

## Getting comfortable, not cosy

The key message from Voltas' investor call was, that while the situation is clearly improving, it is not yet time to rejoice. Management commentary indicated that while the industry could see a decline in 3Q, the decline should be < 2Q, on account of pre-buying from the channel due to the energy rating changes w.e.f. 1<sup>st</sup> Jan'26. Current channel inventory is ~45 days (vs. 60 days at 1Q-end/20-25 days over normal levels), which is better, but not yet at levels necessitating aggressive buying. Through 3Q, an increase in input costs, a depreciating rupee and continued channel support could dampen margin. If growth rebounds in 4Q, withdrawal of channel support and operating leverage could help, but higher input costs will have to be compensated for (through price hikes), and could have an impact on ASPs > benefits of the GST rate cut. Over the longer term, margin is likely to be a function of pricing maturity across players. We factor this in through 9% cut in FY26E EPS estimates (predominantly UCP margin), while our FY27-28E EPS see a 0-4% increase. Maintain ADD with a target price of INR 1,450 basis our SoTP valuation.

- **3Q industry decline < 2Q; inventory levels do not necessitate aggressive stocking:** Expect industry to decline in 3Q as well, although the decline should be lower than what was seen in 2Q. This is on account of pre-buying from channel partners basis the rating change that will come into effect from 1<sup>st</sup> Jan'26. Current channel inventory levels hover around 45 days, and have progressively improved vs. end-1Q. This is better compared to 60-65 days at end-1Q, but yet higher than normalised levels of 20-25 days during lean season. That said, it is not yet at levels that could necessitate aggressive buying from channel partners.
- **Input cost inflation necessitates price hikes, but demand situation key in framing strategies:** The GST cut, which has driven down prices by 7-8% for the end-consumer, and stocking of older-rated products should aid revenue growth. However, the new energy rating norms will also entail an increase in the BoM costs and, incrementally, 20-30% of the raw material that is imported will be impacted by the depreciating rupee. On the back of this, price hikes are necessary. That said, it is crucial to consider the overall demand environment while framing pricing strategies. Newer-rated products will naturally drive a price hike, but sales of these products should start only in late-Jan/early-Feb (until then, older rated products to dominate sales); hence, the resulting positive impact on the P&L will be seen with a lag.
- **Market share a priority; margin a function of competitive intensity:** We note that Voltas' key priority is targeting higher market share, while margins will remain a function of competitive intensity. Several smaller brands have been trying to capture market share by under-cutting competition, and this, the Voltas management believes, is a loss-making strategy. Basis this, it does not expect such strategies to sustain over the longer term and, hence, expects sanity to prevail over time. Further, as the situation improves, support given to the channel will be withdrawn, and fixed cost absorption will also pick up as the capacities are utilised better. This, in turn, should drive a rebound in UCP margin. Management remains fairly confident of UCP margin rebounding back to earlier (post-Covid - ~8.5%) levels.
- **Voltbek products gaining share; all eyes on profitability now:** Voltbek products are seeing good traction and gaining market share across categories. That said, there was some pressure on deep freezers, commercial refrigerators and water coolers, which, again, was a function of the prevalent weather. In some categories like semi-automatic washing machine, Voltbek's market share is almost at par with the industry leader. Going forward, profitability is the focus here.

**Shalin Choksy**

shalin.choksy@jmfl.com | Tel: (91 22) 66303380

**Jignesh Thakur**

jignesh.thakur@jmfl.com | Tel: (91 22) 66303514

### Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	1,450
Upside/(Downside)	5.0%
Previous Price Target	1,430
Change	1.4%

### Key Data – VOLT IN

Current Market Price	INR1,381
Market cap (bn)	INR456.8/US\$5.1
Free Float	63%
Shares in issue (mn)	330.9
Diluted share (mn)	330.9
3-mon avg daily val (mn)	INR1,501.9/US\$16.6
52-week range	1,860/1,135
Sensex/Nifty	84,560/25,819
INR/US\$	90.4

