Business Analysis & Valuation

Voltas Ltd

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Introduction

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Company Overview

Introduction

Voltas Limited (hereinafter referred as "The Company") was incorporated on 6th September, 1954 in Mumbai as a public limited company under the Indian Companies Act, 1913, as a collaboration between Tata Sons Pvt. Ltd. and Volkart Brothers. The Company commenced its operations in the same year, focusing on manufacturing air-conditioning and refrigeration equipment at its Chinchpokli factory in Mumbai. Voltas' operations have been organized into three independent business-specific clusters viz. Electro-Mechanical Projects & Services, Engineering Products & Services and Unitary Cooling Products. Voltas Ltd. leads in cooling products, offering ACs, air coolers, water dispensers, and refrigeration solutions. It provides commercial cooling, MEP, HVAC, and solar EPC services through UMPESL. Its Voltbek JV with Arçelik sells home appliances under Voltas Beko.

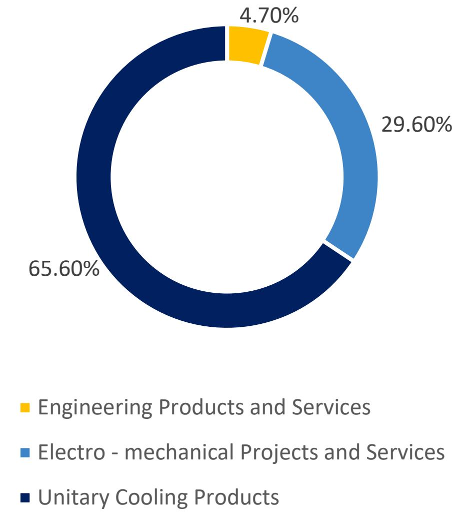
Business Presence

Voltas Ltd. has a strong presence across India, with manufacturing units in Pantnagar (Uttarakhand), Waghodia (Gujarat), Chennai (Tamil Nadu), and Sanand (Gujarat), along with a wide distribution and service network spanning urban and rural markets. Internationally, it operates in the Middle East (UAE, Saudi Arabia, Oman, Qatar, Bahrain), Africa (Mozambique, Zambia), and Southeast Asia (Singapore), focusing on Electro-Mechanical Projects and HVAC solutions. Through UMPESL, it undertakes infrastructure, water, and solar projects across India

Key Products/Brands

Its wide range of offerings in the Unitary Product segment includes Room Air Conditioners, Air Coolers, Water Dispensers, Water Coolers, Commercial Refrigeration and Commercial Air-conditioning products. It is a provider of Engineering Solutions to diversified range of industries in areas of Heating, Ventilation and Air Conditioning, Refrigeration, Electro-mechanical projects, Electrification, Textile Machinery, Mining and Construction equipment, Water Management & Treatment, Cold Chain solutions, and Indoor Air Quality Management.

