Q4FY25 Result update
9th May 2025

Voltas Ltd

UCP remains strong with margin improvement.

CMP: INR 1,223

Rating: BUY

Target Price: INR 1,482

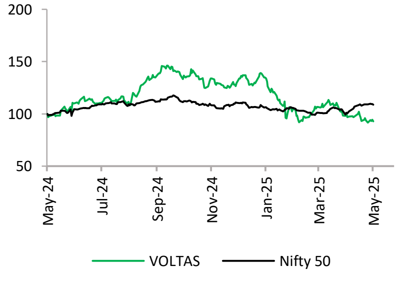
Stock Info	
BSE	500575
NSE	VOLTAS
Bloomberg	VOLT:IN
Reuters	VOLT.NS
Sector	Consumer Durables
Face Value (INR)	1
Equity Capital (INR cr)	33.1
Mkt Cap (INR cr)	40,490
52w H/L (INR)	1,946/1,135
Avg Yearly Volume (in 000')	1,878.9

Shareholding Pattern %
(As on Mar, 2025)

Promoters	30.30
DII	32.99
FII	21.95
Public & Others	14.74

Stock Performance (%)	3m	6m	12m
VOLTAS	-12.5	-30.7	-7.3
NIFTY	8.1	2.5	8.8

Voltas vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A
bala@arihantcapital.com
022-67114780

Voltas Ltd reported numbers, Q4FY25 revenue grew by 13.4% YoY (+53.5% QoQ) to INR 4,768cr; below our estimates of INR 4,833cr. Gross Profit stood at INR 1,022cr (+23.1% YoY/+41.1% QoQ); below our estimates of INR 1,107cr; Gross margins improved by 169 bps YoY (down by 189 bps QoQ) to 21.4% vs 19.8% in Q4FY24. The raw material cost in terms of sales stood at 78.6% vs 80.2% in Q4FY24. EBITDA stood at INR 333cr (+74.6% YoY/+68.6% QoQ); below our estimates of INR 374cr. EBITDA margin improved by 245 bps YoY (up by 62 bps QoQ) to 7.0% vs 4.5% in Q4FY24. PAT stood at INR 236cr (+113% YoY/+80.2% YoY) in Q4FY24; below our estimates of INR 260cr, and the PAT margin stood at 4.9% vs 2.6% in Q4FY24.

Key Highlights

RAC and Air coolers led UCP growth: Unitary Cooling Products (UCP) revenue stood at INR 3,458cr (+17% YoY/+95.3% QoQ); EBIT Stood at INR 345cr (+27.5% YoY/+231% QoQ). EBIT margin improved by 82 bps YoY (up by 408 bps QoQ) to 10% vs 9.2% in Q4FY24. UCP volume growth stood at 36% YoY in Q4FY25, driven by strong demand for room air conditioners and air coolers. UCP profitability improved due to a better product mix, higher demand for premium and energy-efficient products, and cost-control measures. UCP margin stood at 10% in Q4FY25, supported by a favorable product mix, including higher sales of premium air conditioners and large-capacity air coolers.

Provisions impacted EMP business: Electro-Mechanical Projects and Services revenue stood at INR 1,138cr (+3.6% YoY/-4.4% QoQ); EBIT Stood at INR -2cr vs INR -108cr in Q4FY24. EBIT margin stood at -0.2% vs -9.8% in Q4FY24. The International projects business faced challenges, with provisions of INR 40cr due to delayed payments in GCC countries. The EMP order book stood at INR 6,500cr as of Q4FY25. The company is focusing on efficient execution and timely collection of receivables.

Growth and margin remain under pressure in EMS: Engineering Products and Services revenue stood at INR 132cr (-15.5% YoY/+1.9% QoQ); EBIT Stood at INR 34cr (-28.7% YoY/-7% QoQ). EBIT margin contracted by 478 bps YoY (down by 260 bps QoQ) to 25.8% vs 30.6% in Q4FY24. The Mining and Construction Equipment vertical is supported by O&M jobs as well as sales of power screen machines. However, margin pressures from unfavorable revenue mix and challenges in contract renewals restricted profitability. The company is focusing on expanding its presence in spinning machinery, post-spinning solutions, and after-sales services to mitigate ongoing industry headwinds and improve future performance.

