

**CMP: INR 1,269**

**Rating: ACCUMULATE**

**Target Price: INR 1,449**

**Stock Info**

BSE	500575
NSE	VOLTAS
Bloomberg	VOLT:IN
Reuters	VOLT.NS
Sector	Consumer Durables
Face Value (INR)	1
Equity Capital (INR cr)	33.1
Mkt Cap (INR cr)	41,979
52w H/L (INR)	1,946/1,013
Avg Yearly Volume (in 000')	1,793.9

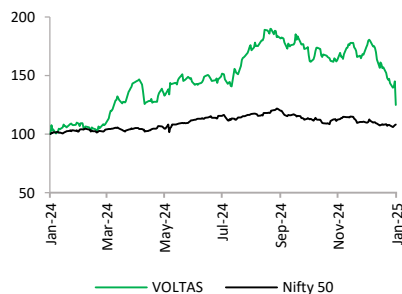
**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	30.30
DII	34.39
FII	21.31
Public & Others	13.78

Stock Performance (%)	3m	6m	12m
VOLTAS	-23.5	-31.2	24.8
NIFTY	-3.7	-9.9	8.0

**Voltas vs Nifty**



**Abhishek Jain**  
abhishek.jain@arihantcapital.com  
022-422548871

**Balasubramanian A**  
bala@arihantcapital.com  
022-67114780

**Voltas Ltd** reported numbers, Q3FY25 revenue grew by 18.3% YoY (+18.6% QoQ) to INR 3,105cr; below our estimates of INR 3,331cr. Gross Profit stood at INR 724cr (+28.2% YoY/+7% QoQ); below our estimates of INR 746cr; Gross margins improved by 180 bps YoY (down by 252 bps QoQ) to 23.3% vs 21.5% in Q3FY24. The raw material cost in terms of sales stood at 76.7% vs 78.5% in Q3FY24. EBITDA stood at INR 197cr (+594.5% YoY/+21.7% QoQ); above our estimates of INR 191cr. EBITDA margin improved by 527 bps YoY (up by 16 bps QoQ) to 6.4% vs 1.1% in Q3FY24. PAT stood at INR 131cr vs INR -28cr in Q3FY24; below our estimates of INR 144cr, and PAT margin stood at 4.2% vs -1.1% in Q3FY24.

**Key Highlights**

**Volume-focused approach led margin erosion in UCP:** Unitary Cooling Products (UCP) revenue stood at INR 1,771cr (+20% YoY/+11.9% QoQ); EBIT Stood at INR 104cr (-15.1% YoY/-10.3% QoQ). EBIT margin contracted by 244 bps YoY (down by 146 bps QoQ) to 5.9% vs 8.3% in Q3FY24. The company is focused on market share and volumes in Q3FY25. The company has not taken any price hike in Q3FY25 and elevated commodity prices and the steep depreciation of USD-INR exchange rates led to margin impact. RAC market share stood at 20.5% as of Dec-24. The commercial refrigeration segment witnessed moderated growth due to sales push to liquidate inventory and challenges in the market. The growth is majorly led by Visi coolers, Combo, and glass top freezers.

**Witnessed improvement in EMP:** Electro-Mechanical Projects and Services revenue stood at INR 1,190cr (+21.2% YoY/+35.3% QoQ); EBIT Stood at INR 57cr vs INR -120cr in Q3FY24. EBIT margin stood at 4.8% vs -12.2% in Q3FY24. EMP order book stood at INR 6,818cr. The domestic order inflow stood at INR 1,438cr in 9MFY25. The order book stood at INR 4,862cr. The international order book stood at INR 1,956cr, mainly in the UAE and Saudi regions. UAE and Saudi Arabia continued to perform in international projects. The company is executing 10-12 projects in international markets and is selective on taking projects.

**Growth and margin remain under pressure in EMS:** Engineering Products and Services revenue stood at INR 130cr (-16.2% YoY/-11.6% QoQ); EBIT Stood at INR 37cr (-26.2% YoY/-7% QoQ). EBIT margin contracted by 383 bps YoY (up by 140 bps QoQ) to 28.4% vs 32.2% in Q3FY24. The mining and construction witnessed demand for power screen machines. Engineering products and Services businesses were impacted due to yarn & cotton exports, and lower capex in the industry.