Product Wise Revenue Breakup



Share Price Performance

Global Economy

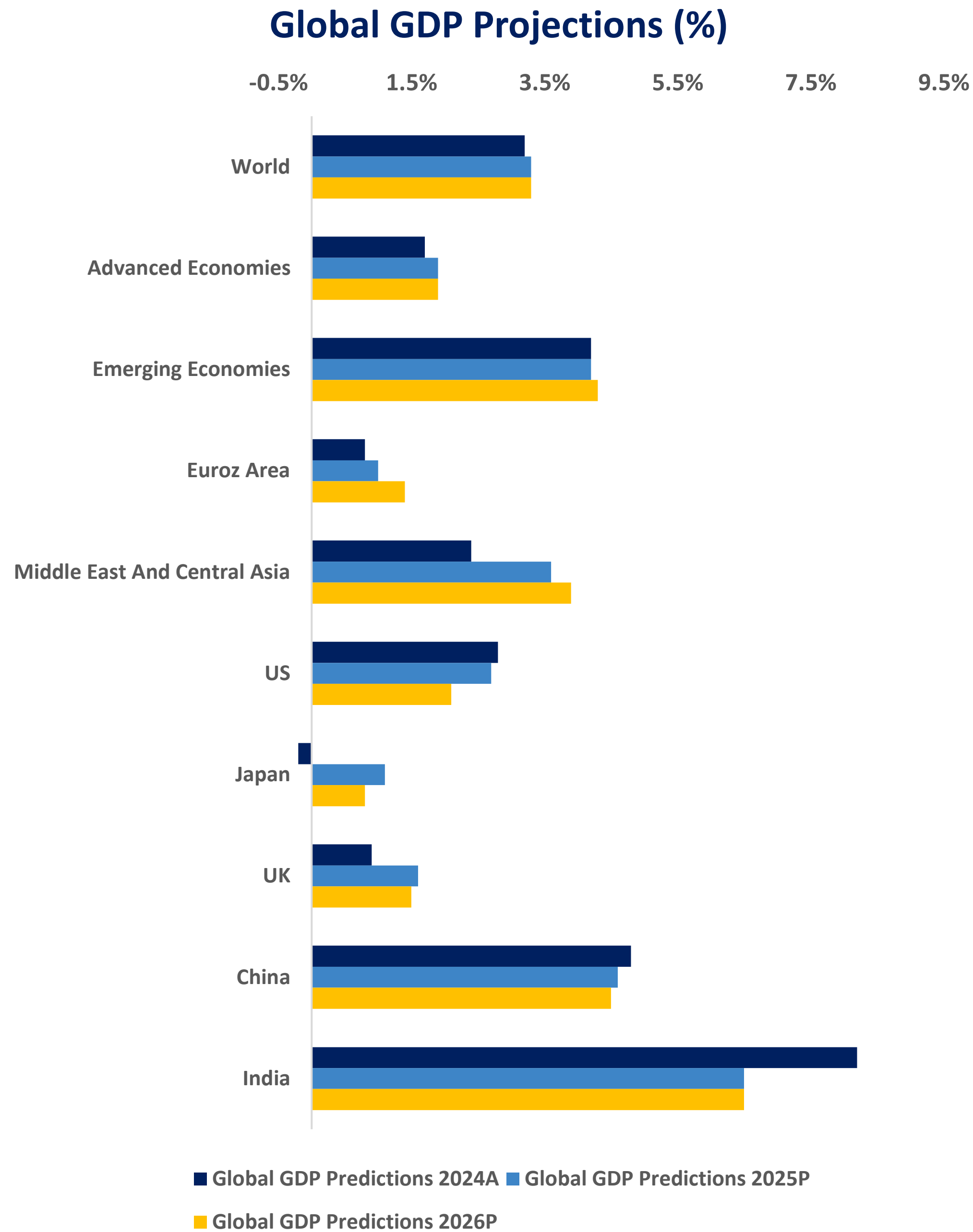
Overview

The global economy is experiencing divergence, with developed markets grappling with persistent inflation while emerging markets navigate mixed conditions. The U.S. economy remains resilient due to strong consumer spending, while the Eurozone struggles with weak manufacturing and investment. China's economic momentum is slowing, weighed down by a troubled property sector and cautious consumer sentiment. Trade policy uncertainty and geopolitical tensions continue to disrupt global supply chains.

Central banks are cautiously approaching monetary easing, as inflation, though moderating, remains stubborn in some regions. The Federal Reserve is expected to cut rates gradually, while the European Central Bank remains cautious due to inflationary risks. The U.S. dollar's strength, driven by interest rate differentials and trade policy shifts, has tightened financial conditions in emerging markets. Meanwhile, geopolitical risks, including conflicts in the Middle East, continue to impact trade and commodity prices.

In the GCC, where The Company operates, economic conditions are stabilizing. Growth is projected at 2.9% in 2024, supported by a modest recovery in oil GDP and steady expansion in non-oil sectors. Saudi Arabia's growth is expected to reach 1.9%, while the UAE's non-oil economy is forecast to grow by 4%.

Globally, economic growth is projected at 3.3% in both 2025 and 2026, below the historical average. Inflation is forecast to decline to 4.2% in 2025, with central banks adjusting interest rates cautiously. Easing financial conditions and shifting trade dynamics will shape investment opportunities and economic stability worldwide.



Source: IMF WEO

India Economy

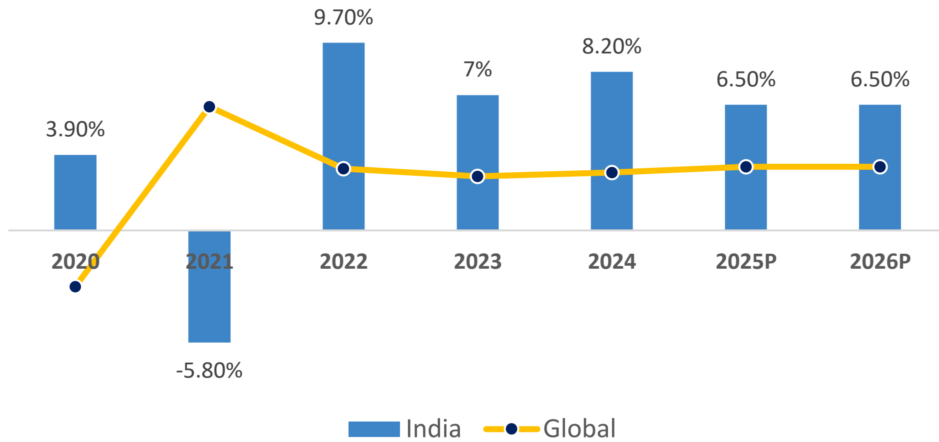
Overview

The Indian economy remained one of the fastest-growing economy in the world in FY24, driven by strong domestic demand, policy-led industrialization, and higher capital expenditure. The country recorded a 8.2% growth rate, exceeding the global average, with high-frequency indicators showing resilience across key sectors. Government initiatives like the Production Linked Incentive (PLI) scheme, infrastructure modernization, and digital transformation significantly boosted economic activity. Manufacturing and services sectors led the expansion, with record automobile sales, credit growth, and equity market highs. The property sector also saw strong momentum, with home sales and new project launches reaching 2013 levels, benefiting steel and cement industries.

