

India

**HOLD** (no change)

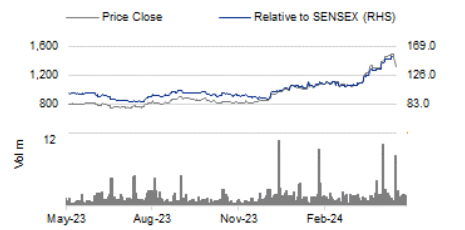
Consensus ratings\*: Buy 16 Hold 14 Sell 9

Current price:	Rs1,319
Target price: ▲	Rs1,378
Previous target:	Rs1,115
Up/downside:	4.5%
InCred Research / Consensus:	11.8%
Reuters:	VOLT.NS
Bloomberg:	VOLT IN
Market cap:	US\$5,225m Rs436,371m
Average daily turnover:	US\$24.9m Rs2082.8m
Current shares o/s:	330.8m
Free float:	69.7%

\*Source: Bloomberg

**Key changes in this note**

- ▶ We increase PAT estimates by 7%/6% for FY25F/26F.
- ▶ We raise revenue estimates by 13%/11% for FY25F/26F.



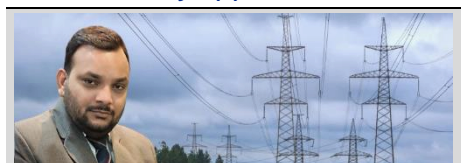
Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	0.9	23.9	64.2
Relative (%)	2.6	20.7	38.0

**Major shareholders**

	% held
Promoter (Tata Sons Ltd )	30.3
Life Insurance Corporation	10.3
HDFC Life	2.5

**Research Analyst(s)**



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# Voltas Ltd

## Strong volume in RAC; EMP losses continue

- 4Q EBITDA came in at Rs1.9bn, down 13% YoY, 25% below our estimate & 27% below the consensus estimate. EBITDA margin at 4.5%, down 284bp YoY.
- In FY24, Voltas achieved record-breaking sales of 2m RACs, marking a 35% volume growth. The company is looking to increase its capacity to 2.5m RACs.
- We increase earnings estimates by 7%/6% for FY25F/26F and raise revenue estimates by 13%/11%. Retain HOLD rating with a higher TP of Rs1,378.

### Higher costs hit margin

Voltas reported a subdued 4QFY24 EBITDA performance, primarily due to continued losses in the international EMP segment. Margin pressure sustained, with EBITDA at Rs1.9bn, down 13% YoY, which was 25% below our estimate and 27% below Bloomberg consensus estimate. The EBITDA margin stood at a mere 4.5%, down 284bp YoY, 222bp below our estimate of 6.5%. Revenue was at Rs42bn, up 42% YoY and 60% QoQ, 20% above our estimate and 10% above Bloomberg consensus estimate, led by a 44% YoY jump in revenue of the UCP segment at Rs30bn. PAT came in at Rs1.1bn, down 23% YoY, led by poor operating performance due to continuous losses in the EMP segment.

### Higher provisioning continues in international business

The International projects business continues to face headwinds due to a project in Qatar witnessing unreasonable delay in the release of due receivables and prolongation of execution timeline. The company has reassessed its exposure on account of the delay and made a further provision, resulting in a loss of Rs1.08bn.

### Strong volume growth in RAC business in 4QFY24

While the overall volume grew by 27% YoY, for air-conditioners it was even higher at 35% in FY24. Voltas continues to be the market leader with a market share of 18.7% as of Mar 2024-end. For 4QFY24, the UCP segment posted strong performance with a revenue of Rs29.6bn, up 44% YoY. EBIT of the UCP segment was up 32% YoY at Rs2.7bn while its EBIT margin declined to 9.2%, (-90bp YoY). The engineering products segment saw a revenue growth of 31% YoY to Rs1.5bn, EBIT of the segment declined by 677bp YoY to 32.2%. For the room air-conditioner or RAC business, management expects a margin of ~9% in FY25F. For the projects business, margin is likely to be at 4-5%.