Outlook & Valuation: Voltas has a leadership position in the RAC segment, and market share stood at 19% as of Q4FY25. The company is scaling up manufacturing capacity, with the Chennai factory for room ACs progressing as planned. This facility aims to cater to southern and western markets, reducing transportation costs and improving supply chain efficiency. The company has not taken any price hike in Q4FY25 and is focusing on premium and energy-efficient products to enhance margins. UCP is strong, picking up through RAC and Air coolers, and margins are expected to improve due to better product mix, higher demand for premium and energy-efficient products, and cost-control measures. The portfolio expansion, strategic tie-ups with partners and price calibrations would lead the RAC segment's growth going forward. Provisions has impacted EMP and expected to recover going forward. A strong brand presence, a wider network, a focus on the B2C segment, PLI schemes, and industry growth will be the key drivers for the company. We upgrade to "BUY" (earlier "ACCUMULATE") rating at a TP of INR 1,482 per share; valued based on SOTP; an upside of 21.2%.

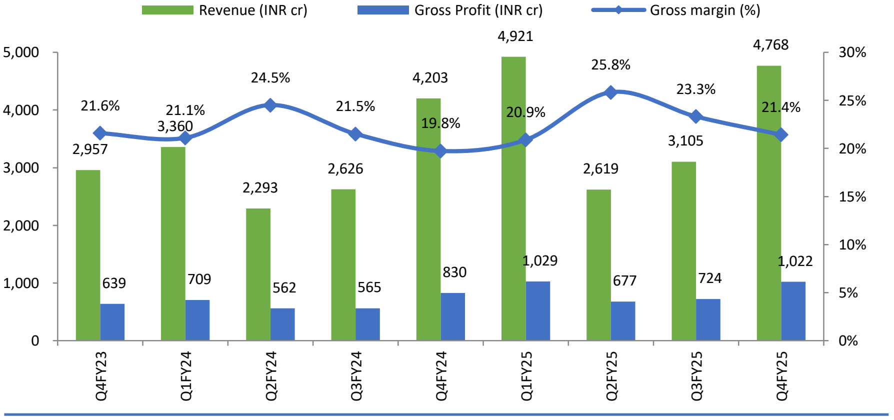
Q4FY25 Results

Income statement summary

Particular (INR cr)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Revenue	4,203	3,105	4,768	13.4%	53.5%
Net Raw Materials	3,373	2,381	3,745	11.0%	57.3%
Gross Profit	**830**	**724**	**1,022**	**23.1%**	**41.1%**
Gross Margin (%)	**19.8%**	**23.3%**	**21.4%**	**+169 bps**	**-189 bps**
Employee Cost	199	231	219	9.7%	-5.5%
Other Expenses	440	296	471	6.9%	59.1%
EBITDA	**191**	**197**	**333**	**74.6%**	**68.6%**
EBITDA Margin (%)	**4.5%**	**6.4%**	**7.0%**	**+245 bps**	**+62 bps**
Depreciation	12	18	14		
Interest expense	21	16	23		
Other income	54	59	80		
Exceptional Items	-	-	-		
Share of profits associate & JV	(38)	(32)	(32)		
Profit before tax	**174**	**191**	**343**	**97.1%**	**80.0%**
Taxes	63	60	107		
Minorities and other	-	-	-		
PAT	**111**	**131**	**236**	**113.0%**	**80.2%**
PAT Margin	**2.6%**	**4.2%**	**4.9%**	**+231 bps**	**+73 bps**
EPS (INR)	**3.3**	**4.0**	**7.1**		

