Arihant Capital
Generating Wealth

Q1FY26 Result update
11th Aug 2025

Voltas Ltd

Recovery is expected from Q3FY26E onwards.

CMP: INR 1,305

Rating: REDUCE

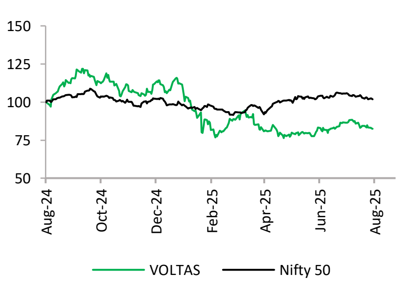
Target Price: INR 1,197

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)	43,169
52w H/L (INR)	1,946/1,135
Avg Yearly Volume (in 000')	1,826.4

Shareholding Pattern % *(As on Jun, 2025)*	
Promoters	30.30
DII	33.15
FII	21.16
Public & Others	15.38

Stock Performance (%)	3m	6m	12m
VOLTAS	-0.6	1.6	-17.5
NIFTY	-2.1	9.0	1.9

Voltas vs Nifty



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Voltas Ltd reported numbers, Q1FY26 revenue de-grew by 20% YoY (-17.4% QoQ) to INR 3,939cr; below our estimates of INR 5,970cr. Gross Profit stood at INR 859cr (-16.5% YoY/-16% QoQ); below our estimates of INR 1,254cr; Gross margins improved by 90 bps YoY (up by 37 bps QoQ) to 21.8% vs 20.9% in Q1FY25. EBITDA stood at INR 179cr (-57.9% YoY/-46.4% QoQ); below our estimates of INR 529cr. EBITDA contracted by 408 bps YoY (down by 245 bps QoQ) to 4.5% vs 8.6% in Q1FY25. PAT stood at INR 141cr (-58% YoY/-40.3% YoY); below our estimates of INR 418cr, and PAT margin stood at 3.6% vs 6.8% in Q1FY25.

Key Highlights

UCP faces challenges led by unfavorable weather conditions: Unitary Cooling Products (UCP) revenue stood at INR 2,868cr (-24.6% YoY/-17.1% QoQ); EBIT Stood at INR 104cr (-68.1% YoY/-69.7% QoQ). The unfavourable weather pattern has impacted the peak selling season by several weeks, leading to a reduction in footfall and primary sales. EBIT margin contracted by 496 bps YoY (down by 633 bps QoQ) to 3.6% vs 8.6% in Q1FY25. The channel inventories were higher across retail channels, which led to production cuts, resulting in severe under-absorption of fixed manufacturing costs, while higher warehousing expenses and promotional support impacted profitability. The company maintained its market leadership position; however market share lost to 17.8% in Jul-25 compared to 21.2% in Jun-24. The company is preparing for upcoming changes to energy efficiency labeling standards in FY26E, which may drive pre-buying activity and product premiumization. The gradual recovery is expected from Q3FY26E onwards, supported by inventory normalization, the festival season, and potential late-season demand in certain regions.

Provisions impacted EMP business: Electro-Mechanical Projects and Services revenue stood at INR 922cr (-2.9% YoY/-19.0% QoQ); EBIT Stood at INR 49cr (-27% YoY). EBIT margin contracted by 177 bps YoY (up by 549 bps QoQ) to 5.3% vs 7.1% in Q1FY25. The order book stood at INR 6,200cr, showing business visibility over the next few quarters. The company is cautious and selects projects based on secured funding and margins are protected to 5%. UAE and Saudi Arabia are the major contributors in the international markets.

Voltas Beko growth remains strong: Voltas Beko grew 33% YoY in Q1FY26. The company sold ~1mn units, with washing machine market share standing at 8.6% in Q1FY26. The business is progressing towards 10% market share and continues its expansion phase, prioritizing market penetration over profitability, though gross margins are improving through scale and cost optimization.

Outlook & Valuation: Voltas has a leadership position in the RAC segment, and market share stood at 17.8% as of Jul-25, however lost from 21.2% in Jun-24. The UCP business was under challenge due to weak summer demand, and recovery is expected from Q3FY26E onwards, supported rebound in festival demand and inventory normalization. Voltas Beko's strong growth in appliances continues, nearing profitability thresholds. The project business provides stability with its robust order book. The cost optimization and premium product launches will drive margin improvement. 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 believe, near-term headwinds are seen as temporary, with fundamentals intact for sustained growth. We downgrade to "REDUCE" (earlier "BUY") rating at a TP of INR 1,197 per share; valued based on SOTP; a downside of 8.3%.

