

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

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

- 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.

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.

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Quarterly performance

(INR m)

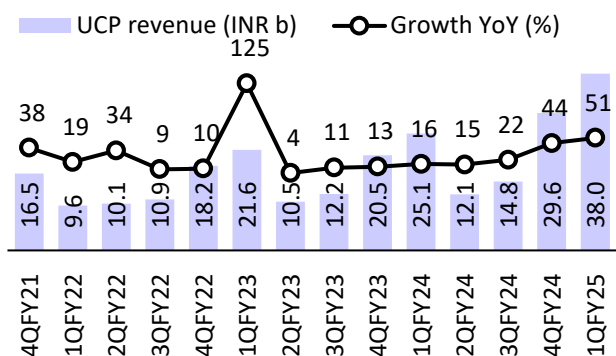
Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales	33,599	22,928	26,257	42,029	49,210	24,917	28,431	44,147	1,24,812	1,46,705	39,430	25
Change (%)	21.4	29.7	30.9	42.1	46.5	8.7	8.3	5.0	31.4	17.5	17.4	
Adj. EBITDA	1,854	703	284	1,906	4,238	1,158	1,891	3,365	4,746	10,652	2,590	64
Change (%)	4.7	(30.3)	(62.8)	(12.6)	128.6	64.7	565.4	76.6	(17.1)	124.4	39.7	
Adj. EBITDA margin (%)	5.5	3.1	1.1	4.5	8.6	4.6	6.7	7.6	3.8	7.3	6.6	204
Depreciation	113	117	128	118	134	144	159	167	476	605	169	(21)
Interest	101	115	135	208	98	130	110	193	559	530	150	(35)
Other Income	700	710	579	544	803	813	600	635	2,533	2,850	700	15
Extra-ordinary items	0	-	-	-	0	0	0	0	0	0	0	
PBT	2,339	1,181	599	2,124	4,809	1,696	2,222	3,640	6,244	12,367	2,971	62
Tax	735	493	515	634	1,165	454	595	948	2,377	3,178	796	46
Effective Tax Rate (%)	31.4	41.7	85.9	29.9	24.2	26.8	26.8	26.0	38.1	25.7	26.8	
Share of profit of associates/JV's	(312)	(321)	(389)	(325)	(294)	(240)	(220)	(176)	(1,347)	(930)	-270	9
Reported PAT	1,293	367	(304)	1,164	3,350	1,001	1,406	2,516	2,520	8,259	1,905	76
Change (%)	18.7	NM	NM	(19.1)	159.1	173.0	NA	116.1	86.7	227.7	47.3	
Adj. PAT	1	(10)	28	(58)	8	(10)	20	(57)	(39)	(39)		
Change (%)	1,293	367	(304)	1,038	3,342	1,011	1,386	2,572	2,394	8,298	1,900	76

Note: 4QFY24 and FY24 Adj. PAT is after adjusting tax related to earlier periods

Segmental revenue (INR m)