**Outlook & Valuation:** Voltas has a leadership position in the RAC segment and market share stood at 20.5% as of Dec-24. The Chennai plant is ramping up and further capex is expected INR 400-450cr for increase the capacity from 1mn units to 1.5mn units, a further 2mn units going forward. The Injection molding, sheet metals, copper tubes, and heat exchangers capex is expected to be completed in the next 10-12 months. The compressor plant capex is around INR 250cr and looking for a technology partner to execute the plan. The margins remain impacted due to volume and market share-focused approach; have not taken any price hike in Q3FY25, while steep increase in commodity prices and fluctuation USD/INR exchange rates. The company is started building up inventory for the upcoming season. The portfolio expansion, strategic tie-ups with partners and price calibrations would lead the RAC segment growth going forward. Strong project execution and timely assessment of cost and profitability have improved the bottom line of EMP. A strong brand presence, a wider network, a focus on the B2C segment, PLI schemes and industry growth will be the key drivers for the company. We are maintaining an "ACCUMULATE" rating at a TP of INR 1,449 per share; valued based on SOTP; an upside of 14.2%.

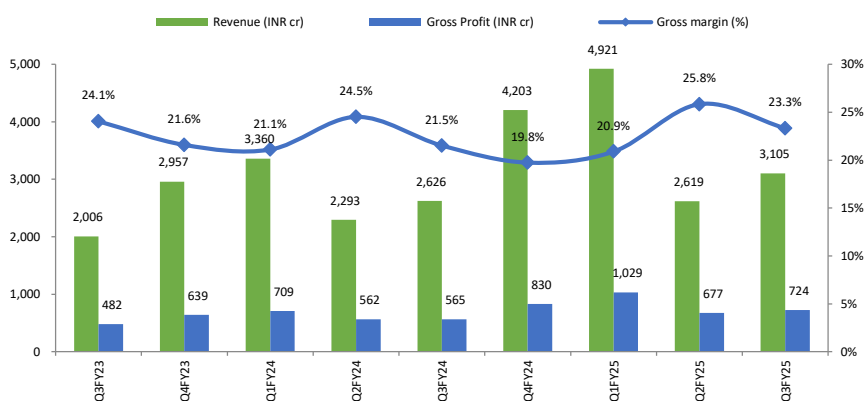
**Q3FY25 Results**

**Income statement summary**

Particular (INR cr)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Revenue	2,626	2,619	3,105	18.3%	18.6%
Net Raw Materials	2,060	1,942	2,381	15.5%	22.6%
<b>Gross Profit</b>	<b>565</b>	<b>677</b>	<b>724</b>	<b>28.2%</b>	<b>7.0%</b>
<b>Gross Margin (%)</b>	<b>21.5%</b>	<b>25.8%</b>	<b>23.3%</b>	<b>+180 bps</b>	<b>-252 bps</b>
Employee Cost	205	238	231	13.0%	-2.9%
Other Expenses	332	277	296	-10.9%	7.0%
<b>EBITDA</b>	<b>28</b>	<b>162</b>	<b>197</b>	<b>594.5%</b>	<b>21.7%</b>
<b>EBITDA Margin (%)</b>	<b>1.1%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>+527 bps</b>	<b>+16 bps</b>
Depreciation	13	16	18		
Interest expense	14	14	16		
Other income	58	105	59		
Exceptional Items	-	-	-		
Share of profits associate & JV	(36)	(32)	(32)		
<b>Profit before tax</b>	<b>24</b>	<b>205</b>	<b>191</b>	<b>699.3%</b>	<b>-7.2%</b>
Taxes	51	73	60		
Minorities and other	-	-	-		
<b>PAT</b>	<b>(28)</b>	<b>133</b>	<b>131</b>	<b>-573.8%</b>	<b>-1.6%</b>
<b>PAT Margin</b>	<b>-1.1%</b>	<b>5.1%</b>	<b>4.2%</b>	<b>+526 bps</b>	<b>-86 bps</b>
<b>EPS (INR)</b>	<b>(0.8)</b>	<b>4.0</b>	<b>4.0</b>		