### Price Performance

%	1M	6M	12M
Absolute	0.5	6.7	-22.0
Relative*	0.9	2.9	-25.6

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,24,074	1,53,205	1,46,510	1,76,452	1,98,060
Sales Growth (%)	32.0	23.5	-4.4	20.4	12.2
EBITDA	4,008	10,238	6,439	12,856	15,522
EBITDA Margin (%)	3.2	6.7	4.4	7.3	7.8
Adjusted Net Profit	2,520	8,414	5,810	10,822	13,373
Diluted EPS (INR)	7.6	25.4	17.6	32.7	40.4
Diluted EPS Growth (%)	-33.5	233.9	-30.9	86.3	23.6
ROIC (%)	9.7	24.7	11.1	21.6	25.0
ROE (%)	4.5	13.6	8.7	14.8	16.2
P/E (x)	181.3	54.3	78.7	42.2	34.2
P/B (x)	7.9	7.0	6.6	5.9	5.2
EV/EBITDA (x)	112.5	44.5	70.8	35.1	28.4
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 17/Dec/2025

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>, FactSet, LSEG and  
S&P Capital IQ.

Please see Appendix I at the end of this report  
for Important Disclosures and Disclaimers and  
Research Analyst Certification.

## Takeaways from investor call

- **Industry performance in 3Q:** Expect industry to decline in 3Q as well, albeit the decline should ideally be lower than what was witnessed in 2Q. Hence, expect the overall industry to do sequentially better in 3Q. This includes an element of increase in value due to new energy rated norms.
- **Focus on market share; margin a function of competitive intensity:** Will continue to target increasing market share, while margins will remain a function of competitive intensity. Several brands have been trying to capture market share by under-cutting competition, and this is a loss-making strategy. Do not expect such strategies to sustain and, hence, expect sanity to prevail over time. This should drive a rebound in margin. Fairly confident of margins rebounding back to previous levels.
- **Current inventory level in the channel and price hikes:** Current inventory level in the channel hovers around 45 days on a weighted average basis (may differ across dealers/distributors). Company inventory (not indicated) is over and above this. Channel inventory has progressively improved vs. the situation at the end of 1Q. At the same time, it is not yet at very comfortable levels that could necessitate aggressive buying. Incrementally, price hikes are required given several increases in the BoM (new rating changes + depreciating rupee); however, will take into consideration the overall demand environment while framing pricing strategies.
- **3Q an inherently weak quarter:** 3Q is inherently a weak quarter for the AC business, especially in a year like this wherein winter has been fairly severe. Hence, in the first place, Voltas was not expecting sales to pick up meaningfully. However, there is some pre-buying from channel partners on account of the rating change that will come into effect from 1<sup>st</sup> Jan'26.
- **Expect normalised stocking going into the summer:** Large format retailers lock up pricing for the season in advance, but the ultimate offtake is basis feedback from the secondary channel. Behaviour was different before summer'25, in anticipation of a good summer. However, given the current scenario, believe that stocking for summer'26 will revert to normalised levels, which is, no expectation of aggressive stocking from channel participants, except for those looking to stock up on the lower-priced older-rated products.
- **GST cuts have reduced prices, but new rating products and depreciating rupee may reverse the impact:** GST cut has driven down prices by 7-8% for the end-consumer, which should aid demand, when the weather supports. Further, starting 3Q stocking older-rating products should drive sales. On the flip side, 20-30% raw material is imported, and the depreciating rupee will impact the cost structure, over and above which there will be an increase in the BoM cost due to the newer rating changes as well. Further, as the situation improves, support driven to the channel will be withdrawn; fixed cost absorption will also pick up as the capacities are utilised better.
- **Voltas Beko:** Beko products are seeing good traction and gaining market share across segments. But there was some pressure on products like deep freezers, commercial refrigerators and water coolers, which, again, is a function of the prevalent weather. In some categories like semi-automatic washing machine, Voltbek's market share is almost at par with the industry leader. Going forward, profitability is the focus here.
- **Project business:** Voltas' domestic projects business is doing well with margin holding up, given they have now chosen to be very selective with the quality of projects undertaken. Opportunities are coming from segments like data centres, EV facilities, infrastructure projects. Interestingly, several Tata Group companies are investing in these projects and Voltas is bidding aggressively for the same. Along with that, with the US-India trade deal in final stage of negotiations, the management expect its textile machinery segment also to see some green shoots, going forward.

