

**HOLD****TP: Rs 1,490 | ▲ 10%****VOLTAS**

| Consumer Durables

| 30 January 2026

## Recovery underway, but margins remain under pressure

- Q3 revenue flat YoY with strong QoQ recovery; EBITDA missed estimates as UCP margin took a hit, on account of channel support
- EMP revenues declined 18% YoY; however, a sharp 362bps YoY margin expansion helped sustain segment profitability
- Revise FY27-28 estimates by 4-6%, roll forward to Dec'26 TP of Rs 1,490; maintain HOLD on a limited upside

Vineet Shanker  
 Research Analyst  
 Amey Tupe  
 Research Associate  
 research@bobcaps.in

**Sequential recovery led by UCP; YoY margins still soft:** Voltas reported a mixed Q3FY26 performance, with revenues at Rs 30.7bn. Revenues were broadly flat YoY (-1%), but up 31% QoQ, reflecting a sharp sequential recovery after a weak H1. EBITDA came in at Rs 1.8bn; down 10% YoY. EBITDA margin contracted 60bps YoY on account of continued support to channel (schemes/ discounts), rising commodity cost along with rupee depreciation and mix pressures. Results were modestly below expectations, with EBITDA ~6% below estimates. At the consolidated level, adjusted PAT declined 16% YoY.

**UCP volumes recover; profitability yet to normalise; maintains market leadership:** UCP revenues grew 9% YoY to Rs 19.2bn on channel restocking ahead of BEE transition. Voltas maintained market leadership with Dec'25 exit market share of 17.9% (and YTD market of 17.9%). Voltas UCP sales outperformed Bluestar/ Lloyd, which declined 1%/5% YoY respectively during Q3. EBIT turned positive at Rs 726mn. However, margins fell 212bps YoY to 3.8%, due to channel support and lagged price pass-through amid commodity inflation and rupee depreciation. Management expects gradual price hikes in the coming quarter. 9MFY26 EBIT remains materially lower YoY, indicating a partial recovery.

**Projects revenues softened; margins resilient:** EMP revenues declined 18% YoY, while EBIT grew 44% YoY with margins expanding 362bps YoY to 8.4%, reflecting disciplined execution; the 114bps QoQ margin moderation indicates normalisation after a strong Q2. EPS revenues increased 21% YoY and 13% QoQ to Rs 1.6bn, reflecting steady demand across engineering products, despite a weak macro backdrop. EBIT margins moderated sharply to 23.5% (-489bps YoY) indicating normalisation from the elevated Q2 margins and higher operating costs, even as absolute EBIT stayed flat YoY.

**Revise estimates; maintain HOLD:** We revise our FY27-28 earnings by +4-6% to capture recovery in the UCP segment. We arrive at Dec'26 TP of Rs 1,490 (ascribing unchanged 45x to Dec-27EPS). We remain cautiously optimistic about stock as inventory situation remains a key monitorable. We maintain HOLD.

## Key changes

	Target	Rating
▼	► ►	

Ticker/Price	VOLT IN/Rs 1,349
Market cap	US\$ 4.9bn
Free float	70%
3M ADV	US\$ 12.5mn
52wk high/low	Rs 1,531/Rs 1,135
Promoter/FPI/DII	30%/21%/33%

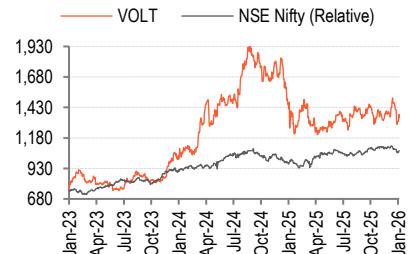
Source: NSE | Price as of 29 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,54,128	1,46,286	1,69,666
EBITDA (Rs mn)	11,162	7,949	12,710
Adj. net profit (Rs mn)	8,414	5,426	9,451
Adj. EPS (Rs)	25.4	16.4	28.6
Adj. ROAE (%)	13.6	8.1	13.1
Adj. P/E (x)	53.1	82.3	47.2
EV/EBITDA (x)	40.0	56.2	35.1
Adj. EPS growth (%)	233.9	(35.5)	74.2