Despite strong growth, challenges persisted. Inflation averaged 5.4% in FY24, within the Reserve Bank of India's target range but weighing on consumer sentiment. Rising input costs impacted discretionary spending, especially in rural areas, while geopolitical uncertainties and fluctuating commodity prices strained supply chains. The B2C sector, particularly consumer durables, faced weak household demand, though a medium-term recovery is expected. However, government capital expenditure played a key role in strengthening infrastructure, logistics, and connectivity.

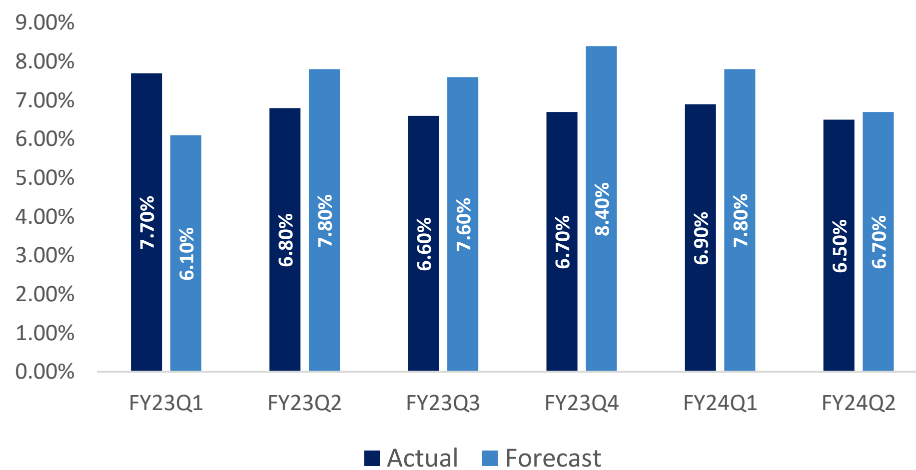
India's economy is projected to grow at 6.5% in both FY25 and FY26, supporting steady expansion amid global uncertainty. Inflation is expected to ease, aided by ongoing structural reforms that continue to drive investment and consumption. Strengthening public-private partnerships and rapid urbanization will sustain economic momentum, reinforcing India's role as a key driver of global growth.

India vs Global GDP Growth (%)