### Retain HOLD rating on the stock

In FY24, Voltas achieved record-breaking sales of 2m air-conditioners, marking a 35% increase in volume. The company is looking to increase its in-house capacity to 2.5m RACs. We increased our earnings estimates by 7%/6% for FY25F/26F, respectively, while we raised revenue estimates by 13%/11%, respectively, factoring in healthy volume growth in the UCP segment. We retain HOLD rating on it with a higher target price of Rs1,378 (from Rs1,115), valuing the stock at 42x FY26F EPS (from 36x earlier), in line with mean P/E. Upside risks: Quick margin recovery & strong revenue growth. Downside risks: More EMP segment's losses & market share contraction.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	79,345	94,988	124,812	149,661	171,532
Operating EBITDA (Rsm)	6,816	5,724	4,746	10,945	14,462
Net Profit (Rsm)	5,060	3,781	3,092	8,223	10,854
Core EPS (Rs)	15.3	11.4	9.3	24.9	32.8
Core EPS Growth	(4.3%)	(25.3%)	(18.2%)	166.0%	32.0%
FD Core P/E (x)	86.24	115.42	141.14	53.07	40.21
DPS (Rs)	5.0	5.5	4.3	6.0	6.0
Dividend Yield	0.38%	0.42%	0.33%	0.45%	0.45%
EV/EBITDA (x)	63.28	75.59	91.12	39.34	29.65
P/FCFE (x)	197.05	81.22	5,405.31	(37.10)	86.19
Net Gearing	(4.1%)	(1.7%)	(2.4%)	(4.3%)	(6.2%)
P/BV (x)	7.93	8.00	7.50	7.50	7.50
ROE	9.6%	6.9%	5.5%	14.1%	18.6%

% Change In Core EPS Estimates  
InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 4QFY24 conference-call highlights

- **Overview:** In FY24, the company achieved record-breaking sales of 2m air-conditioners, marking a 35% increase in volume. The segment of split air-conditioners experienced a notable surge of 50%. Despite a significant 32% YoY increase in net sales, the company faced margin pressure due to volatile input prices, resulting in a 222bp drop in EBITDA margin. The company recorded 26,000 touch points for ACs.
- **Guidance:** For the RAC business, management expects a margin of ~9% for FY25F. For the projects business, both domestic and international business are expected to clock 4-5% margin, as guided earlier. The company expects breakeven at the EBITDA level for Voltbek by the end of FY25F. Over the next two years, the company is looking to increase its in-house capacity to 2.5m RACs from the current capacity of 1.3m RACs.
- **Segments:**
  - **UCP:** For FY24, the UCP segment witnessed a notable 26% YoY increase in revenue, accompanied by a 29% improvement in EBIT. The segment experienced a rise in the share of the inverter AC category by 80%, led by competitive pricing and improved in-house design. The company saw increased sales in 4-5 star-rated products. As of Mar 2024-end, the segment secured a market share of 18.7% in the RAC category, with expectations of further enhancements in the retail and distribution channels. However, commercial refrigeration faced limited traction. The air cooler segment provided a significant boost to the UCP segment, while Voltas water heaters continued to gain acceptance among customers. Performance of VRF light commercial ACs, packaged AC and ducted ACs showed notable growth across sectors. In 4Q, the segment reported revenue and EBIT growth of 44% and 32%, respectively. Capex expansion plans at both facilities remain on track.
  - **EMPS:** Revenue was up 47% YoY during the quarter, but the segment reported EBIT loss of ~Rs1.1bn. For FY24, revenue grew 53%. The segment witnessed delayed collection in overseas projects. The domestic project business recorded a growth of 38% for the quarter and 73% for Mar 2024. The project business in Saudi Arabia continues to deliver good performance and drive revenue growth. The company has reassessed its exposure, especially in Qatar, where it continues to face unreasonable delay and prolongation of the execution timeline. The carry forward order book for the international business as of Mar 2024-end stood at Rs30.3bn, largely in the UAE, Saudi Arabia and Asia. Total carry forward order book of the segment stood at Rs80.64bn.
  - **EPS:** The segment reported a 10% YoY growth in revenue in 4Q and 13% growth in FY24. EBIT for 4Q and FY24 grew -14.5% and 2.5%, respectively. The mining and construction equipment vertical achieved its targeted numbers, despite facing pressure due to margin reduction. India's infrastructure projects and the revival of the mining sector provide growth opportunities for the business. The textile industry, however, faced pressure due to volatile cotton and yarn prices. The export demand for yarn remains highly subdued. Due to this, industry capex decreased, which led to reduced utilization level of spinners.
- **Voltas Beko:** It experienced robust growth driven by increased demand for both large and small appliances. It expanded its market presence by producing locally manufactured products at Sanand in Gujarat, and focusing on strengthening its distribution network, especially in the southern and western regions of India. It emerged as the fastest-growing Indian consumer durable brand within just five years, with sales surpassing 5m appliances. Despite facing various challenges, including those posed by the COVID-19 pandemic, Voltas Beko has demonstrated its potential and secured its position among the top brands in semi-automatic washing machines in FY24. It has also witnessed

growth in market share across categories such as refrigerators, washing machines, and semi-automatic tabletop dishwashers.

