



India

ADD (previously HOLD)

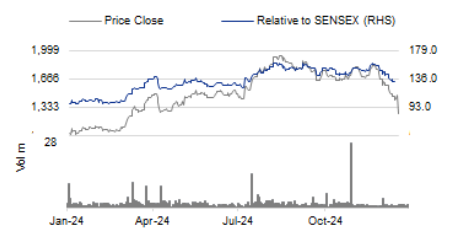
Consensus ratings*: Buy 20 Hold 10 Sell 9

Current price:	Rs1,269
Target price: ▲	Rs1,845
Previous target:	Rs1,620
Up/downside:	45.4%
InCred Research / Consensus:	3.1%
Reuters:	VOLT.NS
Bloomberg:	VOLT IN
Market cap:	US\$4,848m Rs419,992m
Average daily turnover:	US\$35.0m Rs3034.4m
Current shares o/s:	330.8m
Free float:	69.7%

*Source: Bloomberg

Key changes in this note

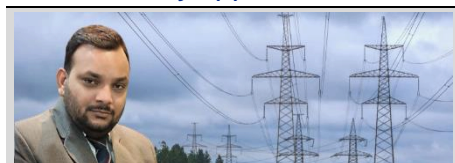
- For FY25F-27F, we lower our revenue estimates by 4%-7% and PAT estimates by 7%-11%. Upgrade to ADD rating with a higher target price of Rs1,845.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(28.3)	(25.2)	24.8
Relative (%)	(27.0)	(22.7)	16.7

Major shareholders	% held
Promoter (Tata Sons Ltd)	30.3
Life Insurance Corporation	2.0
HDFC Life	3.1

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Voltas Ltd**Healthy growth & outlook; upgrade to ADD**

- 3Q EBITDA came in at Rs1.97bn, up 595% YoY, 16% below our estimate and 3% below BB consensus. The EBITDA margin rose by 527bp YoY to 6.4%.
- The market share in washing machines improved to 8.3% while in refrigerators it was 5.1%. Management is looking at EBITDA breakeven by Mar 2025F.
- Voltas' stock price has dipped 35% in the last three months. We upgraded its rating to ADD with a higher target price of Rs1,845, valuing it at 45x FY27 EPS.

Healthy volume growth in room air-conditioner business

Voltas reported weaker-than-expected profits in 3QFY25, despite a beat on the revenue front. Revenue grew by 18% YoY (19% QoQ) to Rs31bn, 5% above our estimate & 3% above Bloomberg or BB consensus estimate. Revenue growth was driven by the UCP segment, up 20% YoY at Rs17.7bn. Overall volume growth in 9MFY25 was 42%. Blended EBITDA was at Rs1.97bn, up 595% YoY, 16% below our estimate & 3% below BB consensus estimate. The EBITDA margin rose by 527bp YoY to 6.4%. PAT was at Rs1.3bn, vs. a net loss of Rs276m YoY, 28% below our estimate & 17% below BB consensus estimate.

Uptick in project business continues

Project business grew by 21% YoY and the segment's EBIT witnessed an uptick to Rs595m against an EBIT loss of Rs1.2bn YoY. The domestic project business, which includes MEP, water, electrical, and solar segments, grew by ~17% during the quarter. Domestic project business continues to expand its order book. The international project business, especially projects in the UAE and Saudi Arabia, continue to perform well.

Voltas Beko JV to break even; market share gain on track

Voltas Beko's home appliances business saw strong growth, with a 59% volume growth in 3QFY25 & 56% in 9MFY25. The market share in washing machines improved to 8.3% while in refrigerators it reached 5.1%. The company has become the second largest player in semi-automatic washing machines with a 16.7% share. It is looking at EBITDA breakeven by Mar 2025F.

AC capacity to double; evaluating compressor manufacturing

The Chennai plant is now almost fully integrated, manufacturing sheet metal, injection moulds, and heat exchangers in-house. Voltas is looking at a capex of Rs4bn, including doubling air-conditioner or AC production capacity from 1m to 2m units. It is evaluating a Rs2.5m investment in manufacturing compressors.