Source: TradingEconomics

India Quarterly GDP Actual vs Forecast



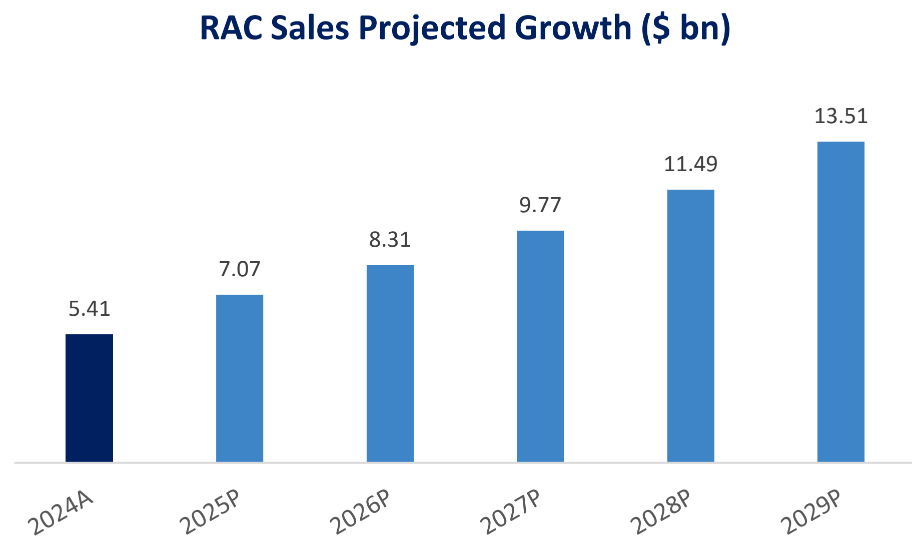
Source:Investing.com

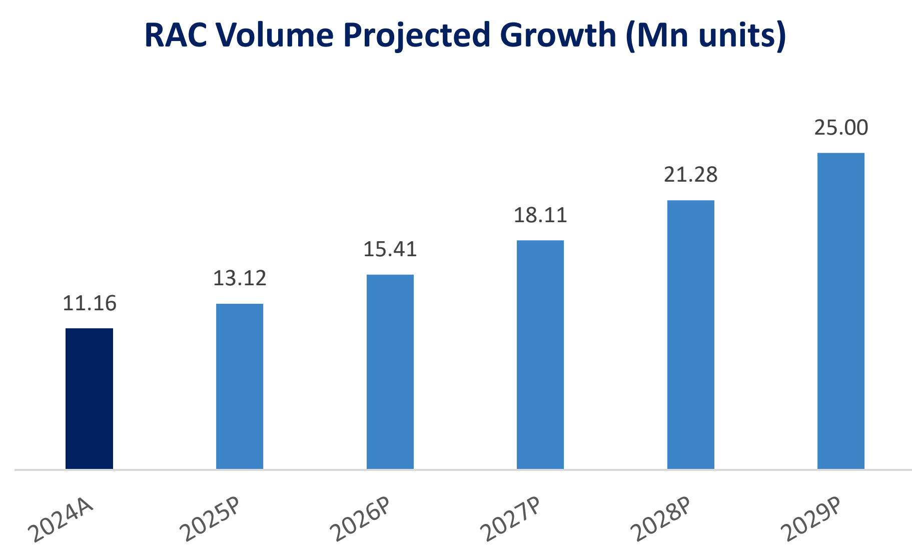
Unitary Cooling Product Market - India

The Indian air conditioner (AC) market, which is a major component of UCP, is expected to growth at compounded annual growth rate of 17.58% to reach $13.5bn by 2029. The residential air conditioners (RACs) are dominating the AC market across all segments due to the increasing strength of the household sector, the expansion of new housing developments, and the growth of SMEs. Owing to the factors such as longer summers, rising disposable incomes, and a growing population, the Indian RAC market is expected to grow with a CAGR of 12-15% during the forecasted period to reach market volume of ~25 million units by FY2029 from 9.5 Million units in FY2023. The increasing demand for comfort coupled with the lower RAC penetration level in India's urban households (12%), compared to developed countries (90%), indicates significant growth potential.

With rising disposable income, the air cooler market is expected to growth at a CAGR of 7.4% from 2024 to 2027. Air coolers offer benefits like improved air quality and energy efficiency, making them ideal cooling solutions in dry environments. Additionally, Air Coolers remain a vital household appliance in regions with limited power supply, which further solidifies their relevance.

The Commercial Refrigerator (CR) market is set to grow at a CAGR above 10% as the food and beverage industry, organised retail expands. The increasing demand for frozen and packaged foods contribute to flourishing of the cold chain and retail industries, which in turn propel the growth of the CR market.





Engineering Product and Services Industry

The Global Textile Machinery Market size is estimated at USD 33.21 billion in 2025, and is expected to reach USD 42.13 billion by 2030, at a CAGR of 4.87% during the forecast period (2025-2030). The increased need for sophisticated equipment that generates high-quality fabric as well as advancements in printing technology in textile production are driving market expansion. The increased use of automation and robots in textile manufacturing is also boosting the textile machinery industry. Machine makers now provide complex machines with increased production capacity and speed, as well as textile machinery, at cheap costs. The improvement in innovation & productivity has been driven by increasing competition in the machinery sector, with several small-scale market participants contributing to a more competitive landscape. Additionally, the entry of multinational firms into the global market has further intensified competition, compelling enterprises to enhance their efficiency and technological advancements.

The India Construction Equipment Market size is estimated at USD 7.91 billion in 2025, and is expected to reach USD 11.78 billion by 2030, at a CAGR of 8.3% during the forecast period (2025-2030). Improvement in road construction infrastructure, increasing urbanization rate, and higher investment to boost infrastructure activities serve as the major determinants for the growth of construction equipment in India. With better road transportation infrastructure and a rise in urban population, there exists a greater demand for convenience in personal mobility, healthcare, sanitation, and water supply, among others, which in turn contributes to the boosting demand for construction equipment, attributed to the growth in the construction sector across India.

Electro-Mechanical Projects and Services Industry

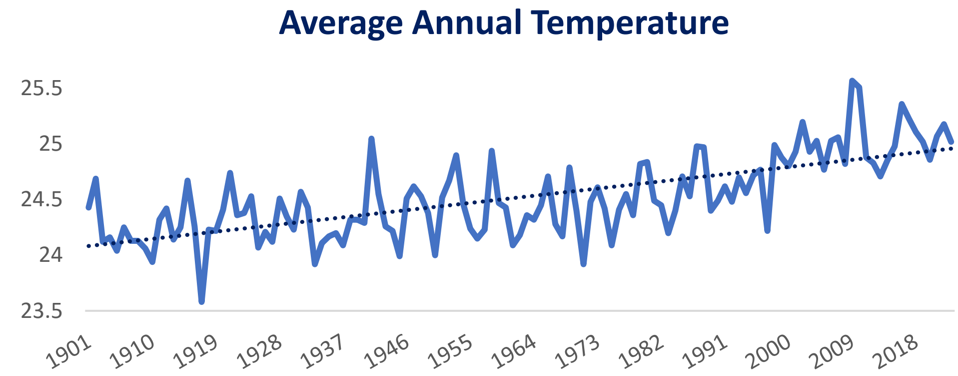
The recent trends indicate an increasing demand for housing and urban infrastructure due to rapid urbanization and population growth driving electro-mechanical projects and services market growth at a CAGR of 25% during 2024-28. One major trend is the increasing integration of renewable energy sources into buildings, necessitating the need for specialized Mechanical, Electrical & Plumbing (MEP) services to design and install sustainable energy systems.