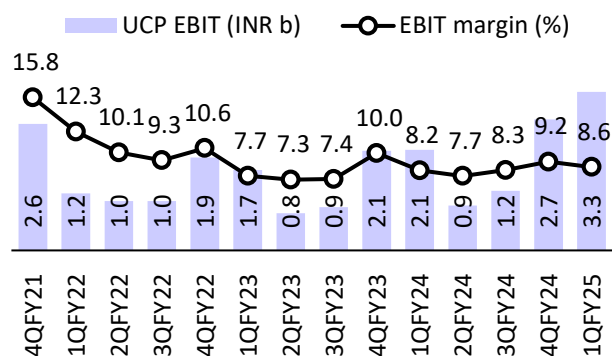
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY24	FY25E	1QE	Var. (%)
EMP & Services	6,791	9,242	9,819	10,979	9,491	10,259	10,310	12,066	36,830	42,126	7,266	31
Engineering products and services	1,423	1,344	1,548	1,564	1,608	1,479	1,687	1,752	5,879	6,526	1,494	8
Unitary cooling business	25,140	12,088	14,826	29,551	38,022	13,055	16,308	30,150	81,605	97,535	30,545	24
Others	245	253	65	-65	89	125	125	178	498	518	125	(28)
Total	33,599	22,928	26,257	42,029	49,210	24,917	28,431	44,147	1,24,812	1,46,705	39,430	25
Segment PBIT												
EMP & Services	(519)	(490)	(1,200)	(1,077)	675	-	206	383	(3,285)	1,264	(436)	NA
Engineering products and services	541	539	499	478	448	399	472	507	2,057	1,827	456	(2)
Unitary cooling business	2,073	928	1,229	2,704	3,270	1,044	1,354	2,915	6,935	8,583	2,688	22
Total PBIT	2,096	977	528	2,105	4,394	1,444	2,032	3,805	5,707	11,674	2,708	62
Segment PBIT (%)												
EMP & Services (%)	(7.6)	(5.3)	(12.2)	(9.8)	7.1	-	2.0	3.2	(8.9)	3.0	(6.0)	1,311
Engineering products and services (%)	38.0	40.1	32.2	30.6	27.9	27.0	28.0	28.9	35.0	28.0	30.5	(261)
Unitary cooling business (%)	8.2	7.7	8.3	9.2	8.6	8.0	8.3	9.7	8.5	8.8	8.8	(20)
Total PBIT (%)	6.2	4.3	2.0	5.0	8.9	5.8	7.1	8.6	4.6	8.0	6.9	206