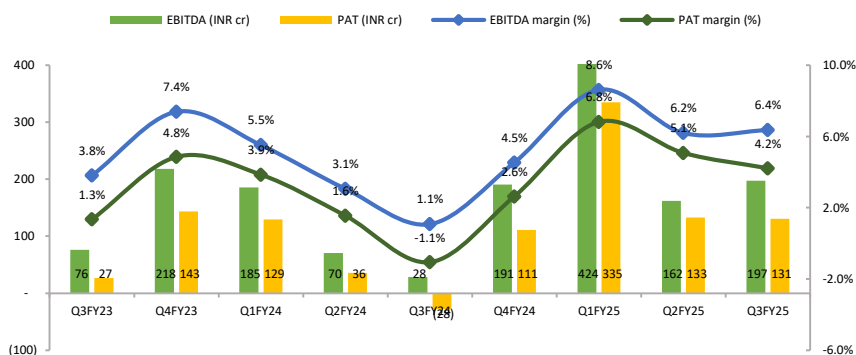
Source: Company Reports, Aриhant Capital Research

**Exhibit 1: Gross margins improved by 180 bps YoY (down by 252 bps QoQ) to 23.3% in Q3FY25 due to lower RM costs.**



Source: Company Reports, Aриhant Capital Research

**Exhibit 2: EBITDA margin improved by 527 bps YoY (up by 16 bps QoQ) to 6.4% in Q3FY25 due to lower employee costs and other expenses in-terms of sales.**



Source: Company Reports, Aриhant Capital Research

### Q3FY25 Concall Highlights

#### Market share

- RAC market share stood at 20.5% as of Dec-24.

#### UCP

- UCP's revenue mix stood at RAC – 61%, Commercial refrigeration – 15%, Air coolers – 5%, and the remaining from commercial air conditioners.
- Window and split air conditioners witnessed reasonable growth in Q3FY25.
- The commercial refrigeration segment witnessed moderated growth due to sales push to liquidate inventory and challenges in the market. The growth is majorly led by Visi coolers, Combo, and glass top freezers.
- Commercial air conditioning growth led by VRFs and ducted ACs.
- In commercial refrigeration plant, production is in full swing for convertible freezers which are fast fast-selling category.
- Aircoolers witnessed strong growth, despite low season. Aircoolers market share stood at 11.1% as of Dec-24. Voltas become 2<sup>nd</sup> brand in the Aircoolers segment.
- The margin impact is due to elevated commodity prices and the steep depreciation of USD-INR exchange rates.

#### Capex

- In the Chennai plant, the company already spent INR 400cr and an additional INR 400-450cr to increase capacity to 1mn units to 1.5mn units and a further 2mn units. Injection molding, sheet metals, copper tubes, and heat exchangers capex is expected to be completed in the next 10-12 months.
- Compressor capex is around INR 250cr and looking for a technology partner to execute the plan.
- Chennai plant is completely backward integrated, except for compressors.
- The new RAC Chennai plant continued to be ramped up as per plan and gearing up for the upcoming season.

#### EMP

- EMP order book stood at INR 6,818cr.
- In EMP, domestic order inflow stood at INR 1,438cr in 9MFY25. The order book stood at INR 4,862cr.
- The international order book stood at INR 1,956cr, mainly in the UAE and Saudi regions.
- UAE and Saudi Arabia continued to perform in international projects. The company is executing 10-12 projects.

**Q3FY25 Concall Highlights****Engineering products and Services**

- In Engineering products and Services; mining and construction witnessed demand for power screen machines.
- Engineering products and Services businesses were impacted due to yarn & cotton exports, and lower capex in the industry.

**Voltbek**

- Voltbek volume growth stood at 59% YoY in Q3FY25 and 56% YoY in 9MFY25.
- The washing machine market share stood at 8.3% and the refrigerators market share stood at 5.1% as of Dec-24.
- The semi-automatic washing machine market share stood at 16.7% as of Dec-24.
- Voltbek EBITDA breakeven is expected in the near future.

**Other highlights**

- The company is focused on localizing all refrigerator manufacturing in India.
- Commercial refrigeration and Chennai plant depreciation is around INR 70-75cr per annum.
- The company has reached 75%-80% in the modern and regional retail counters.