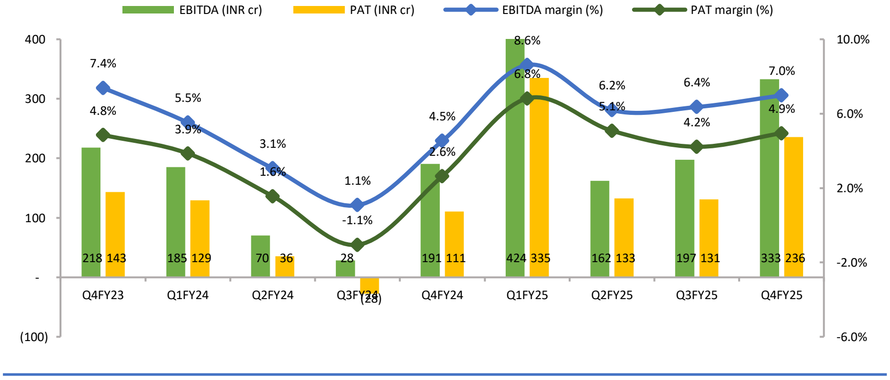
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins improved by 169 bps YoY (down by 189 bps QoQ) to 21.4% in Q4FY25 due to lower RM costs.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin improved by 245 bps YoY (up by 62 bps QoQ) to 7.0% in Q4FY25 due to lower employee costs and other expenses in-terms of sales.



Source: Company Reports, Arihant Capital Research

Q4FY25 Concall Highlights

Market share

- RAC market share stood at 19% as of Q4FY25.
- Air coolers market share stood at 8.5% as of Q4FY25.
- Refrigerators' market share stood at 5.3% and washing machine market share stood at 8.7% in Q4FY25.

RAC

- UCP volume growth stood at 36% YoY in Q4FY25, driven by strong demand for room air conditioners and air coolers.
- The room AC industry is projected to grow in double digits, supported by rising penetration, GDP growth, and favorable demographics.

UCP

- UCP profitability improved due to a better product mix, higher demand for premium and energy-efficient products, and cost-control measures.
- UCP margin stood at 10% in Q4FY25, supported by a favorable product mix, including higher sales of premium air conditioners and large-capacity air coolers.

Commercial AC

- Commercial AC witnessed margin pressures due to inventory liquidation and lower customer capital expenditures.
- Commercial air conditioning and refrigeration segments are expected to rebound, driven by increased capital expenditures and infrastructure projects.

EMP

- In EMP, the International projects business faced challenges, with provisions of INR 40cr due to delayed payments in GCC countries.

Voltas Beko

- Voltas Beko volume growth stood at 57% YoY in Q4FY25.

EMP

- EMP order book stood at INR 6,500cr as of Q4FY25. The company is focusing on efficient execution and timely collection of receivables.
- In the projects business, the growth is expected from domestic and international orders, particularly in GCC countries.

Capex

- The company is scaling up manufacturing capacity, with the Chennai factory for room ACs progressing as planned. This facility aims to cater to southern and western markets, reducing transportation costs and improving supply chain efficiency.
- The company is also investing in backward integration and localizing refrigerator production to become a fully made-in-India brand.

Q4FY25 Concall Highlights

Air coolers

- Air coolers sales grew 70% YoY in Q4FY25.

Demand

- The company remains optimistic about demand despite a delayed summer season, expecting an extended summer to compensate for slow initial sales.

Supply Chain and Raw Materials

- The company is leveraging value-engineering initiatives and cost-control measures to mitigate cost pressures.

- A customs duty demand of INR 25cr related to copper imports is under evaluation, with the company planning to respond appropriately.

Channel and Inventories

- Primary channel filling was strong ahead of the summer season, but secondary sales were impacted by delayed summer onset and unseasonal rains.

- The company is confident of recovering lost ground as temperatures rise. Discounting is currently minimal, with no immediate plans for price hikes unless necessitated by market conditions.

Growth Drivers

- The growth drivers are strategic product launches, expanded distribution reach, and consumer-centric financing schemes.