**Exhibit 1. Voltas – SoTP valuation**

Particulars	FY26E	FY27E	FY28E	Sep'27E
<b>Vertical-wise EPS</b>				
UCP	7.5	21.5	28.6	25.1
Non-UCP	13.0	13.1	12.9	13.0
EPS (ex-Voltbek losses)	20.5	34.6	41.5	38.1
(-) Voltbek adjustment	(2.9)	(1.9)	(1.1)	(1.5)
Reported EPS	17.6	32.7	40.4	36.6
<b>Business-wise P/E Multiple</b>				
UCP				40
Non-UCP				25
<b>Target Price (ex-Voltbek)</b>				
UCP				1,016
Non-UCP				331
<b>Target Price (ex-Voltbek)</b>				<b>1,347</b>
Voltbek				
Revenue/share				92
Multiple (x)				1
<b>Target Price (Voltbek)</b>				<b>92</b>
<b>Target Price (Voltas)</b>				<b>1,439</b>

Source: Company, JM Financial

**Exhibit 2. Voltas - EPS Change table**

Year End Mar (INR mn)	FY26E	FY27E	FY28E
<b>Revenues</b>			
Old	150,864	181,895	204,539
New	146,510	176,452	198,060
Change	-2.9%	-3.0%	-3.2%
<b>EBITDA</b>			
Old	7,335	13,105	15,470
New	6,439	12,856	15,522
Change	-12.2%	-1.9%	0.3%
<b>EBITDA margins</b>			
Old	4.9%	7.2%	7.6%
New	4.4%	7.3%	7.8%
Change	-47	8	27
<b>Recurring PAT</b>			
Old	6,409	10,855	12,916
New	5,810	10,822	13,373
Change	-9.4%	-0.3%	3.5%
<b>EPS</b>			
Old	19.4	32.8	39.0
New	17.6	32.7	40.4
Change	-9.4%	-0.3%	3.5%

