



Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,698 TP: INR2,070 (+22%) BUY

Healthy UCP performance; recovery continues in EMP RAC's market share at 21% as of Sep'24

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	561.8 / 6.7
52-Week Range (INR)	1946 / 811
1, 6, 12 Rel. Per (%)	-2/7/76
12M Avg Val (INR M)	2370
Free float (%)	69.7

- Voltas (VOLT)'s 2QFY25 earnings were above our estimates, led by higher-than-estimated revenue/EBIT growth in the UCP segment and higher margin in the EMPS segment. Revenue grew 14% YoY to INR26.2b (5% beat), while EBITDA jumped 131% YoY to INR1.6b (11% beat). OPM surged 3.1pp YoY to ~6% (+30bp vs. our est.). Adj. PAT jumped 265% YoY to INR1.3b (est. INR1.2b).
- Management indicated that VOLT maintains a leadership position in the RAC segment, with an exit market share of 21% as of Sep'24. It has seen strong growth in its Voltbek home appliances business, with a market share of 7.5% for washing machine, and 5% for refrigerators as of Sep'24-YTD. The AC segment has delivered strong growth during the summer season, and VOLT expects the other appliances business to continue to do well given the ongoing festive period. In the EMPS segment, project execution was hit by heavy rains. It expects business to return to normal levels going forward.
- We broadly retain our EPS estimates for FY25/FY26. We **reiterate our BUY rating** on the stock with a TP of INR2,070 based on 55x Sep'26E EPS for the UCP segment, 40x 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	145.6	168.1	188.5
EBITDA	10.7	13.7	16.8
Adj. PAT	8.9	11.5	14.5
EBITA Margin (%)	7.3	8.2	8.9
Cons. Adj. EPS (INR)	26.8	34.7	43.8
EPS Gr. (%)	270.9	29.3	26.4
BV/Sh. (INR)	200.6	228.6	263.8

Ratios

Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	13.4	15.2	16.6
RoCE (%)	13.9	15.1	15.9
Payout (%)	25.0	25.0	25.0

Valuations

P/E (x)	62.3	48.2	38.1
P/BV (x)	8.3	7.3	6.3
EV/EBITDA (x)	51.3	39.5	31.9
Div Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.8	1.6	2.1

UCP's margin contracts 30bp YoY to 7.3% (est. 8.0%) in 2QFY25

- Consol. revenue/EBITDA/Adj. PAT stood at INR26.2b/INR1.6b/INR1.3b (up 14%/131%/265% YoY and 5%/11%/8% above our estimates) in 2QFY25. Gross margin surged 1.3pp YoY to ~26% and OPM surged 3.1pp YoY to ~6%.
- Segmental highlights: a) **UCP** – revenue was up ~31% YoY to INR15.8b and EBIT rose 25% YoY to INR1.2. EBIT margin dipped 30bp YoY to 7.3%; b) **EMPS** – revenue declined 5% YoY to INR8.8b. The segment posted an EBIT of INR462m vs. a loss of INR490m in 2QFY24; and c) **PES** – revenue grew 9% YoY to INR1.5b, while EBIT declined 27% YoY to INR396m. EBIT margin contracted 13.1pp YoY to ~27% during the quarter.
- In 1HFY25, revenue/EBITDA/adj. PAT stood at INR75.4b/5.9b/4.7b (up 33%/129%/182% YoY). Based on our estimates, the implied revenue/EBITDA/PAT growth for 2HFY25 will be ~3%/120%/471%. Higher EBITDA/PAT growth is aided by estimating an EBIT of INR864m in 2HFY25 in the EMPS segment vs. a loss of INR2.3b in 2HFY24.

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

Highlights from the management commentary

- The commercial refrigeration industry faced challenges due to a reversal in the capex cycle, resulting in moderate growth for chest freezers and coolers. However, demand for water coolers and dispensers remained steady.
- Increased volume in Voltbek business led to a gradual reduction in losses. It is aiming to breakeven at the EBITDA level in the near future.
- Expanding distribution reach, adopting channel-specific tactics to enhance market presence in key regions, and maintaining a strong focus on boosting e-commerce and omnichannel development are key efforts to increase its market presence across various product categories.