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly & 9MFY26 performance**

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY25	QoQ (%)	9MFY26	9MFY25	YoY (%)	Q3FY26E	Var (%)
Revenue	30,708	31,051	(1)	23,473	31	93,567	1,06,452	(12)	33,239	(8)
EBITDA	1,773	1,974	(10)	704	152	4,262	7,834	(46)	1,887	(6)
EBITDA Margin (%)	5.8	6.4	(60bps)	3.0	280bps	4.6	7.4	(280bps)	5.7	10bps
Depreciation	206	179		244		635	477		244	(15)
Interest	311	155		200		646	388		145	114
Other Income	488	591		646		1,955	2,448		811	(40)
PBT	1,744	2,231	(22)	906	92	4,937	9,416	(48)	2,310	(24)
Tax	313	599		226		1,160	2,490		582	(46)
Adjusted PAT	1,110	1,321	(16)	315	252	2,862	6,004	(52)	1,358	(18)
Exceptional item	265	-		-		265	-		-	-
Reported PAT	849	1,321	(36)	343	148	2,597	6,004	(57)	1,385.4	(39)
Adj. PAT Margin (%)	3.6	4.3	(60bps)	1.3	230bps	3.1	5.6	(260bps)	4.1	(47bps)
EPS (Rs)	2.6	4.0	(36)	1.0	148	11.4	20.9	(45)	4.2	(39)

Source: Company, BOBCAPS Research

**Fig 2 – Segmental performance**

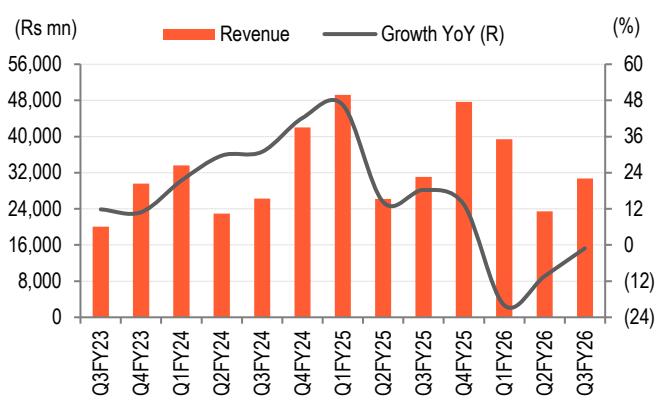
Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY25	QoQ (%)	9MFY26	9MFY25	YoY (%)
<b>Segment revenue</b>								
Electro- Mechanical Projects And Services	9,742	11,902	(18)	9,662	1	28,622	30,193	(5)
Engineering Products And Services	1,566	1,297	21	1,391	13	4,311	4,372	(1)
Unitary Cooling Products	19,242	17,711	9	12,151	58	60,072	71,555	(16)
<b>EBIT</b>								
Electro- Mechanical Projects And Services	817	567	44	920	(11)	2,230	1,704	31
EBIT margin (%)	8.4	4.8	362bps	9.5	(114bps)	7.8	5.6	215bps
Engineering Products And Services	368	368	(0)	439	(16)	1208	1213	(0)
EBIT margin (%)	23.5	28.4	(489bps)	31.6	(809bps)	28.0	27.7	29bps
Unitary Cooling Products	726	1043	(30)	(458)	(258)	1311	5475	(76)
EBIT margin (%)	3.8	5.9	(212bps)	(3.8)	NA	2.2	7.7	(547bps)