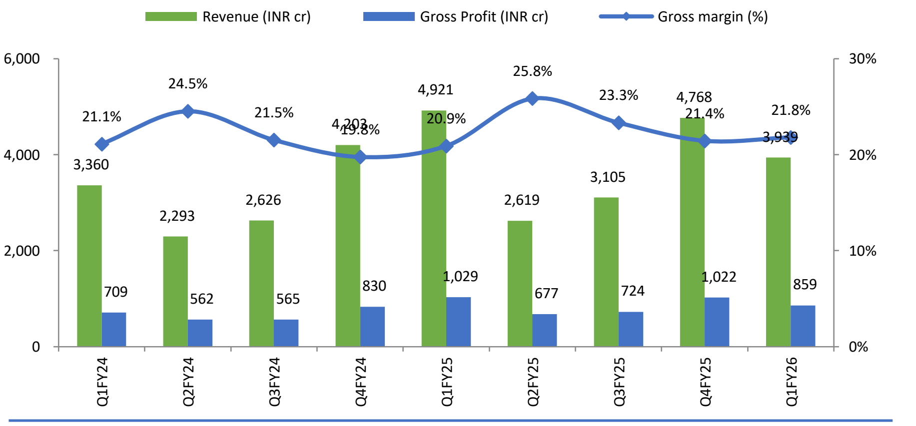
Q1FY26 Results

Income statement summary

Particular (INR cr)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Revenue	4,921	4,768	3,939	-20.0%	-17.4%
Net Raw Materials	3,892	3,745	3,080	-20.9%	-17.8%
Gross Profit	**1,029**	**1,022**	**859**	**-16.5%**	**-16.0%**
Gross Margin (%)	**20.9%**	**21.4%**	**21.8%**	**+90 bps**	**+37 bps**
Employee Cost	202	219	231	14.0%	5.5%
Other Expenses	403	471	450	11.7%	-4.5%
EBITDA	**424**	**333**	**179**	**-57.9%**	**-46.4%**
EBITDA Margin (%)	**8.6%**	**7.0%**	**4.5%**	**-408 bps**	**-245 bps**
Depreciation	13	14	18		
Interest expense	10	23	14		
Other income	80	80	82		
Exceptional Items	-	-	-		
Share of profits associate & JV	(29)	(32)	(26)		
Profit before tax	**452**	**343**	**203**	**-55.1%**	**-40.9%**
Taxes	117	107	62		
Minorities and other	-	-	-		
PAT	**335**	**236**	**141**	**-58.0%**	**-40.3%**
PAT Margin	**6.8%**	**4.9%**	**3.6%**	**-324 bps**	**-137 bps**
EPS (INR)	**10.1**	**7.1**	**4.3**		

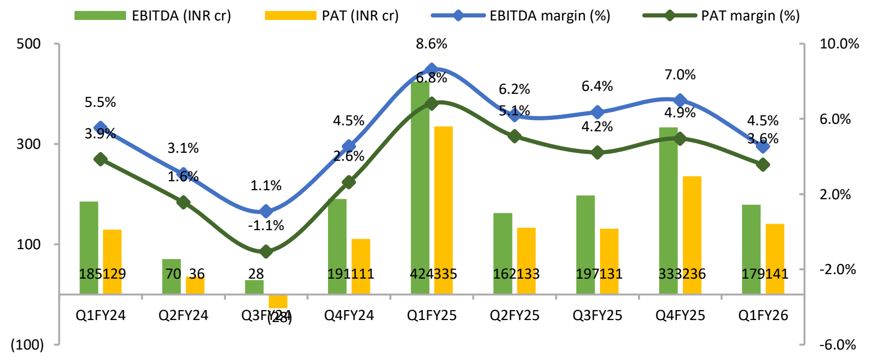
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 90 bps YoY (up by 37 bps QoQ) to 21.8% in Q1FY26 due to lower RM costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 408 bps YoY (down by 245 bps QoQ) to 4.5% in Q1FY26 due to higher employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q1FY26 Concall Highlights

Market share

- RAC market share stood at 17.8% in Jul-25, however market share peaked to 19.3% in Jun-25; still below 21.2% share in Jun-24.
- Voltas maintaining market leadership with ~400 bps higher than 2nd player.
- The room AC market is fragmented, with over 65 players, but the company aims to maintain leadership through brand trust and channel strength.
- The company is prioritizing market share retention through competitive pricing and channel support, without resorting to deep discounts.

