

Voltas (India) (VOLT)

Consumer Durables | NBIE Conference Update

ACCUMULATE

CMP: Rs1,359 | Target Price (TP): Rs1,340 | Downside: 1.4%

June 05, 2024

Near term cost headwinds to keep margins under check

Key Points

- We hosted Mr. Pradeep Bakshi – MD & CEO, Mr. Jitender Verma – CFO, and Mr. Nikhil Chandarana – Head, Corporate Finance for the NBIE conference. Their commentary was quite bullish on the RAC space.
- RAC volume for May grew by 100% YoY. For FY25, the management expects to clock in ~2.5mn units, and installed RAC capacity is expected to move up to 3.5mn by FY26-end.
- The Chennai plant is expected to start operations in early 1HFY25. The management expects full cost absorption of the Chennai plant owing to the large scale of operations + logistic cost savings due to shipment to South India from the Chennai plant.
- Long term vision of Voltas is to become a one-stop solution for all consumer durable products.
- A write back in the EMPS provisioning done for the projects in Qatar could be a possibility in the medium term (1-2 years' timeframe).
- We maintain ACCUMULATE with a revised SOTP-based TP of Rs1,340 valuing it at 45x on FY26E EPS. While volumes are expected to be strong in the near term, the rise in costs of raw material + sea freight charges + ocean containers are expected to keep margins under check.

Increasing scale of operations to bring in margin expansion: The management highlighted that April & May'24 had been phenomenal in terms of RAC sales (albeit on a lower base). While FY24 RAC volumes came in at 2mn units, FY25 could see volumes moving up to ~2.5mn units. The company is also expanding its Chennai capacity by 1mn, and the total capacity is expected to be ~3.5mn units by FY26-end. Furthermore, logistics cost benefits + high scale of operations are expected to lead to absorption of the commissioning cost in FY25 itself. In terms of pricing, while April month saw discounting, May has been stable and a commodity pass-through price hike has been taken. In terms of UCP margins, further upside will be driven by the scale and not as much through pricing advantage. The management believes that there will be pricing pressure in the industry because of competition, and the fact that all additional RAC capacities put up in the last one year will need to be utilised to reduce cost impact on P&L. As per the management, modern trade generates lower margins than general trade. Industry wide, e-commerce contributes ~7%, and modern trade ~25%-30%. For Voltas, e-commerce contributes ~8%-10% and modern trade ~15%.

EMPS: Domestic faring better than international; Write-backs expected in the mid-term: While Voltas is present in almost all GCC countries (~20-30 projects running), stressed projects are coming out only from Qatar. The company is not taking up any new projects in Qatar, but is only focusing on completing the existing ones (most of them completed). The management commented that it has mostly done with all the provisioning, and within 1-2 years' timeframe, the probability of rolling back those provisions is high. In terms of the domestic business, the pace of order booking, execution and profit booking remains healthy.

Est Change	No Change
TP Change	Upward
Rating Change	No Change

Company Data and Valuation Summary

Reuters	VOLT.BO
Bloomberg	VOLT IN Equity
Market Cap (Rsbn / US\$bn)	449.8 / 5.4
52 Wk H / L (Rs)	1,502 / 745
ADTV-3M (mn) (Rs / US\$)	2,744.9 / 32.9
Stock performance (%) 1M/6M/1yr	(8.9) / 62.2 / 66.0
Nifty 50 performance (%) 1M/6M/1yr	(3.4) / (2.2) / 17.7

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	30.3	30.3	30.3
DII's	36.0	37.2	40.6
FII's	17.8	17.2	14.7
Others	15.8	15.3	14.4
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	94,988	1,24,812	1,43,410	1,66,200
Growth YoY (%)	19.7	31.4	14.9	15.9
Gross Margin (%)	22.3	21.4	22.2	23.2
EBITDA	5,723	4,746	9,752	13,022
EBITDA Margin (%)	6.0	3.8	6.8	7.8
Adj. PAT	3,788	2,520	7,219	9,955
Adj. PAT Margin (%)	4.0	2.0	5.0	6.0
Adj. PAT YoY Growth (%)	(24.9)	(33.5)	186.5	37.9
Adj. EPS (Rs)	11.5	7.6	21.8	30.1
ROCE (%)	8.9	6.7	14.1	18.1
ROCE (Post-Tax) (%)	5.3	4.2	10.5	13.6
ROE (%)	2.5	4.5	12.5	16.2
P/E	118.7	178.4	62.3	45.2
EV/EBITDA	78.4	94.4	46.5	34.7
P/B	8.2	7.7	7.8	6.9