Source: Company, BOBCAPS Research

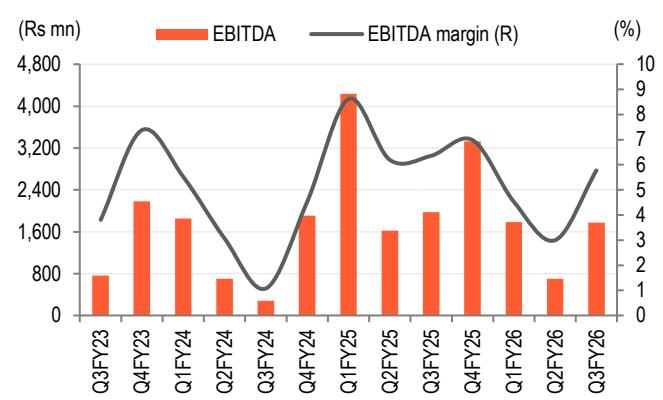
## Earnings Call Highlights

- Management highlighted a sequential recovery in room AC demand in Q3, driven by healthier channel activity following the GST cut on RACs and pre-buying ahead of the BEE star-label transition effective Jan'26.
- Demand momentum was aided by channel restocking and improved retail activation, with management indicating that the BEE transition has created a mix shift opportunity despite near-term pricing complexity.
- RAC leadership strengthened, with YTD and Dec'25 exit market share at 17.9%, reflecting ~210bps gain over the past 12 months. Commercial air-conditioning (VRF, ducted and chillers) continued to scale on corporate and industrial demand, while commercial refrigeration remained relatively soft.
- On sourcing strategy, window ACs continue to be outsourced, while split inverter ACs are largely produced in-house for base demand visibility, with demand spikes catered through select OEM partners.

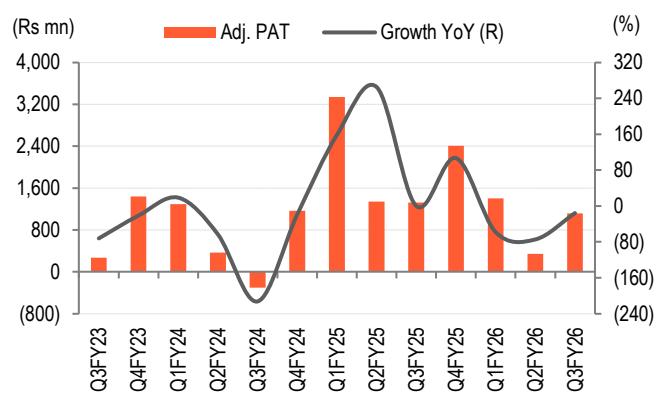
- Management expects sequential margin improvement in UCP driven by mix improvement, cost optimisation, and better utilisation of the Chennai and Pantanagar plants.
- Voltbek saw a steady progress given the continued traction in washing machines and refrigerators, with market share improving to 6.2% in refrigerators and 8.2% in washing machines on a YTD basis. Exit shares higher, indicating sustained momentum.
- Home Appliances business remains in an investment phase, with emphasis on market share gains and portfolio premiumisation. Profitability likely to improve gradually as scale builds.
- Projects business continued to lend stability, supported by disciplined project selection, improved execution and stronger cash conversion. Order book quality remains the key focus, with a consolidated order book of ~Rs 61 bn and selective participation in international projects.
- In Projects, management highlighted a strategic shift toward a higher mix of MEP projects linked to manufacturing facilities and data centres, which offer faster execution cycles and better risk profiles. Exposure to metro and select infrastructure projects continues, while electrical and water projects are being cherry-picked.
- Engineering Products delivered a stable performance, supported by mining and construction equipment and service annuities, while textile machinery remained impacted by a weak global demand environment.
- Channel inventory was described as comfortable at ~5-6 weeks, with backward integration at the Chennai plant beginning to contribute; management expects capacity utilisation of ~85-90% during the upcoming peak season, alongside sequential margin improvement through cost optimisation and mix improvement.
- On the BEE transition, management clarified that while manufacturing of old-table products is prohibited from 1 Jan, both brands and channel partners are permitted to sell existing inventory until June. Old-table inventory largely comprises 3-star and 4-star SKUs, with new-table products to be introduced progressively.