- The company is focusing on premium and energy-efficient products to enhance margins.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	7,556	7,934	9,499	12,481	15,413	19,223	24,093
Net Raw Materials	5,578	5,897	7,378	9,814	11,960	14,898	18,660
Employee Cost	602	618	667	779	890	1,100	1,367
Other Expenses	734	739	881	1,414	1,446	1,784	2,212
EBITDA	**641**	**682**	**572**	**475**	**1,116**	**1,440**	**1,853**
EBITDA Margin (%)	**8.5%**	**8.6%**	**6.0%**	**3.8%**	**7.2%**	**7.5%**	**7.7%**
Depreciation	(34)	(37)	(40)	(48)	(62)	(78)	(94)
Interest expense	(26)	(26)	(30)	(56)	(62)	(71)	(82)
Other income	189	189	168	253	324	346	347
Exceptional Items	-	-	(244)	-	-	-	-
Share of profits associate & JV	(61)	(110)	(121)	(139)	(126)	(99)	(76)
Profit before tax	**709**	**697**	**307**	**486**	**1,191**	**1,538**	**1,948**
Taxes	(180)	(191)	(171)	(238)	(356)	(403)	(511)
PAT	**529**	**506**	**136**	**248**	**834**	**1,135**	**1,437**
PAT Margin (%)	**7.0%**	**6.4%**	**1.4%**	**2.0%**	**5.4%**	**5.9%**	**6.0%**
Other Comprehensive income	321	170	(38)	255	34	-	-
Total Comprehensive income	**850**	**676**	**98**	**503**	**868**	**1,135**	**1,437**
EPS (INR)	25.7	20.4	3.0	15.2	26.2	34.3	43.4

