs & Local MFs	34.61	33.21
FPIs	21.32	21.96
Public & Others	13.77	14.53
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Keshav Lahoti

keshav.lahoti@hdfcsec.com
+91-22-6171-7353

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Mahesh Nagda

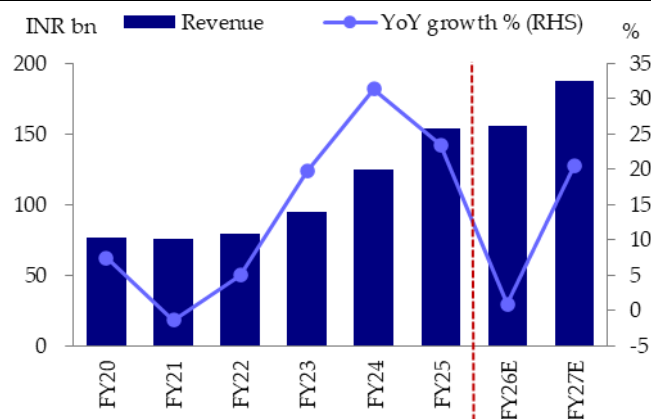
mahesh.nagda@hdfcsec.com
+91-22-6171-7319

Riddhi Shah

riddhi.shah@hdfcsec.com
+91-22-6171-7359

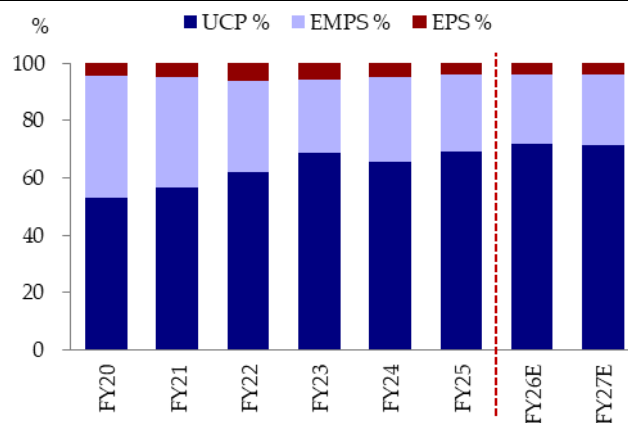
Voltas: Company Update

Revenue to grow at 10% CAGR over FY25-27E.



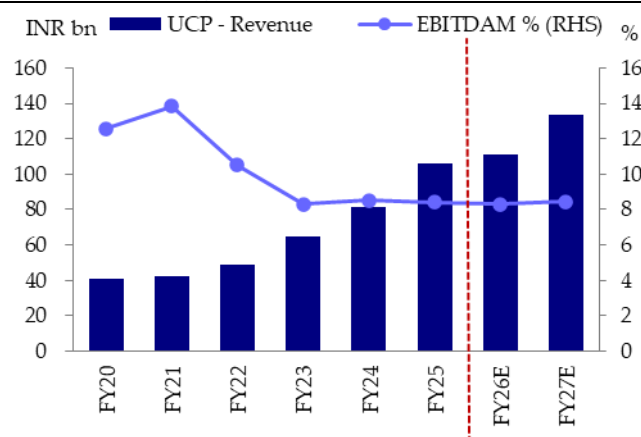
Source: Company, HSIE Research

UCP segment revenue mix will continue to increase.



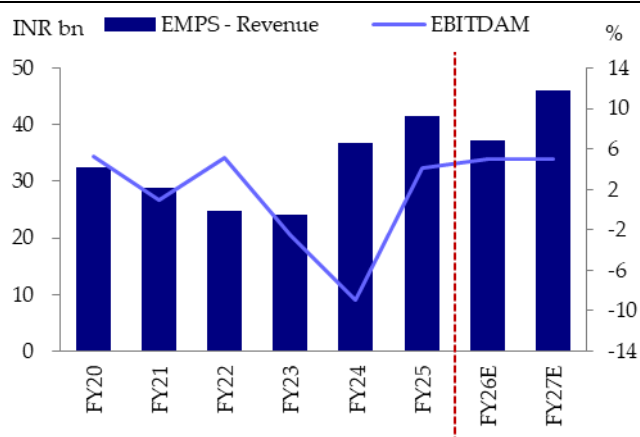
Source: Company, HSIE Research

UCP' revenue to grow at 12% CAGR over FY25-27E.