Exhibit 1: UCP's revenue up 51% YoY



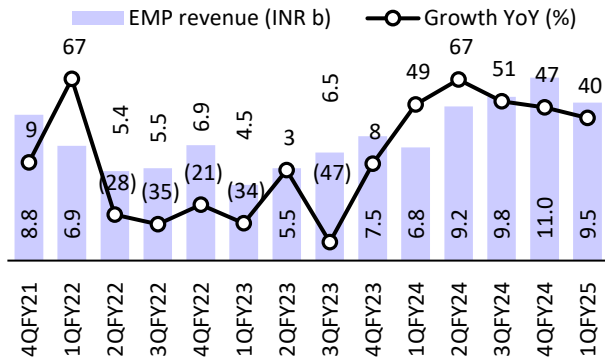
Source: MOFSL, Company

Exhibit 2: UCP's EBIT margin up 35bp YoY to 8.6%



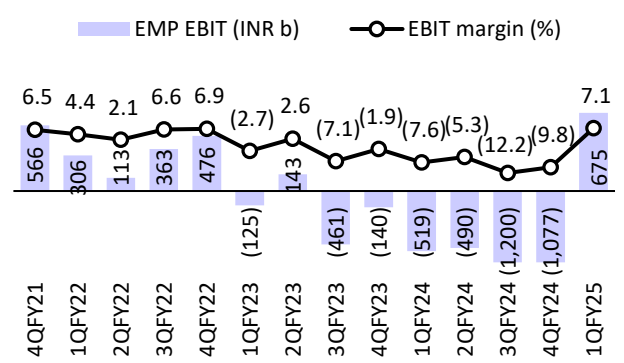
Source: MOFSL, Company

Exhibit 3: EMPS' revenue up 40% YoY



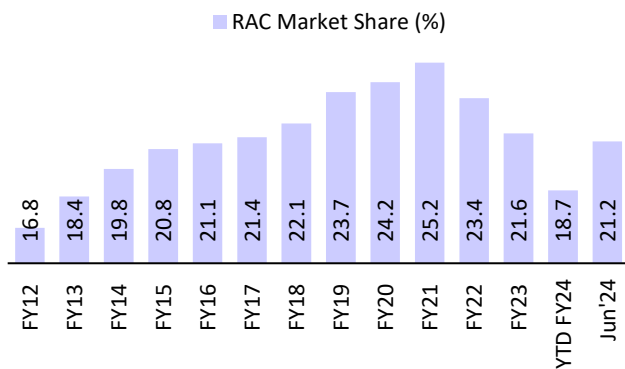
Source: MOFSL, Company

Exhibit 4: EMPS segment reported profit



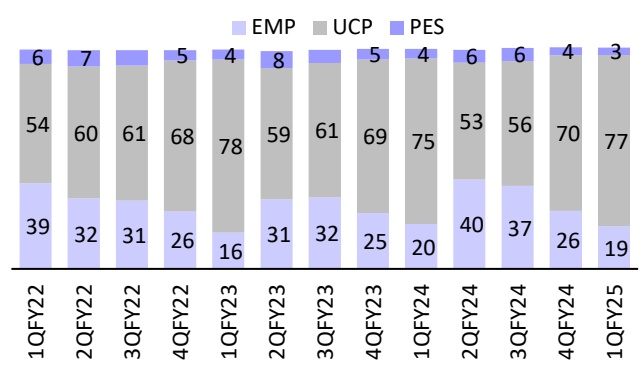
Source: MOFSL, Company

Exhibit 5: VOLT's market share in the RAC segment



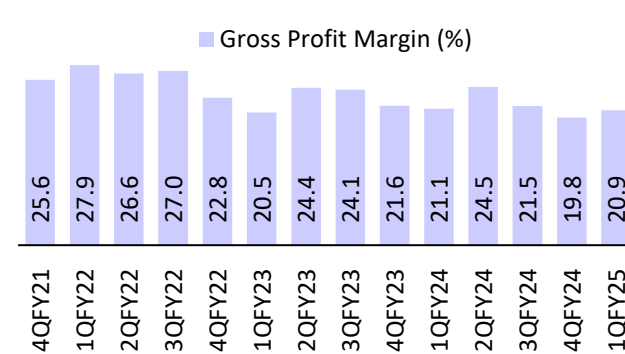
Source: MOFSL, Company; Note: Jun'24 exit market share