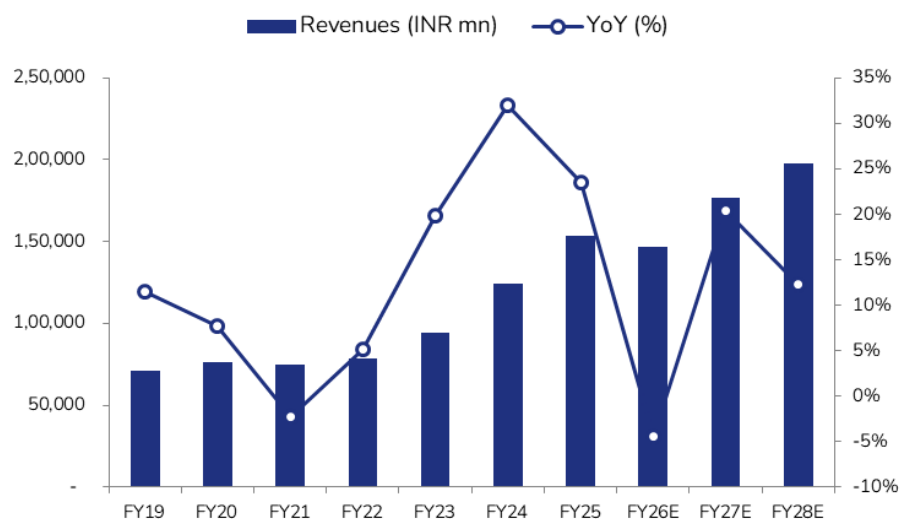
Source: Company, JM Financial

Exhibit 3. Voltas - 1-yr forward P/E Chart



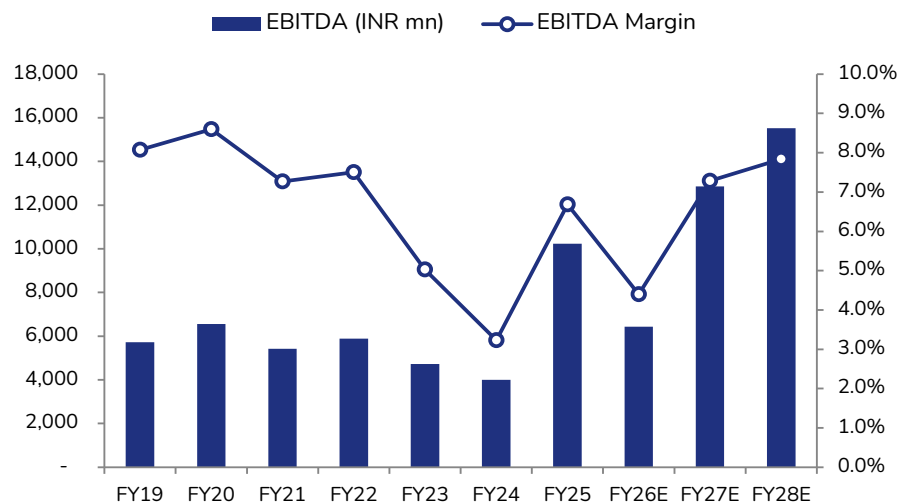
Source: Bloomberg, JM Financial

Exhibit 4. Voltas – revenue and revenue growth



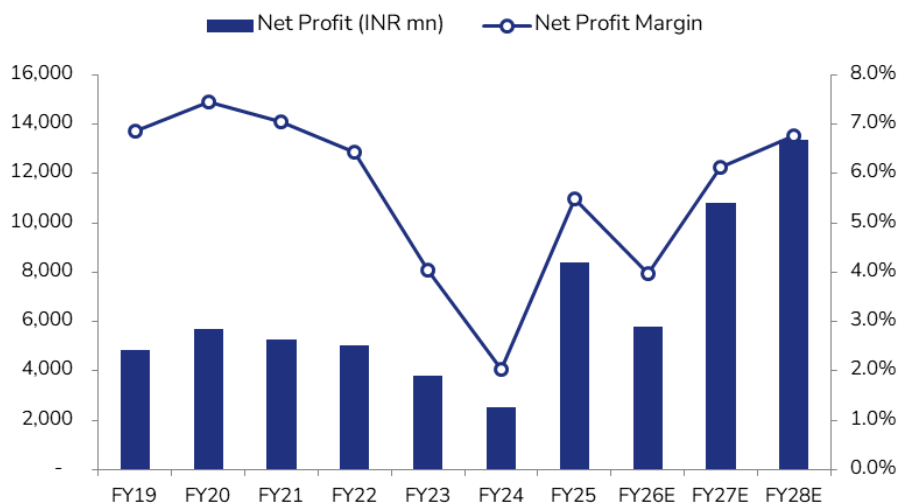
Source: Company, JM Financial

Exhibit 5. Voltas – EBITDA and EBITDA growth



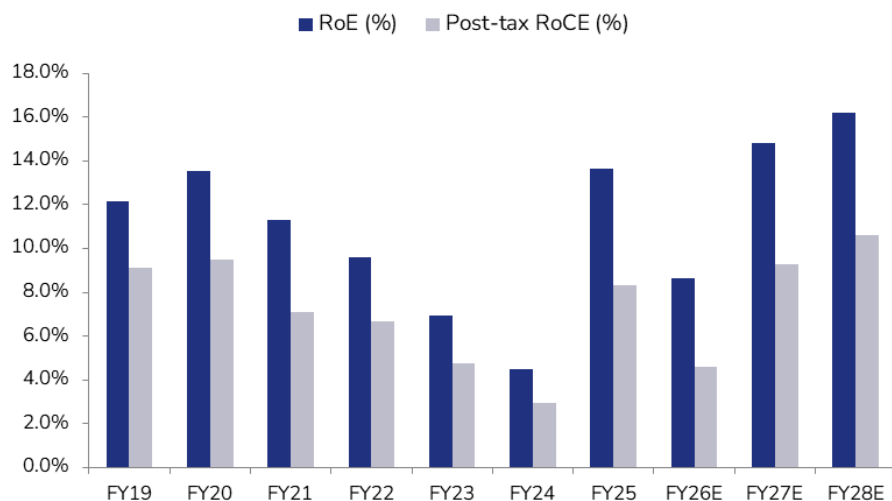
Source: Company, JM Financial

Exhibit 6. Voltas – PAT and PAT growth



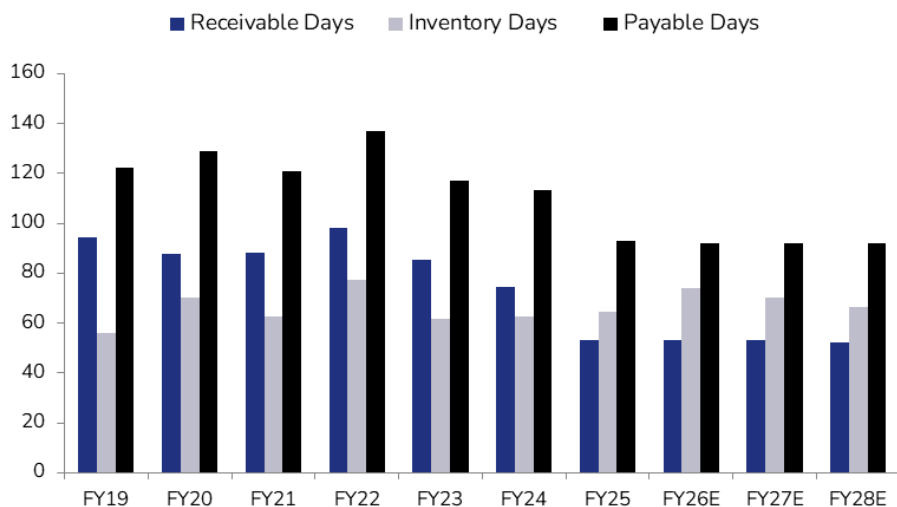
Source: Company, JM Financial

Exhibit 7. Voltas – RoE and RoCE profile



Source: Company, JM Financial

Exhibit 8. Voltas – working capital cycle



Source: Company, 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	1,46,510	1,76,452	1,98,060
Sales Growth	32.0%	23.5%	-4.4%	20.4%	12.2%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>1,24,074</b>	<b>1,53,205</b>	<b>1,46,510</b>	<b>1,76,452</b>	<b>1,98,060</b>
Cost of Goods Sold/Op. Exp	98,140	1,19,604	1,13,545	1,36,751	1,53,496
Personnel Cost	7,788	8,901	9,791	10,280	10,794
Other Expenses	14,138	14,462	16,735	16,565	18,247
<b>EBITDA</b>	<b>4,008</b>	<b>10,238</b>	<b>6,439</b>	<b>12,856</b>	<b>15,522</b>
EBITDA Margin	3.2%	6.7%	4.4%	7.3%	7.8%
EBITDA Growth	-15.3%	155.5%	-37.1%	99.7%	20.7%
Depn. & Amort.	476	618	911	1,049	1,161
EBIT	3,532	9,621	5,529	11,807	14,362
Other Income	3,271	4,168	4,230	4,012	4,237
Finance Cost	559	621	720	526	264
PBT before Excep. & Forex	6,244	13,168	9,039	15,293	18,335
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	6,244	13,168	9,039	15,293	18,335
Taxes	2,377	3,565	2,269	3,839	4,602
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-1,425	-1,331	-1,102	-775	-502