UCP

- UCP margins stood at 3.6% (-496 bps YoY) in Q1FY26, due to, under-absorption of fixed costs, higher warehousing expenses, and promotional spending to retain market share.
- UCP demand was severely impacted by a mild and shortened summer, leading to elevated channel inventories (3-4 months for Voltas, 2 months for trade partners).

Recovery

- The recovery is expected in Q3FY26E/Q4FY26E, supported by the festive season and potential second summer in certain regions.

EMP

- EMP order book stood at INR 6,200cr as of Q1FY25.
- Domestic projects are performing well, while international projects are being approached cautiously to avoid margin risks.
- EMP growth majorly led by steady execution and prudent receivables management.

Voltas Beko

- Voltas Beko grew a 33% YoY in Q1FY26, driven by strong performance in washing machines and refrigerators.
- Voltas Beko showed margin improvement, though it remains in investment mode with losses budgeted as part of brand-building efforts.
- Voltas Beko has sold nearly 1 mn units, with washing machines driving growth.
- Washing machines market share stood at 8.6% in Q1FY26. Voltas Beko gaining traction in washing machines and refrigerators.
- Air Coolers performance was muted due to weather conditions.

Q1FY26 Concall Highlights

Commercial AC

- Commercial AC demand for VRF systems and ducted products remained steady, though retrofit margins were softer.

New launches

- The company is preparing for new energy-efficient product launches aligned with upcoming Energy Star labeling changes.

Other highlights

- The company is also investing in IoT and AI-enabled products, with plans to introduce advanced features in RACs and commercial ACs.
- The company is focusing on cost control, inventory normalization, and tactical interventions to improve profitability.
- The company is realigning production and inventory to match demand.
- Consumer discretionary spending remains fragile, with rural demand subdued.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,556	7,934	9,499	12,481	15,413	17,054	20,659
Net Raw Materials	5,578	5,897	7,378	9,814	11,960	13,145	15,914
Employee Cost	602	618	667	779	890	1,091	1,311
Other Expenses	734	739	881	1,414	1,446	1,755	2,106
EBITDA	**641**	**682**	**572**	**475**	**1,116**	**1,062**	**1,328**
EBITDA Margin (%)	**8.5%**	**8.6%**	**6.0%**	**3.8%**	**7.2%**	**6.2%**	**6.4%**
Depreciation	(34)	(37)	(40)	(48)	(62)	(78)	(94)
Interest expense	(26)	(26)	(30)	(56)	(62)	(71)	(82)
Other income	189	189	168	253	324	307	297
Exceptional Items	-	-	(244)	-	-	-	-
Share of profits associate & JV	(61)	(110)	(121)	(139)	(126)	(108)	(90)
Profit before tax	**709**	**697**	**307**	**486**	**1,191**	**1,111**	**1,359**
Taxes	(180)	(191)	(171)	(238)	(356)	(300)	(356)
PAT	**529**	**506**	**136**	**248**	**834**	**811**	**1,003**
PAT Margin (%)	**7.0%**	**6.4%**	**1.4%**	**2.0%**	**5.4%**	**4.8%**	**4.9%**
Other Comprehensive income	321	170	(38)	255	34	-	-
Total Comprehensive income	**850**	**676**	**98**	**503**	**868**	**811**	**1,003**
EPS (INR)	25.7	20.4	3.0	15.2	26.2	24.5	30.3