Exhibit 6: UCP contributed 77% to revenue vs. 75% in 1QFY24



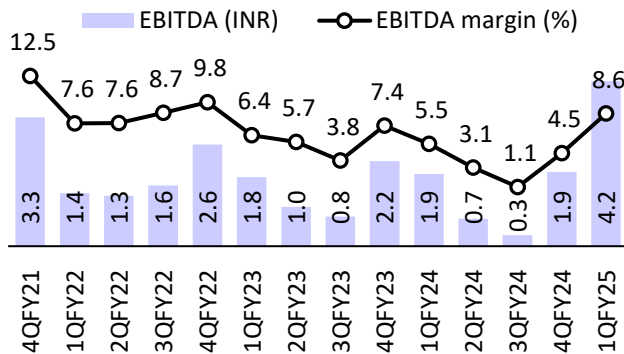
Source: MOFSL, Company

Exhibit 7: Gross margin down 20bp YoY to 20.9% in 1QFY25



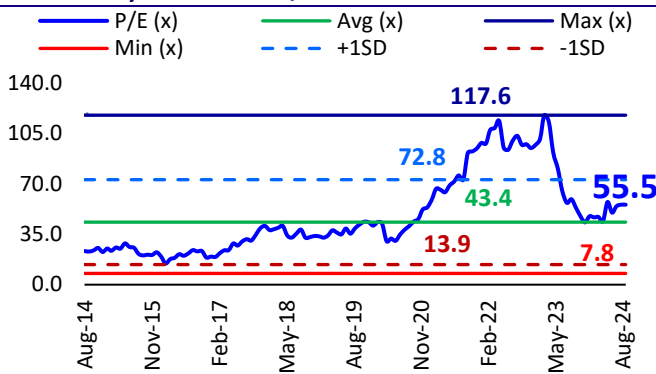
Source: MOFSL, Company

Exhibit 8: EBITDA margin up 3.1pp YoY to 8.6%



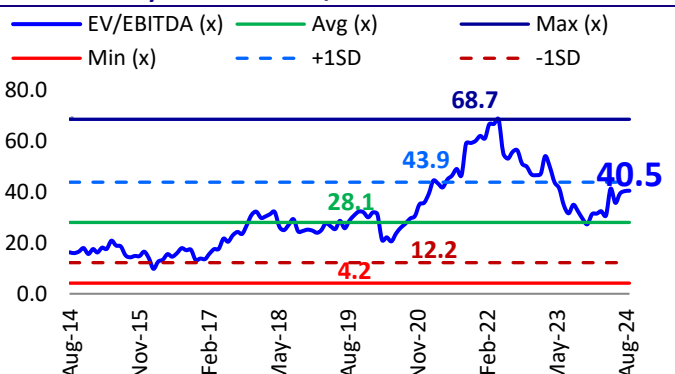
Source: MOFSL, Company

Exhibit 9: 1-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: 1-year forward EV/EBITDA chart



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Revenues	75,558	79,345	94,988	1,24,812	1,46,705	1,62,494	1,81,537
Change (%)	-1.3	5.0	19.7	31.4	17.5	10.8	11.7
EBITDA	6,414	6,816	5,724	4,746	10,652	13,561	16,394
% of Total Revenues	8.5	8.6	6.0	3.8	7.3	8.3	9.0
Other Income	1,889	1,892	1,685	2,533	2,850	3,148	3,463
Depreciation	339	373	396	476	605	768	866
Interest	262	259	296	559	530	480	450
Exceptional Items	0	0	-2,438	0	0	0	0
PBT	7,702	8,076	4,278	6,244	12,367	15,461	18,540
Tax	1,804	1,913	1,709	2,377	3,178	3,973	4,765
Rate (%)	23.4	23.7	40.0	38.1	25.7	25.7	25.7
PAT	5,898	6,163	2,569	3,867	9,189	11,487	13,776
Change (%)	0.0	4.5	-58.3	50.6	137.6	25.0	19.9
Profit/(Loss) share of associates/JVs	-610	-1,103	-1,207	-1,386	-930	-621	1
Minority interest (MI)	37	19	12	-39	-39	-39	-39
PAT after MI	5,251	5,041	1,350	2,520	8,298	10,905	13,815
Change (%)	1.5	-4.0	-73.2	86.7	229.3	31.4	26.7
Adj. PAT after MI	5,251	5,041	3,788	2,394	8,298	10,905	13,815
Change (%)	-5.1	-4.0	-24.8	-36.8	246.7	31.4	26.7

Balance Sheet							
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	331	331	331	331	331	331	331
Reserves	49,603	54,665	54,190	57,874	65,454	74,284	85,373
Net Worth	49,934	54,996	54,521	58,205	65,784	74,615	85,704
Minority Interest	361	381	417	337	298	259	220
Loans	2,606	3,432	6,160	7,133	6,633	6,133	5,633
Deferred Tax Liability	-558	-317	-303	176	176	176	176
Capital Employed	52,343	58,492	60,794	65,851	72,892	81,183	91,733
Gross Fixed Assets	6,690	7,020	8,826	9,533	13,708	16,208	17,708
Less: Depreciation	3,534	3,906	4,302	4,778	5,383	6,151	7,018
Net Fixed Assets	3,157	3,114	4,524	4,754	8,325	10,056	10,690
Capital WIP	88	593	983	3,675	2,500	1,500	1,500
Investments	30,464	36,154	31,086	35,083	35,153	35,531	36,532
Goodwill	723	723	723	723	723	723	723
Curr. Assets	51,565	56,440	65,119	75,709	89,773	1,03,797	1,20,966
Inventory	12,796	16,614	15,920	21,354	24,920	27,602	30,836
Debtors	18,009	21,097	21,919	25,328	29,770	32,974	36,838
Cash & Bank Balance	4,588	5,717	7,084	8,523	10,982	16,526	23,468
Loans & Advances	23	32	6	13	16	17	19
Other current assets	16,149	12,981	20,191	20,491	24,085	26,678	29,804
Current Liab. & Prov.	33,654	38,532	41,640	54,093	63,581	70,425	78,677
Creditors	24,645	29,421	30,126	38,557	45,320	50,198	56,081
Other Liabilities	9,009	9,111	11,514	15,536	18,261	20,227	22,597
Net Current Assets	17,911	17,908	23,479	21,616	26,191	33,373	42,288
Application of Funds	52,343	58,492	60,794	65,851	72,892	81,183	91,733

