Voltas | ADD

JM FINANCIAL

2Q to be weak on expected lines, hopes now pegged on festivities

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From the analyst meet hosted by Voltas, we note that: (1) 2Q until now has remained weak given an unfavourable weather, high channel inventory, and deferred purchases in anticipation of a GST cut; (2) AC prices are likely to see a GST-led decline of 7-8%, but consumer reaction to these cuts remains a grey area; (3) Discussions on stocking prior to the change in energy rating norms are on, but remain contingent upon channel inventory normalising through the festive season; and (4) Voltas' market share has declined from 22% to 18%, given high competition, and while Voltas' strategy to regain market share includes a combination of cost leverage, channel presence and expansion of the product portfolio, this structural weakness has persisted for a while. We roll-forward to Sep'27E (from Jun'27E) and marginally tweak our EPS estimates. We change our rating from Hold (old rating system) to ADD (new rating system). Target price stands at INR 1,495.

- **GST cut-led and festive demand key positive triggers:** Pent-up demand due to GST cuts and festive demand are likely to drive Voltas' RAC business. After a weak 1Q, Voltas continues to experience challenges in 2Q with primary and secondary sales being impacted (Jul'25 saw a 15% YoY decline) due to unfavourable weather and the GST rate cut announcement driving a deferment in purchases by ~5 weeks. While we understand that AC prices may see cuts of 7-8%, the company remains in a wait and watch mode w.r.t. consumer reaction to these cuts.
- **BEE rating changes w.e.f. 1st Jan'26 another trigger:** With energy rating norms changing from 1st Jan'26, there is an expectation of some stocking by the channel given likely price hikes. These rating changes can raise prices of 3-star ACs by 3-5%, while 5-star ACs will see a higher increase. With channel inventory expected to normalise through festivities, discussions on stocking up before the norms change are on. We uderstand that Voltas will wait until end of Oct'25 to produce new BEE rating products.
- **Channel inventory still high; biases from recent experiences a risk:** We note that the channel and brands together currently have ~3 months of inventory lying unsold and positive triggers in terms of GST cuts and festive demand should aid in bringing this down to normal levels. While Voltas ran channel support schemes through 1Q to support the working capital needs of channel participants and will continue to do so, going forward one cannot rule out the channel choosing to stock other products (TVs and refrigerators), as against ACs, given the recent experience with working capital stress.
- **Market share loss, and near-term impact on margins to be noted:** It is also pertinent to note that Voltas' market share has declined from 22% to 18%, given the rise in competitive intensity. While its strategy to regain market share includes a combination of cost leverage, channel presence and expanding the product portfolio, this structural weakness has persisted for a while. Incrementally, in 2Q and 3Q, margins should remain under pressure as channel support schemes continue, the impact of negative leverage and focus on promotional activities, with improvement expected in 4QFY26 and 1QFY27.

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	HOLD
Current Price Target (12M)	1,495
Upside/(Downside)	5.3%
Previous Price Target	1,330
Change	12.4%

Key Data – VOLT IN	
Current Market Price	INR1,420
Market cap (bn)	INR469.8/US$5.3
Free Float	67%
Shares in issue (mn)	330.9
Diluted share (mn)	330.9
3-mon avg daily val (mn)	INR1,694.9/US$19.2
52-week range	1,932/1,135
Sensex/Nifty	82,626/25,327
INR/US$	88.1

Price Performance

%	1M	6M	12M
Absolute	4.2	-0.7	-26.4
Relative*	2.5	-7.5	-24.7

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,24,074	1,53,205	1,59,863	1,93,640	2,20,276
Sales Growth (%)	32.0	23.5	4.3	21.1	13.8
EBITDA	4,008	10,238	9,903	13,881	16,649
EBITDA Margin (%)	3.2	6.7	6.2	7.2	7.6
Adjusted Net Profit	2,520	8,414	8,038	11,231	13,582
Diluted EPS (INR)	7.6	25.4	24.3	33.9	41.0
Diluted EPS Growth (%)	-33.5	233.9	-4.5	39.7	20.9
ROIC (%)	9.7	24.7	17.8	22.1	24.4
ROE (%)	4.5	13.6	11.8	14.9	15.9
P/E (x)	186.5	55.8	58.5	41.8	34.6
P/B (x)	8.1	7.2	6.6	5.9	5.2
EV/EBITDA (x)	115.8	45.7	47.3	33.4	27.4
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 19/Sep/2025

Exhibit 1. Voltas – SoTP valuation

Particulars	FY26E	FY27E	FY28E	Sep'27E
Vertical-wise EPS				
UCP	15.6	25.2	31.3	28.2
Non-UCP	8.7	10.8	11.4	11.1
EPS (ex-Voltbek losses)	24.3	36.0	42.7	39.3
Business-wise P/E Multiple				
UCP				40
Non-UCP				25
Target Price (ex-Voltbek)				
UCP				1,130
Non-UCP				277
Voltbek				
Revenue/share				88
Multiple (x)				1
Target Price (Voltbek)				88
Target Price (Voltas)				**1,495**