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links – [4QFY24 Results](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1: Change In Our Estimates

Description (Rsmn)	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Net Sales	1,41,478	1,43,410	1.4	1,63,168	1,66,200	1.9
EBITDA	9,586	9,752	1.7	12,758	13,022	2.1
EBITDA Margin (%)	6.8	6.8	0 bps	7.8	7.8	3 bps
Adj. PAT	7,095	7,219	1.7	9,758	9,955	2.0
Adj. EPS	21.4	21.8	2.0	29.5	30.1	2.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: One-year Rolling Forward P/E Chart



Source: Bloomberg, Nirmal Bang Institutional Equities Research



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 3: Income Statement

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	79,345	94,988	1,24,812	1,43,410	1,66,200
% Growth	5.0	19.7	31.4	14.9	15.9
Rm Costs	58,967	73,782	98,140	1,11,573	1,27,642
Gross Profit	20,378	21,206	26,672	31,837	38,558
Gross Margin (%)	25.7	22.3	21.4	22.2	23.2
Staff Cost	6,176	6,672	7,788	9,322	10,803
Other Expenses	7,386	8,810	14,138	12,763	14,734
EBITDA	6,816	5,723	4,746	9,752	13,022
% Growth	6.3	(16.0)	(17.1)	105.5	33.5
EBITDA Margin (%)	8.6	6.0	3.8	6.8	7.8
Other Income	1,892	1,685	2,533	2,000	2,000
Interest	259	296	559	543	521
Depreciation	373	396	476	595	701
Profit Before Tax	8,076	6,716	6,244	10,613	13,799
Tax	1,913	1,709	2,377	2,671	3,473
Reported Net Profit	5,041	1,350	2,520	7,219	9,955
Adj. Net Profit	5,041	3,788	2,520	7,219	9,955
Adj. Pat Margin	6.4	4.0	2.0	5.0	6.0
Adj. Eps (Rs)	15.2	11.5	7.6	21.8	30.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Balance Sheet

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	331	331	331	331	331
Reserves	54,665	54,190	57,874	57,297	64,937
Net Worth	54,996	54,521	58,205	57,628	65,268
Minority Interest	381	417	337	337	337
Total Loans	3,432	6,160	7,133	6,453	5,953
Liabilities	58,808	61,097	65,675	64,418	71,558
Net Block	2,509	3,968	4,249	9,429	11,028
Cwip	593	983	3,675	800	800
Goodwill	795	785	779	779	779
Long-Term Investments	36,687	31,581	35,532	37,732	39,932
Inventories	16,614	15,920	21,354	21,546	24,577
Debtors	21,097	21,919	25,328	29,027	33,506
Cash	5,717	7,084	8,523	2,493	3,100
Other Current Assets	13,012	20,197	20,505	23,536	27,168
Total Current Assets	56,440	65,119	75,709	76,602	88,351
Creditors	29,421	30,126	38,557	45,965	52,431
Other Current Liabilities	9,111	11,514	15,536	14,783	16,725
Total Current Liabilities	38,532	41,640	54,093	60,748	69,156
Net Current Assets	17,908	23,479	21,616	15,854	19,195
Deferred Tax Asset (Net)	317	303	-176	-176	-176
Total Assets	58,808	61,097	65,675	64,418	71,558

