10 August 2025

Voltas

Eyes Q3 recovery amid short-term headwinds; retaining a Buy

Rating: **Buy**
Target price (12-mth): Rs.1,568
Share price: Rs.1,304

Hit by an erratic summer, Voltas' UCP fell 25% y/y in Q1, its market share down to 17.8% (June-end 19.3%). Under-absorption and higher promotions squeezed margins, while inventory was high. Voltas Beko gained share but is still in investment mode, while Projects posted a stronger order book. Management expects Q2 weakness but sees recovery from Q3, with a long-term focus on market leadership, selective growth, and innovation. We retain a Buy, with a 12-mth TP of Rs1,568 (earlier Rs1,544).

PAT falls 58%y/y; UCP EM weak at 3.6%. Q1 revenue fell 20% y/y to Rs39.4bn as UCP revenue fell 24.6% y/y to Rs28.7bn, EMP revenue was down 2.9% y/y to Rs9.2bn, and engineering product revenue fell 15.8% y/y to Rs1.3bn. The EBITDA margin fell 408bps to 4.5%. Other expenses rose 11.7% y/y and staff cost, 14%. The UCP EBIT margin was 3.6%, 500bps lower y/y, while the EMP EBIT margin was 5.3%, 177bps lower y/y. Adj. PAT was Rs1.4bn 58% lower on the sharp decline in EBITDA. JV losses, mainly Beko, were Rs259m.

Navigating near-term challenges. In the short term, Q2 is expected to be under pressure owing to high inventory, muted demand and continued under-absorption of costs. Management anticipates a rebound during the festival season and the "second summer", with Q3 and Q4 likely to offset the Q1 slump. In the long run, the company aims to retain its No.1 market position in cooling products, achieve a 10%+ share in home appliances before focusing on profitability, sustain selective and profitable growth in projects, and continue investing in innovation, execution excellence and customer-centricity to drive sustainable value-creation.

Outlook, Valuations. Factoring in the feeble Q1 (seasonally a strong quarter), we have lower our FY26e/27e earnings 9/6%. We expect 11/11% revenue/net income CAGRs over FY25-28. We maintain a Buy rating, with a 12-mth TP of Rs1,568 (earlier Rs1,544) as we introduce FY28e and roll over valuations to Sep'27. We value the core business and the Beko JV separately. **Risks:** Drop in its RAC market share could curb UCP margins. Steep rise in raw material prices and competition could hurt margins.

Key financials (YE: Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	1,24,812	1,54,128	1,62,762	1,84,083	2,08,363
PAT (Rs m)	3,867	9,603	9,160	10,820	12,363
Adj. net income (Rs m)	2,520	8,414	8,192	9,953	11,586
Adj. EPS (Rs)	7.62	25.43	24.8	30.1	35.0
PE (x)	171.2	51.3	52.7	43.3	37.2
EV / EBITDA (x)	89.6	38.5	37.4	30.5	26.0
P/BV (x)	7.4	6.6	6.1	5.6	5.0
RoE (%)	4.5	13.6	12.1	13.5	14.2
RoCE (%) (post-tax)	4.0	10.2	9.1	10.2	10.8
RoIC (%) (post-tax)	12.8	28.4	20.5	22.7	23.8

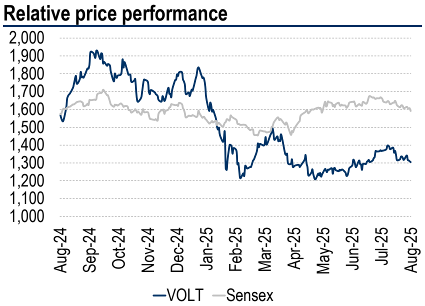
Source: Company, Anand Rathi Research

Key data	VOLT IN / VOLT.BO
52-week high / low	Rs.1,945 / 1,183
Sensex / Nifty	79,858 / 24,363
Market cap	Rs.432bn
Shares outstanding	331m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	30.3	30.3	30.3
- of which, Pledged	-	-	-
Free float	69.7	69.7	69.7
- Foreign institutions	21.2	22.0	21.3
- Domestic institutions	33.4	33.2	34.6
- Public	15.2	14.5	13.8

Estimates revision (%)	FY26e	FY27e
Sales	(7.1)	(8.8)
EBITDA	(10.2)	(6.8)
PAT	(9.4)	(6.0)