Outlook and valuation

For FY25F-27F, we lower our revenue estimates by 4%-7% and PAT estimates by 7%-11%. The stock has corrected 35% in the last three months and so we upgraded its rating to ADD (from HOLD) with a higher target price of Rs1,845 (Rs1,620 earlier), valuing it at 45x FY27 (from Sep 2026F) EPS, in line with the mean multiple. Downside risks: The EMP segment's losses & market share contraction in the room AC segment

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	94,988	124,812	157,926	181,087	203,724
Operating EBITDA (Rsm)	5,724	4,746	11,951	13,846	16,140
Net Profit (Rsm)	1,362	2,481	8,856	11,123	13,565
Core EPS (Rs)	7.4	7.5	26.8	33.6	41.0
Core EPS Growth	(51.7%)	1.5%	256.9%	25.6%	22.0%
FD Core P/E (x)	308.32	169.28	47.42	37.76	30.96
DPS (Rs)	5.5	4.3	5.6	7.3	9.5
Dividend Yield	0.44%	0.34%	0.44%	0.58%	0.75%
EV/EBITDA (x)	73.29	88.27	34.95	29.97	25.57
P/FCFE (x)	119.81	124.81	328.93	115.09	106.57
Net Gearing	(1.7%)	(2.4%)	(4.0%)	(7.3%)	(9.0%)
P/BV (x)	7.70	7.22	6.44	5.68	4.98
ROE	4.5%	4.4%	14.4%	16.0%	17.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** Voltas reported a healthy performance, with consolidated revenue growing 18% YoY in 3QFY25 and 28% in 9MFY25. PAT in 9MFY25 reached Rs6bn, the highest ever nine-month profit in the company's history. With the summer season approaching, Voltas expects strong demand for cooling products, particularly ACs, refrigerators, and air coolers. The company remains confident about sustaining its leadership position and improving profitability through operational efficiency.
- **Unitary cooling products (UCP) segment:** The segment reported 20% revenue growth YoY in 3Q and 42% in 9MFY25. The market share in room ACs or RACs remained strong at 20.5% as of Dec 2024-end from 19% as of Dec 2023-end. Both split and window ACs saw good demand, although the commercial refrigeration business faced some headwinds due to reduced customer capex. The company expects the UCP segment's margin to remain under pressure in 4QFY25F due to higher marketing expenses and inventory adjustments, but it is likely to improve from 1QFY25F, with higher seasonal demand and operating leverage. While the commercial refrigeration category faced margin pressure due to inventory liquidation, the company remained optimistic about future growth amid fresh orders in the pipeline. The air cooler segment grew, despite its seasonality, with Voltas capturing a 11.1% market share, ranking #2 in the category.
- **Electromechanical projects and services (EMPS) segment:** The segment continued to turn around, with revenue growing 21% YoY to Rs11.9bn in 3Q. EBIT stood at Rs570m vs. a loss of Rs1.2bn in 3QFY24. The order book remained strong at Rs 68.2bn, with new orders worth Rs14.38bn in domestic projects and continued strength in the UAE and Saudi Arabia operations.
- **Engineering products and services (EPS) segment:** The segment posted flat revenue growth at Rs4.4bn for 9MFY25 while EBIT declined to Rs1.2bn from Rs1.6bn YoY. The mining and construction business showed positive momentum, but textile machinery sales were weak due to slowdown in cotton and yarn exports.
- **Voltas Beko:** The home appliances business saw strong growth, with a 59% volume growth in 3Q and 56% in 9MFY25. The market share in washing machines improved to 8.3% and in refrigerators to 5.1%. Semi-automatic washing machines became the second largest in the segment, with a 16.7% market share. Management aims to achieve EBITDA breakeven for Voltas Beko by Mar 2025F. Gross margin improved by ~300bp, but increased brand-building costs temporarily delayed the growth in profitability.
- **Backward integration:** Management emphasized that the Chennai plant is almost fully backward integrated, producing sheet metal, injection moulds, and heat exchangers in-house. However, compressors and motors are still outsourced, as is common in the industry. The ramp-up of the new commercial refrigeration factory led to some additional costs in 3Q. The company is now producing more high-demand freezers and expects the cost impact to normalize soon.
- **Capex plan:** Voltas has earmarked Rs4bn for future expansion, including ramping up AC production from 1m to 2m units. The company is also evaluating a Rs2.5bn investment in compressor manufacturing but is waiting to finalize a technological partnership before proceeding further. Management stated that depreciation charge at Rs180m reflects only the currently capitalized part of the commercial refrigeration business and Chennai plant capex. Once fully capitalized, annual depreciation is expected to reach Rs 700–750m.
- Voltas remains cautious in managing its international projects, particularly in the Middle East. It continues to focus on collections and project execution efficiency to mitigate financial risks. Voltas continues to invest heavily in branding, in-store promotions, and advertising to maintain and grow its market