**Fig 3 – Revenue growth trend**

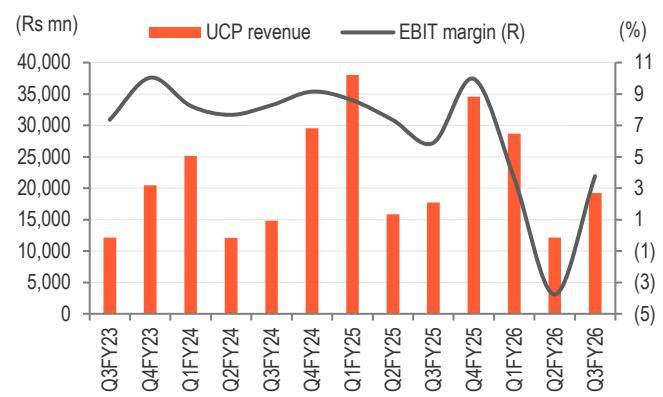
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth trend**

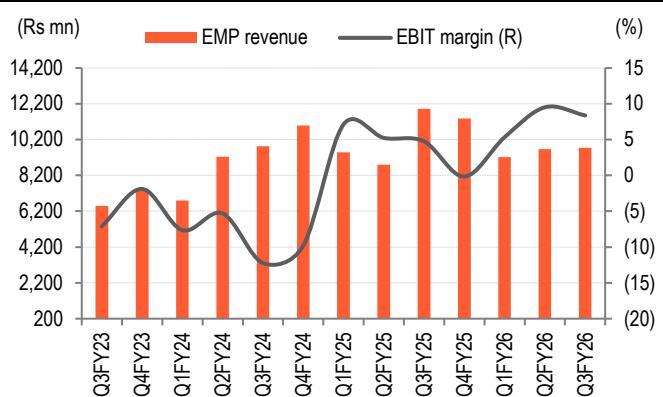
Source: Company, BOBCAPS Research

**Fig 5 – Profit trend**

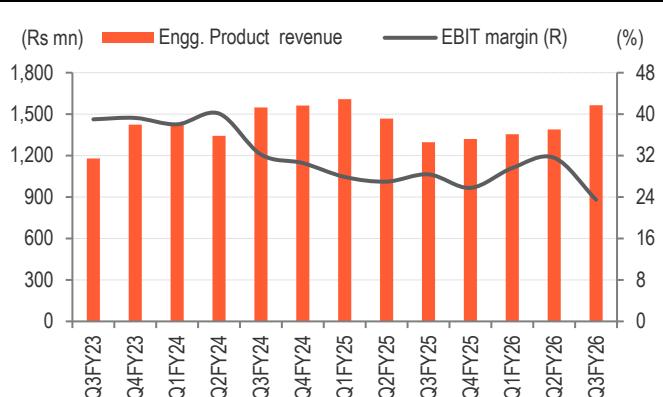
Source: Company, BOBCAPS Research

**Fig 6 – UCP performance**

Source: Company, BOBCAPS Research

**Fig 7 – EMP performance**

Source: Company, BOBCAPS Research

**Fig 8 – Engineering Products performance**

Source: Company, BOBCAPS Research

## Valuation Methodology

We revise FY27-28PAT estimates upwards by 4-6% on expected recovery and operating leverage. We roll forward valuation to Dec'26 and arrive at a TP of Rs 1,490 (45x Dec'27E EPS). We maintain HOLD given the limited upside from current levels.