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity capital	33	33	33	33	33	33	33
Reserves	4,960	5,466	5,419	5,787	6,480	7,235	8,191
Net worth	**4,993**	**5,500**	**5,452**	**5,821**	**6,513**	**7,268**	**8,224**
Minority Interest	36	38	42	34	27	27	27
Provisions	209	262	258	310	335	116	145
Debt	375	479	1,288	982	1,298	1,548	1,748
Other non-current liabilities	7	22	9	69	69	77	96
Total Liabilities	**5,620**	**6,301**	**7,049**	**7,215**	**8,243**	**9,036**	**10,241**
Fixed assets	238	230	361	390	820	1,074	1,293
Capital Work In Progress	9	59	98	368	82	62	37
Other Intangible assets	8	7	6	6	3	3	3
Goodwill	72	72	72	72	72	72	72
Investments	2,962	3,338	3,123	3,324	3,126	3,845	4,337
Other non current assets	176	160	172	152	170	231	289
Net working capital	**1,337**	**1,348**	**1,848**	**907**	**2,049**	**1,728**	**1,815**
Inventories	1,280	1,661	1,592	2,135	2,715	2,939	3,579
Sundry debtors	1,801	2,110	2,192	2,533	2,511	3,423	4,225
Loans & Advances	2	3	1	1	1	6	7
Other current assets	1,290	1,019	1,294	1,059	1,731	1,580	1,848
Sundry creditors	(2,465)	(2,942)	(3,013)	(3,856)	(3,893)	(5,067)	(6,398)
Other current liabilities & Prov	(571)	(503)	(218)	(965)	(1,017)	(1,153)	(1,446)
Cash	459	572	708	852	678	675	948
Other Financial Assets	358	514	660	1,144	1,241	1,346	1,446
Total Assets	**5,620**	**6,301**	**7,049**	**7,215**	**8,243**	**9,036**	**10,241**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	709	697	307	486	1,191	1,538	1,948
Depreciation	34	37	40	48	62	78	94
Tax paid	(180)	(191)	(171)	(238)	(356)	(403)	(511)
Working capital Δ	(11)	(11)	(500)	941	(1,142)	322	(88)
Operating cashflow	**552**	**533**	**(324)**	**1,236**	**(246)**	**1,534**	**1,443**
Capital expenditure	(15)	(80)	(209)	(346)	(206)	(312)	(287)
Free cash flow	**537**	**453**	**(533)**	**890**	**(452)**	**1,222**	**1,156**
Equity raised	320	168	(1)	264	40	-	0
Investments	(990)	(376)	216	(201)	198	(719)	(492)
Others	373	(138)	(157)	(463)	(114)	(165)	(158)
Debt financing/disposal	42	107	812	(314)	310	250	200
Dividends paid	(136)	(168)	(183)	(143)	(182)	(380)	(481)
Other items	3	68	(17)	112	25	(211)	49
Net Δ in cash	**150**	**113**	**137**	**144**	**(174)**	**(3)**	**272**
Opening Cash Flow	**308**	**459**	**572**	**708**	**852**	**678**	**675**
Closing Cash Flow	**459**	**572**	**708**	**852**	**678**	**675**	**948**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)							
Revenue growth	-1.3%	5.0%	19.7%	31.4%	23.5%	24.7%	25.3%
Op profit growth	-6.6%	6.3%	-16.0%	-17.1%	135.2%	29.0%	28.7%
Profitability ratios (%)							
OPM	8.5%	8.6%	6.0%	3.8%	7.2%	7.5%	7.7%
Net profit margin	7.0%	6.4%	1.4%	2.0%	5.4%	5.9%	6.0%
RoCE	11.4%	10.2%	4.7%	4.9%	12.7%	14.8%	16.3%
RoNW	11.4%	9.6%	2.5%	4.4%	13.5%	16.5%	18.6%
RoA	9.4%	8.0%	1.9%	3.4%	10.1%	12.6%	14.0%
Per share ratios (INR)							
EPS	25.7	20.4	3.0	15.2	26.2	34.3	43.4
Dividend per share	4.1	5.1	5.5	4.3	5.5	11.5	14.6
Cash EPS	17.0	16.4	5.3	8.9	27.1	36.7	46.3
Book value per share	150.9	166.3	164.8	176.0	196.9	219.7	248.6
Valuation ratios (x)							
P/E	47.6	59.9	413.9	80.5	46.6	35.7	28.2
P/CEPS	72.0	74.5	230.3	136.9	45.2	33.4	26.4
P/B	8.1	7.4	7.4	7.0	6.2	5.6	4.9
EV/EBITDA	58.4	54.4	66.3	78.6	34.0	26.1	19.9
Payout (%)							
Dividend payout	25.7%	33.1%	134.2%	57.7%	21.8%	33.5%	33.5%
Tax payout	25.4%	27.4%	55.6%	48.9%	29.9%	26.2%	26.2%
Liquidity ratios							
Debtor days	88	90	83	69	60	56	58
Inventory days	90	91	80	69	74	69	64
Creditor days	136	136	122	104	99	92	94
WC Days	42	45	41	34	35	34	28
Leverage ratios (x)							
Interest coverage	23.2	24.9	18.0	7.6	17.0	19.1	21.4
Net debt / equity	-0.0	-0.0	0.1	0.0	0.1	0.1	0.1
Net debt / op. profit	-0.1	-0.1	1.0	0.3	0.6	0.6	0.4

Source: Company Reports, Arihant Capital Research

Outlook & Valuation: **Voltas has a leadership position in the RAC segment, and market share stood at 19% as of Q4FY25. The company is scaling up manufacturing capacity, with the Chennai factory for room ACs progressing as planned. This facility aims to cater to southern and western markets, reducing transportation costs and improving supply chain efficiency. The company has not taken any price hike in Q4FY25 and is focusing on premium and energy-efficient products to enhance margins. UCP is strong, picking up through RAC and Air coolers, and margins are expected to improve due to better product mix, higher demand for premium and energy-efficient products, and cost-control measures. The portfolio expansion, strategic tie-ups with partners and price calibrations would lead the RAC segment's growth going forward. Provisions has impacted EMP and expected to recover going forward. A strong brand presence, a wider network, a focus on the B2C segment, PLI schemes, and industry growth will be the key drivers for the company. We upgrade to "BUY" (earlier "ACCUMULATE") rating at a TP of INR 1,482 per share; valued based on SOTP; an upside of 21.2%.**