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Cash Flow

Y/E March (Rs Mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT	6,443	5,327	4,270	9,157	12,320
(Inc)/Dec in Working Capital	1,131	(4,203)	3,302	(268)	(2,734)
Cash Flow from Operations	7,574	1,124	7,572	8,888	9,587
Other Income	1,892	1,685	2,533	2,000	2,000
Depreciation	373	396	476	595	701
Tax Paid (-)	(1,913)	(1,709)	(2,377)	(2,671)	(3,473)
Net Cash from Operations	6,803	277	6,857	8,089	8,444
Capital Expenditure (-)	(870)	(2,245)	(3,450)	(2,900)	(2,300)
Net Cash after Capex	5,934	(1,968)	3,407	5,189	6,144
Interest Paid (-)	(259)	(296)	(559)	(543)	(521)
Dividends Paid (-)	(1,819)	(2,646)	(1,819)	(2,150)	(2,316)
Inc./(Dec.) in Total Borrowings	826	2,728	973	(680)	(500)
(Inc.)/Dec. in Investments	(5,667)	5,107	(3,951)	(2,200)	(2,200)
Cash from Financial Activities	(6,900)	4,928	(5,436)	(5,574)	(5,537)
Others	2,082	(1,603)	3,462	(5,646)	0
Opening Cash	4,588	5,717	7,084	8,523	2,493
Closing Cash	5,717	7,084	8,523	2,493	3,100
Change in Cash	1,129	1,367	1,439	(6,030)	607

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Per Share (Rs)					
Adjusted EPS	15.2	11.5	7.6	21.8	30.1
Book Value	166.3	164.8	176.0	174.2	197.3
Valuation (x)					
P/E	89.2	118.7	178.4	62.3	45.2
P/BV	8.2	8.2	7.7	7.8	6.9
EV/EBITDA	65.6	78.4	94.4	46.5	34.7
EV/Sales	5.6	4.7	3.6	3.2	2.7
Return Ratio (%)					
RoCE	11.5	8.9	6.7	14.1	18.1
RoCE (Post-Tax)	8.8	5.3	4.2	10.5	13.6
RoE	9.6	2.5	4.5	12.5	16.2
RoIC	38.2	27.4	19.4	40.0	46.7
Profitability Ratio (%)					
EBITDA Margin	8.6	6.0	3.8	6.8	7.8
EBIT Margin	8.1	5.6	3.4	6.4	7.4
PAT Margin	6.4	4.0	2.0	5.0	6.0
Turnover Ratio					
Total Asset Turnover Ratio (x)	1.4	1.6	2.0	2.2	2.4
Debtor Days	90	83	83	79	79
Inventory Days	91	80	78	75	75
Creditors Days	167	147	158	160	160
Solvency Ratio (x)					
Net Debt-Equity	(0.0)	(0.0)	(0.0)	0.1	0.0
Debt-Equity	0.06	0.11	0.12	0.11	0.09
Interest Coverage	24.9	18.0	7.6	16.8	23.6