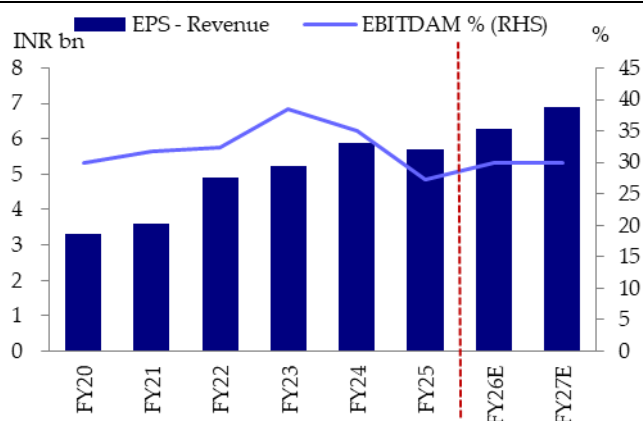
Source: Company, HSIE Research

EMPS revenue to grow at 5% CAGR over FY25-27E.



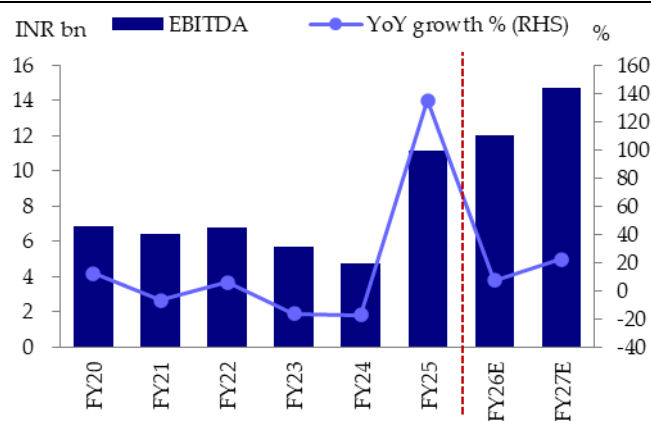
Source: Company, HSIE Research

EPS revenue to grow at 10% CAGR over FY25-27E.



Source: Company, HSIE Research

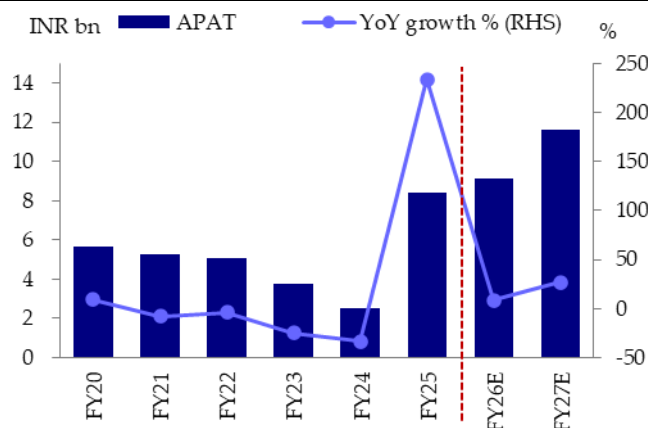
EBITDA to grow at 15% CAGR over FY25-27E.



Source: Company, HSIE Research

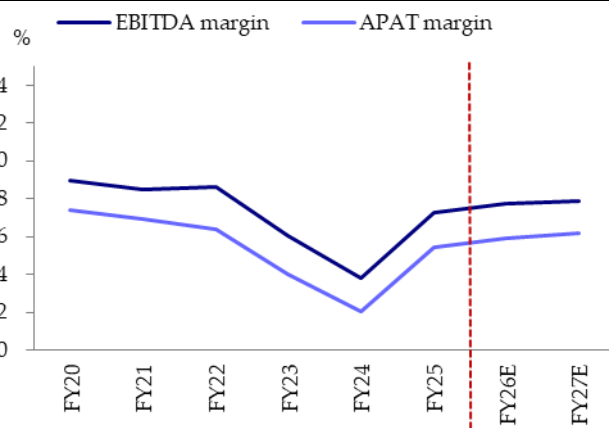
Voltas: Company Update

APAT to grow at 17% CAGR over FY25-27E.