Voltas FY27E based implied valuation

	Electro Mechanical Projects	Engineering Products and Services	Unitary Cooling Products	Overall
FY27E EBITDA (INR cr)	276	210	1,545	
EV/EBITDA (x)	**5.0x**	**10.0x**	**30.0x**	
EV (INR cr)	1,381	2,096	46,340	49,817
Net Debt/(cash) (INR cr) - FY27E				801
Market Cap (INR cr)				49,016
Share outstanding (cr)				33
Value per share (INR)				**1,482**
CMP (INR)				**1,223**
Upside/Downside (%)				**21.2%**

Rating	**BUY**

Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 3: UCP is expected to grow at a CAGR of 30% over the period of FY25-FY27E. Margins are expected to maintain over medium term.

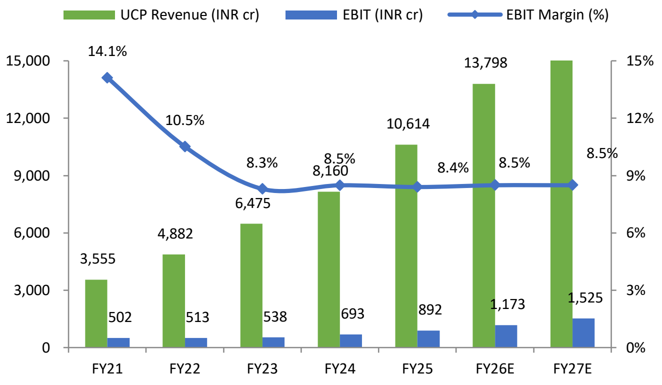


Exhibit 4: RAC market share stood at ~19% as of Q4FY25.

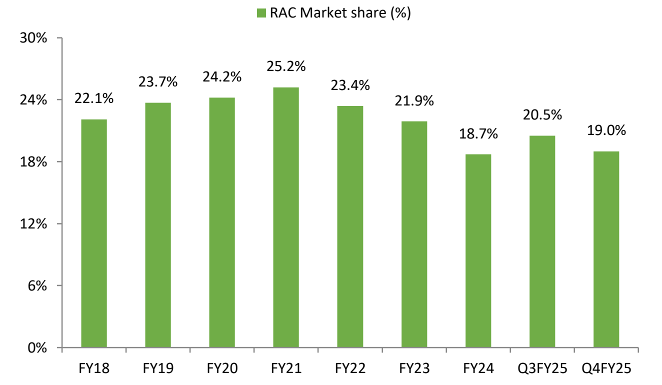


Exhibit 5: Projects Margins are expected around 4.5% going forward. The company is very selective in international projects.

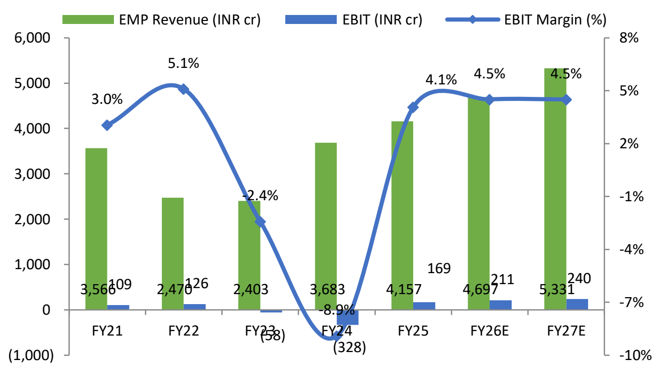


Exhibit 6: EPS growth margins impacted due to slower orders in textiles industry, however after-sales witnessed improvement.

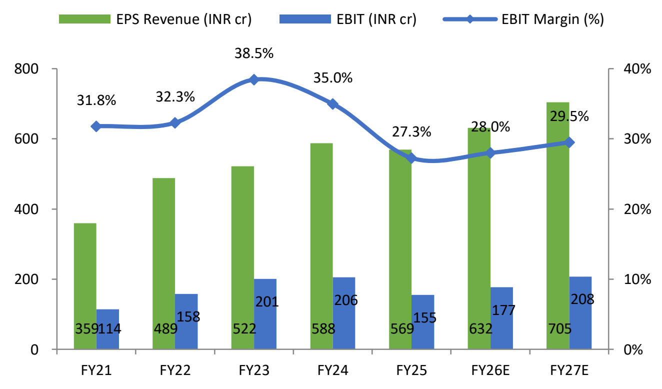


Exhibit 7: EMP order book stood around INR 6,500cr as of Q4FY25. The company is very selective in international projects.