**Fig 9 – VOLT 1YF P/E band chart**



Source: Company, BOBCAPS Research

**Fig 10 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,46,286	1,69,666	1,94,104	1,48,482	1,71,673	1,95,783	(1)	(1)	(1)
EBITDA	7,949	12,710	14,966	9,087	12,317	14,500	(13)	3	3
EBITDA margin (%)	5.4	7.5	7.7	6.1	7.2	7.4	(69bps)	32bps	30bps
PAT	5,426	9,451	11,467	6,657	9,074	10,851	(18)	4	6

Source: BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>94,988</b>	<b>1,24,812</b>	<b>1,54,128</b>	<b>1,46,286</b>	<b>1,69,666</b>
EBITDA	5,724	4,746	11,162	7,949	12,710
Depreciation	396	476	618	844	932
EBIT	5,327	4,270	10,544	7,105	11,778
Net interest inc./exp.)	(296)	(559)	(621)	(964)	(612)
Other inc./exp.)	1,685	2,533	3,245	2,596	2,855
Exceptional items	0	0	0	0	0
EBT	6,716	6,244	13,168	8,736	14,022
Income taxes	1,709	2,377	3,565	2,123	3,533
Extraordinary items	2,438	0	0	0	0
Min. int./Inc. from assoc.	(1,207)	(1,386)	(1,260)	(1,187)	(1,037)
<b>Reported net profit</b>	<b>1,350</b>	<b>2,520</b>	<b>8,414</b>	<b>5,426</b>	<b>9,451</b>
Adjustments	2,438	0	0	0	0
<b>Adjusted net profit</b>	<b>3,788</b>	<b>2,520</b>	<b>8,414</b>	<b>5,426</b>	<b>9,451</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	30,126	38,557	38,928	38,074	44,160
Other current liabilities	10,029	14,060	12,670	12,024	13,945
Provisions	0	0	0	0	0
Debt funds	6,506	7,436	8,633	6,888	6,118
Other liabilities	1,609	2,099	6,157	5,858	6,751
Equity capital	331	331	331	331	331
Reserves & surplus	54,190	57,874	64,802	68,077	75,377
Shareholders' fund	54,521	58,205	65,133	68,408	75,708
<b>Total liab. and equities</b>	<b>1,02,790</b>	<b>1,20,357</b>	<b>1,31,520</b>	<b>1,31,251</b>	<b>1,46,681</b>
Cash and cash eq.	7,084	8,523	6,782	11,806	15,823
Accounts receivables	21,919	25,328	25,115	23,646	25,566
Inventories	15,920	21,354	27,148	25,650	29,285
Other current assets	19,543	22,042	30,500	26,061	30,226
Investments	0	0	0	0	0
Net fixed assets	3,611	3,902	8,198	10,354	11,922
CWIP	983	3,675	824	782	907
Intangible assets	1,142	1,127	1,097	1,097	1,097
Deferred tax assets, net	0	0	0	0	0
Other assets	32,590	34,408	31,856	31,856	31,856
<b>Total assets</b>	<b>1,02,790</b>	<b>1,20,357</b>	<b>1,31,520</b>	<b>1,31,251</b>	<b>1,46,681</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>1,594</b>	<b>7,615</b>	<b>(8,455)</b>	<b>12,177</b>	<b>8,670</b>
Capital expenditures	(1,774)	(2,883)	(2,082)	(3,000)	(2,500)
Change in investments	253	(3,938)	2,841	0	0
Other investing cash flows	706	1,597	820	(258)	768
<b>Cash flow from investing</b>	<b>(816)</b>	<b>(5,224)</b>	<b>1,579</b>	<b>(3,258)</b>	<b>(1,732)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,728	453	1,500	(1,745)	(770)
Interest expenses	0	0	0	0	0
Dividends paid	(2,177)	(1,616)	(2,497)	(2,151)	(2,151)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>550</b>	<b>(1,163)</b>	<b>(997)</b>	<b>(3,895)</b>	<b>(2,921)</b>
Chg in cash & cash eq.	1,328	1,228	(7,873)	5,024	4,017
<b>Closing cash &amp; cash eq.</b>	<b>7,084</b>	<b>8,523</b>	<b>6,782</b>	<b>11,806</b>	<b>15,823</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	4.1	7.6	25.4	16.4	28.6
Adjusted EPS	11.4	7.6	25.4	16.4	28.6
Dividend per share	4.3	5.5	7.0	6.5	6.5
Book value per share	164.8	175.9	196.9	206.8	228.8