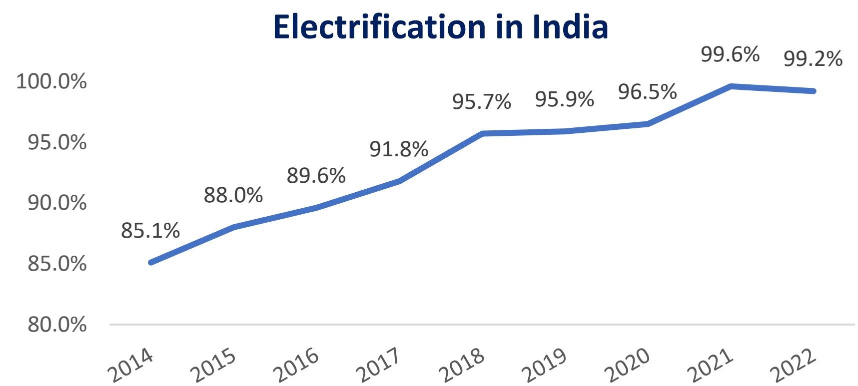
The demand for MEP services is directly correlated to the construction sector. The prevailing sentiment in the construction industry is an indicator of the demand scenario existing in the MEP services segment. An increase in the number of construction projects would directly result in higher demand for MEP services, which accounts for 40% of building construction cost. Similarly, any drop-in construction activity would directly impact the demand for MEP services. The increasing complexities in the construction sector, and a move towards more scientific & organized construction process has led to widespread adoption of centralized MEP services. The evolution in building construction standards as well as maturing of regulatory landscape have increased the demand for superior HVAC & associated facilities.

Voltas Ltd – Growth Story

Rising Temperatures and Climate Change

As the global temperatures are rising year by year due to global warming, the demand for cooling solutions is increasing rapidly. Heat waves are making air conditioners a necessity rather than a luxury in the north belt of India. Additionally, climate change concerns are pushing consumers towards energy efficient and inverter based ACs, benefiting Voltas' premium offerings.



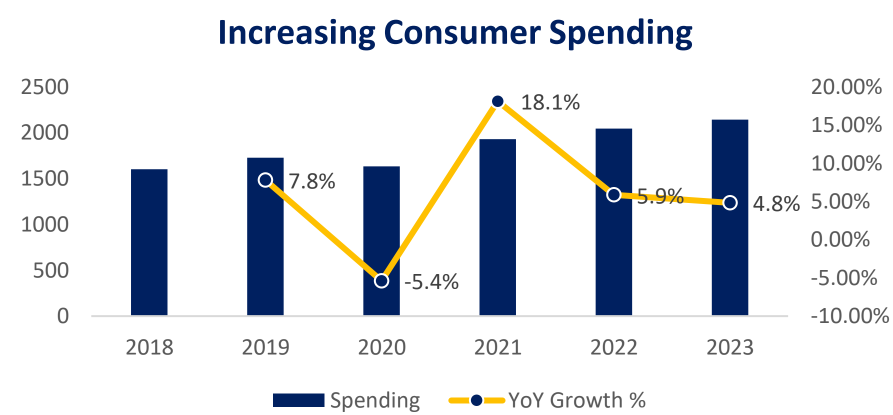


Electrification and Rural Penetration

Over the years the access to electricity in rural areas has increased significantly. "Power for All" scheme of Government of India (GOI) aims to provide 24/7, reliable, and affordable electricity to every Indian household. The GOI has made efforts to develop infrastructure for increased power generation. As electricity access improves, demand for affordable and energy-efficient cooling solutions is rising. Voltas, with its strong brand and cost-effective products, is well-positioned to tap into this untapped market.

Increasing Disposable Incomes

As the incomes of households are rising, they are willing to spend on comfort and lifestyle upgrades, making air conditioners a necessity rather than a luxury. Recent tax cuts and lower personal income tax slabs introduced by the Government of India have increased disposable income, making air conditioners more affordable and encouraging many first-time buyers, especially in tier-2 and tier-3 cities, to enter the market.