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity capital	33	33	33	33	33	33	33
Reserves	4,960	5,466	5,419	5,787	6,480	7,020	7,687
Net worth	**4,993**	**5,500**	**5,452**	**5,821**	**6,513**	**7,053**	**7,720**
Minority Interest	36	38	42	34	27	27	27
Provisions	209	262	258	310	335	103	125
Debt	375	479	1,288	982	1,298	1,548	1,748
Other non-current liabilities	7	22	9	69	69	68	83
Total Liabilities	**5,620**	**6,301**	**7,049**	**7,215**	**8,243**	**8,799**	**9,702**
Fixed assets	238	230	361	390	820	1,074	1,293
Capital Work In Progress	9	59	98	368	82	62	37
Other Intangible assets	8	7	6	6	3	3	3
Goodwill	72	72	72	72	72	72	72
Investments	2,962	3,338	3,123	3,324	3,126	3,411	3,719
Other non current assets	176	160	172	152	170	205	248
Net working capital	**1,337**	**1,348**	**1,848**	**907**	**2,049**	**1,848**	**2,001**
Inventories	1,280	1,661	1,592	2,135	2,715	2,809	3,270
Sundry debtors	1,801	2,110	2,192	2,533	2,511	3,037	3,622
Loans & Advances	2	3	1	1	1	5	6
Other current assets	1,290	1,019	1,294	1,059	1,731	1,402	1,585
Sundry creditors	(2,465)	(2,942)	(3,013)	(3,856)	(3,893)	(4,381)	(5,243)
Other current liabilities & Prov	(571)	(503)	(218)	(965)	(1,017)	(1,023)	(1,240)
Cash	459	572	708	852	678	929	1,089
Other Financial Assets	358	514	660	1,144	1,241	1,194	1,240
Total Assets	**5,620**	**6,301**	**7,049**	**7,215**	**8,243**	**8,799**	**9,702**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	709	697	307	486	1,191	1,111	1,359
Depreciation	34	37	40	48	62	78	94
Tax paid	(180)	(191)	(171)	(238)	(356)	(300)	(356)
Working capital Δ	(11)	(11)	(500)	941	(1,142)	201	(152)
Operating cashflow	**552**	**533**	**(324)**	**1,236**	**(246)**	**1,090**	**944**
Capital expenditure	(15)	(80)	(209)	(346)	(206)	(312)	(287)
Free cash flow	**537**	**453**	**(533)**	**890**	**(452)**	**778**	**657**
Equity raised	320	168	(1)	264	40	(0)	-
Investments	(990)	(376)	216	(201)	198	(285)	(308)
Others	373	(138)	(157)	(463)	(114)	13	(89)
Debt financing/disposal	42	107	812	(314)	310	250	200
Dividends paid	(136)	(168)	(183)	(143)	(182)	(272)	(336)
Other items	3	68	(17)	112	25	(233)	36
Net Δ in cash	**150**	**113**	**137**	**144**	**(174)**	**251**	**160**
Opening Cash Flow	**308**	**459**	**572**	**708**	**852**	**678**	**929**
Closing Cash Flow	**459**	**572**	**708**	**852**	**678**	**929**	**1,089**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)							
Revenue growth	-1.3%	5.0%	19.7%	31.4%	23.5%	10.6%	21.1%
Op profit growth	-6.6%	6.3%	-16.0%	-17.1%	135.2%	-4.9%	25.0%
Profitability ratios (%)							
OPM	8.5%	8.6%	6.0%	3.8%	7.2%	6.2%	6.4%
Net profit margin	7.0%	6.4%	1.4%	2.0%	5.4%	4.8%	4.9%
RoCE	11.4%	10.2%	4.7%	4.9%	12.7%	11.2%	12.4%
RoNW	11.4%	9.6%	2.5%	4.4%	13.5%	12.0%	13.6%
RoA	9.4%	8.0%	1.9%	3.4%	10.1%	9.2%	10.3%
Per share ratios (INR)							
EPS	25.7	20.4	3.0	15.2	26.2	24.5	30.3
Dividend per share	4.1	5.1	5.5	4.3	5.5	8.2	10.2
Cash EPS	17.0	16.4	5.3	8.9	27.1	26.9	33.1
Book value per share	150.9	166.3	164.8	176.0	196.9	213.2	233.4
Valuation ratios (x)							
P/E	50.8	63.9	441.3	85.8	49.7	53.2	43.0
P/CEPS	76.7	79.5	245.5	146.0	48.2	48.5	39.4
P/B	8.6	7.8	7.9	7.4	6.6	6.1	5.6
EV/EBITDA	62.6	58.3	71.0	84.2	36.4	38.0	30.2
Payout (%)							
Dividend payout	25.7%	33.1%	134.2%	57.7%	21.8%	33.5%	33.5%
Tax payout	25.4%	27.4%	55.6%	48.9%	29.9%	27.0%	26.2%
Liquidity ratios							
Debtor days	88	90	83	69	60	59	59
Inventory days	90	91	80	69	74	77	70
Creditor days	136	136	122	104	99	94	91
WC Days	42	45	41	34	35	42	38
Leverage ratios (x)							
Interest coverage	23.2	24.9	18.0	7.6	17.0	13.8	15.0
Net debt / equity	-0.0	-0.0	0.1	0.0	0.1	0.1	0.1
Net debt / op. profit	-0.1	-0.1	1.0	0.3	0.6	0.6	0.5