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,556	7,934	9,499	12,481	15,503	19,729	24,791
Net Raw Materials	5,578	5,897	7,378	9,814	11,965	15,191	19,065
Employee Cost	602	618	667	779	924	1,184	1,487
Other Expenses	734	739	881	1,414	1,456	1,845	2,281
<b>EBITDA</b>	<b>641</b>	<b>682</b>	<b>572</b>	<b>475</b>	<b>1,157</b>	<b>1,509</b>	<b>1,959</b>
<b>EBITDA Margin (%)</b>	<b>8.5%</b>	<b>8.6%</b>	<b>6.0%</b>	<b>3.8%</b>	<b>7.5%</b>	<b>7.7%</b>	<b>7.9%</b>
Depreciation	(34)	(37)	(40)	(48)	(66)	(79)	(92)
Interest expense	(26)	(26)	(30)	(56)	(53)	(52)	(62)
Other income	189	189	168	253	307	320	317
Exceptional Items	-	-	(244)	-	-	-	-
Share of profits associate & JV	(61)	(110)	(121)	(139)	(124)	(84)	(39)
<b>Profit before tax</b>	<b>709</b>	<b>697</b>	<b>307</b>	<b>486</b>	<b>1,222</b>	<b>1,614</b>	<b>2,083</b>
Taxes	(180)	(191)	(171)	(238)	(361)	(423)	(546)
<b>PAT</b>	<b>529</b>	<b>506</b>	<b>136</b>	<b>248</b>	<b>860</b>	<b>1,191</b>	<b>1,537</b>
<b>PAT Margin (%)</b>	<b>7.0%</b>	<b>6.4%</b>	<b>1.4%</b>	<b>2.0%</b>	<b>5.5%</b>	<b>6.0%</b>	<b>6.2%</b>
Other Comprehensive income	321	170	(38)	255	-	-	-
<b>Total Comprehensive income</b>	<b>850</b>	<b>676</b>	<b>98</b>	<b>503</b>	<b>860</b>	<b>1,191</b>	<b>1,537</b>
<b>EPS (INR)</b>	<b>25.7</b>	<b>20.4</b>	<b>3.0</b>	<b>15.2</b>	<b>26.0</b>	<b>36.0</b>	<b>46.5</b>

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	33	33	33	33	33	33	33
Reserves	4,960	5,466	5,419	5,787	6,360	7,152	8,174
<b>Net worth</b>	<b>4,993</b>	<b>5,500</b>	<b>5,452</b>	<b>5,821</b>	<b>6,393</b>	<b>7,185</b>	<b>8,207</b>
Minority Interest	36	38	42	34	34	34	34
Provisions	209	262	258	310	106	135	170
Debt	375	479	1,288	982	1,027	1,277	1,477
Other non-current liabilities	7	22	9	69	62	79	99
<b>Total Liabilities</b>	<b>5,620</b>	<b>6,301</b>	<b>7,049</b>	<b>7,215</b>	<b>7,621</b>	<b>8,709</b>	<b>9,987</b>
Fixed assets	238	230	361	390	1,192	1,427	1,662
Capital Work In Progress	9	59	98	368	64	77	45
Other Intangible assets	8	7	6	6	6	6	6
Goodwill	72	72	72	72	72	72	72
Investments	2,962	3,338	3,123	3,324	2,790	3,551	3,967
Other non current assets	176	160	172	152	186	237	297
<b>Net working capital</b>	<b>1,337</b>	<b>1,348</b>	<b>1,848</b>	<b>907</b>	<b>1,447</b>	<b>1,592</b>	<b>1,753</b>
Inventories	1,280	1,661	1,592	2,135	2,295	2,872	3,604
Sundry debtors	1,801	2,110	2,192	2,533	2,973	3,730	4,619
Loans & Advances	2	3	1	1	5	6	7
Other current assets	1,290	1,019	1,294	1,059	1,232	1,459	1,766
Sundry creditors	(2,465)	(2,942)	(3,013)	(3,856)	(4,127)	(5,291)	(6,756)
Other current liabilities & Prov	(571)	(503)	(218)	(965)	(930)	(1,184)	(1,487)
Cash	459	572	708	852	933	564	697
Other Financial Assets	358	514	660	1,144	930	1,184	1,487
<b>Total Assets</b>	<b>5,620</b>	<b>6,301</b>	<b>7,049</b>	<b>7,215</b>	<b>7,621</b>	<b>8,709</b>	<b>9,987</b>