Figure 1: Quarterly snapshot

(Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Net Sales</b>	<b>42,029</b>	<b>29,568</b>	<b>42.1</b>	<b>26,257</b>	<b>60.1</b>	<b>1,24,812</b>	<b>94,988</b>	<b>31.4</b>
Raw Material Costs	33,727	23,182	45.5	20,605	63.7	98,140	73,782	33.0
Employee Costs	1,992	1,678	18.7	2,046	(2.7)	7,788	6,672	16.7
Other Expenses	4,404	2,526	74.3	3,322	32.6	14,138	8,810	60.5
Total Expenditure	40,123	27,386	46.5	25,973	54.5	1,20,066	89,264	34.5
<b>EBITDA</b>	<b>1,906</b>	<b>2,182</b>	<b>(12.7)</b>	<b>284</b>	<b>570.6</b>	<b>4,746</b>	<b>5,724</b>	<b>(17.1)</b>
Depreciation	118	104	13.8	128	(8.0)	476	396	20.1
EBIT	1,788	2,078	(14.0)	156	1047.4	4,270	5,328	(19.8)
Interest	208	124	67.1	135	53.7	559	296	88.8
Other Income	544	467	16.6	579	(6.0)	2,533	1,685	50.3
Extraordinary Income	-	-	NA	-	NA	-	-	NA
Extraordinary Expenses	-	-	NA	-	NA	-	2,438	NA
PBT	2,124	2,420	NA	599	254.4	6,244	4,278	46.0
PBT excl. Extraordinary Items	2,124	2,420	(12.2)	599	254.4	6,244	6,716	(7.0)
Total Tax	634	706	(10.2)	515	23.3	2,377	1,709	39.1
Minority Interest	0	0		0	NA	13	20	(34.3)
Share of profit of JV	(383)	(282)	36.0	(361)	6.2	(762)	(1207)	(36.8)
<b>PAT</b>	<b>1,106</b>	<b>1,432</b>	<b>(22.8)</b>	<b>-276</b>	<b>NA</b>	<b>3,092</b>	<b>1,342</b>	<b>130.3</b>
<b>Adj. PAT</b>	<b>1,106</b>	<b>1,432</b>	<b>(22.8)</b>	<b>-276</b>	<b>NA</b>	<b>3,092</b>	<b>3,781</b>	<b>(18.2)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

	4QFY24	4QFY23	YoY bp	3QFY24	QoQ bp	FY24	FY23	YoY bp
EBITDA Margin (%)	4.5	7.4	(284)	1.1	345	3.8	6.0	(222)
EBIT Margin (%)	4.3	7.0	(277)	0.6	366	3.4	5.6	(219)
PBT Margin (%)	5.1	8.2	(313)	2.3	277	5.0	4.5	50
NPM	2.6	4.8	(221)	-1.1	368	2.5	4.0	(150)
Effective Tax Rate (%)	29.9	29.2	69	85.8	(5597)	38.1	25.4	1262
<b>Cost Analysis</b>								
Raw Material Costs (% of revenue)	80.2	78.4	185	78.5	177	78.6	77.7	96
Other Expenses (% of revenue)	10.5	8.5	194	12.7	(217)	11.3	9.3	205
Personnel (% of revenue)	4.7	5.7	(94)	7.8	(305)	6.2	7.0	(78)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental performance