Source: Company Reports, Arihant Capital Research

Outlook & Valuation: **Voltas has a leadership position in the RAC segment, and market share stood at 17.8% as of Jul-25, however lost from 21.2% in Jun-24. The UCP business was under challenge due to weak summer demand, and recovery is expected from Q3FY26E onwards, supported rebound in festival demand and inventory normalization. Voltas Beko's strong growth in appliances continues, nearing profitability thresholds. The project business provides stability with its robust order book. The cost optimization and premium product launches will drive margin improvement. 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 believe, near-term headwinds are seen as temporary, with fundamentals intact for sustained growth. We downgrade to "REDUCE" (earlier "BUY") rating at a TP of INR 1,197 per share; valued based on SOTP; a downside of 8.3%.**

Voltas FY27E based implied valuation

	Electro Mechanical Projects	Engineering Products and Services	Unitary Cooling Products	Overall
FY27E EBITDA (INR cr)	257	204	1,228	
EV/EBITDA (x)	**5.0x**	**10.0x**	**30.0x**	
EV (INR cr)	1,287	2,040	36,827	40,154
Net Debt/(cash) (INR cr) - FY27E				547
Market Cap (INR cr)				39,608
Share outstanding (cr)				33
Value per share (INR)				**1,197**
CMP (INR)				**1,305**
Upside/Downside (%)				**-8.3%**

Rating	**REDUCE**

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 3: UCP is expected to grow at a CAGR of 17.8% over the period of FY25-FY27E.

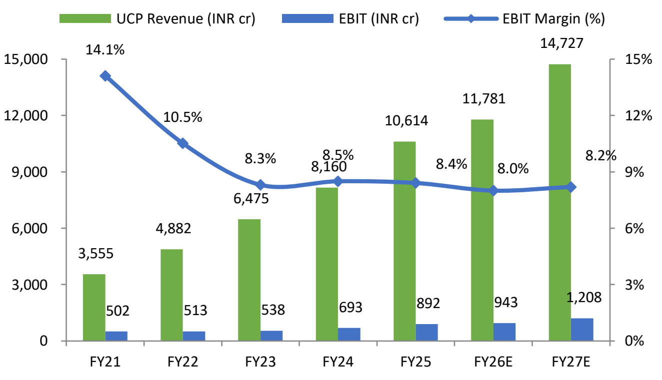


Exhibit 4: RAC market share stood at ~17.8% as of Q1FY26.

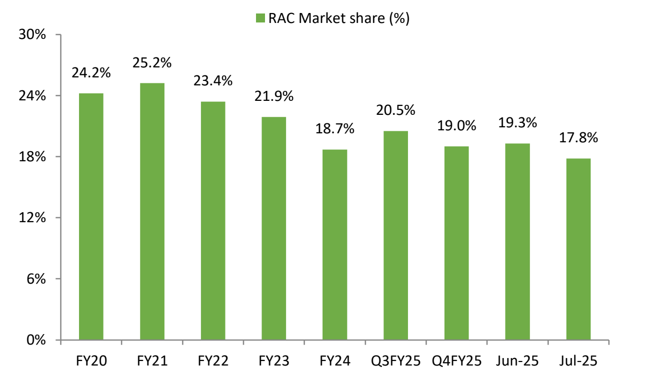


Exhibit 5: Projects Margins are expected above 4% going forward. Saudi Arabia and Middle East projects are more profitable.

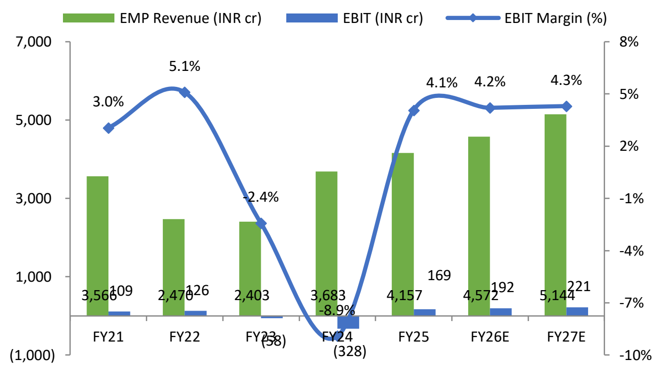


Exhibit 6: EPS growth impacted due to lower sales in construction and mining equipment's.