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	1,24,812	1,54,128	1,62,762	1,84,083	2,08,363
Growth (%)	*31.4*	*23.5*	*5.6*	*13.1*	*13.2*
Direct costs	98,140	1,19,604	1,25,327	1,41,376	1,60,023
SG&A	21,926	23,362	25,961	28,726	32,089
EBITDA	**4,746**	**11,162**	**11,474**	**13,981**	**16,251**
EBITDA margins (%)	*3.8*	*7.2*	*7.0*	*7.6*	*7.8*
- Depreciation	476	618	819	949	1,079
Other income	2,533	3,245	3,255	3,314	3,438
Interest expenses	559	621	636	665	694
One-offs	-	-	-	-	-
PBT	6,244	13,168	13,275	15,681	17,917
Effective tax rates (%)	*38.1*	*27.1*	*31.0*	*31.0*	*31.0*
Share in JV & MI	(1,347)	(1,189)	(968)	(867)	(776)
Net income	2,520	8,414	8,192	9,953	11,586
Adj. net income	**2,520**	**8,414**	**8,192**	**9,953**	**11,586**
WANS	331	331	331	331	331
Adj. EPS (Rs)	7.6	25.4	24.8	30.1	35.0
FDEPS growth (%)	*(10.5)*	*233.9*	*(2.6)*	*21.5*	*16.4*
Gross margins (%)	*21.4*	*22.4*	*23.0*	*23.2*	*23.2*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	331	331	331	331	331
Net worth	58,205	65,133	70,228	77,084	85,574
Debt	7,133	8,633	9,033	9,433	9,833
Minority interest	337	271	231	191	151
DTL / (Assets)	882	1,180	1,180	1,180	1,180
Capital employed	**66,557**	**75,216**	**80,671**	**87,888**	**96,738**
Net tangible assets	4,699	8,978	10,827	12,546	14,136
Net intangible assets	56	34	68	68	68
Goodwill	723	723	723	723	723
CWIP (tang. & intang.)	3,675	824	900	1,000	1,000
Investments (strategic)	2,389	2,070	2,570	3,070	3,570
Investments (financial)	35,068	32,735	32,935	33,144	33,364
Current assets (excl. cash)	65,224	79,374	84,801	93,747	1,05,963
Cash	8,523	6,782	7,195	10,419	13,264
Current liabilities	53,801	56,304	59,346	66,828	75,349
Working capital	11,424	23,070	25,455	26,919	30,614
Capital deployed	**66,557**	**75,216**	**80,671**	**87,888**	**96,738**
Contingent liabilities	6,835	-	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	4,858	11,908	13,275	15,681	17,917
+ Non-cash items	4,071	(110)	(1,801)	(1,700)	(1,666)
Oper. prof. before WC	8,929	11,797	11,474	13,981	16,251
- Incr. / (decr.) in WC	801	(10,932)	(2,384)	(1,464)	(3,695)
Others incl. taxes	(2,115)	(3,107)	(4,115)	(4,861)	(5,554)
Operating cash-flow	7,615	(2,241)	4,974	7,656	7,002
- Capex (tang. + intang.)	(2,883)	(1,907)	(2,778)	(2,768)	(2,669)
Free cash-flow	4,732	(4,149)	2,196	4,888	4,333
Acquisitions	-	-	-	-	-
- Div.(incl. buyback & taxes)	(1,432)	(1,820)	(2,646)	(2,646)	(2,646)
+ Equity raised	-	-	-	-	-
+ Debt raised	974	1,500	400	400	400
- Fin investments	(1,495)	4,311	(699)	(709)	(720)
- Misc. (CFI + CFF)	(1,550)	(1,501)	1,161	1,292	1,478
Net cash-flow	1,228	(1,659)	412	3,224	2,845