Reported Net Profit	2,520	8,414	5,810	10,822	13,373
<b>Adjusted Net Profit</b>	<b>2,520</b>	<b>8,414</b>	<b>5,810</b>	<b>10,822</b>	<b>13,373</b>
Net Margin	2.0%	5.5%	4.0%	6.1%	6.8%
Diluted Share Cap. (mn)	330.9	330.9	330.9	330.9	330.9
<b>Diluted EPS (INR)</b>	<b>7.6</b>	<b>25.4</b>	<b>17.6</b>	<b>32.7</b>	<b>40.4</b>
Diluted EPS Growth	-33.5%	233.9%	-30.9%	86.3%	23.6%
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	68,957	77,297	88,023
Share Capital	331	331	331	331	331
Reserves & Surplus	57,874	64,802	68,626	76,966	87,692
Preference Share Capital	0	0	0	0	0
Minority Interest	337	271	200	129	58
Total Loans	7,133	8,633	7,983	5,483	1,483
Def. Tax Liab. / Assets (-)	176	140	140	140	140
<b>Total - Equity &amp; Liab.</b>	<b>65,851</b>	<b>74,176</b>	<b>77,279</b>	<b>83,048</b>	<b>89,703</b>
Net Fixed Assets	8,082	9,495	12,084	14,036	15,875
Gross Fixed Assets	8,223	13,105	16,605	19,605	22,605
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	3,816	4,434	5,344	6,393	7,554
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	87,692	99,062	1,09,328
Inventories	21,354	27,148	29,639	33,911	36,161
Sundry Debtors	25,328	22,319	21,343	25,705	28,276
Cash & Bank Balances	8,523	6,782	5,236	7,972	13,418
Loans & Advances	13	10	10	10	10
Other Current Assets	21,563	32,890	31,463	31,463	31,463
Current Liab. & Prov.	54,093	56,901	54,929	62,482	67,932
Current Liabilities	39,940	40,584	38,612	46,165	51,615
Provisions & Others	14,154	16,317	16,317	16,317	16,317
Net Current Assets	22,686	32,248	32,763	36,580	41,396
<b>Total - Assets</b>	<b>65,851</b>	<b>74,176</b>	<b>77,279</b>	<b>83,048</b>	<b>89,703</b>