Revenue (Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Electro-mechanical	10,979	7,458	47.2	9,819	11.8	36,830	24,029	53.3
Engineering Products	1,564	1,424	9.8	1,548	1.0	5,879	5,220	12.6
Unitary Cooling Products	29,551	20,486	44.2	14,756	100.3	81,535	64,745	25.9
<b>Total</b>	<b>42,094</b>	<b>29,368</b>	<b>43.3</b>	<b>26,123</b>	<b>61.1</b>	<b>1,24,244</b>	<b>93,994</b>	<b>32.2</b>
EBIT (Rs m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY23	YoY (%)
Electro-mechanical	-1,077	-141	664.3	-1,200	(10.2)	-3,285	-583	463.4
Engineering Products	478	559	(14.5)	499	(4.2)	2,057	2,007	2.5
Unitary Cooling Products	2,704	2,057	31.5	1,229	120.0	6,935	5,378	28.9
<b>Total</b>	<b>2,105</b>	<b>2,475</b>	<b>(14.9)</b>	<b>528</b>	<b>298.7</b>	<b>5,707</b>	<b>6,802</b>	<b>(16.1)</b>
EBIT Margin (%)	4QFY24	4QFY23	YoY bps	3QFY24	QoQ bps	FY24	FY23	YoY bps
Electro-mechanical	(9.8)	(1.9)	(792)	(12.2)	241	(8.9)	(2.4)	(649)
Engineering Products	30.6	39.3	(869)	32.2	(165)	35.0	38.5	(347)
Unitary Cooling Products	9.2	10.0	(89)	8.3	82	8.5	8.3	20
<b>Total EBIT margin</b>	<b>5.0</b>	<b>8.4</b>	<b>(342)</b>	<b>2.0</b>	<b>298</b>	<b>4.6</b>	<b>7.2</b>	<b>(264)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Earnings revision table

