

Healthy volumes; Weak profitability; Rich valuations

VOLT's consolidated sales grew 42% YoY to Rs42bn, 17%/10% above our/consensus estimate. UCP sales jumped 44% YoY to Rs29.6bn, driven by 72% RAC volumes growth. EMPS sales rose 47% YoY to Rs10.9bn led by strong execution of domestic and Saudi Arabia orders. However, margins were softer as gross margin fell 180bps YoY to 19.8% while EBITDA margin fell 290bps YoY to 4.5% (vs. our/consensus of 6.7%/6.8%). Larger than expected loss in EMPS at Rs1.1bn and lower than expected EBIT margin in UCP at 9.2% (down 80bps YoY despite strong volume growth) affected operating margins as well as bottom-line. PAT fell 19% YoY to Rs1.2bn, much below our/consensus estimate of Rs1.9bn/Rs2.1bn. Voltbek JV loss was Rs383mn, in similar quarterly range since past 2 years. UCP's Q1FY25 growth outlook is robust led by intense summer, while its EBIT margin will be in high single digit for FY25. EMPS may not need further provisions in Qatar. We marginally tweak our EPS estimates for FY25E/26E. Upgrade to REDUCE, rolling forward our valuation to FY26E with a revised SoTP target of Rs1,300.

UCP update: UCP sales rose 44% YoY to Rs29.6bn in Q4, led by 72% YoY volume growth in RAC. In FY24, RAC volumes were 2mn units, up 35% YoY, vs. likely industry size of 10mn units (up 20% YoY), leading to 20% market share for VOLT at primary sales level. As per third party data, VOLT's FY24 market share was 18.7% across MBO (multi-brand retail outlets). VOLT has enhanced its retail counter reach to 26,000 outlets through all channel partners and continues to strengthen its presence in allied channels such as e-commerce. Its new RAC plant at Chennai will be commissioned by end-May'24, and will add 1mn capacity initially and 1mn in second phase as per the need. The current Pantnagar plant has ~1.5mn capacity. Collectively, both plants capacity will rise to 2.5mn units for FY25 and 3.5mn units in three years. Overall UCP segment registered 27% volume growth and 26% value growth in FY24 led by RAC, Commercial AC (Rs13bn sales), Commercial refrigeration (Rs10bn sales), Air Coolers and Water heaters. EBIT margin was at 9.2% in Q4 (down 80bps) and 8.5% in FY24 (+20bps) and will remain in high single digit in FY25.

EMPS update: EMPS sales rose 47% YoY to Rs10.9bn. Growth was led by domestic projects segments and Saudi Arabia orders. EBIT loss continued in 4QFY24 at Rs1.1bn but VOLT believes that there won't be any further provision in Qatar except few contingent liabilities. Domestic/overseas order book was at Rs50.2bn/Rs30.3bn.

Voltas-Beko JV update: The JV reported 53% volume growth across all product categories with sales of Rs15.9bn in FY24 vs. Rs10.9bn YoY. Cumulative volumes since inception were at 5mn units. Market share is 5.3% in refrigerators, 15% in semi-automatic washing machine and 8.5% in overall washing machines.

Assign REDUCE rating with revised target price of Rs1,300

We expect 17% revenue CAGR over FY24-26E but a highly suppressed base will result in 102% earnings CAGR (19.6% CAGR over FY22-26E). We assign REDUCE rating as we believe current valuations are factoring in a highly optimistic scenario of high growth in UCP in FY25/26 on a high base of FY24 along with increase in margin profile.

Financial and valuation summary

YE Mar (Rs mn)	4QFY24A	4QFY23A	YoY (%)	3QFY24A	QoQ (%)	FY24A	FY25E	FY26E
Revenues	42,029	29,568	42.1	26,257	60.1	1,24,812	1,46,755	1,72,150
EBITDA	1,906	2,182	(12.6)	284	570.6	4,746	9,608	11,831
EBITDA margin (%)	4.5	7.4	(290bps)	1.1	340bps	3.8	6.5	6.9
Adj. Net profit	1,164	1,439	(19.1)	(304)	NA	2,520	7,812	10,310
Adj. EPS (Rs)	3.5	4.4	(19.1)	(0.9)	NA	7.6	23.6	31.2
EPS growth (%)						86.7	210.0	32.0
PE (x)						173.1	55.9	42.3
EV/EBITDA (x)						91.6	45.5	37.0
PBV (x)						7.5	6.9	6.3
RoE (%)						4.5	12.9	15.6
RoCE (%)						6.6	13.1	14.7