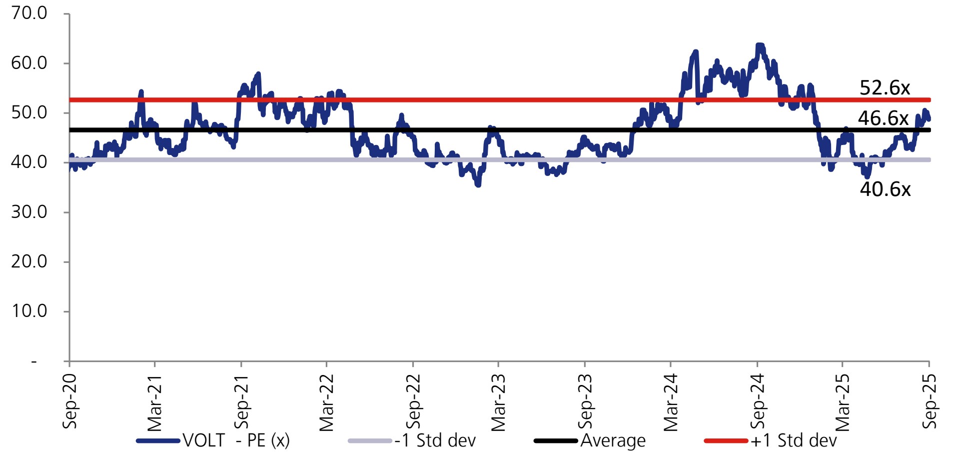
Source: Company, JM Financial

Exhibit 2. Voltas – EPS revision table

Year End Mar (INR mn)	FY26E	FY27E	FY28E
Revenues			
Old	1,66,496	1,93,797	2,19,308
New	1,59,863	1,93,640	2,20,276
Change	-4.0%	-0.1%	0.4%
EBITDA			
Old	9,980	13,750	15,881
New	9,903	13,881	16,649
Change	-0.8%	0.9%	4.8%
EBITDA margins			
Old	6.0%	7.1%	7.2%
New	6.2%	7.2%	7.6%
Change	20	7	32
Recurring PAT			
Old	8,274	11,444	13,607
New	8,038	11,231	13,582
Change	-2.9%	-1.9%	-0.2%
EPS			
Old	25.0	34.6	41.1
New	24.3	33.9	41.0
Change	-2.9%	-1.9%	-0.2%

Source: Company, JM Financial

Exhibit 3. Voltas – 1-yr P/E band chart



Source: JM Financial, Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,24,074	1,53,205	1,59,863	1,93,640	2,20,276
Sales Growth	32.0%	23.5%	4.3%	21.1%	13.8%
Other Operating Income	0	0	0	0	0
Total Revenue	**1,24,074**	**1,53,205**	**1,59,863**	**1,93,640**	**2,20,276**
Cost of Goods Sold/Op. Exp	98,140	1,19,604	1,21,176	1,46,779	1,66,969
Personnel Cost	7,788	8,901	9,346	9,813	10,304
Other Expenses	14,138	14,462	19,438	23,167	26,354
EBITDA	**4,008**	**10,238**	**9,903**	**13,881**	**16,649**
EBITDA Margin	3.2%	6.7%	6.2%	7.2%	7.6%
EBITDA Growth	-15.3%	155.5%	-3.3%	40.2%	19.9%
Depn. & Amort.	476	618	861	1,063	1,266
EBIT	3,532	9,621	9,042	12,817	15,383
Other Income	3,271	4,168	3,616	3,662	3,914
Finance Cost	559	621	645	564	451
PBT before Excep. & Forex	6,244	13,168	12,013	15,916	18,846
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	6,244	13,168	12,013	15,916	18,846
Taxes	2,377	3,565	3,015	3,995	4,730
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-1,425	-1,331	-1,102	-832	-675
Reported Net Profit	2,520	8,414	8,038	11,231	13,582
Adjusted Net Profit	**2,520**	**8,414**	**8,038**	**11,231**	**13,582**
Net Margin	2.0%	5.5%	5.0%	5.8%	6.2%
Diluted Share Cap. (mn)	330.9	330.9	330.9	330.9	330.9
Diluted EPS (INR)	**7.6**	**25.4**	**24.3**	**33.9**	**41.0**
Diluted EPS Growth	-33.5%	233.9%	-4.5%	39.7%	20.9%
Total Dividend + Tax	1,820	1,985	1,985	2,482	2,647
Dividend Per Share (INR)	5.5	6.0	6.0	7.5	8.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	58,205	65,133	71,185	79,934	90,870
Share Capital	331	331	331	331	331
Reserves & Surplus	57,874	64,802	70,854	79,603	90,539
Preference Share Capital	0	0	0	0	0
Minority Interest	337	271	200	129	58
Total Loans	7,133	8,633	7,983	6,483	4,983
Def. Tax Liab. / Assets (-)	176	140	140	140	140
Total - Equity & Liab.	**65,851**	**74,176**	**79,507**	**86,685**	**96,050**
Net Fixed Assets	8,082	9,495	12,134	14,571	16,805
Gross Fixed Assets	8,223	13,105	16,605	20,105	23,605
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	3,816	4,434	5,294	6,358	7,624
Capital WIP	3,675	824	824	824	824
Investments	35,083	32,432	32,432	32,432	32,432
Current Assets	76,780	89,149	92,353	1,05,428	1,19,130
Inventories	21,354	27,148	31,631	36,398	39,335
Sundry Debtors	25,328	25,115	26,206	31,743	36,110
Cash & Bank Balances	8,523	6,782	5,699	8,469	14,868
Loans & Advances	13	10	10	10	10
Other Current Assets	21,563	30,094	28,807	28,807	28,807
Current Liab. & Prov.	54,093	56,901	57,413	65,746	72,317
Current Liabilities	39,940	40,584	41,096	49,429	56,001
Provisions & Others	14,154	16,317	16,317	16,317	16,317
Net Current Assets	22,686	32,248	34,941	39,682	46,813
Total – Assets	**65,851**	**74,176**	**79,507**	**86,685**	**96,050**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,858	11,908	10,982	15,155	18,242
Depn. & Amort.	476	618	861	1,063	1,266
Net Interest Exp. / Inc. (-)	559	621	645	564	451
Inc (-) / Dec in WCap.	3,063	-11,779	-3,776	-1,971	-732
Others	-2,897	-4,115	-3,589	-4,488	-5,111
Taxes Paid	479	-36	0	0	0
Operating Cash Flow	**6,538**	**-2,784**	**5,123**	**10,323**	**14,117**
Capex	-3,455	-2,024	-3,500	-3,500	-3,500
Free Cash Flow	3,083	-4,807	1,623	6,823	10,617
Inc (-) / Dec in Investments	-3,996	2,650	0	0	0
Others	337	486	0	0	0
Investing Cash Flow	**-7,114**	**1,113**	**-3,500**	**-3,500**	**-3,500**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,820	-1,985	-1,985	-2,482	-2,647
Inc / Dec (-) in Loans	931	1,483	-650	-1,500	-1,500
Others	2,905	433	-71	-71	-71
Financing Cash Flow	**2,015**	**-69**	**-2,706**	**-4,053**	**-4,218**
Inc / Dec (-) in Cash	**1,439**	**-1,741**	**-1,083**	**2,770**	**6,399**
Opening Cash Balance	7,084	8,523	6,782	5,699	8,469
Closing Cash Balance	8,523	6,782	5,699	8,469	14,868