Source: Company Reports, Arianth Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	709	697	307	486	1,222	1,614	2,083
Depreciation	34	37	40	48	66	79	92
Tax paid	(180)	(191)	(171)	(238)	(361)	(423)	(546)
Working capital Δ	(11)	(11)	(500)	941	(540)	(145)	(161)
<b>Operating cashflow</b>	<b>552</b>	<b>533</b>	<b>(324)</b>	<b>1,236</b>	<b>386</b>	<b>1,126</b>	<b>1,468</b>
Capital expenditure	(15)	(80)	(209)	(346)	(564)	(327)	(295)
<b>Free cash flow</b>	<b>537</b>	<b>453</b>	<b>(533)</b>	<b>890</b>	<b>(178)</b>	<b>799</b>	<b>1,173</b>
Equity raised	320	168	(1)	264	-	-	-
Investments	(990)	(376)	216	(201)	533	(761)	(415)
Others	373	(138)	(157)	(463)	180	(304)	(364)
Debt financing/disposal	42	107	812	(314)	45	250	200
Dividends paid	(136)	(168)	(183)	(143)	(288)	(399)	(515)
Other items	3	68	(17)	112	(211)	46	55
<b>Net Δ in cash</b>	<b>150</b>	<b>113</b>	<b>137</b>	<b>144</b>	<b>81</b>	<b>(369)</b>	<b>134</b>
<b>Opening Cash Flow</b>	<b>308</b>	<b>459</b>	<b>572</b>	<b>708</b>	<b>852</b>	<b>933</b>	<b>564</b>
<b>Closing Cash Flow</b>	<b>459</b>	<b>572</b>	<b>708</b>	<b>852</b>	<b>933</b>	<b>564</b>	<b>697</b>

Source: Company Reports, Arianth Capital Research

## Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>							
Revenue growth	-1.3%	5.0%	19.7%	31.4%	24.2%	27.3%	25.7%
Op profit growth	-6.6%	6.3%	-16.0%	-17.1%	143.9%	30.4%	29.8%
<b>Profitability ratios (%)</b>							
OPM	8.5%	8.6%	6.0%	3.8%	7.5%	7.7%	7.9%
Net profit margin	7.0%	6.4%	1.4%	2.0%	5.5%	6.0%	6.2%
RoCE	11.4%	10.2%	4.7%	4.9%	13.5%	16.0%	17.5%
RoNW	11.4%	9.6%	2.5%	4.4%	14.1%	17.6%	20.0%
RoA	9.4%	8.0%	1.9%	3.4%	11.3%	13.7%	15.4%
<b>Per share ratios (INR)</b>							
EPS	25.7	20.4	3.0	15.2	26.0	36.0	46.5
Dividend per share	4.1	5.1	5.5	4.3	8.7	12.1	15.6
Cash EPS	17.0	16.4	5.3	8.9	28.0	38.4	49.2
Book value per share	150.9	166.3	164.8	176.0	193.2	217.2	248.1
<b>Valuation ratios (x)</b>							
P/E	49.4	62.1	429.1	83.4	48.8	35.2	27.3
P/CEPS	74.6	77.3	238.7	142.0	45.3	33.1	25.8
P/B	8.4	7.6	7.7	7.2	6.6	5.8	5.1
EV/EBITDA	60.7	56.6	68.9	81.7	33.9	25.9	19.8
<b>Payout (%)</b>							
Dividend payout	25.7%	33.1%	134.2%	57.7%	33.5%	33.5%	33.5%
Tax payout	25.4%	27.4%	55.6%	48.9%	29.6%	26.2%	26.2%
<b>Liquidity ratios</b>							
Debtor days	88	90	83	69	65	62	61
Inventory days	90	91	80	69	68	62	62
Creditor days	136	136	122	104	102	94	96
WC Days	42	45	41	34	31	30	27
<b>Leverage ratios (x)</b>							
Interest coverage	23.2	24.9	18.0	7.6	20.6	27.6	30.1
Net debt / equity	-0.0	-0.0	0.1	0.0	0.0	0.1	0.1
Net debt / op. profit	-0.1	-0.1	1.0	0.3	0.1	0.5	0.4