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India | Consumer Durables

08 May, 2024

REDUCE

Price: Rs1,319

Target Price: Rs1,300

Forecast return: -1%

Institutional Research

Market Data

Bloomberg:	VOLT IN
52 week H/L:	1,502/745
Market cap:	Rs436.4bn
Shares Outstanding:	330.9mn
Free float:	61.9%
Avg. daily vol. 3mth:	19,16,754

Source: Bloomberg

Changes in the report

Rating:	REDUCE, changed from SELL
Target price:	Rs1,300; up 37.6%
EPS:	FY25E: Rs23.6; up 1.1% FY26E: Rs31.2; up 3.2%

Source: Centrum Broking

Shareholding pattern

	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	30.3	30.3	30.3	30.3
FIIs	14.7	17.2	17.8	19.1
DIIIs	40.6	37.2	36.0	33.8
Public/other	14.4	15.3	15.8	16.8

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q4FY24	Actual Q4FY24	Variance (%)
Revenue	35,836	42,029	17.3
EBITDA	2,384	1,906	(20.1)
EBITDA margin (%)	6.7	4.5	(220bps)
PAT	1,972	1,164	(40.9)
EPS	6.0	3.5	(40.9)

Source: Company Data, Centrum Broking



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Consumer Durables

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	1,46,755	1,41,886	3.4	1,72,150	1,65,033	4.3
EBITDA	9,608	10,200	(5.8)	11,831	12,440	(4.9)
EBITDA margin (%)	6.5	7.2 (70bps)		6.9	7.5 (60bps)	
Adj. PAT	7,812	7,724	1.1	10,310	9,994	3.2
Diluted EPS (Rs)	23.6	23.3	1.1	31.2	30.2	3.2

Source: Centrum Broking

Voltas versus NIFTY Midcap 100

	1m	6m	1 year
VOLT IN	0.9	60.8	64.2
NIFTY Midcap 100	(0.0)	23.7	54.1

Source: Bloomberg, NSE

Key assumptions

Y/E Mar	FY25E	FY26E
Revenue growth (%)		
UCP	20.0	18.0
EMPS	14.7	16.5
EPS	12.0	12.0
EBIT margin (%)		
UCP	8.6	8.7
EMPS	2.0	4.0
EPS	35.0	36.0

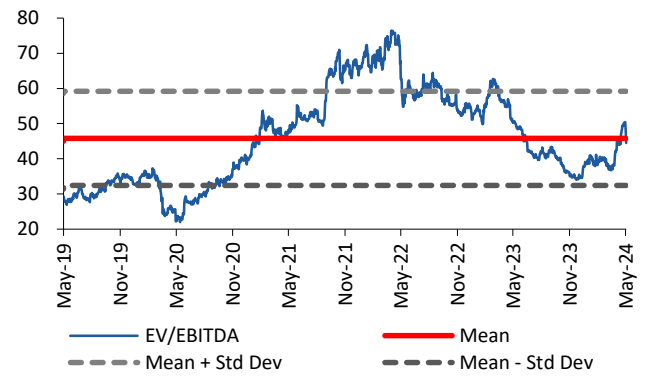
Source: Centrum Broking

Valuations

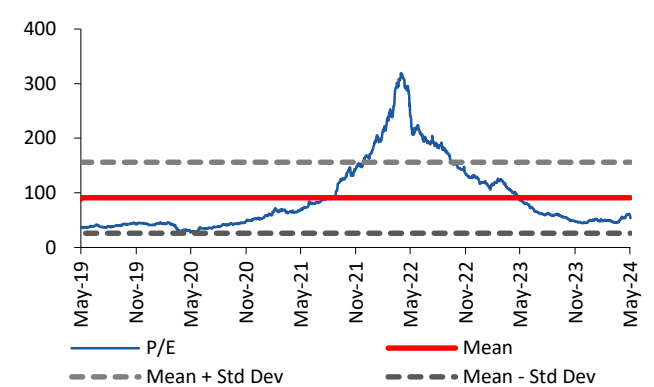
We increase P/E of Unitary Cooling Products to 50x (vs. 40x earlier) to factor stronger than expected growth in RAC and an improved growth outlook for the industry. We assign P/E of 12x to projects business and a P/B of 6x to Voltas Beko JV. We arrive at SOTP-based target price of Rs1,300 on FY26E earnings.