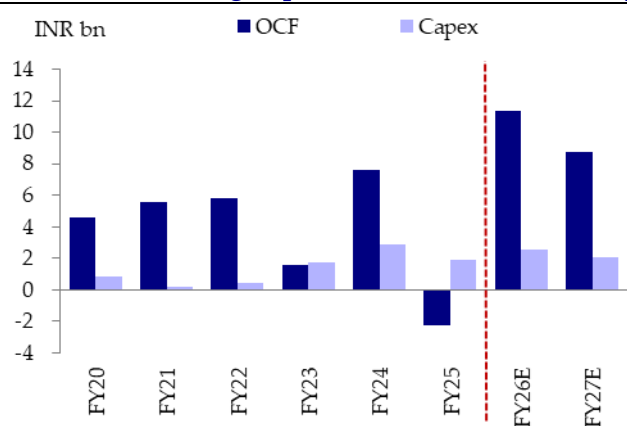
Source: Company, HSIE Research

Margins to remain around similar levels.



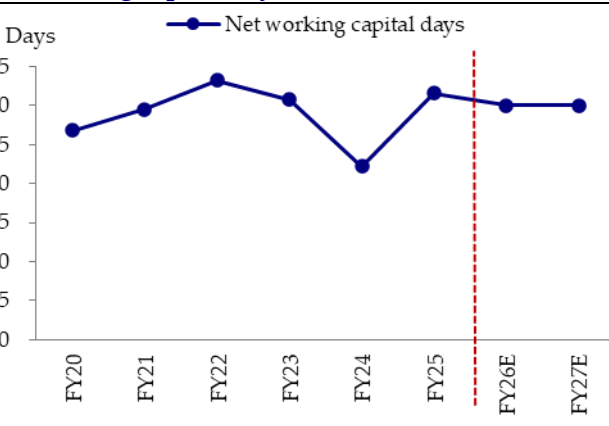
Source: Company, HSIE Research

OCF to remain strong, capex will be funded internally.



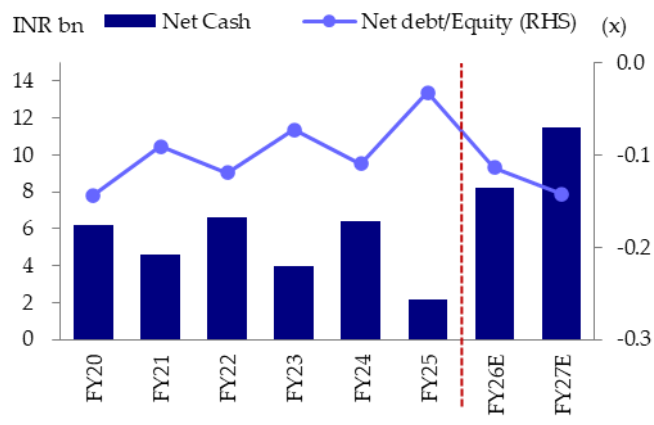
Source: Company, HSIE Research

Net working capital days to remain stable.



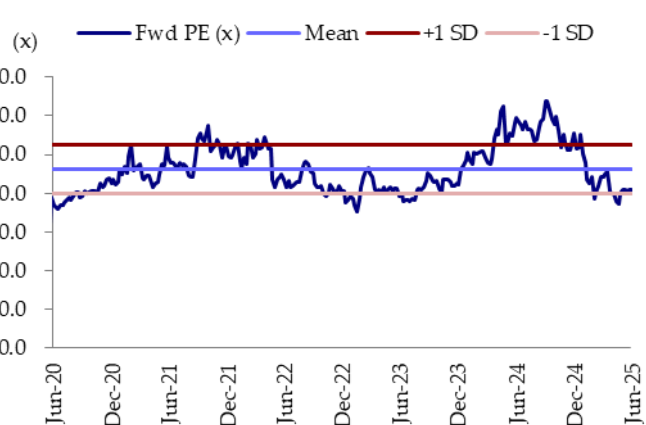
Source: Company, HSIE Research

Company continues to be net cash.



Source: Company, HSIE Research

1-year forward P/E is at discount to 5-year average.