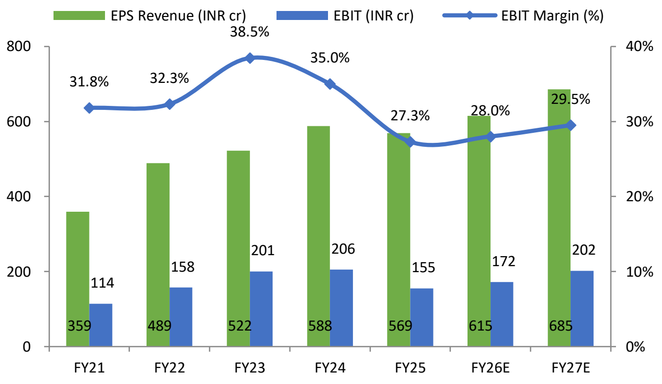


Exhibit 7: EMP order book stood around INR 6,200cr as of Q1FY26. The company is very selective in international projects.

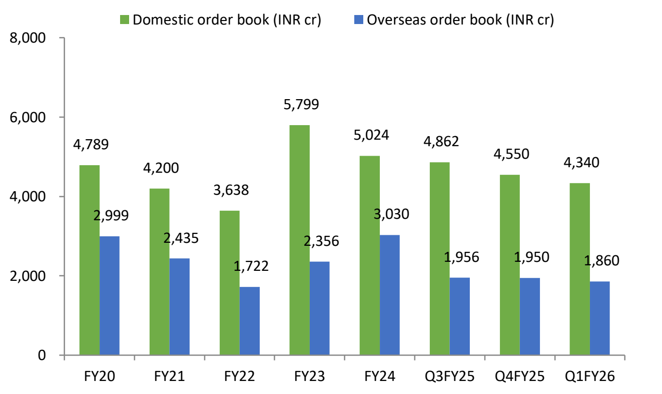
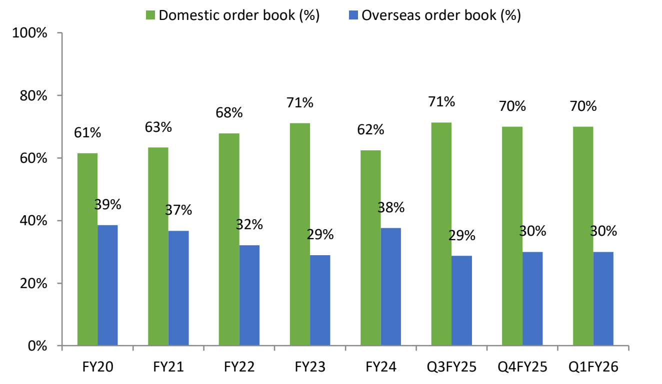


Exhibit 8: Domestic and International order book mix estimated at 70:30 as of Q1FY26.



Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 9: Recovery is expected from Q3FY26E onwards, supported by festive season.

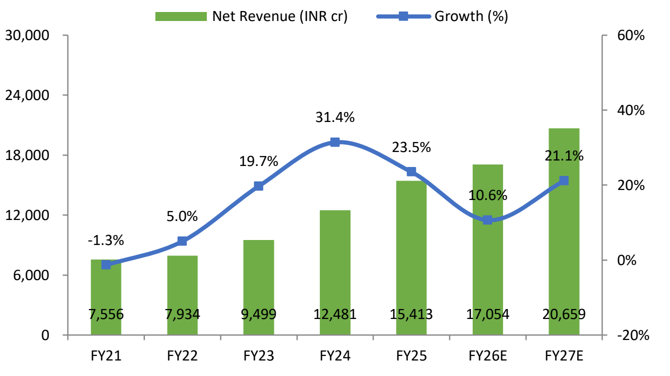


Exhibit 10: Stabilising raw material prices will improve gross margins.

