

Voltas

A slow start to FY26

Consolidated revenue grew 13% YoY in Q4, supported by a robust 18% YoY growth in the Unitary Cooling Products (UCP) and a sub-par 4% growth in Electro-Mechanical Projects and Services (EMPS). Engineering Products and Services (EPS) revenue declined 16% YoY, dragging the company's overall growth. EBITDAM expanded by 240 bps YoY, owing to better gross margin and op-lev gain (other expenses), leading to a 75% jump in EBITDA. So, APAT grew 107%, led by higher EBITDA and other income. EBIT margin for UCP/ EMPS segment expanded by 80/970bps YoY to 10/-0.2%, while EPS segment margin declined 480bps to 25.8%. The company exited Q4 with strong primary demand in anticipation of a scorching summer, resulting in higher channel filling. However, the slow start to the summer has affected secondary sales. We upgrade our rating to BUY from ADD earlier with a TP of INR 1,505/sh, valuing the company at 40x Mar-27E EPS.

- **Q4FY25 performance:** Consolidated revenue grew 13% YoY, supported by 18% YoY growth in UCP segment, while EMPS grew 4% only. EPS revenue declined 16% YoY, dragging the company's overall growth. EBITDAM expanded by 240 bps YoY, owing to better gross margin and op-lev gain (other expenses), leading to a 75% jump in EBITDA. So, APAT grew 107%, led by higher EBITDA and other income.
- **Segmental highlights:** (i.) UCP witnessed strong channel demand across all verticals in anticipation of healthy summer demand. EBIT margin improved 80bps YoY to 10% due to improved premium mix, but elevated commodity prices and forex fluctuation remained headwinds for the segment. Commercial AC recorded steady growth, while commercial refrigeration vertical faced headwinds due to inventory liquidation and lower customer capital expenditures (ii.) EMPS segment margins improved 970bps YoY to breakeven on the back of improved order booking, timely execution, and working capital management. However, domestic collection of receivable challenges persists (iii.) EPS segment revenue declined due to geopolitical issues, leading to 480bps decline in EBIT margin YoY to 25.8%.
- **Outlook:** The company exited Q4 with strong primary demand in anticipation of a hot summer, resulting in higher channel filling. However, the slow start to the summer has impacted secondary sales. The company expects RAC prices to remain stable for the next few months. Management anticipates a recovery in demand and projects double-digit volume growth for the RAC industry in FY26. The Commercial RAC vertical also expects strong demand driven by infrastructure expansion and cold storage growth. We have broadly maintained our APAT estimates for FY26/27E. Considering the stock correction in the last few weeks, valuation is reasonable; we upgrade Voltas to BUY from ADD earlier by valuing the stock at 40x Mar-27E EPS to arrive at a TP of INR 1,505/sh.

Financial summary

(INR mn)	Q4 FY25	Q4 FY24	YoY (%)	Q3 FY25	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	47,676	42,029	13.4	31,051	53.5	94,988	1,24,812	1,54,128	1,73,789	1,96,374
EBITDA	3,328	1,906	74.6	1,974	68.6	5,724	4,746	11,162	13,647	15,541
APAT	2,410	1,164	107.0	1,321	82.4	3,788	2,520	8,414	10,315	12,411
EPS (INR)	7.3	3.5	107.0	4.0	82.4	11.5	7.6	25.4	31.2	37.5
P/E (x)						106.1	159.5	47.8	39.0	32.4
EV / EBITDA (x)						69.5	83.3	35.8	28.9	25.0
RoE (%)						6.9	4.4	13.6	14.9	15.9

Source: Company, HSIE Research

BUY

CMP (as on 08 May 2025) INR 1,224

Target Price INR 1,505

NIFTY 24,274

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR1,505	INR 1,505
	FY26E	FY27E
EPS %	0.5	(-1.2)

KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	405/4,721
6m avg traded value (INR mn)	3,059
52 Week high / low	INR 1,946/1,135