Source: Bloomberg, HSIE Research

Consolidated Income Statement

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	79,345	94,988	1,24,812	1,54,128	1,55,607	1,87,522
Growth (%)	5.0	19.7	31.4	23.5	1.0	20.5
Material Expenses	58,967	73,782	98,140	1,19,604	1,19,039	1,43,455
Employee Expense	6,176	6,672	7,788	8,901	9,725	11,720
Other Expenses	7,386	8,810	14,138	14,462	14,839	17,641
EBITDA	6,816	5,724	4,746	11,162	12,004	14,707
EBITDA Growth (%)	6.3	(16.0)	(17.1)	135.2	7.5	22.5
EBITDA Margin (%)	8.6	6.0	3.8	7.2	7.7	7.8
Depreciation	373	396	476	618	751	895
EBIT	6,443	5,328	4,270	10,544	11,253	13,812
Other Income (Including EO Items)	1,892	1,685	2,533	3,245	3,145	3,650
Interest	259	296	559	621	574	505
PBT	8,076	6,716	6,244	13,168	13,824	16,957
Total Tax	1,913	1,709	2,377	3,565	3,663	4,494
Profit before JV/Associates/NCI	6,163	5,007	3,867	9,603	10,161	12,463
Share of JV/Associates	(1,103)	(1,207)	(1,386)	(1,260)	(1,018)	(860)
Non-controlling Interest	19	12	(39)	(71)	(5)	10
Exceptional Gain/ (loss)	-	(2,438)	-	-	-	-
RPAT	5,041	1,350	2,520	8,414	9,148	11,593
Adjusted PAT	5,041	3,788	2,520	8,414	9,148	11,593
APAT Growth (%)	(4.0)	(24.8)	(33.5)	233.9	8.7	26.7
EPS	15.2	11.5	7.6	25.4	27.7	35.0
EPS Growth (%)	(4.0)	(24.8)	(33.5)	233.8	8.7	26.7

Source: Company, HSIE Research

Consolidated Balance Sheet

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital - Equity	331	331	331	331	331	331
Other Equity	54,665	54,190	57,874	64,802	71,634	79,920
Total Shareholders Funds	54,996	54,521	58,205	65,133	71,965	80,250
NCI	381	417	337	271	266	276
Long Term Debt	-	212	2,280	3,823	3,323	2,823
Short Term Debt	3,432	5,948	4,853	4,810	4,810	4,810
Total Debt	3,432	6,160	7,133	8,633	8,133	7,633
Net Deferred Taxes	(317)	(303)	176	140	278	447
Other Non Current Liabilities	1,404	1,393	1,383	1,656	1,673	2,012
TOTAL SOURCES OF FUNDS	59,896	62,187	67,234	75,832	82,314	90,618
APPLICATION OF FUNDS						
Net Block	2,305	3,611	3,902	8,198	9,878	11,619
Goodwill	723	723	723	723	723	723
CWIP	593	983	3,675	824	1,000	500
Intangible assets	72	62	56	34	54	73
Right of Use Assets	204	357	348	340	519	600
Non Current Investments	31,811	28,015	30,068	28,446	28,446	28,446
Other Non Current Assets	2,523	4,220	3,927	3,733	3,676	4,207
Total Non-current Assets	38,231	37,970	42,698	42,297	44,296	46,167
Current-Investments	4,343	3,072	5,015	3,987	8,987	13,987
Inventories	16,614	15,920	21,354	27,148	25,579	30,826
Debtors	21,097	21,919	24,003	25,115	29,842	35,963
Cash & Equivalents	5,717	7,084	8,523	6,782	7,390	5,134
Other Current Assets	11,022	16,471	18,352	25,747	25,061	29,263
Total Current Assets	58,792	64,465	77,246	88,779	96,859	1,15,173
Creditors	29,421	30,126	37,755	38,928	42,632	51,376
Other Current Liabilities & Provns	7,707	10,121	14,956	16,317	16,209	19,346
Total Current Liabilities	37,127	40,247	52,711	55,245	58,841	70,722
Net Current Assets	21,665	24,218	24,536	33,534	38,018	44,451
TOTAL APPLICATION OF FUNDS	59,896	62,187	67,234	75,832	82,314	90,618