Source: Company Reports, Arianth Capital Research

**Outlook & Valuation:** Voltas has a leadership position in the RAC segment and market share stood at 20.5% as of Dec-24. The Chennai plant is ramping up and further capex is expected INR 400-450cr for increase the capacity from 1mn units to 1.5mn units, a further 2mn units going forward. The Injection molding, sheet metals, copper tubes, and heat exchangers capex is expected to be completed in the next 10-12 months. The compressor plant capex is around INR 250cr and looking for a technology partner to execute the plan. The margins remain impacted due to volume and market share-focused approach; have not taken any price hike in Q3FY25, while steep increase in commodity prices and fluctuation USD/INR exchange rates. The company is started building up inventory for the upcoming season. The portfolio expansion, strategic tie-ups with partners and price calibrations would lead the RAC segment growth going forward. Strong project execution and timely assessment of cost and profitability have improved the bottom line of EMP. A strong brand presence, a wider network, a focus on the B2C segment, PLI schemes and industry growth will be the key drivers for the company. We are maintaining an "ACCUMULATE" rating at a TP of INR 1,449 per share; valued based on SOTP; an upside of 14.2%.

#### Voltas FY27E based implied valuation

	Electro Mechanical Projects	Engineering Products and Services	Unitary Cooling Products	Overall
FY27E EBITDA (INR cr)	312	227	1,492	
EV/EBITDA (x)	<b>5.0x</b>	<b>10.0x</b>	<b>30.0x</b>	
EV (INR cr)	1,558	2,267	44,751	48,576
Net Debt/(cash) (INR cr) - FY27E				640
Market Cap (INR cr)				47,935
Share outstanding (cr)				33
<b>Value per share (INR)</b>				<b>1,449</b>
<b>CMP (INR)</b>				<b>1,269</b>
<b>Upside/Downside (%)</b>				<b>14.2%</b>

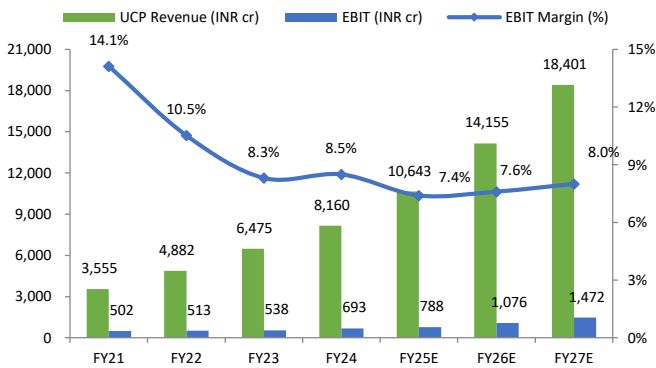
#### Rating

**ACCUMULATE**

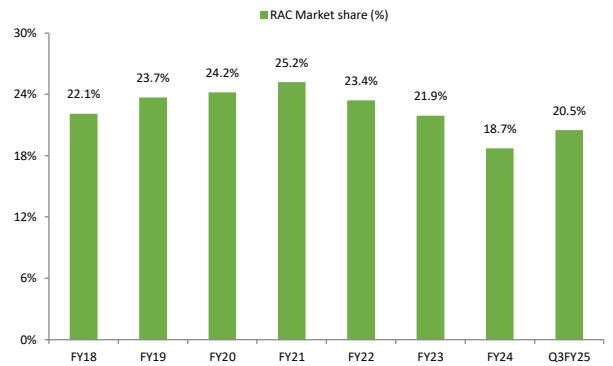
Source: Company Reports, Arianth Capital Research

**Story in Charts**

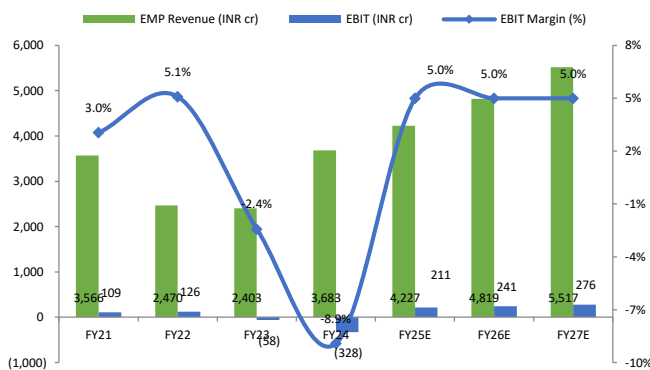
**Exhibit 3: UCP is expected to grow at a CAGR of 31.1% over the period of FY24-FY27E. Margins are expected to normalise over medium term.**