share. These investments have led to near-term margin pressure but are expected to support long-term growth.

Figure 1: Results snapshot

(Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Sales	31,051	26,257	18.3	26,191	18.6	1,06,452	82,783	28.6
Raw Material Costs	23,807	20,605	15.5	19,421	22.6	82,150	64,414	27.5
Employee Costs	2,311	2,046	13.0	2,382	(2.9)	6,716	5,796	15.9
Other Expenses	2,959	3,322	(10.9)	2,766	7.0	9,753	9,734	0.2
Total Expenditure	29,077	25,973	12.0	24,569	18.3	98,618	79,943	23.4
EBITDA	1,974	284	594.5	1,622	21.7	7,834	2,840	175.8
Depreciation	179	128	39.2	164	8.8	477	358	33.4
EBIT	1,795	156	1052.2	1,458	23.1	7,357	2,483	196.3
Interest	155	135	14.7	136	14.5	388	351	10.7
Other Income	591	579	2.0	1,055	(44.0)	2,448	1,988	23.1
PBT	2,231	599	272.1	2,377	(6.2)	9,416	4,120	128.5
PBT Excl. Extraordinary Items	2,231	599	272.1	2,377	(6.2)	9,416	4,120	128.5
Total Tax	599	515	16.4	726	(17.5)	2,490	1,743	42.9
Share of Profit of JV	(324)	(361)	(10.2)	(323)	N/A	(940)	(1,003)	N/A
PAT	1,308	-276	N/A	1,328	(1.6)	5,986	1,373	335.8
Adj. PAT	1,308	-276	N/A	1,328	(1.6)	5,986	1,373	335.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and costs

	3QFY25	3QFY24	YoY bp	2QFY25	QoQ bp	9MFY25	9MFY24	YoY bp
Margins (%)								
EBITDA Margin	6.4	1.1	527	6.2	16	7.4	3.4	393
EBIT Margin	5.8	0.6	519	5.6	22	6.9	3.0	391
PBT Margin	7.2	2.3	490	9.1	(189)	8.8	5.0	387
NPM	4.2	-1.1	526	5.1	(86)	5.6	1.7	396
Effective Tax Rate	26.8	85.8	(5,899)	30.5	(370)	26.4	42.3	(1,585)
Cost (%)								
Raw Material Costs	76.7	78.5	(180)	74.2	252	77.2	77.8	(64)
Other Expenses	9.5	12.7	(312)	10.6	(103)	9.2	11.8	(260)
Personnel Costs	7.4	7.8	(35)	9.1	(165)	6.3	7.0	(69)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise performance