Source: Company, HSIE Research

Consolidated Cash Flow

Year end march (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	6,973	5,510	4,858	11,908	12,806	16,097
Non-operating & EO Items	845	884	3,036	(1,349)	(229)	(518)
Interest Expenses	259	296	559	621	574	505
Depreciation	373	396	476	618	751	895
Working Capital Change	(438)	(3,836)	801	(10,932)	1,123	(3,710)
Tax Paid	(2,169)	(1,656)	(2,115)	(3,107)	(3,663)	(4,494)
OPERATING CASH FLOW (a)	5,842	1,594	7,615	(2,241)	11,360	8,774
Capex	(469)	(1,774)	(2,883)	(1,907)	(2,550)	(2,050)
Free Cash Flow (FCF)	5,373	(181)	4,732	(4,149)	8,810	6,724
Investments	(3,474)	253	(3,176)	2,178	(5,000)	(5,000)
Non-operating Income	156	450	549	955	431	448
Others	141	255	286	354	-	-
INVESTING CASH FLOW (b)	(3,646)	(816)	(5,224)	1,579	(7,119)	(6,602)
Debt Issuance/(Repaid)	918	2,728	974	1,500	(500)	(500)
Interest Expenses	(225)	(284)	(555)	(610)	(574)	(505)
FCFE	6,516	2,831	6,261	(2,039)	8,884	6,729
Share Capital Issuance	-	-	-	-	-	-
Dividend	(1,676)	(1,829)	(1,432)	(1,820)	(2,315)	(3,308)
Others	(87)	(65)	(149)	(67)	(249)	(116)
FINANCING CASH FLOW (c)	(1,070)	550	(1,163)	(997)	(3,638)	(4,429)
NET CASH FLOW (a+b+c)	1,126	1,328	1,228	(1,659)	602	(2,256)
EO Items, Others	-	-	-	-	-	-
Closing Cash & Equivalents	5,605	6,934	8,162	6,503	7,106	4,849

Source: Company, HSIE Research

Key Ratios

Year end march	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY (%)						
GPM	25.7	22.3	21.4	22.4	23.5	23.5
EBITDA Margin (%)	8.6	6.0	3.8	7.2	7.7	7.8
EBIT Margin	8.1	5.6	3.4	6.8	7.2	7.4
PBT Margin	10.2	7.1	5.0	8.5	8.9	9.0
APAT Margin	6.4	4.0	2.0	5.5	5.9	6.2
RoE	9.5	6.9	4.4	13.6	13.3	15.2
RoIC (or Core RoCE)	10.4	8.0	5.1	13.3	13.0	15.3
RoCE	14.9	11.7	10.7	19.7	18.6	20.7
EFFICIENCY						
Tax Rate (%)	23.7	25.4	38.1	27.1	26.5	26.5
Fixed Asset Turnover (x)	16.2	16.9	18.8	16.7	12.2	12.4
Inventory (days)	68	63	62	64	60	60
Debtors (days)	90	83	70	59	70	70
Other Current Assets (days)	58	53	54	61	59	57
Payables (days)	124	114	110	92	100	100
Other Current Liab & Provns (days)	36	34	44	39	38	38
Cash Conversion Cycle (days)	55	49	32	54	51	49
Net D/E (x)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)
Interest Coverage (x)	24.9	18.0	7.6	17.0	19.6	27.4
PER SHARE DATA (Rs)						
EPS	15.2	11.5	7.6	25.4	27.7	35.0
CEPS	16.4	12.7	9.1	27.3	29.9	37.8
Dividend	5.5	4.3	5.5	7.0	10.0	12.0
Book Value	166.3	164.8	176.0	196.9	217.6	242.6
VALUATION						
P/E (x)	84.6	112.6	169.3	50.7	46.6	36.8
P/BV (x)	7.8	7.8	7.3	6.6	5.9	5.3
EV/EBITDA (x)	61.6	73.8	88.6	38.0	34.9	28.2
EV/Revenues (x)	5.3	4.4	3.4	2.8	2.7	2.2
OCF/EV (%)	1.4	0.4	1.8	(0.5)	2.7	2.1
FCF/EV (%)	1.3	(0.0)	1.1	(1.0)	2.1	1.6
FCFE/Mkt Cap (%)	1.5	0.7	1.5	(0.5)	2.1	1.6
Dividend Yield (%)	0.4	0.3	0.4	0.5	0.8	0.9

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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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com