Valuations	Rs/share
Unitary Cooling Products FY26E EPS (Rs)	22.0
Unitary Cooling Products P/E (x)	50
Unitary Cooling Products price per share (Rs)	1,100
Projects business (EMPS + EPS) FY26E EPS (Rs)	9.2
Projects business (EMPS + EPS) P/E (x)	12
Projects business (EMPS + EPS) price per share (Rs)	110
Voltbek FY26E Book value/share (Rs)	15
Voltbek FY26E P/B (x)	6
Voltbek price per share (Rs)	90
Total target price per share (Rs)	1,300

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap		CAGR (FY24-26E)				P/E (x)			ROE (%)		ROCE (%)		
	(Rsmn)	Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	
BLSTR	2,94,852	22.8	32.0	40.7	71.1	47.4	35.9	21.1	22.1	24.9	19.5	22.1	24.9	
JCHAC	33,853	23.4	NA	NA	(33.7)	61.3	33.4	(16.5)	9.4	15.4	(8.5)	8.9	13.7	
IFBI	60,351	15.4	30.1	66.6	64.9	32.7	23.4	13.0	21.6	24.0	15.6	22.4	24.3	
VOLT	4,36,325	17.4	57.9	102.3	173.1	55.9	42.3	4.5	12.9	15.6	6.6	13.1	14.7	
WHIRL	1,83,441	12.2	36.2	47.9	79.1	51.9	36.2	6.4	9.3	12.4	7.0	9.8	12.8	

Source: Company, Centrum Broking

Key concall takeaways

Unitary Cooling Products

- RAC industry growth in FY24 was 20%.
- Voltas RAC sales was 2mn units in FY24, 35% volume growth annually and Q4 volume growth of 72%.
- Split AC sales doubled in Q4 and grew 50% in FY24.
- Market share FY24 YTD is 18.7% as per third party syndicated data at MBOs (multi-brand retail outlet). As per industry size of 10mn units in FY24, Voltas would have 20% market share with 2mn units sales at primary sales level.
- Strategy is to continue to strengthen the allied channels like e-commerce.
- Reach is 26,000 outlets through all channel partners across India.
- In Q4, RAC margin have moved from 9% to 10%. Commercial AC and commercial Ref products margin have reduced, hence UCP margin is at 9.2%.
- UCP margin in FY25 will remain in high single digit.
- Demand of past 2-3 months has far exceeded expectation with 70-75% growth
- Bought 150-acre land parcel in Chennai, plant will commission by end May 2024. Initially 1 mn capacity will be commissioned at Chennai. Current capacity at Pantnagar plant is at 1.3mn-1.5mn. So total capacity will rise to 2.5mn and will take care of FY25 needs. Further, Chennai plant will add another 1mn capacity in phase 2 when Voltas needs 3-3.5mn capacity in 3 years' time.
- FY24 sales of Commercial Ref was Rs10bn and Commercial AC was Rs13bn.
- Capex = Rs5bn for Chennai plant, half was spent in FY24 and half in FY25. Rs2bn-Rs2.5bn at Waghodia (near Baroda) plant for commercial Ref products.

EMPS Projects

- Domestic projects revenue grew 38% for Q4 and 73% for FY24.
- Infra MEP, water and electricals have done well. Crossed Rs950mn in Infra and Rs1.03bn in textile machinery (+62% market share).
- All domestic projects segments continue to perform well like MEP, infra, electrical, water. RoCE in this segment is 90%. EBIT margin is 4 to 5%.
- There won't be any further provision in Qatar, except for some contingent liabilities which will continue (Sidra hospital).
- Will be focusing more on domestic projects than international projects.
- Domestic projects order book is at Rs50.24bn while international projects order book is at Rs30.3bn.