Revenue (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Electro-mechanical	11,902	9,819	21.2	8,799	35.3	30,193	25,851	16.8
Engineering Products	1,297	1,548	(16.2)	1,467	(11.6)	4,372	4,316	1.3
Unitary Cooling Products	17,711	14,756	20.0	15,822	11.9	71,555	51,984	37.6
Total	30,910	26,123	18.3	26,088	18.5	1,06,119	82,151	29.2
EBIT (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Electro-mechanical	567	-1,200	N/A	462	22.7	1,704	-2,208	N/A
Engineering Products	368	499	(26.2)	396	(7.0)	1,213	1,579	(23.2)
Unitary Cooling Products	1,043	1,229	(15.1)	1,162	(10.3)	5,475	4,230	29.4
Total	1,978	528	274.5	2,020	(2.1)	8,392	3,601	133.0
EBIT Margin (%)	3QFY25	3QFY24	YoY bp	2QFY25	QoQ bp	9MFY25	9MFY24	YoY bp
Electro-mechanical	4.8	(12.2)	1,698	5.2	(49)	5.6	(8.5)	1,418
Engineering Products	28.4	32.2	(383)	27.0	140	27.7	36.6	(886)
Unitary Cooling Products	5.9	8.3	(244)	7.3	(146)	7.7	8.1	(49)
Blended EBIT margin	6.4	2.0	438	7.7	(134)	7.9	4.4	352

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

vs. InCred estimates (Rs m)	3QFY25A	3QFY25F	Diff.
Revenue	31,051	29,452	5.4%
EBITDA	1,974	2,362	-16.4%
Margin (%)	6.4	8.0	-166bp
PAT	1,308	1,818	-28.1%
vs. consensus estimates (Rs m)	3QFY25A	3QFY25C	Diff.
Revenue	31,051	30,240	2.7%
EBITDA	1,974	2,042	-3.3%
Margin (%)	6.4	6.8	-40bp
PAT	1,308	1,580	-17.2%

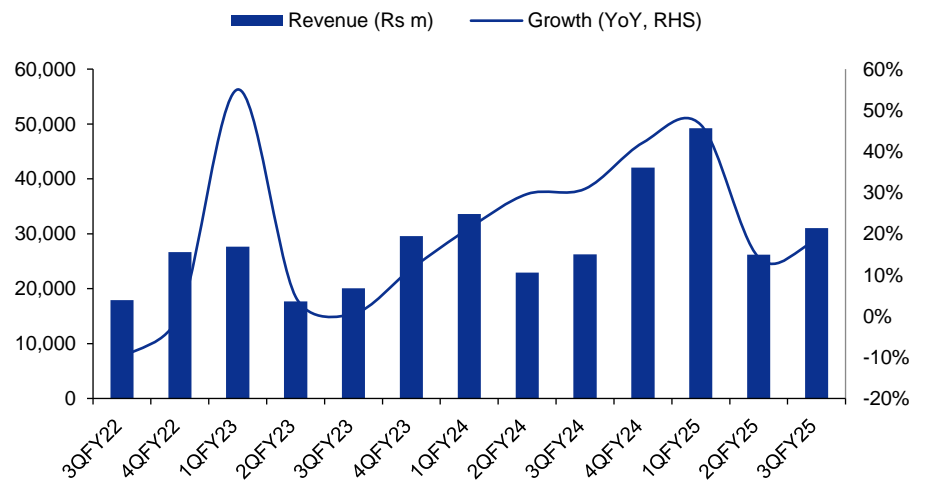
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

(Rs m)	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	1,57,926	1,81,087	2,03,724	1,64,070	1,93,859	2,13,388	-3.7%	-6.6%	-4.5%
EBITDA	11,951	13,846	16,140	13,046	15,161	17,254	-8.4%	-8.7%	-6.5%
Core PAT	8,856	11,123	13,565	9,989	12,231	14,516	-11.3%	-9.1%	-6.5%