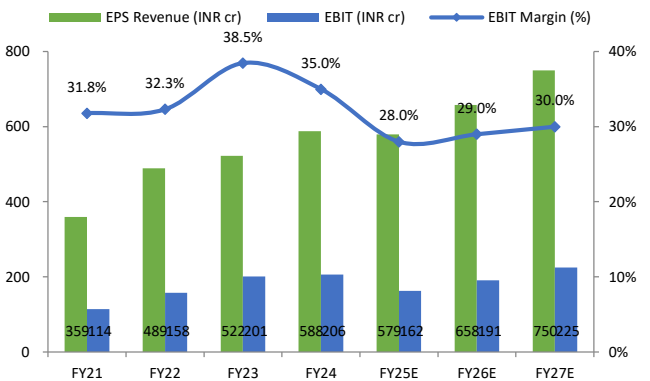
**Exhibit 4: RAC market share stood at ~20.5% as of Q3FY25.**



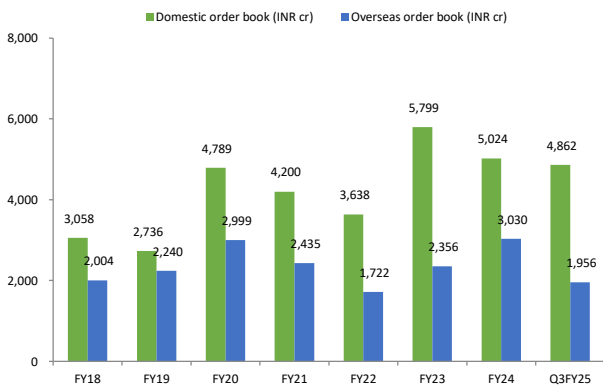
**Exhibit 5: Projects Margins are expected around 5% going forward. The company is very selective in international projects.**



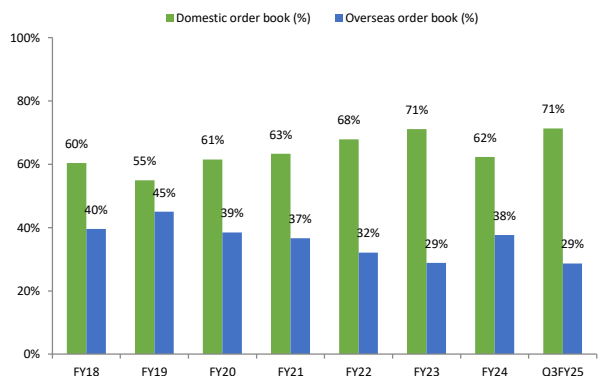
**Exhibit 6: EPS margins impacted due to lower volumes and expected to improve gradually.**



**Exhibit 7: EMP order book stood around INR 6,818cr as of Q3FY25. The company is very selective in international projects.**



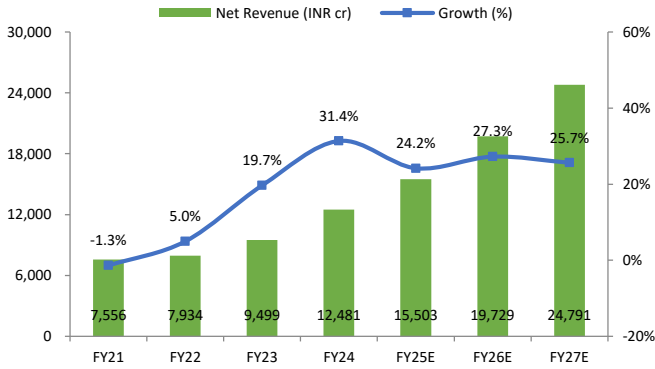
**Exhibit 8: Domestic and International order book mix stood at 71:29 as of Q3FY25.**



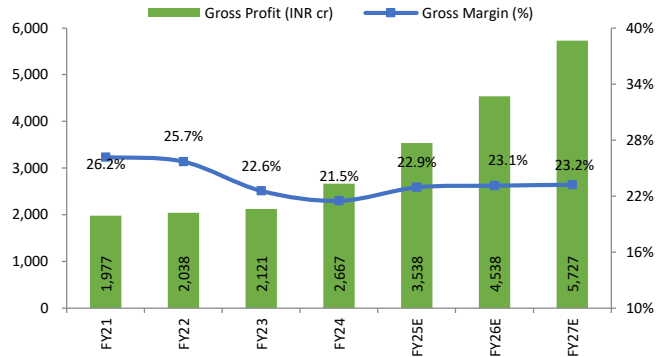
Source: Company Reports, Arianth Capital Research