Voltas Ltd – Growth Story

Growth in Construction Activity

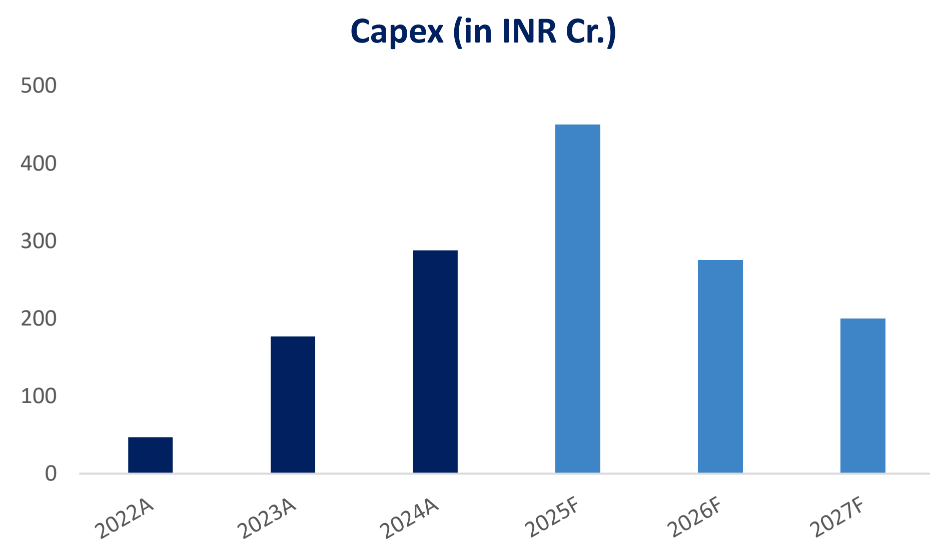
Growth in Construction activity is a crucial driver for the Global MEP market. Demand for advanced MEP solutions is rising, particularly in commercial buildings, industrial facilities, and smart cities. The company's expertise in HVAC, electrical, and plumbing solutions positions it well to capitalize on this trend. In Middle East, large-scale infrastructure investments, including airports, railways, ports, and transportation networks, are fueling MEP demand. Additionally, the region's extreme climate, characterized by hot summers, has led to a high demand for HVAC systems in both commercial and residential buildings

Rise of SMEs and Commercial Sector Growth

The rapid expansion of Small and Medium Enterprises (SMEs) and the commercial sector is a key growth driver for Voltas. SMEs, which form the backbone of India's economy, are investing in office spaces, warehouses, and production facilities, driving demand for air conditioning solutions to ensure optimal working conditions. Additionally, the growing corporate, retail, hospitality, and healthcare sectors are fueling demand for HVAC systems to enhance comfort, efficiency, and sustainability. Shopping malls, IT parks, hotels, and hospitals require reliable air conditioning to maintain ideal environments for employees, customers, and guests

Capacity Expansion

Voltas is making significant investments in capacity expansion to strengthen its market leadership and support future demand. The company has a structured CAPEX plan of ₹700-900 crores over the next three years, focusing on scaling production capabilities. A major part of this investment is the Chennai factory expansion, which will double AC production capacity from 1 million to 2 million units, ensuring Voltas can meet growing demand. Additionally, the Waghodia plant expansion will enhance commercial refrigeration and AC manufacturing. The new compressor factory, a step toward localization, will reduce import dependence and improve margins. Investments in automation, R&D, and component manufacturing will further enhance efficiency. These expansions will enable Voltas to scale up, drive revenue growth, and maintain its competitive edge.



Financials

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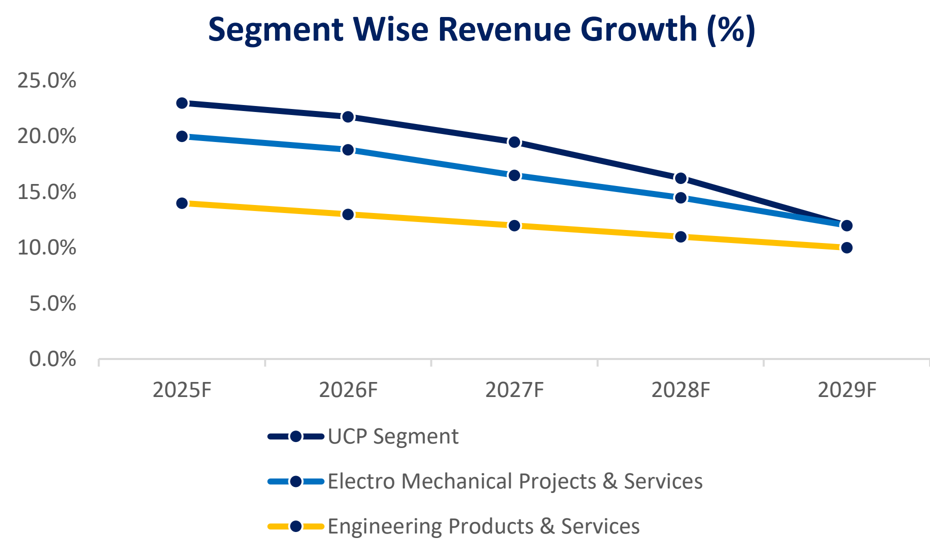
Financials

Revenue

The company reported revenue of INR 12,481 crores for FY 2023-24. Over the past three and five years, the revenue has grown at a compound annual growth rate (CAGR) of 18.2% and 11.9%, respectively. Management is highly optimistic about the overall growth of the cooling and air conditioning market, driven by factors such as rising disposable incomes, rapid urbanization, and increasing demand for climate control solutions.