Source: Company, Nirmal Bang Institutional Equities Research

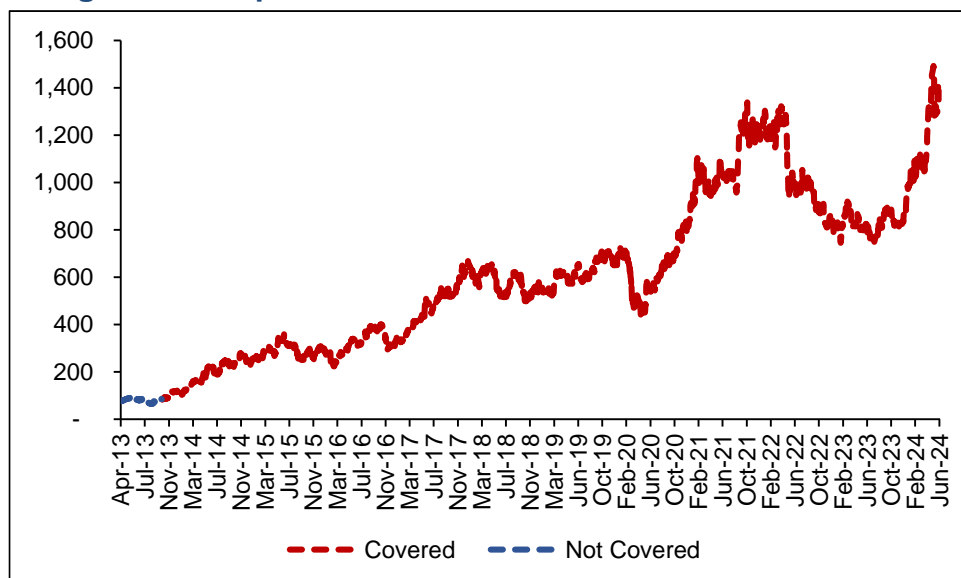
Rating Track

Date	Rating	Market Price (Rs)	Target Price (Rs)
23 October 2013	Buy	85	108
7 November 2013	Buy	91	108
13 November 2013	Buy	88	108
26 November 2013	Buy	93	108
5 February 2014	Buy	108	140
5 June 2014	Hold	205	223
10 July 2014	Accumulate	200	223
18 August 2014	Accumulate	221	253
9 October 2014	Accumulate	238	253
18 November 2014	Buy	279	326
9 January 2015	Buy	244	326
16 February 2015	Buy	256	322
15 April 2015	Buy	303	322
26 May 2015	Accumulate	325	343
8 July 2015	Accumulate	319	343
17 August 2015	Accumulate	315	320
12 October 2015	Accumulate	277	320
10 November 2015	Accumulate	276	309
8 January 2016	Accumulate	297	309
16 February 2016	Buy	238	301
12 April 2016	Buy	278	301
20 May 2016	Accumulate	323	322
16 June 2016	Accumulate	325	322
12 July 2016	Accumulate	318	322
4 August 2016	Accumulate	344	354
13 October 2016	Accumulate	380	354
21 November 2016	Accumulate	293	325
23 December 2016	Accumulate	309	325
10 January 2017	Accumulate	344	325
14 February 2017	Accumulate	338	361
17 February 2017	Accumulate	345	365
7 April 2017	Accumulate	410	365
26 May 2017	Accumulate	475	495
6 July 2017	Accumulate	470	495
7 August 2017	Accumulate	540	525
9 October 2017	Accumulate	520	525
9 January 2018	Accumulate	648	610
12 February 2018	Accumulate	593	635
6 April 2018	Accumulate	631	635
18 May 2018	Accumulate	583	600
10 July 2018	Accumulate	534	600
13 August 2018	Accumulate	620	650
9 October 2018	Accumulate	484	650
9 November 2018	Buy	515	620
9 January 2019	Buy	536	620
18 February 2019	Buy	521	625
9 April 2019	Accumulate	609	632
13 May 2019	Accumulate	574	615
20 June 2019	Accumulate	608	615
9 July 2019	Accumulate	597	615
9 August 2019	Accumulate	598	625
19 September 2019	Accumulate	630	625
23 September 2019	Accumulate	669	680
7 October 2019	Accumulate	664	680

7 November 2019	Accumulate	667	690
9 January 2020	Accumulate	684	690
11 February 2020	Accumulate	681	715
26 March 2020	Buy	487	680
9 April 2020	Buy	509	680
2 June 2020	Buy	539	620
9 July 2020	Buy	561	620
18 August 2020	Buy	629	740
9 October 2020	Buy	690	740
10 November 2020	Accumulate	791	835
7 January 2021	Accumulate	868	925
15 February 2021	Accumulate	1,060	1,075
9 April 2021	Accumulate	1,006	1,075
15 May 2021	Accumulate	1,000	980
09 August 2021	Accumulate	1,025	1,020
26 September 2021	Accumulate	1,228	1,220
01 November 2021	Accumulate	1,246	1,300
14 February 2022	Accumulate	1,170	1,300
21 February 2022	Accumulate	1,253	1,410
10 March 2022	Buy	1,179	1,350
10 May 2022	Buy	1,042	1,210
13 June 2022	Buy	981	1,210
05 August 2022	Buy	1,000	1,155
19 September 2022	Buy	955	1,110
3 November 2022	Buy	909	1,045
6 December 2022	Buy	858	1,045
10 February 2023	Buy	850	980
22 March 2023	Buy	851	990
27 April 2023	Accumulate	808	820
08 June 2023	Accumulate	806	820
13 August 2023	Accumulate	830	860
20 October 2023	Accumulate	819	880
30 December 2023	Accumulate	978	985
31 January 2024	Accumulate	1,093	1,095
08 May 2024	Accumulate	1,319	1,265
05 June 2024	Accumulate	1,359	1,340

Coverage was transferred to Natasha Jain with effect from 1st July 2023

Rating Track Graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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