**Story in Charts**

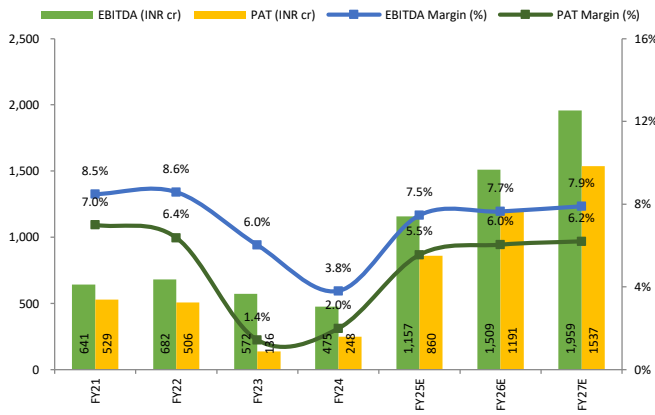
**Exhibit 9: Revenue growth is expected to pick-up backed by volume growth in UCP.**



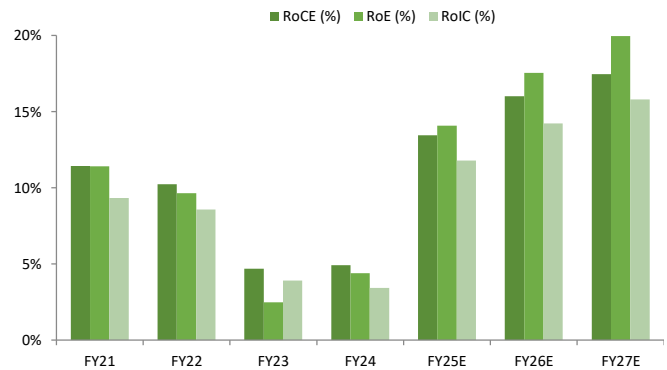
**Exhibit 10: Stabilising raw material prices will improve gross margins.**



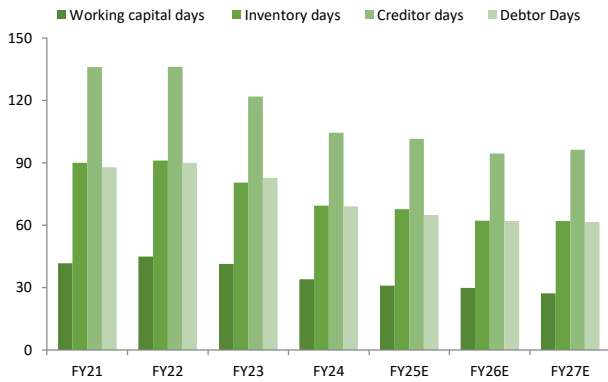
**Exhibit 11: EBITDA and PAT margin is expected to improve from FY25E onwards.**



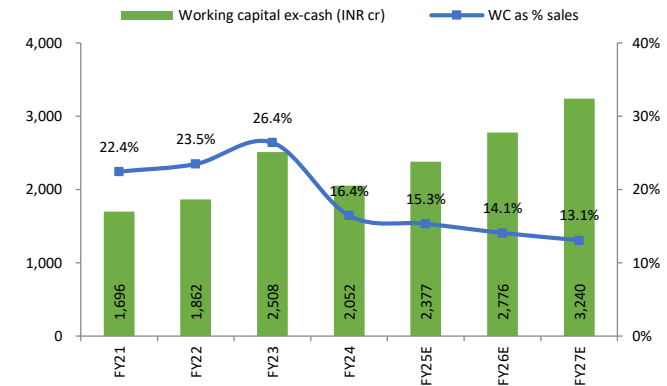
**Exhibit 12: Return ratios is expected to improve from FY25E onwards.**



**Exhibit 13: Working capital days to be improve**



**Exhibit 14: Working capital as % of sales is expected to reduce going forward.**



Source: Company Reports, Arianth Capital Research

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880