Voltas Beko

- 53% volume growth across all product categories in FY24.
- Aim to achieve EBITDA break-even by end-FY25
- Market share = Refrigerator 5.3%, Overall Washing Machines 8.5%, Semi-automatic WM 15%
- Retail touch points have increased to 12,500 counters
- Turnover was Rs15.9bn in FY24 vs. Rs10.9bn YoY

Quarterly performance trend

Exhibit 1: Quarterly Financial Snapshot

Y/E March (Rsmn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	27,680	17,684	20,056	29,568	33,599	22,928	26,257	42,029	42.1	60.1
Direct Costs	21,993	13,375	15,232	23,182	26,504	17,305	20,605	33,727	45.5	63.7
Gross Profit	5,687	4,308	4,824	6,386	7,095	5,623	5,652	8,302	30.0	46.9
Staff Cost	1,505	1,748	1,742	1,678	1,805	1,945	2,046	1,992	18.7	(2.7)
Other Expenses	2,413	1,552	2,319	2,526	3,436	2,975	3,322	4,404	74.3	32.6
Total Expenditure	25,910	16,675	19,292	27,386	31,745	22,225	25,973	40,123	46.5	54.5
EBITDA	1,770	1,008	764	2,182	1,854	703	284	1,906	(12.6)	570.6
Depreciation	85	97	111	104	113	117	128	118	13.8	(8.0)
EBIT	1,685	911	653	2,078	1,741	586	156	1,788	(14.0)	1,047.4
Interest	40	67	64	124	101	115	135	208	67.1	53.7
Other Income	268	644	307	467	700	710	579	544	16.6	(6.0)
PBT	1,913	1,488	896	2,420	2,340	1,181	599	2,124	(12.2)	254.4
Tax	508	195	300	706	735	493	515	634	(10.2)	23.3
Extraordinary items	-	(1,064)	(1,374)	-	-	-	-	-	NA	NA
PAT	1,405	229	(779)	1,714	1,605	688	85	1,490	(13.1)	1,654.5
Add: Profits from associates	(310)	(289)	(326)	(282)	(310)	(332)	(361)	(383)	36.0	6.2
Less : Minority Interest	6	14	(1)	(7)	1	(10)	28	(58)	740.6	NA
PAT after minority	1,089	(74)	(1,104)	1,439	1,293	367	(304)	1,164	(19.1)	NA
Adjusted Net Profit	1,089	990	270	1,439	1,293	367	(304)	1,164	(19.1)	NA
EPS (Rs/share)	3.3	(0.2)	(3.3)	4.4	3.9	1.1	(0.9)	3.5	(19.1)	NA

As a % of revenue

Direct Costs	79.5	75.6	75.9	78.4	78.9	75.5	78.5	80.2
Gross Margin	20.5	24.4	24.1	21.6	21.1	24.5	21.5	19.8
Staff Cost	5.4	9.9	8.7	5.7	5.4	8.5	7.8	4.7
Other expenses	8.7	8.8	11.6	8.5	10.2	13.0	12.7	10.5
EBITDA Margin	6.4	5.7	3.8	7.4	5.5	3.1	1.1	4.5
PAT Margin	3.9	-0.4	-5.5	4.9	3.8	1.6	-1.2	2.8
Tax rate	26.6	13.1	33.5	29.2	31.4	41.7	85.8	29.9