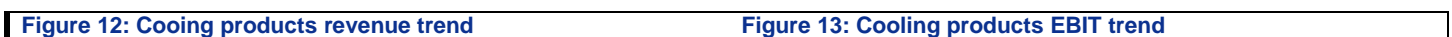
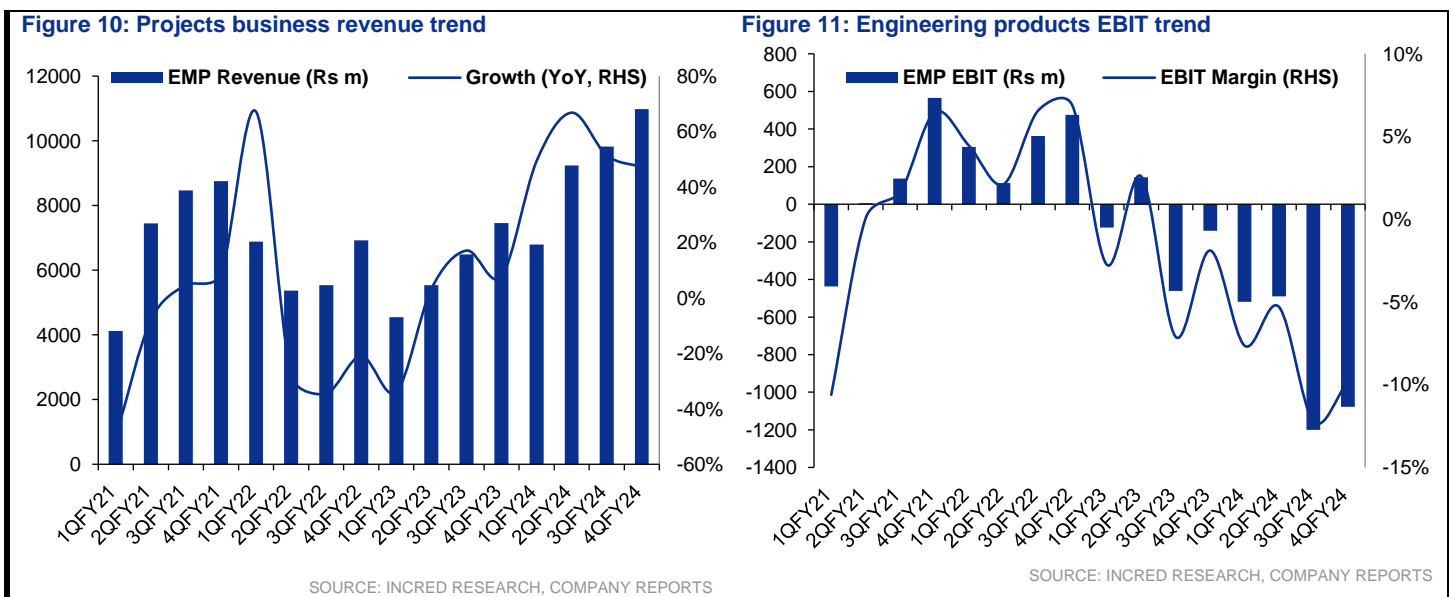
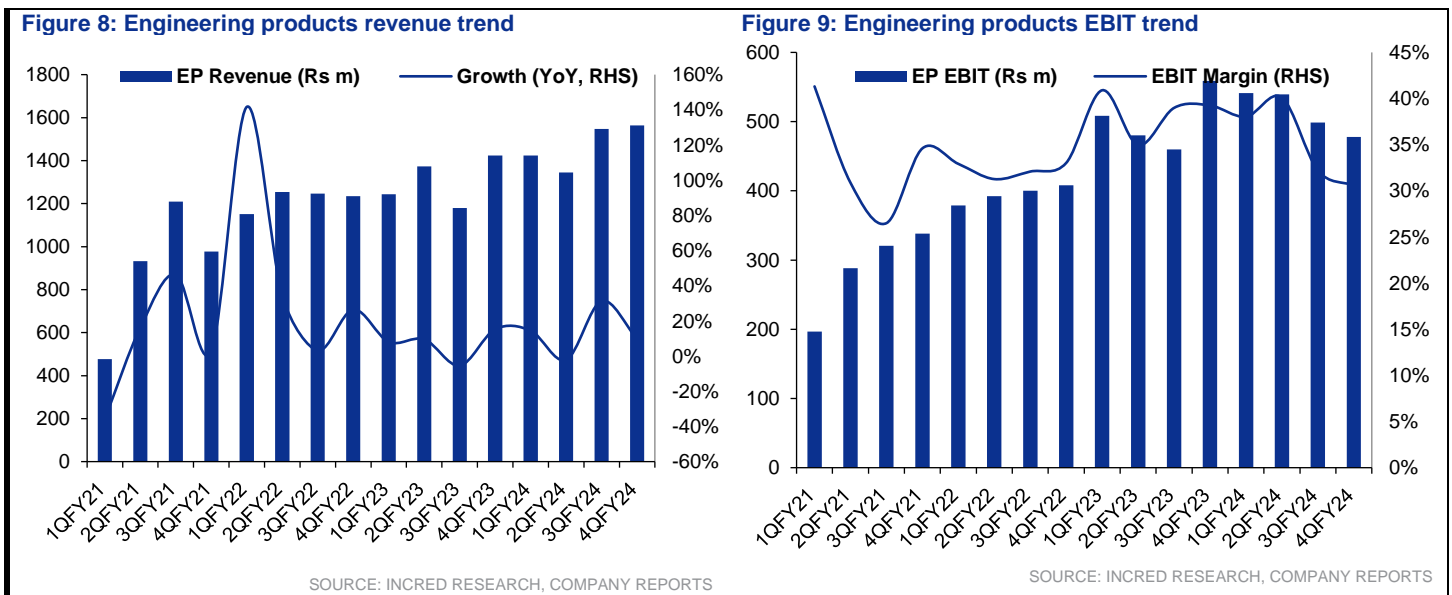
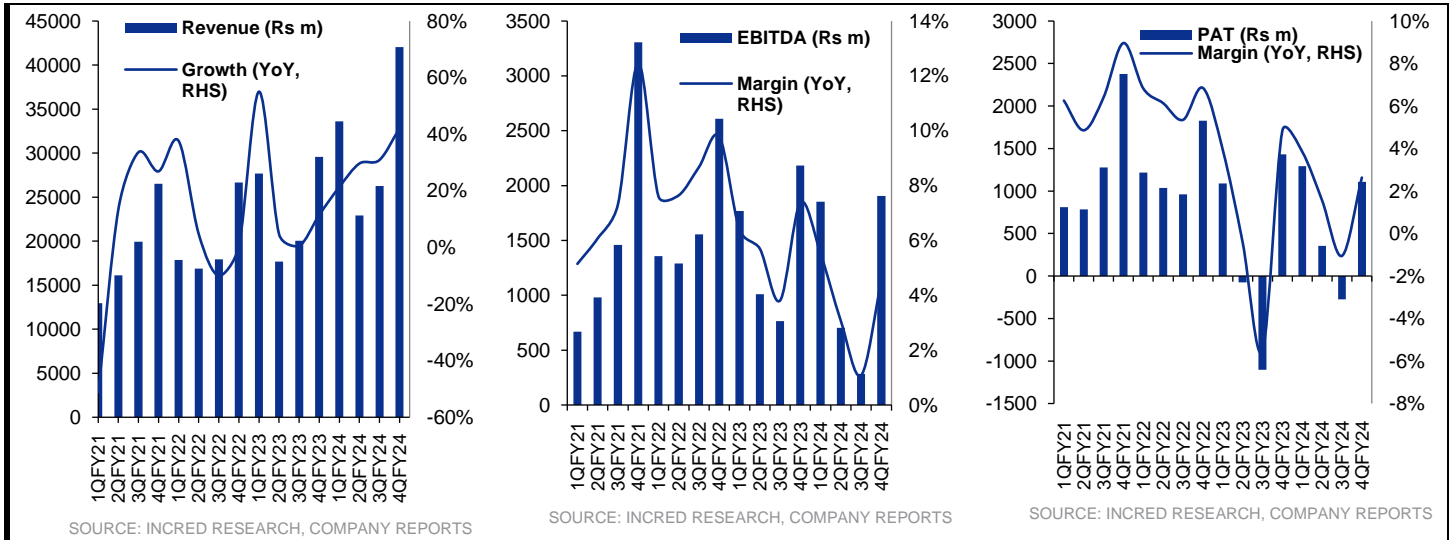
(Rs m)	Old Estimates		New Estimates		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Revenue	1,32,806	1,55,171	1,49,661	1,71,532	12.7%	10.5%
EBITDA	10,131	13,536	10,863	14,256	7.2%	5.3%
Core PAT	7,673	10,238	8,223	10,854	7.2%	6.0%