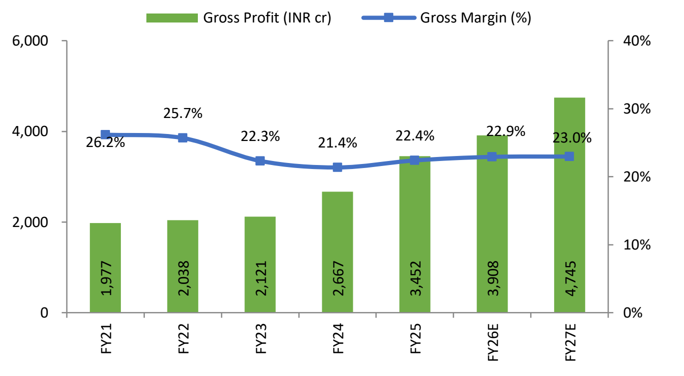


Exhibit 11: EBITDA and PAT margin is expected to improve from FY26E onwards.

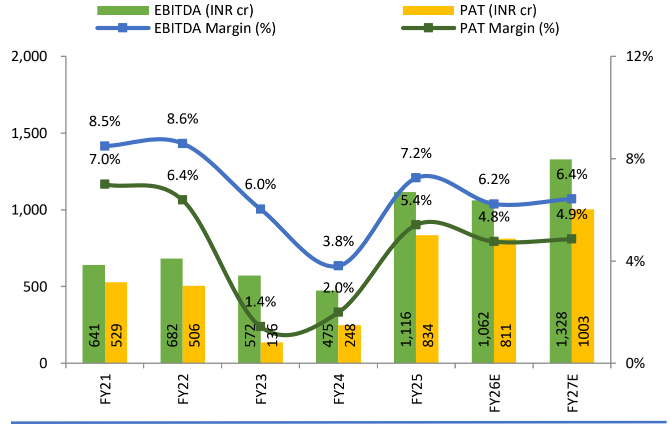


Exhibit 12: Return ratios is expected to improve from FY25 onwards.

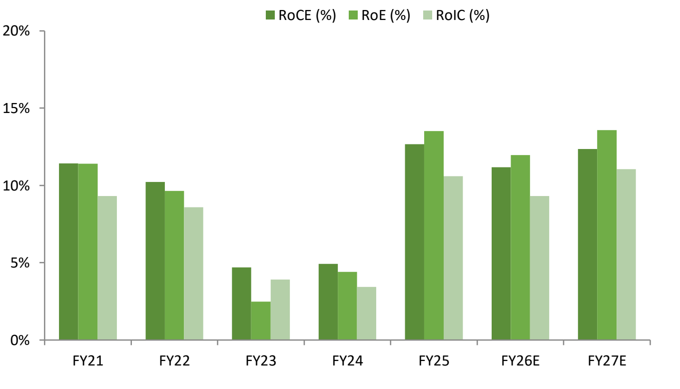


Exhibit 13: Working capital days to be improve

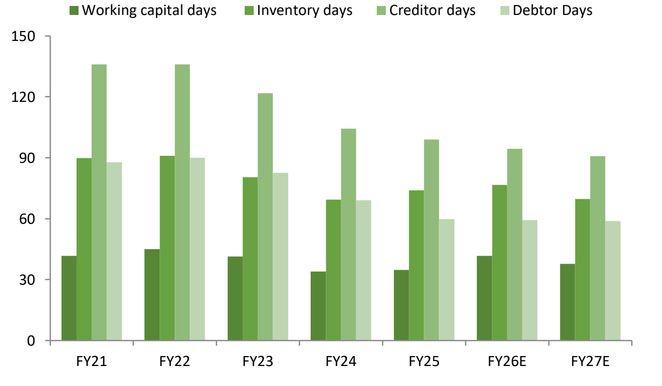
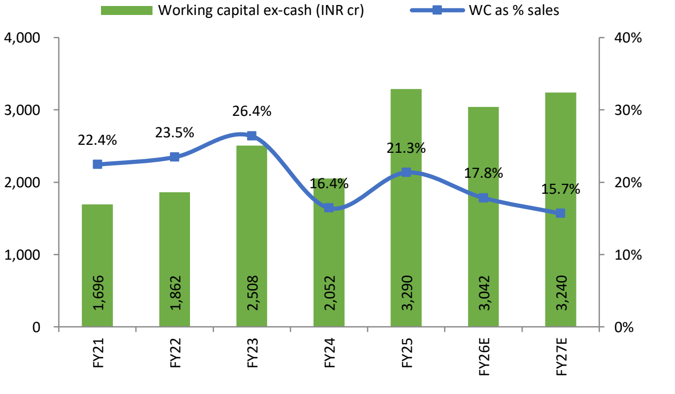


Exhibit 14: Working capital as % of sales is expected to reduce going forward.



Source: Company Reports, Arihant Capital Research

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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%

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