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	4.7	3.6	2.9	3.1	2.6
EV/EBITDA	78.0	94.0	40.0	56.2	35.1
Adjusted P/E	117.8	177.1	53.1	82.3	47.2
P/BV	8.2	7.7	6.9	6.5	5.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	56.4	40.4	63.9	62.1	67.4
Interest burden (PBT/EBIT)	126.1	146.2	124.9	123.0	119.0
EBIT margin (EBIT/Revenue)	5.6	3.4	6.8	4.9	6.9
Asset turnover (Rev./Avg TA)	26.3	32.0	18.8	14.1	14.2
Leverage (Avg TA/Avg Equity)	0.1	0.1	0.1	0.2	0.2
Adjusted ROAE	6.9	4.5	13.6	8.1	13.1

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	19.7	31.4	23.5	(5.1)	16.0
EBITDA	(16.0)	(17.1)	135.2	(28.8)	59.9
Adjusted EPS	(24.8)	(33.5)	233.9	(35.5)	74.2
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	6.0	3.8	7.2	5.4	7.5
EBIT margin	5.6	3.4	6.8	4.9	6.9
Adjusted profit margin	4.0	2.0	5.5	3.7	5.6
Adjusted ROAE	6.9	4.5	13.6	8.1	13.1
ROCE	6.7	4.5	12.7	8.2	12.6
<b>Working capital days (days)</b>					
Receivables	84	74	59	59	55
Inventory	61	62	64	64	63
Payables	116	113	92	95	95
<b>Ratios (x)</b>					
Gross asset turnover	16.6	17.9	15.7	10.6	10.3
Current ratio	1.4	1.3	1.6	1.6	1.6
Net interest coverage ratio	18.0	7.6	17.0	7.4	19.3
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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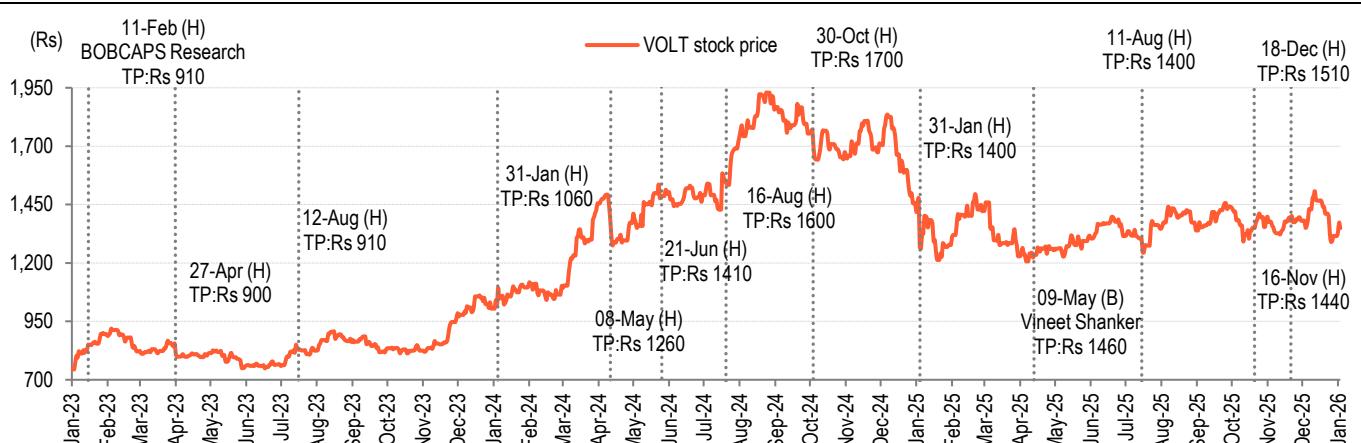
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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