To capitalize on this growth and meet the surging demand fuelled by rising temperatures, the company has invested in expanding its production capacity for air conditioners. With the establishment of its new Chennai plant and the expansion of its Waghodia facility, the company can now produce 2 million units of room air conditioners (RACs) and over 1 million units of commercial air conditioners (CACs). Additionally, Voltas boasts a robust and healthy order book, standing at ₹5,024 crores as of March 2024, which further strengthens its growth trajectory in the MEP (Mechanical, Electrical, and Plumbing) segment. This order book includes both domestic and international projects, providing clear visibility and driving future revenue streams.
Analyst consensus estimates project FY 2024-25 revenue to reach INR 15,524 crores, reflecting a 25.1% growth over the FY 2023-24 revenue of INR 12,481 crores.

While the company may face challenges such as intense competition, supply chain disruptions, project execution risks, and solvency issues among key contractors, it is expected to maintain double-digit growth of 30%. This growth will be supported by the rising demand for air conditioners, the increasing market share of its home appliances brand "Voltbek," and recent as well as planned capital expenditures aimed at further enhancing production volumes and optimizing its overall product mix.



Financials

Gross Margin

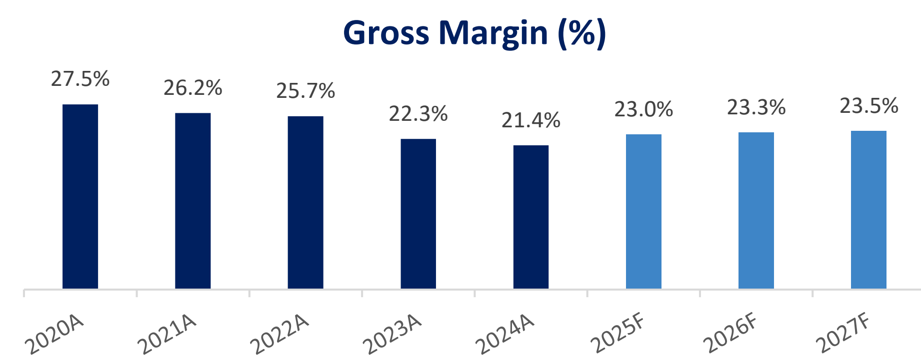
Voltas Ltd. has consistently demonstrated its resilience in a competitive market, balancing premium and mass-market product offerings while navigating fluctuations in Gross Margin. Over the years, the company has maintained a median gross margin of 26.8%, but in FY22-23, margins stood at 22.3%, declining further to 21.3% in FY23-24. This decline was primarily driven by inflationary pressures that escalated input costs, particularly for key raw materials like copper, aluminum, and steel. Despite these challenges, Voltas has maintained its market position and continues to take strategic measures to protect and improve its profitability.

One of its strongest levers for margin stability has been the expansion of its premium product portfolio. The company has increasingly shifted focus toward high-margin, energy-efficient air conditioners, particularly inverter models, which now account for over 80% of total AC sales. Additionally, Voltas has capitalized on rising consumer preference for 4-star and 5-star rated products, which offer long-term cost savings and justify premium pricing. At the same time, it continues to cater to cost-conscious consumers with products like air coolers, allowing it to sustain a well-balanced market presence. This dual approach has ensured that while the company competes aggressively in price-sensitive segments, it also secures higher-margin sales from premium categories.

However rising input costs remain a significant challenge, with commodity price volatility, especially for metals and plastics, impacting the industry. Voltas has countered this through strategic backward integration at its fully integrated Chennai plant, reducing supplier dependence, optimizing production, and improving efficiency. Additionally, localizing component sourcing should help shield margins from currency fluctuations and supply chain disruptions.

While these cost-control measures help, the company must still navigate the delicate balance of passing on cost increases to consumers. Given the intensely competitive nature of the market, aggressive price hikes could erode sales. Instead, Voltas has adopted a measured approach, selectively adjusting prices while leveraging operational efficiencies to absorb cost pressures where necessary. Value engineering and process optimization have played a crucial role in this, allowing the company to maintain competitive pricing while safeguarding margins.

Looking ahead, we anticipate that Voltas' Gross Margin will recover to approximately 23% in the short term, aligning with broader market expectations of 22%. Over the long run, the outlook remains even more promising. With the augmentation of factory capacity, deeper backward integration, and improved cost structures, the company is well-positioned to push margins beyond 24%. However, one key challenge remains—access to benefits from the government's PLI scheme, where Voltas will face stiff competition from other industry players. The extent to which the company can capitalize on these incentives will play a role in shaping its margin trajectory. Nonetheless, its strategic focus on efficiency, premiumization, and supply chain control provides a strong foundation for sustainable profitability in the years to come.