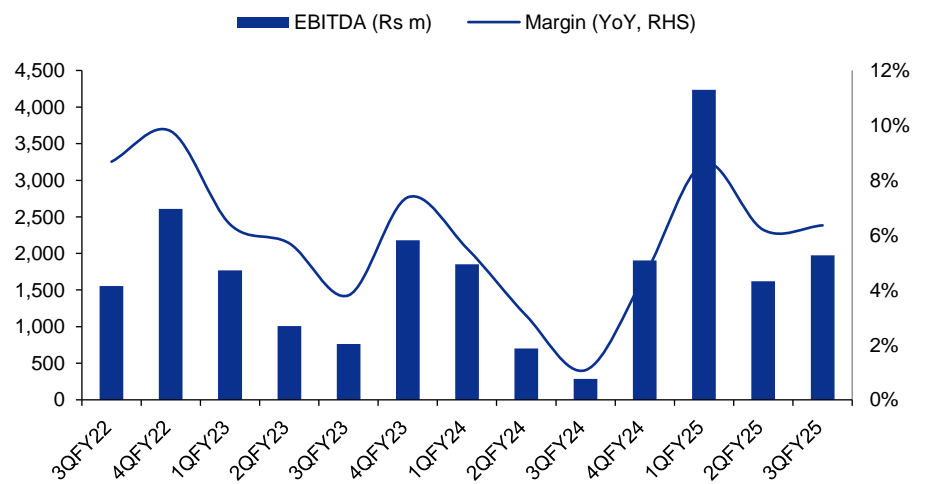
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly revenue trend



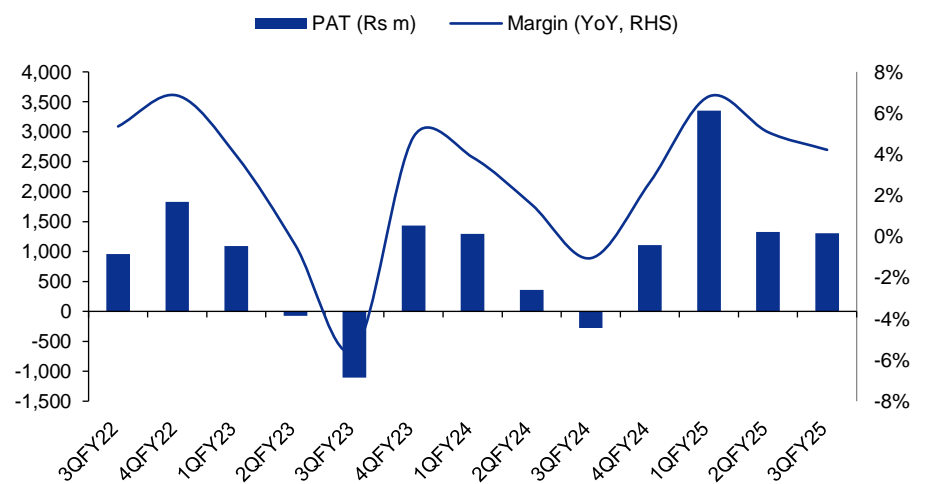
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



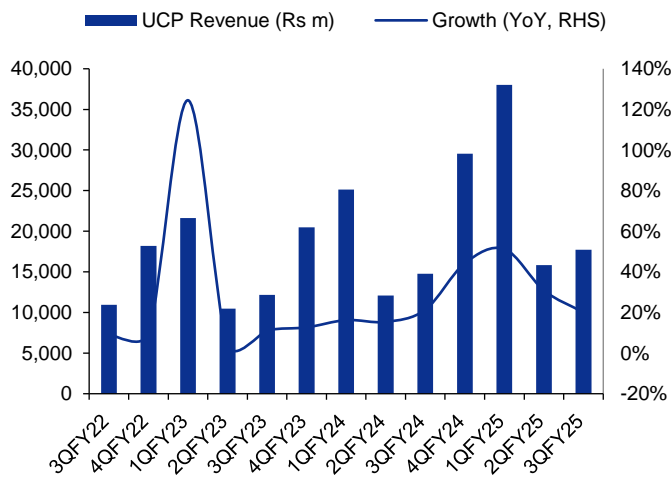
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