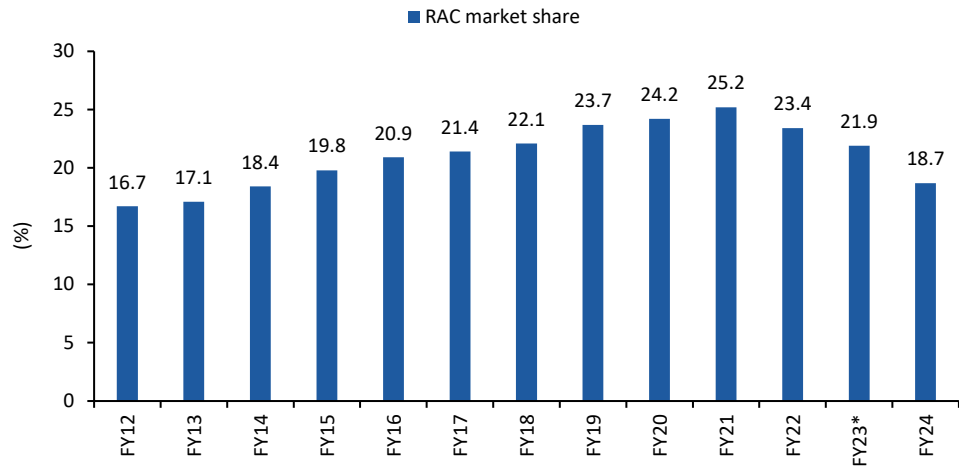
Source: Company Data, Centrum Broking

Exhibit 2: Quarterly segmental snapshot

Y/E March	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue (Rsmn)										
Unitary Cooling Products	21,622	10,477	12,160	20,486	25,140	12,088	14,826	29,551	44.2	99.3
Electromechanical Projects	4,547	5,540	6,484	7,458	6,791	9,242	9,819	10,979	47.2	11.8
Engineering agency & services	1,243	1,374	1,179	1,424	1,423	1,344	1,548	1,564	9.8	1.0
Total	27,412	17,391	19,823	29,368	33,353	22,674	26,193	42,094	43.3	60.7
Revenue mix (%)										
Unitary Cooling Products	78.9	60.2	61.3	69.8	75.4	53.3	56.6	70.2		
Electromechanical Projects	16.6	31.9	32.7	25.4	20.4	40.8	37.5	26.1		
Engineering agency & services	4.5	7.9	5.9	4.8	4.3	5.9	5.9	3.7		
EBIT (Rsmn)										
Unitary Cooling Products	1,662	765	895	2,057	2,073	928	1,229	2,704	31.5	120.0
Electromechanical Projects	(125)	143	(461)	(140)	(519)	(490)	(1,200)	(1,077)	668.7	(10.2)
Engineering agency & services	509	480	460	559	541	539	499	478	(14.5)	(4.2)
Total	2,046	1,388	893	2,475	2,096	977	528	2,105	(14.9)	298.7
EBIT margin (%)										
Unitary Cooling Products	7.7	7.3	7.4	10.0	8.2	7.7	8.3	9.2		
Electromechanical Projects	(2.7)	2.6	(7.1)	(1.9)	(7.6)	(5.3)	(12.2)	(9.8)		
Engineering agency & services	40.9	35.0	39.0	39.3	38.0	40.1	32.2	30.6		
Total	7.5	8.0	4.5	8.4	6.3	4.3	2.0	5.0		

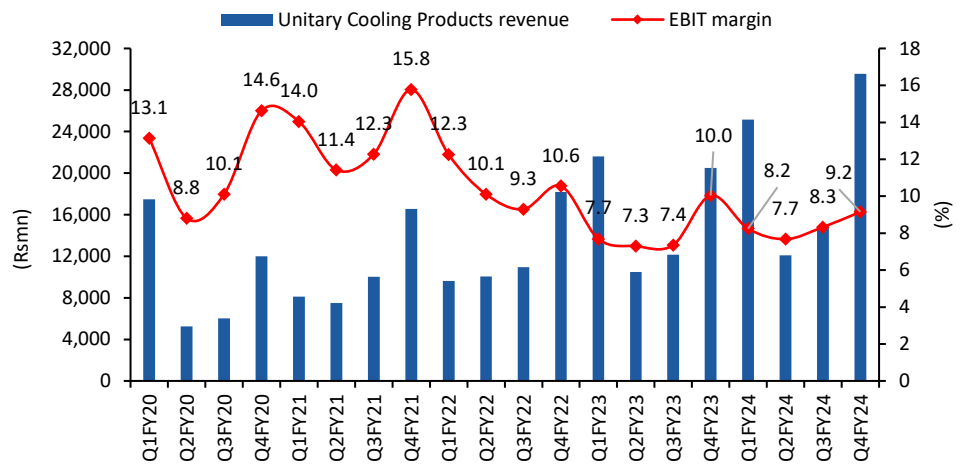
Source: Company, Centrum Broking

Exhibit 3: Volta's RAC market share trend over the years



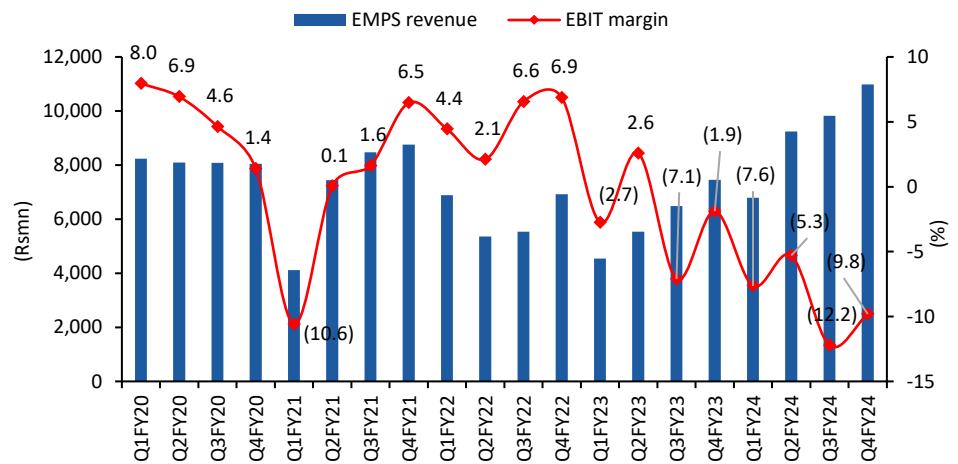
Source: Company Data, Centrum Broking. * FY23 market share data was till Feb 2023.