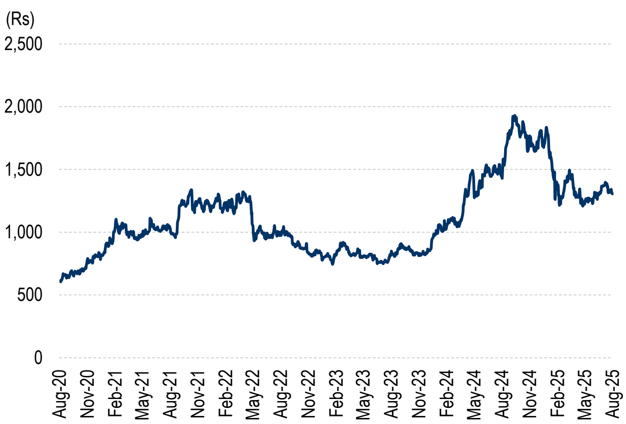
Source: Company

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	171.2	51.3	52.7	43.3	37.2
EV / EBITDA (x)	89.6	38.5	37.4	30.5	26.0
EV / Sales (x)	3.4	2.8	2.6	2.3	2.0
P/B (x)	7.4	6.6	6.1	5.6	5.0
RoE (%)	4.5	13.6	12.1	13.5	14.2
RoCE (%) (post-tax)	4.0	10.2	9.1	10.2	10.8
RoIC (%) (post-tax)	12.8	28.4	20.5	22.7	23.8
DPS (Rs)	5.5	7.0	8.0	8.0	8.0
Dividend yield (%)	0.4	0.5	0.6	0.6	0.6
Dividend payout (%) - incl. DDT	72.2	27.5	32.3	26.6	22.8
Net debt / equity (x)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
Receivables (days)	70	59	62	60	60
Inventory (days)	62	64	64	62	62
Payables (days)	110	92	92	92	92
CFO : PAT %	302.2	(26.6)	60.7	76.9	60.4