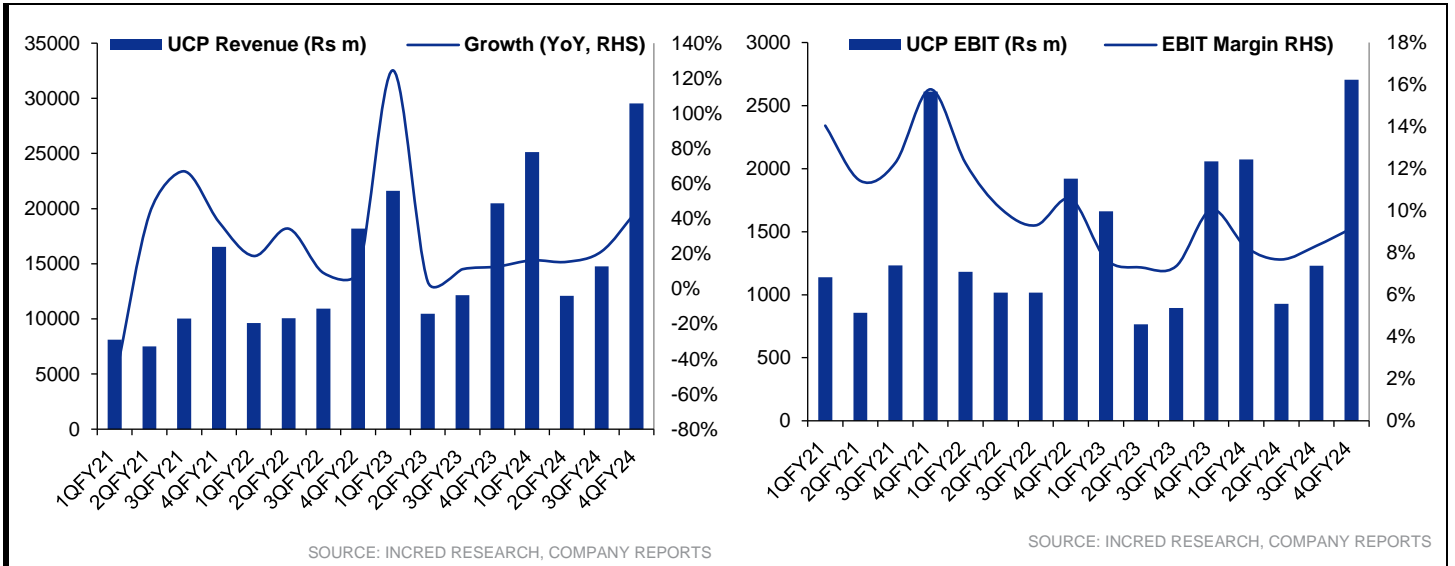
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly revenue trend