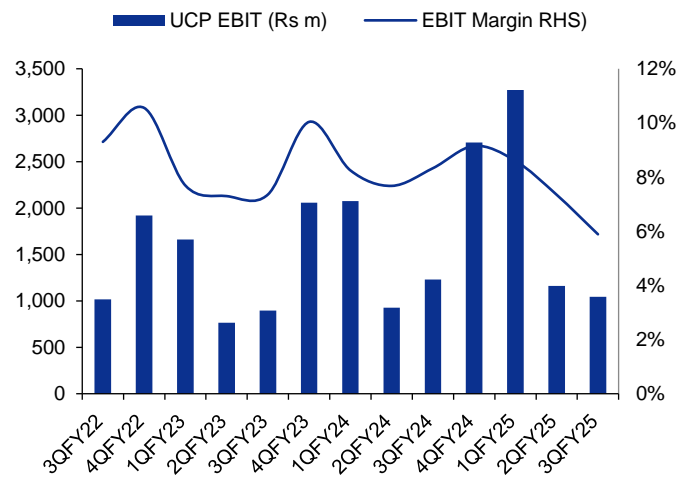
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: UCP segment revenue trend



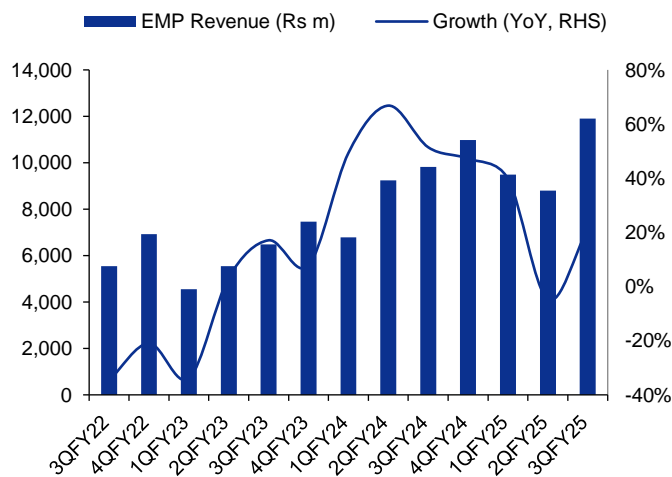
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: UCP segment EBIT performance



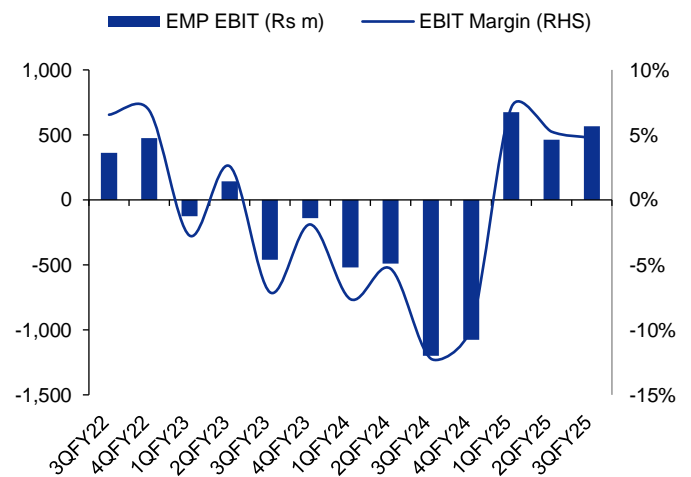
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: EMP segment revenue trend



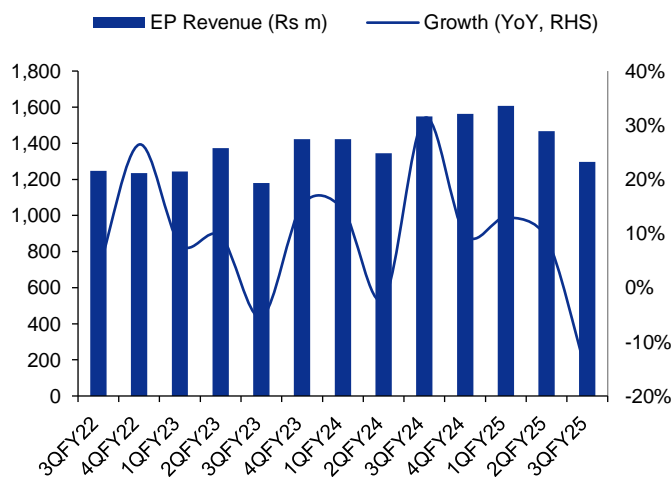
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: EMP segment EBIT performance