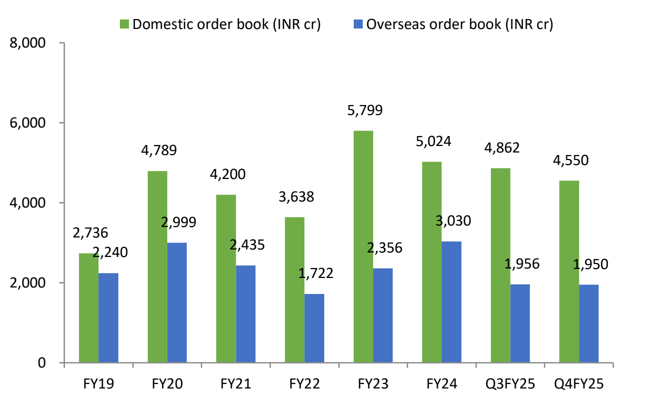
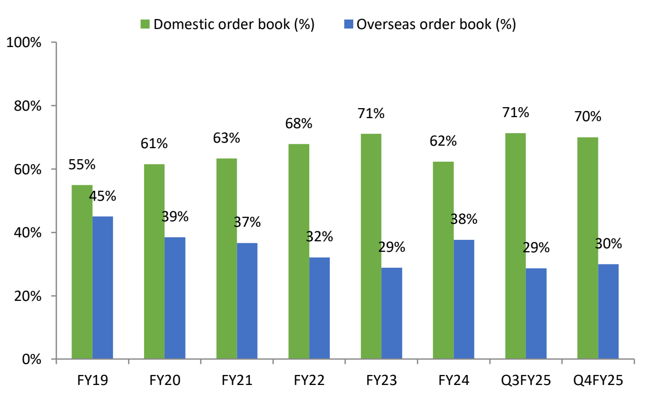


Exhibit 8: Domestic and International order book mix estimated at 70:30 as of Q4FY25.



Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 9: Revenue growth is expected to pick-up backed by RAC and Air coolers.

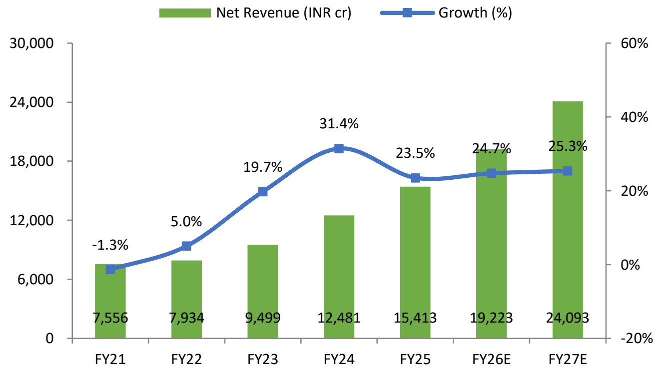


Exhibit 10: Stabilising raw material prices will improve gross margins.

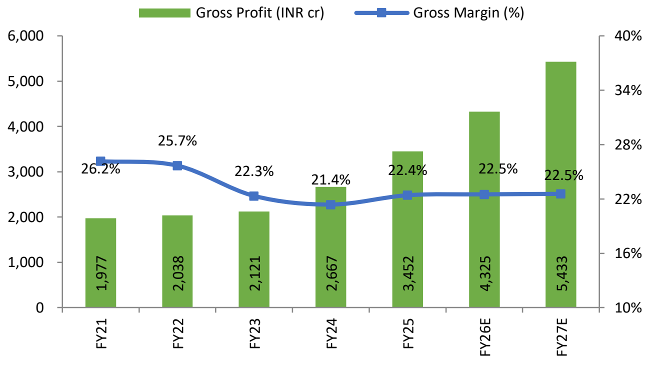


Exhibit 11: EBITDA and PAT margin is expected to improve from FY25 onwards.

