



Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR1,583      TP: INR1,800 (+15%)      BUY**

**Strong show as the EMPS segment turns around**

**UCP's overall volumes rise ~67% YoY**

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	523.6 / 6.2
52-Week Range (INR)	1598 / 794
1, 6, 12 Rel. Per (%)	5/35/66
12M Avg Val (INR M)	1839
Free float (%)	69.7

- Voltas (VOLT)'s 1QFY25 performance was above our estimates, led by higher-than-estimated revenue growth in the UCP and EMPS segments, and a profit in EMPS vs. our estimate of a loss. Revenue stood at INR49.2b vs. est. INR39.4b. EBITDA was INR4.2b v/s est. INR2.6b. OPM surged 3.1pp YoY to 8.6% (est. 6.6%). Adj. PAT jumped 159% YoY to INR3.3b (est. INR1.9b).
- The management indicated that UCP's overall volume grew 67% YoY in 1Q, and it maintained its leadership position in the RAC segment with an exit market share of 21.2% as of Jun'24. In EMPS, domestic projects continued to grow, and the outlook remains positive. Whereas, in the international project, the UAE and Saudi Arabia have delivered good performance leading to revenue growth, which, along with strong execution and controlled costs, has led to profits following losses in the last six quarters.
- We raise our EPS estimates by 19%/4% for FY25/FY26 led by strong revenue growth and 1Q performance. We also introduce FY27 estimates. We would keenly monitor the continuity of profitability in the EMPS segment. We **reiterate our BUY rating** on the stock with a revised TP of INR1,800 (vs. INR1,670) based on 50x Sep'26E EPS for the UCP segment, 35x Sep'26E EPS for the PES and EMPS segments, and INR38/share for Voltbek.

**Financials & Valuations (INR b)**

Y/E MARCH	FY25E	FY26E	FY27E
Sales	146.7	162.5	181.5
EBITDA	10.7	13.6	16.4
Adj. PAT	8.3	10.9	13.8
EBITA Margin (%)	7.3	8.3	9.0
Cons. Adj. EPS (INR)	25.1	33.0	41.8
EPS Gr. (%)	246.7	31.4	26.7
BV/Sh. (INR)	198.9	225.6	259.1

**Ratios**

Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	12.6	14.6	16.1
RoCE (%)	13.1	14.6	15.4
Payout (%)	25.0	25.0	25.0

**Valuations**

P/E (x)	63.1	48.0	37.9
P/BV (x)	8.0	7.0	6.1
EV/EBITDA (x)	48.7	37.8	30.8
Div Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.8	1.8	2.2

**Shareholding pattern (%)**

As On	Jun-24	Mar-24	Jun-23
Promoter	30.3	30.3	30.3
DII	40.4	40.6	33.9
FII	15.1	14.7	19.1
Others	14.2	14.4	16.8

FII Includes depository receipts

**UCP margin improves 35bp YoY to 8.6% (est. 8.8%) in 1QFY25**

- Consol. revenue/EBITDA/Adj. PAT stood at INR49.2b/INR4.2b/INR3.3b (up 46%/129%/159% YoY and 25%/64%/76% above our estimates) in 1QFY25. Gross margin dipped 20bp YoY to 20.9%.
- Segmental highlights: a) **UCP** – revenue was up 51% YoY at INR38.0b and EBIT rose 58% YoY to INR3.3b. EBIT margin was up 35bp YoY to 8.6%. b) **EMPS** – revenue grew 40% YoY to INR9.5b. It reported EBIT of INR675m vs. a loss before interest and tax of INR519m in 1QFY24. c) **PES** – revenue grew by 13% YoY to INR1.6b, while EBIT declined 17% YoY to INR448m. EBIT margin was down 10.1pp YoY at ~28%.

**Valuation and view**

- We expect VOLT's EBITDA/adjusted profit to report a CAGR of 51%/79% over FY24-27, partly due to a low base (in FY24, it provided higher provisioning in the EMPS segment for losses in Qatar projects). RoE should be at ~15%/16% in FY26E/FY27E vs. 4.1% in FY24 (average of 12.3% over FY13-23).
- We expect UCP margin to improve to 8.8%/9.3%/9.5% for FY25E/26E/27E v/s 8.5% in FY24. We **reiterate our BUY rating** on the stock with a revised TP of INR1,800 (vs. INR1,670) based on 50x Sep'26E EPS for the UCP segment, 35x Sep'26E EPS for the PES and EMPS segments, and INR38/share for Voltbek.