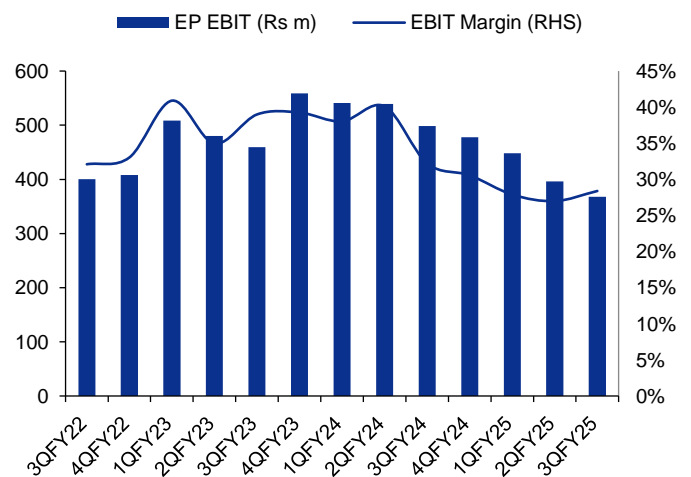
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: EP segment revenue trend



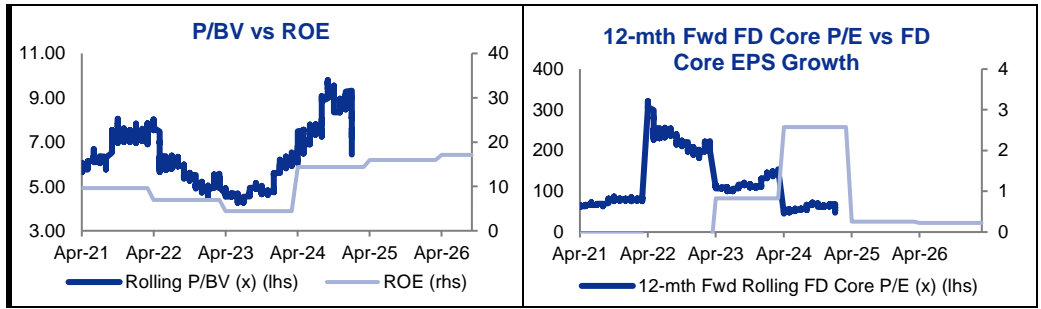
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: EP segment EBIT performance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	94,988	124,812	157,926	181,087	203,724
Gross Profit	21,206	26,672	35,626	42,374	48,079
Operating EBITDA	5,724	4,746	11,951	13,846	16,140
Depreciation And Amortisation	(396)	(476)	(599)	(612)	(668)
Operating EBIT	5,328	4,270	11,352	13,234	15,472
Financial Income/(Expense)	(296)	(559)	(607)	(655)	(699)
Pretax Income/(Loss) from Assoc.	(1,207)	(1,386)	(1,331)	(799)	(319)
Non-Operating Income/(Expense)	1,685	2,533	3,019	3,359	3,790
Profit Before Tax (pre-EI)	5,510	4,858	12,433	15,139	18,243
Exceptional Items	(2,438)				
Pre-tax Profit	3,071	4,858	12,433	15,139	18,243
Taxation	(1,709)	(2,377)	(3,577)	(4,016)	(4,678)
Exceptional Income - post-tax					
Profit After Tax	1,362	2,481	8,856	11,123	13,565
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,362	2,481	8,856	11,123	13,565
Recurring Net Profit	2,444	2,481	8,856	11,123	13,565
Fully Diluted Recurring Net Profit	2,444	2,481	8,856	11,123	13,565