Exhibit 4: Unitary Cooling Products segment revenue and EBIT margin trend



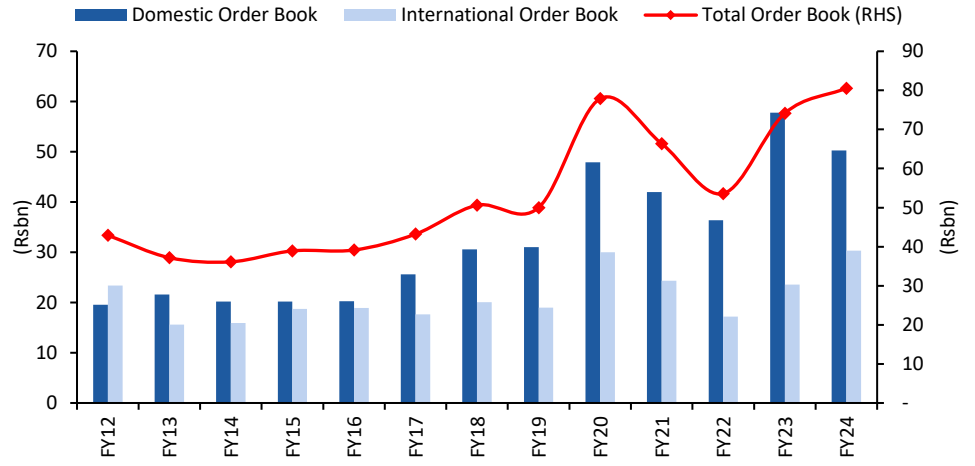
Source: Company Data, Centrum Broking

Exhibit 5: EMPS segment revenue and EBIT margin trend



Source: Company Data, Centrum Broking

Exhibit 6: EMPS – Domestic and international order book trend



Source: Company Data, Centrum Broking

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenues	79,345	94,988	1,24,812	1,46,755	1,72,150
Operating Expense	58,967	73,782	98,140	1,14,469	1,33,416
Employee cost	6,176	6,672	7,788	8,952	10,329
Others	7,386	8,810	14,138	13,726	16,574
EBITDA	6,816	5,724	4,746	9,608	11,831
Depreciation & Amortisation	373	396	476	532	604
EBIT	6,443	5,328	4,270	9,076	11,227
Interest expenses	259	296	559	490	392
Other income	1,892	1,685	2,533	2,695	2,850
Exceptional items	0	(2,438)	0	0	0
PBT	8,076	4,278	6,244	11,281	13,684
Taxes	1,913.0	1,709.2	2,376.9	2,839.5	3,444.4
Effective tax rate (%)	24	40	38	25	25
PAT	6,163	2,569	3,867	8,442	10,240
Minority/Associates	(1,122)	(1,219)	(1,347)	(630)	70
Recurring PAT	5,041	1,350	2,520	7,812	10,310
Reported PAT	5,041	1,350	2,520	7,812	10,310