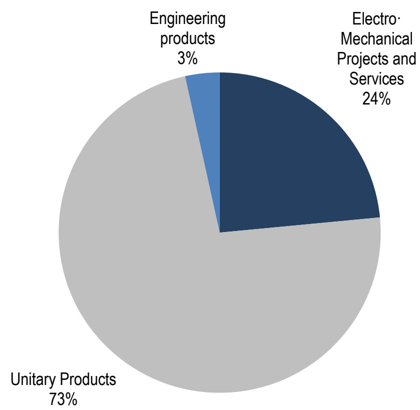
Source: Company

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Q1 FY26 revenue break-up



Source: Company

Fig 7 – Financial performance

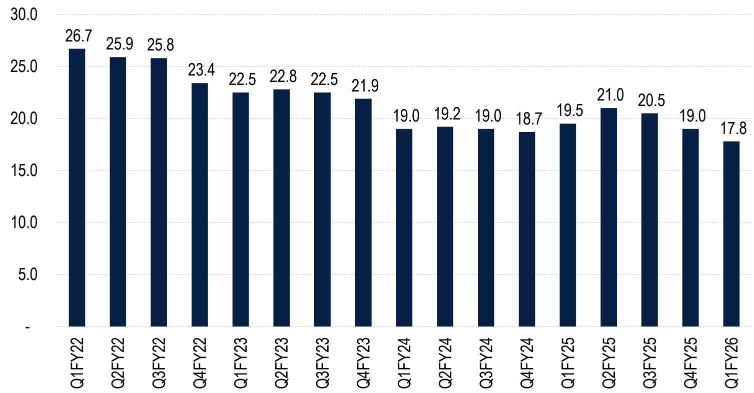
(Rs m)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	% Y/Y	% Q/Q
Income	**33,599**	**22,928**	**26,257**	**42,029**	**49,210**	**26,191**	**31,051**	**47,676**	**39,386**	***(20.0)***	***(17.4)***
RM costs	26,504	17,305	20,605	33,727	38,922	19,421	23,807	37,454	30,796	*(20.9)*	*(17.8)*
Employee expenses	1,805	1,945	2,046	1,992	2,023	2,382	2,311	2,185	2,305	*14.0*	*5.5*
Other expenses	3,436	2,975	3,322	4,404	4,027	2,766	2,959	4,709	4,500	*11.7*	*(4.5)*
EBITDA	**1,854**	**703**	**284**	**1,906**	**4,238**	**1,622**	**1,974**	**3,328**	**1,785**	***(57.9)***	***(46.4)***
Depreciation	113	117	128	118	134	164	179	141	185	*37.5*	*31.5*
Interest	101	115	135	208	98	136	155	233	135	*38.8*	*(41.9)*
Other income	700	710	579	544	803	1,055	591	797	821	*2.3*	*3.0*
PBT	**2,340**	**1,181**	**599**	**2,124**	**4,809**	**2,377**	**2,231**	**3,751**	**2,286**	***(52.5)***	***(39.1)***
Tax	735	493	515	634	1,165	726	599	1,075	621	*(46.7)*	*(42.2)*
PAT	**1,605**	**688**	**85**	**1,490**	**3,644**	**1,651**	**1,632**	**2,677**	**1,665**	***(54.3)***	***(37.8)***
Share in JV & MI	(312)	(321)	(389)	(325)	(301)	(311)	(311)	(266)	(260)	*(13.6)*	*(2.3)*
Net income	**1,293**	**367**	**(304)**	**1,164**	**3,342**	**1,340**	**1,321**	**2,410**	**1,405**	***(58.0)***	***(41.7)***
Adj. income	**1,293**	**367**	**(304)**	**1,164**	**3,342**	**1,340**	**1,321**	**2,410**	**1,405**	***(58.0)***	***(41.7)***
EPS (Rs)	3.9	1.1	-0.9	3.5	10.1	4.1	4.0	7.3	4.2		
As % of income										**bps y/y**	**bps q/q**
Gross margins	21.1	24.5	21.5	19.8	20.9	25.8	23.3	21.4	21.8	*90.4*	*36.9*
Employee costs	5.4	8.5	7.8	4.7	4.1	9.1	7.4	4.6	5.9	*174.2*	*127.0*
Other expenses	10.2	13.0	12.7	10.5	8.2	10.6	9.5	9.9	11.4	*324.0*	*154.7*
EBITDA margins	5.5	3.1	1.1	4.5	8.6	6.2	6.4	7.0	4.5	*(407.9)*	*(244.7)*
PBT margins	7.0	5.2	2.3	5.1	9.8	9.1	7.2	7.9	5.8	*(396.8)*	*(206.4)*
Effective tax rates	31.4	41.7	85.8	29.9	24.2	30.5	26.8	28.7	27.2	*293.9*	*(148.1)*
PAT margins	4.8	3.0	0.3	3.5	7.4	6.3	5.3	5.6	4.2	*(317.7)*	*(138.7)*
Segment revenues (Rs m)											
EMPC	6,791	9,242	9,819	10,979	9,491	8,799	11,902	11,375	9,218	***(2.9)***	***(19.0)***
Unitary cooling products	25,140	12,088	14,756	29,551	38,022	15,822	17,711	34,584	28,679	***(24.6)***	***(17.1)***
Engineering products	1,423	1,344	1,548	1,564	1,608	1,467	1,297	1,321	1,354	***(15.8)***	***2.5***
Less: Inter-segment revenues	-	-	-	(171)	(82)	(77)	(37)	-	(128)	***57.2***	***NA***
Y/Y (%)											
EMPC	49	67	51	47	40	(5)	21	4	(3)		
Unitary cooling products	16	15	21	44	51	31	20	17	(25)		
Engineering products	14	(2)	31	10	13	9	(16)	(16)	(16)		
Segment EBIT (Rs m)											
EMPC	(519)	(490)	(1,200)	(1,077)	675	462	567	(17)	492		
Unitary cooling products	2,073	928	1,229	2,704	3,270	1,162	1,043	3,448	1,044		
Engineering products	541	539	499	478	448	396	368	341	401		
EBIT (%)											
EMPC	(7.6)	(5.3)	(12.2)	(9.8)	7.1	5.2	4.8	(0.2)	5.3	*(177)*	*549*
Unitary cooling products	8.2	7.7	8.3	9.2	8.6	7.3	5.9	10.0	3.6	*(496)*	*(633)*
Engineering products	38.0	40.1	32.2	30.6	27.9	27.0	28.4	25.8	29.6	*173*	*383*
Capital employed (Rs m)											
EMPC	9,014	7,226	5,709	1,913	4,228	4,913	5,840	6,605			
Unitary cooling products	5,265	11,540	17,118	14,061	4,117	15,260	23,292	20,785			
Engineering products	999	1,068	679	628	638	785	973	927			
Unallocated	40,979	37,722	33,299	41,940	53,763	42,164	33,718	37,086			
Total	**56,257**	**57,556**	**56,805**	**58,542**	**62,746**	**63,121**	**63,822**	**65,403**			