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	5,724	4,746	11,951	13,846	16,140
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,836)	801	(7,374)	(3,330)	(4,472)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,362	4,183	2,369	2,716	3,056
Net Interest (Paid)/Received					
Tax Paid	(1,656)	(2,115)	(3,577)	(4,016)	(4,678)
Cashflow From Operations	1,594	7,615	3,368	9,216	10,046
Capex	(1,774)	(2,883)	984	(1,120)	(1,120)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	958	(2,341)	(3,432)	(4,821)	(5,378)
Cash Flow From Investing	(816)	(5,224)	(2,448)	(5,941)	(6,498)
Debt Raised/(repaid)	2,728	974	357	374	393
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,829)	(1,432)	(1,862)	(2,421)	(3,147)
Preferred Dividends					
Other Financing Cashflow	(355)	(713)	(1,527)	(1,228)	(794)
Cash Flow From Financing	544	(1,172)	(3,033)	(3,275)	(3,548)
Total Cash Generated	1,322	1,219	(2,112)		
Free Cashflow To Equity	3,506	3,365	1,277	3,649	3,941
Free Cashflow To Firm	778	2,392	920	3,275	3,548

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	7,084	8,523	10,103	13,254	15,859
Total Debtors	21,919	25,328	31,153	34,729	39,070
Inventories	15,920	21,354	25,961	28,775	32,373
Total Other Current Assets	16,471	17,027	21,677	24,360	27,405
Total Current Assets	61,393	72,232	88,893	101,118	114,707
Fixed Assets	5,012	7,980	6,441	6,949	7,401
Total Investments	31,581	35,532	37,902	41,650	46,857
Intangible Assets	723	723	723	723	723
Total Other Non-Current Assets	4,081	3,890	5,527	7,243	8,149
Total Non-current Assets	41,397	48,125	50,593	56,565	63,129
Short-term Debt	5,948	4,853	5,096	5,351	5,618
Current Portion of Long-Term Debt					
Total Creditors	30,126	38,557	48,460	55,070	61,954
Other Current Liabilities	8,461	12,043	12,980	14,884	16,744
Total Current Liabilities	44,535	55,453	66,536	75,305	84,317
Total Long-term Debt	212	2,280	2,394	2,514	2,639
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,393	1,383	1,895	2,173	2,445
Total Non-current Liabilities	1,605	3,663	4,289	4,687	5,084
Total Provisions	1,713	2,699	3,126	3,454	3,778
Total Liabilities	47,853	61,815	73,951	83,445	93,179
Shareholders Equity	54,521	58,205	65,199	73,901	84,320
Minority Interests	417	337	337	337	337
Total Equity	54,937	58,542	65,536	74,238	84,657

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	19.7%	31.4%	26.5%	14.7%	12.5%
Operating EBITDA Growth	(16.0%)	(17.1%)	151.8%	15.9%	16.6%
Operating EBITDA Margin	6.0%	3.8%	7.6%	7.6%	7.9%
Net Cash Per Share (Rs)	2.79	4.20	7.90	16.29	22.97
BVPS (Rs)	164.77	175.91	197.04	223.34	254.83
Gross Interest Cover	18.00	7.64	18.71	20.22	22.15
Effective Tax Rate	55.6%	48.9%	28.8%	26.5%	25.6%
Net Dividend Payout Ratio	48.1%	57.7%	21.0%	21.8%	23.2%
Accounts Receivables Days	82.65	69.08	65.27	66.40	66.11
Inventory Days	80.47	69.31	70.60	72.01	71.70
Accounts Payables Days	147.29	127.72	129.85	136.21	137.22
ROIC (%)	16.7%	12.3%	28.0%	29.8%	31.4%
ROCE (%)	8.9%	6.7%	16.2%	17.0%	17.6%
Return On Average Assets	4.0%	2.6%	7.2%	7.8%	8.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.