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.6)	(30.7)	(7.3)
Relative (%)	(14.8)	(31.8)	(16.6)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	30.30	30.30
FIs & Local MFs	34.61	33.21
FPIs	21.31	21.96
Public & Others	14.15	14.53
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Aarti Industries

Volume-driven growth

We maintain our ADD recommendation on Aarti Industries (AIL), with a target price of INR 530/share. Revenue and EBITDA are expected to increase at a CAGR of 9/24% over FY25-28E. Profitability will be driven by (a) commissioning of projects worth INR23-25bn over the next 15 months, (b) cost optimization measures undertaken, and (c) volume growth across products. With an EPS CAGR of 43% and RoE improvement of 786bps over FY25-28E, the current valuation supports the company's growth potential. EBITDA/APAT were 10/35% above our estimates, due to higher-than-expected revenue while offset by higher raw material cost and other expenses.

- **Financial performance:** Revenue changed by +9.9/5.9% YoY/QoQ to INR 19.49bn. Non energy volume grew by 14% QoQ due to volume uptick in nitrochloro benzene (NCB) and nitro toluene (NT). Energy business volume grew by 21% QoQ. EBITDA improved by 15.5% QoQ while decreasing by 6% YoY to INR 2.68bn. EBITDA margin improved by 114 bps QoQ to 13.8%.
- **Con call takeaways:** (1) Management expects volume-led growth in FY26, driven by the existing and newly-added product portfolio, which is led by macros. (2) AIL will incur a capex of INR 10bn, primarily for zone 4. (3) Tariff impact is expected to have mixed impact on the revenue. Company expects the benefit due to tariff issue while competing with China. MMA volumes are expected to be impacted by unfavorable Naphtha-Gasoline cracks. (4) **Segmental: Agrochemical and fertilizers (16% of the revenue):** Volume recovery in segment while the pricing pressure still persists. The US tariff situation will create a new market opportunity. (5) **Energy and additives (36% of the venue):** AIL has improved supply to the US while diversifying geography and customer base. Company wants to improve focus on market development in FY26. (6) **Dyes and pigments (13% of revenue):** Improved volume demand while pricing pressure still persists. Global industry is consolidating. (7) **Polymer and additives (17% of the revenue):** Mixed impact of tariff as the company has an advantage of tariff differential to China while the slowdown in automotive industry due to tariff might impact adversely.

Financial summary (consolidated)

INR mn	4Q FY25	3Q FY25	QoQ (%)	4Q FY24	YoY (%)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	19,490	18,400	5.9	17,730	9.9	66,186	63,723	72,710	70,772	82,096
EBITDA	2,680	2,320	15.5	2,850	(6.0)	10,890	9,766	10,010	12,582	15,988
APAT	950	470	102.1	1,340	(29.1)	5,452	4,165	3,302	4,511	7,091
AEPS (INR)	2.6	1.3	102.1	3.7	(29.1)	15.0	11.5	9.1	12.4	19.6
P/E (x)						29.8	39.0	49.2	36.0	22.9
EV/EBITDA(x)						17.4	19.8	19.7	15.9	12.5
RoE (%)						11.6	8.2	6.1	7.8	11.3

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY26E Old	FY26E New	Change (%)	FY27E Old	FY27E New	Change (%)
EBITDA (INR mn)	12,493	12,582	0.7	15,810	15,988	1.1
Adj. EPS (INR/sh)	12.4	12.4	0.0	19.6	19.6	0.0

aSource: Company, HSIE Research

ADD

CMP (as on 08 May 2025)	INR 443
Target Price	INR 530
NIFTY	24,274

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 514	INR 530
EPS %	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	ARTO IN
No. of Shares (mn)	363
MCap (INR bn) / (\$ mn)	163/1,897
6m avg traded value (INR mn)	928
52 Week high / low	INR 767/344

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.6)	(5.4)	(36.5)
Relative (%)	(6.8)	(6.5)	(45.8)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	43.43	42.24
FIs & Local MFs	17.94	19.97
FPIs	7.25	6.29
Public & Others	32.46	31.48
Pledged Shares	0.00	0.00

Source: BSE

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