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,858	11,908	8,008	14,589	17,904
Depn. & Amort.	476	618	911	1,049	1,161
Net Interest Exp. / Inc. (-)	559	621	720	526	264
Inc (-) / Dec in WCap.	3,063	-11,779	-2,061	-1,082	630
Others	-2,897	-4,115	-2,917	-4,294	-4,795
Taxes Paid	479	-36	0	0	0
<b>Operating Cash Flow</b>	<b>6,538</b>	<b>-2,784</b>	<b>4,660</b>	<b>10,789</b>	<b>15,164</b>
Capex	-3,455	-2,024	-3,500	-3,000	-3,000
<b>Free Cash Flow</b>	<b>3,083</b>	<b>-4,807</b>	<b>1,160</b>	<b>7,789</b>	<b>12,164</b>
Inc (-) / Dec in Investments	-3,996	2,650	0	0	0
Others	337	486	0	0	0
<b>Investing Cash Flow</b>	<b>-7,114</b>	<b>1,113</b>	<b>-3,500</b>	<b>-3,000</b>	<b>-3,000</b>
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	-2,500	-4,000
Others	2,905	433	-71	-71	-71
<b>Financing Cash Flow</b>	<b>2,015</b>	<b>-69</b>	<b>-2,706</b>	<b>-5,053</b>	<b>-6,718</b>
<b>Inc / Dec (-) in Cash</b>	<b>1,439</b>	<b>-1,741</b>	<b>-1,546</b>	<b>2,736</b>	<b>5,446</b>
Opening Cash Balance	7,084	8,523	6,782	5,236	7,972
Closing Cash Balance	8,523	6,782	5,236	7,972	13,418

Source: Company, JM Financial

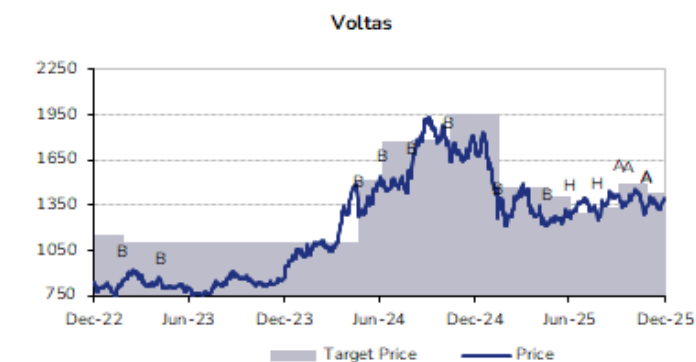
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.0%	5.5%	4.0%	6.1%	6.8%
Asset Turnover (x)	1.9	2.1	1.9	2.1	2.2
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1
RoE	4.5%	13.6%	8.7%	14.8%	16.2%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	175.9	196.8	208.4	233.6	266.0
ROIC	9.7%	24.7%	11.1%	21.6%	25.0%
ROE	4.5%	13.6%	8.7%	14.8%	16.2%
Net Debt/Equity (x)	-0.1	0.0	0.0	-0.1	-0.2
P/E (x)	181.3	54.3	78.7	42.2	34.2
P/B (x)	7.9	7.0	6.6	5.9	5.2
EV/EBITDA (x)	112.5	44.5	70.8	35.1	28.4
EV/Sales (x)	3.6	3.0	3.1	2.6	2.2
Debtor days	75	53	53	53	52
Inventory days	63	65	74	70	67
Creditor days	117	99	96	99	100

Source: Company, JM Financial

### History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Feb-22	Hold	1,100	
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
21-Sep-25	Add	1,495	12.4
10-Oct-25	Add	1,495	0.0
13-Nov-25	Add	1,495	0.0
14-Nov-25	Add	1,430	-4.3

### Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfincial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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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