Source: Company

Q1 FY26 Concall highlights

- Voltas' Unitary Cooling Products (UCP) division was hit hard by a mild north Indian summer in Q1, leading to a sharp volume drop and ~35–40% y/y industry de-growth. Revenue fell a steep 25% y/y due to an unusually mild summer in north India, Voltas' largest, strongest market.
- The EBIT margin fell ~500bps to 3.6%, driven by under-absorption of fixed costs from lower plant utilisation, particularly at Chennai, and higher promotional spends to defend market leadership. Peers Lloyd/Bluestar, meanwhile, reported 39/13% y/y decline in revenue in Q1
- Voltas is now carrying 3–4 months of inventory, while trade partners hold around two months. The high inventory stems from capacity augmentation after a strong FY25 and expectation of robust sales in FY26, disrupted by a mild summer.
- Management is not resorting to heavy discounting to clear stocks, instead banking on the coming festival season and the "second summer" in western and southern India to drive sales and liquidate inventory organically. In the interim, production is being moderated, with factories focusing only on models facing shortages to avoid further stock build-up
- Voltas' Q1 market share fell to 17.8% (from 19.5% a year ago); its end-Jun share was 19.3% (21.2% year ago). Despite this, the company retained its #1 market position with a ~400bp lead over its nearest competitor
- The 2026 BEE labeling changes are expected to raise costs ~4–5%. Voltas is pursuing value engineering to absorb part of the impact and will pass on the balance via selective price hikes, with clearer estimates expected by Nov–Dec'25.
- Management expects demand to improve from the festival season (Onam, Durga Puja, Diwali) and further benefits from a possible "second summer" in western and southern India, helping recover part of the Q1 shortfall.
- For FY26, the industry is projected to be broadly flat to down 5–10%; Voltas aims to retain its market leadership and protect margins despite still competition from over 65 RAC players. To support this, it is focusing on cost-control measures, value-engineering to offset cost pressures and prudent production planning to normalize inventories by manufacturing only models in shortage. Promotional activities will continue at competitive but not aggressive levels to sustain brand equity
- Commercial air-conditioning was stable, driven by steady demand for VRF systems, cassette ACs, and ducted products. Margins in retrofit and customer care were softer but expected to normalize as execution cycles stabilize.

Fig 8 – RAC market share (%)



Source: Anand Rathi Research

EMP

- EMP revenue fell 2.9% y/y. While Q1 margins were slightly hit by a provision for an international project, the company said that the ~5% EBIT margin is sustainable, with potential to exceed that in domestic projects.
- The order book was a healthy ~ Rs32bn in domestic projects and Rs17bn in international projects, both higher than last year's opening levels. Management is pursuing a cautious, selective bidding strategy focused on assured margins and secure funding,
- Execution is steady, and enquiry pipelines are strong, with various tenders in progress that could boost the OB further in coming quarters. The company expects improved traction and orders from Q2.

Voltas Beko

- Loss in Q1 was Rs.259m, while volumes grew 33% in Q1 FY26, selling ~1m units where the strategy is to strengthen Voltbek's market presence through a wider product range, deeper channel penetration and enhanced brand visibility. The company's priority is to build scale and market share before focusing on profitability, with the ongoing losses viewed as planned "brand investment" rather than pure financial setbacks.
- Voltas Beko has made strong gains in recent quarters, with washing machine market share rising to 8.6% and refrigerators reaching 7.2%, moving closer to the medium-term target of 10%+ in both categories.
- Management is confident that once the 10%+ share threshold is reached, operating leverage and better cost absorption will naturally drive profitability, making Voltbek a meaningful contributor to Voltas' consolidated performance in the medium to long term.

Outlook and Valuation

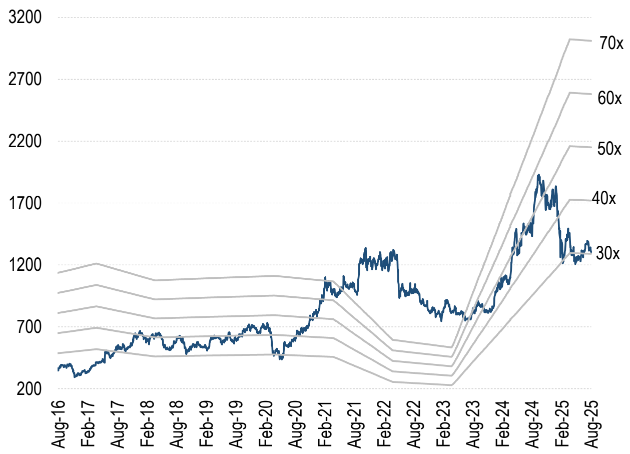
Delayed summer and dampened demand resulted in feeble Q1 (seasonally strong), potentially hindering growth in FY26. This compels us to cut our FY26e/27e EPS 9%/6%. We expect 11%/11% revenue/net income CAGRs over FY25-28.