Ratios					
YE Mar	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (%)					
Revenue	5.0	19.7	31.4	17.6	17.3
EBITDA	6.3	(16.0)	(17.1)	102.4	23.1
Adj. EPS	(4.0)	(73.2)	86.7	210.0	32.0
Margins (%)					
Gross	25.7	22.3	21.4	22.0	22.5
EBITDA	8.6	6.0	3.8	6.5	6.9
EBIT	8.1	5.6	3.4	6.2	6.5
Adjusted PAT	6.4	1.4	2.0	5.3	6.0
Returns (%)					
ROE	9.6	2.5	4.5	12.9	15.6
ROCE	11.4	7.0	6.6	13.1	14.7
ROIC	38.2	16.5	12.0	27.0	26.7
Turnover (days)					
Gross block turnover ratio (x)	15.1	13.6	16.1	9.2	9.2
Debtors	90	83	69	65	63
Inventory	91	80	69	67	62
Creditors	167	147	128	122	114
Net working capital	82	90	63	51	49
Solvency (x)					
Net debt-equity	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio	26.3	19.3	8.5	19.6	30.1
Net debt/EBITDA	(0.3)	(0.2)	(0.3)	0.1	0.1
Per share (Rs)					
Adjusted EPS	15.2	4.1	7.6	23.6	31.2
BVPS	166.3	164.8	176.0	190.6	209.7
CEPS	16.4	5.3	9.1	25.2	33.0
DPS	5.5	4.3	5.5	9.0	12.0
Dividend payout (%)	36.1	104.1	72.2	38.1	38.5
Valuation (x)					
P/E	86.6	323.2	173.1	55.9	42.3
P/BV	7.9	8.0	7.5	6.9	6.3
EV/EBITDA	63.7	76.1	91.6	45.5	37.0
Dividend yield (%)	0.4	0.3	0.4	0.7	0.9

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Equity share capital	331	331	331	331	331
Reserves & surplus	54,665	54,190	57,874	62,709	69,049
Shareholders fund	54,996	54,521	58,205	63,039	69,380
Minority Interest	381	417	337	337	337
Total debt	3,432	6,160	7,133	5,933	4,533
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	0	0	0	0	0
Total liabilities	58,808	61,097	65,675	69,310	74,250
Gross block	5,244	6,982	7,739	15,914	18,614
Less: acc. Depreciation	(2,735)	(3,014)	(3,490)	(4,022)	(4,627)
Net block	2,509	3,968	4,249	11,892	13,988
Capital WIP	593	983	3,675	200	200
Net fixed assets	3,897	5,735	8,703	12,871	14,967
Non Current Assets	0	0	0	0	0
Investments	36,687	31,581	35,532	36,032	36,532
Inventories	16,614	15,920	21,354	20,387	25,128
Sundry debtors	21,097	21,919	25,328	26,785	32,327
Cash & Cash Equivalents	5,717	7,084	8,523	4,648	3,448
Loans & advances	32	6	2,387	679	797
Other current assets	12,981	20,191	18,117	21,725	25,512
Trade payables	29,421	30,126	38,557	37,862	45,842
Other current liab.	6,492	8,934	12,441	12,221	14,351
Provisions	2,619	2,580	3,095	3,559	4,093
Net current assets	17,908	23,479	21,616	20,583	22,927
Total assets	58,808	61,097	65,675	69,310	74,250

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Profit Before Tax	8,076	6,716	6,244	11,281	13,684
Depreciation & Amortisation	373	396	476	532	604
Net Interest	259	296	559	490	392
Net Change – WC	1,131	(4,203)	3,302	(2,842)	(3,545)
Direct taxes	(1,913)	(1,709)	(2,377)	(2,839)	(3,444)
Net cash from operations	6,804	277	6,857	5,992	7,762
Capital expenditure	(870)	(2,245)	(3,450)	(4,700)	(2,700)
Acquisitions, net	0	0	0	0	0
Investments	(5,667)	5,107	(3,951)	(500)	(500)
Others	0	0	0	0	0
Net cash from investing	(6,537)	2,862	(7,401)	(5,200)	(3,200)
FCF	267	3,139	(545)	792	4,562
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	826	2,728	973	(1,200)	(1,400)
Dividend paid	(1,819)	(1,406)	(1,819)	(2,977)	(3,970)
Interest paid	(259)	(296)	(559)	(490)	(392)
Others	2,115	(2,798)	3,383	0	0
Net cash from financing	862	(1,772)	1,978	(4,667)	(5,762)
Net change in Cash	1,129	1,367	1,433	(3,875)	(1,200)

Source: Company, Centrum Broking

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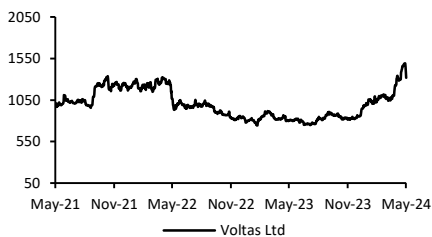
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Voltas



Source: Bloomberg

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