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.0%	5.5%	5.0%	5.8%	6.2%
Asset Turnover (x)	1.9	2.1	2.0	2.3	2.4
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1
RoE	4.5%	13.6%	11.8%	14.9%	15.9%

Key Ratios

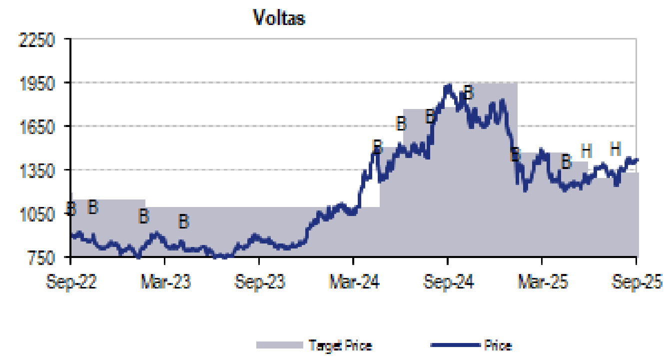
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	175.9	196.8	215.1	241.6	274.6
ROIC	9.7%	24.7%	17.8%	22.1%	24.4%
ROE	4.5%	13.6%	11.8%	14.9%	15.9%
Net Debt/Equity (x)	-0.1	0.0	0.0	-0.1	-0.2
P/E (x)	186.5	55.8	58.5	41.8	34.6
P/B (x)	8.1	7.2	6.6	5.9	5.2
EV/EBITDA (x)	115.8	45.7	47.3	33.4	27.4
EV/Sales (x)	3.7	3.1	2.9	2.4	2.1
Debtor days	75	60	60	60	60
Inventory days	63	65	72	69	65
Creditor days	117	99	96	97	97

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Feb-21	Hold	960	
14-May-21	Hold	960	0.0
11-Aug-21	Hold	1,000	4.2
1-Nov-21	Hold	1,070	7.0
14-Feb-22	Hold	1,100	2.8
10-May-22	Buy	1,250	13.6
4-Jul-22	Buy	1,250	0.0
4-Aug-22	Buy	1,200	-4.0
22-Sep-22	Buy	1,150	-4.2
2-Nov-22	Buy	1,150	0.0
10-Feb-23	Buy	1,100	-4.3
27-Apr-23	Buy	1,100	0.0
8-May-24	Buy	1,515	37.7
23-Jun-24	Buy	1,770	16.8
18-Aug-24	Buy	1,790	1.1
30-Oct-24	Buy	1,950	8.9
30-Jan-25	Buy	1,470	-24.6
8-May-25	Buy	1,405	-4.4
17-Jun-25	Hold	1,300	-7.5
9-Aug-25	Hold	1,330	2.3

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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