Fig 9 – Change in estimates

	Revised		Old		Variance (%)	
(Rs m)	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Revenue	1,62,762	1,84,083	1,75,269	2,01,801	*(7.1)*	*(8.8)*
Y/Y (%)	*5.6*	*13.1*	*14*	*15*		
EBITDA	11,474	13,981	12,778	15,005	*(10.2)*	*(6.8)*
EBITDA - (%)	*7.0*	*7.6*	*7.3*	*7.4*		
JV & MI	(968)	(867)	(933)	(832)	*3.8*	*4.2*
Net Income	8,192	9,953	9,042	10,591	*(9.4)*	*(6.0)*
Net Income (%)	*5.0*	*5.4*	*5.2*	*5.2*		
Adj net income	8,192	9,953	9,042	10,591		
EPS (Rs)	24.8	30.1	27.3	32.0	*(9.4)*	*(6.0)*

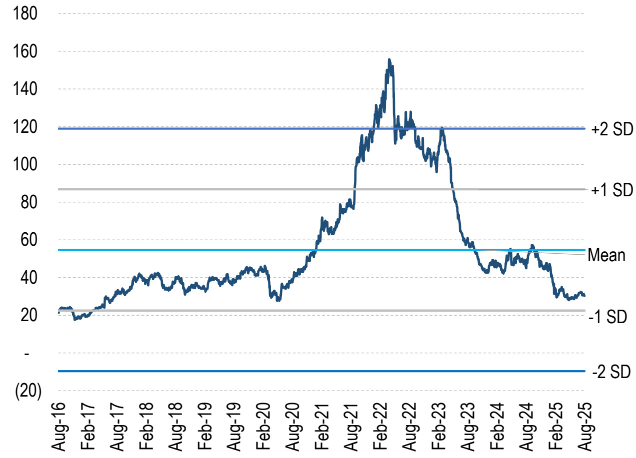
Source: Anand Rathi Research

Fig 10 – P/E band



Source: Company, Anand Rathi Research

Fig 11 – Mean PE is 55x



Source: Company, Anand Rathi Research

Valuation, Rating. We maintain our Buy recommendation, with a 12-mth TP of Rs1,568 (earlier Rs1,544) as we introduce FY28e and roll over valuations to Sep'27. We value the core business and the Beko JV separately.

Fig 12 – Sum-of-parts valuation

Business segment (Rs m)	Sep'27e PAT	Multiple assigned (x)	M Cap (derived)
Core business	10,770	48	516,943
M.Cap			**516,943**
Investment in Voltas Beko JV at end-FY25	2,011	1	2,011
Value			**518,953**
No of shares (m)			331
Derived value per share (Rs)			**1,568**
CMP (Rs)			1,304
Upside (%)			20.3

Source: Company, Anand Rathi Research

Key risks

- A drop in the RAC market share could curb UCP margins.
- Steep rise in raw material prices and competition could hurt margins.

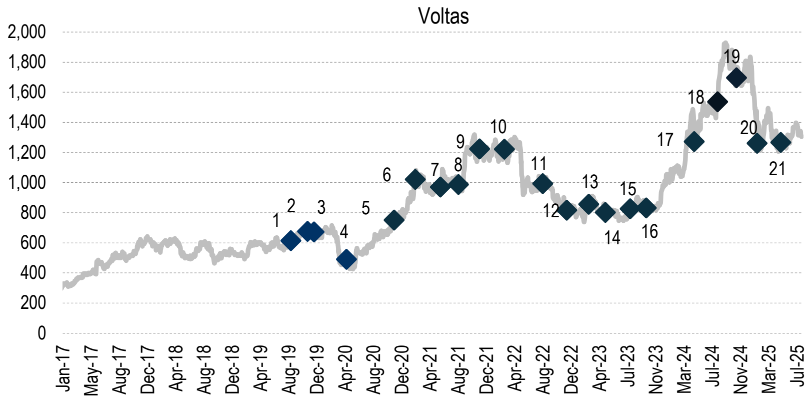
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 9 August 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
6	16-Feb-21	Sell	911	1,040
7	16-May-21	Sell	911	1,000
8	10-Aug-21	Hold	1,120	999
9	02-Nov-21	Hold	1,369	1,221
10	16-Feb-22	Buy	1,400	1,208
11	08-Aug-22	Buy	1,318	980
12	24-Nov-22	Buy	986	818
13	11-Feb-23	Hold	937	850
14	27-Apr-23	Buy	973	809
15	12-Aug-23	Buy	971	829
16	21-Oct-23	Buy	819	993
17	09-May-24	Hold	1,380	1,278
18	18-Aug-24	Buy	1,844	1,534
19	05-Nov-24	Buy	2,018	1,683
20	31-Jan-25	Buy	1,627	1,261
21	11-May-25	Buy	1,544	1,237

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

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Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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