Financials and valuations (Consolidated)

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
Adj EPS	15.9	15.2	11.5	7.2	25.1	33.0	41.8
Cash EPS	16.9	16.4	12.6	8.7	26.9	35.3	44.4
Book Value	150.9	166.3	164.8	176.0	198.9	225.6	259.1
DPS	5.0	5.5	4.3	2.2	6.3	8.2	10.4
Payout (incl. Div. Tax.)	31.5	36.1	37.1	30.0	25.0	25.0	25.0
Valuation (x)							
P/E	99.7	103.8	138.2	218.6	63.1	48.0	37.9
Cash P/E	93.6	96.7	125.1	182.4	58.8	44.8	35.6
EV/EBITDA	81.3	76.5	91.3	110.0	48.7	37.8	30.8
EV/Sales	6.9	6.6	5.5	4.2	3.5	3.2	2.8
Price/Book Value	10.5	9.5	9.6	9.0	8.0	7.0	6.1
Dividend Yield (%)	0.3	0.3	0.3	0.1	0.4	0.5	0.7
Profitability Ratios (%)							
RoE	10.5	9.2	6.9	4.1	12.6	14.6	16.1
RoCE	11.6	10.9	6.9	6.4	13.1	14.6	15.4
RoIC	26.9	29.6	14.1	11.9	27.9	32.7	36.4
Turnover Ratios							
Debtors (Days)	87	97	84	74	74	74	74
Inventory (Days)	62	76	61	62	62	62	62
Creditors. (Days)	119	135	116	113	113	113	113
Asset Turnover (x)	1.4	1.4	1.6	1.9	2.0	2.0	2.0
Leverage Ratio							
Net Debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT before EO Items	7,735	5,610	7,787	10,207	12,367	15,461	18,540
Add : Depreciation	339	3,726	396	476	605	768	866
Interest	262	259	296	559	530	480	450
Less : Direct Taxes Paid	(693)	(2,169)	(1,656)	(2,115)	(3,178)	(3,973)	(4,765)
(Inc)/Dec in WC	(1,580)	(438)	(3,836)	801	(2,117)	(1,637)	(1,974)
CF from Operations	6,063	6,988	2,987	9,928	8,207	11,099	13,118
Others	(502)	(1,145)	(1,393)	(2,312)	(1,096)	-	-
CF from Oper. Incl. EO Items	5,561	5,842	1,594	7,615	7,110	11,099	13,118
(Inc)/Dec in FA	(208)	(482)	(1,799)	(2,931)	(3,000)	(1,500)	(1,500)
Free Cash Flow	5,353	5,361	(206)	4,685	4,110	9,599	11,618
Investment in liquid assets	(2,645)	(3,165)	983	(2,293)	96	(1,000)	(1,000)
CF from Investments	(2,853)	(3,646)	(816)	(5,224)	(2,904)	(2,500)	(2,500)
(Inc)/Dec in Debt	425	918	2,728	974	(500)	(500)	(500)
Less : Interest Paid	(271)	(312)	(349)	(493)	(530)	(480)	(450)
Dividend Paid	(1,358)	(1,676)	(1,829)	(1,432)	(718)	(2,074)	(2,726)
CF from Fin. Activity	(1,204)	(1,070)	550	(952)	(1,748)	(3,054)	(3,676)
Inc/Dec of Cash	1,504	1,126	1,328	1,439	2,458	5,544	6,941
Add: Beginning Balance	3,084	4,591	5,756	7,084	8,523	10,982	16,526
Closing Balance	4,588	5,717	7,084	8,523	10,982	16,526	23,468

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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