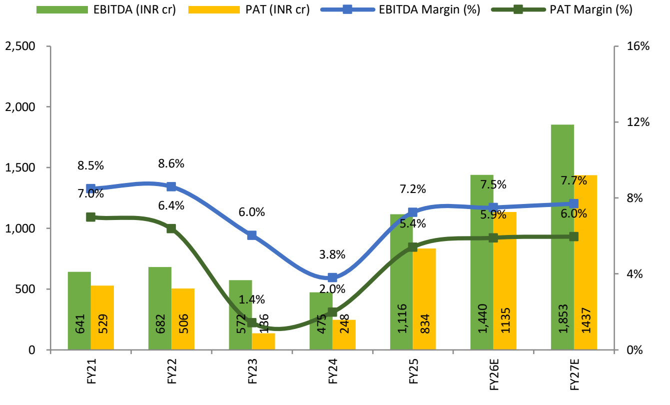


Exhibit 12: Return ratios is expected to improve from FY25 onwards.

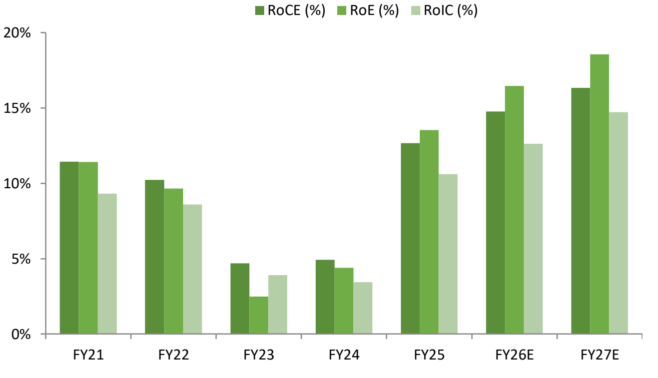


Exhibit 13: Working capital days to be improve

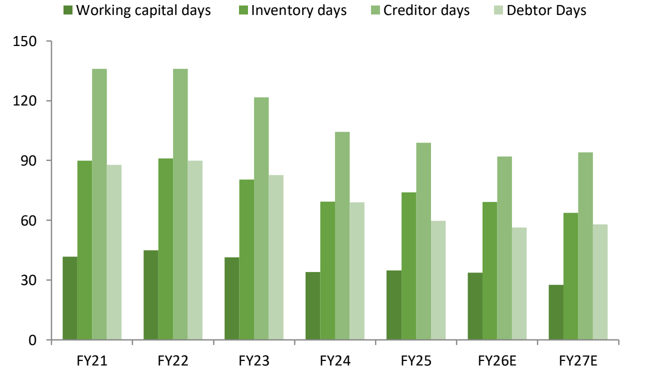
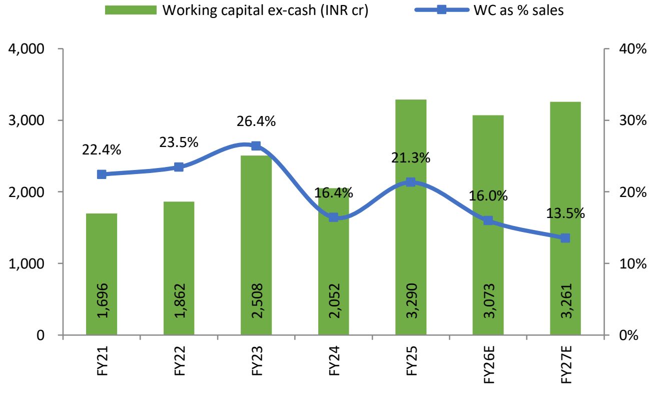


Exhibit 14: Working capital as % of sales is expected to reduce going forward.



Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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