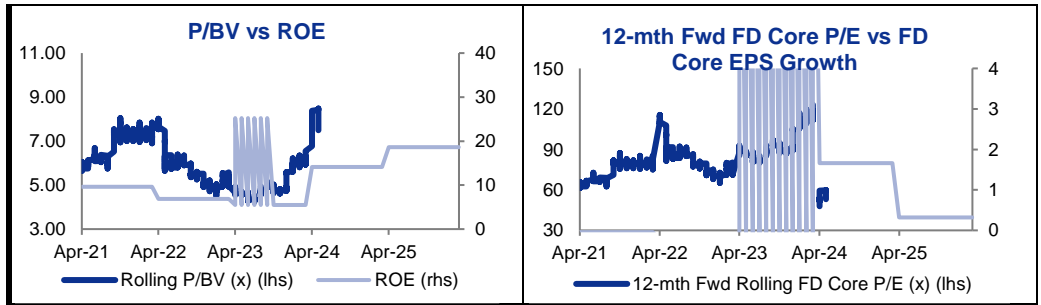
Figure 6: Quarterly EBITDA trend

Figure 7: Quarterly PAT trend





BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>79,345</b>	<b>94,988</b>	<b>124,812</b>	<b>149,661</b>	<b>171,532</b>
<b>Gross Profit</b>	<b>20,378</b>	<b>21,206</b>	<b>26,672</b>	<b>35,320</b>	<b>40,138</b>
<b>Operating EBITDA</b>	<b>6,816</b>	<b>5,724</b>	<b>4,746</b>	<b>10,945</b>	<b>14,462</b>
Depreciation And Amortisation	(373)	(396)	(476)	(603)	(810)
<b>Operating EBIT</b>	<b>6,443</b>	<b>5,328</b>	<b>4,270</b>	<b>10,342</b>	<b>13,653</b>
Financial Income/(Expense)	(259)	(296)	(559)	(449)	(404)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,892	1,685	2,533	2,321	2,483
<b>Profit Before Tax (pre-EI)</b>	<b>8,076</b>	<b>6,716</b>	<b>6,244</b>	<b>12,214</b>	<b>15,731</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,076</b>	<b>6,716</b>	<b>6,244</b>	<b>12,214</b>	<b>15,731</b>
Taxation	(1,913)	(1,709)	(2,377)	(3,078)	(3,964)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,163</b>	<b>5,007</b>	<b>3,867</b>	<b>9,136</b>	<b>11,767</b>
Minority Interests		(20)	(13)	(13)	(13)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(1,103)	(1,207)	(762)	(900)	(900)
<b>Net Profit</b>	<b>5,060</b>	<b>3,781</b>	<b>3,092</b>	<b>8,223</b>	<b>10,854</b>
Recurring Net Profit	5,060	3,781	3,092	8,223	10,854
<b>Fully Diluted Recurring Net Profit</b>	<b>5,060</b>	<b>3,781</b>	<b>3,092</b>	<b>8,223</b>	<b>10,854</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>6,816</b>	<b>5,724</b>	<b>4,746</b>	<b>10,945</b>	<b>14,462</b>
Cash Flow from Invt. & Assoc.	158	(92)	1,485	1,255	1,256
Change In Working Capital	(438)	(2,567)	3,128	(16,255)	(3,768)
(Incr)/Decr in Total Provisions	837	17	18	18	18
Other Non-Cash (Income)/Expense	373	396	476	603	810
<b>Other Operating Cashflow</b>	<b>267</b>	<b>(1,389)</b>	<b>(1,974)</b>	<b>(1,872)</b>	<b>(2,078)</b>
Net Interest (Paid)/Received	(259)	(296)	(559)	(449)	(404)
Tax Paid	(2,169)	(1,511)	(2,377)	(3,078)	(3,964)
<b>Cashflow From Operations</b>	<b>5,584</b>	<b>283</b>	<b>4,944</b>	<b>(8,832)</b>	<b>6,330</b>
Capex	(482)	(1,702)	(3,444)	(4,500)	(3,000)
Disposals Of FAs/subsidiaries	7,141				
Acq. Of Subsidiaries/investments	(11,038)	5,107	(3,951)	(750)	(750)
Other Investing Cashflow	92	1,685	2,533	2,321	2,483
<b>Cash Flow From Investing</b>	<b>(4,287)</b>	<b>5,090</b>	<b>(4,863)</b>	<b>(2,929)</b>	<b>(1,267)</b>
Debt Raised/(repaid)	918				
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,676)	(1,829)	(1,432)	(1,985)	(1,985)
Preferred Dividends					
Other Financing Cashflow	(312)	(296)	(559)	(449)	(404)
<b>Cash Flow From Financing</b>	<b>(1,070)</b>	<b>(2,124)</b>	<b>(1,991)</b>	<b>(2,434)</b>	<b>(2,389)</b>
Total Cash Generated	226	3,248	(1,910)	(14,195)	2,674
<b>Free Cashflow To Equity</b>	<b>2,215</b>	<b>5,372</b>	<b>81</b>	<b>(11,761)</b>	<b>5,063</b>
<b>Free Cashflow To Firm</b>	<b>1,555</b>	<b>5,668</b>	<b>640</b>	<b>(11,311)</b>	<b>5,468</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	5,717	7,084	8,523	8,949	9,397
Total Debtors	21,097	21,919	25,328	35,263	40,416
Inventories	16,614	15,920	21,354	26,628	30,599
Total Other Current Assets	11,022	16,471	17,027	32,133	36,829
<b>Total Current Assets</b>	<b>54,450</b>	<b>61,393</b>	<b>72,232</b>	<b>102,973</b>	<b>117,240</b>
Fixed Assets	3,707	5,012	7,980	11,877	14,067
Total Investments	36,687	31,581	35,532	36,282	37,032
Intangible Assets	723	723	723	723	723
Total Other Non-Current Assets	2,429	4,081	3,890	3,890	3,890
<b>Total Non-current Assets</b>	<b>43,546</b>	<b>41,397</b>	<b>48,125</b>	<b>52,772</b>	<b>55,713</b>
Short-term Debt	3,432	5,948	4,853	4,368	3,931
Current Portion of Long-Term Debt					
Total Creditors	29,421	30,126	38,557	50,123	57,598
Other Current Liabilities	6,118	8,461	12,042	13,531	15,508
<b>Total Current Liabilities</b>	<b>38,971</b>	<b>44,535</b>	<b>55,452</b>	<b>68,021</b>	<b>77,037</b>
Total Long-term Debt		212	2,280	2,052	1,847
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	498	526	987	947	911
<b>Total Non-current Liabilities</b>	<b>498</b>	<b>738</b>	<b>3,267</b>	<b>2,999</b>	<b>2,758</b>
Total Provisions	2,619	2,580	3,095	4,100	4,700
<b>Total Liabilities</b>	<b>42,087</b>	<b>47,853</b>	<b>61,814</b>	<b>75,121</b>	<b>84,495</b>
Shareholders Equity	54,996	54,521	58,205	58,205	58,205
Minority Interests	381	417	337	337	337
<b>Total Equity</b>	<b>55,376</b>	<b>54,937</b>	<b>58,542</b>	<b>58,542</b>	<b>58,542</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	5.0%	19.7%	31.4%	19.9%	14.6%
Operating EBITDA Growth	6.3%	(16.0%)	(17.1%)	130.6%	32.1%
Operating EBITDA Margin	8.6%	6.0%	3.8%	7.3%	8.4%
Net Cash Per Share (Rs)	6.91	2.79	4.20	7.64	10.94
BVPS (Rs)	166.21	164.77	175.91	175.91	175.91
Gross Interest Cover	24.90	18.01	7.64	23.01	33.76
Effective Tax Rate	23.7%	25.4%	38.1%	25.2%	25.2%
Net Dividend Payout Ratio	32.8%	48.4%	46.3%	24.1%	18.3%
Accounts Receivables Days	89.95	82.65	69.08	73.88	80.52
Inventory Days	91.02	80.47	69.31	76.58	79.48
Accounts Payables Days	167.33	147.29	127.72	141.54	149.62
ROIC (%)	25.3%	16.7%	12.3%	16.3%	18.9%
ROCE (%)	11.5%	8.9%	6.7%	15.8%	21.1%
Return On Average Assets	5.7%	4.0%	3.2%	6.2%	6.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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