Financials

SG&A Expenses

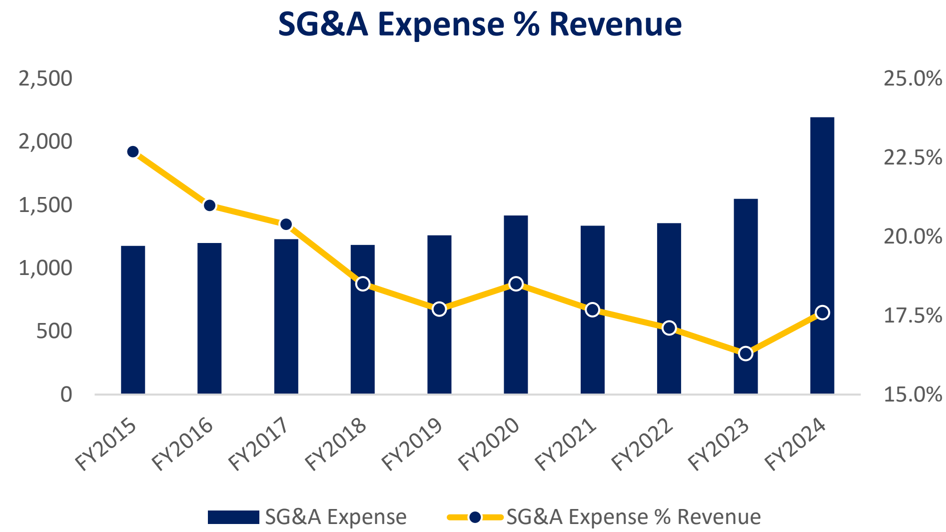
During FY23-24, Voltas reported an EBITDA margin of 3.78%, down 225 bps from 6.03% in FY22-24. The decline is attributed to higher provisions for delayed collections, rising Selling & Distribution (S&D) costs due to expansion, and overall SG&A expenses, which historically constitute 18.1% of revenue. Within SG&A, Employee Benefit Expenses, General & Administration (G&A) Expenses, Selling & Distribution (S&D) Expenses, and Miscellaneous Expenses account for over 99% of the total.

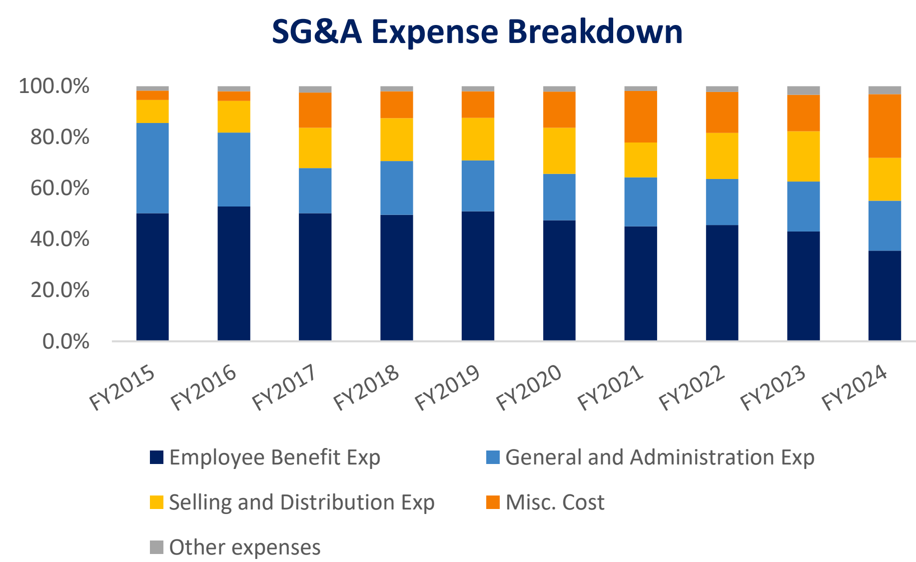
Employee Benefit Expenses have declined as a percentage of revenue, driven by strong sales growth, digital transformation, and workforce efficiency measures. The company has focused on automation and outsourcing, keeping employee costs in check despite expanding operations.

Selling & Distribution expenses, a key component of SG&A, have remained stable in the past but have increased slightly due to distribution expansion, including new Exclusive Brand Outlets (EBOs). However, over the long term, as sales scale up and brand presence strengthens, S&D expenses as a percentage of revenue are expected to decline, improving cost efficiency.

General & Administration expenses have fluctuated but remain under control, with Voltas focusing on cost discipline and operational efficiency to limit unnecessary overheads.

Looking ahead, EBITDA margins are expected to stabilize, as provision-related impacts subside, workforce efficiency improves, and distribution expansion yields higher sales. We assumed, total SG&A expenses to remain at 14-16% level as percentage of revenue which are almost align with street estimate and management guidance.





Financials

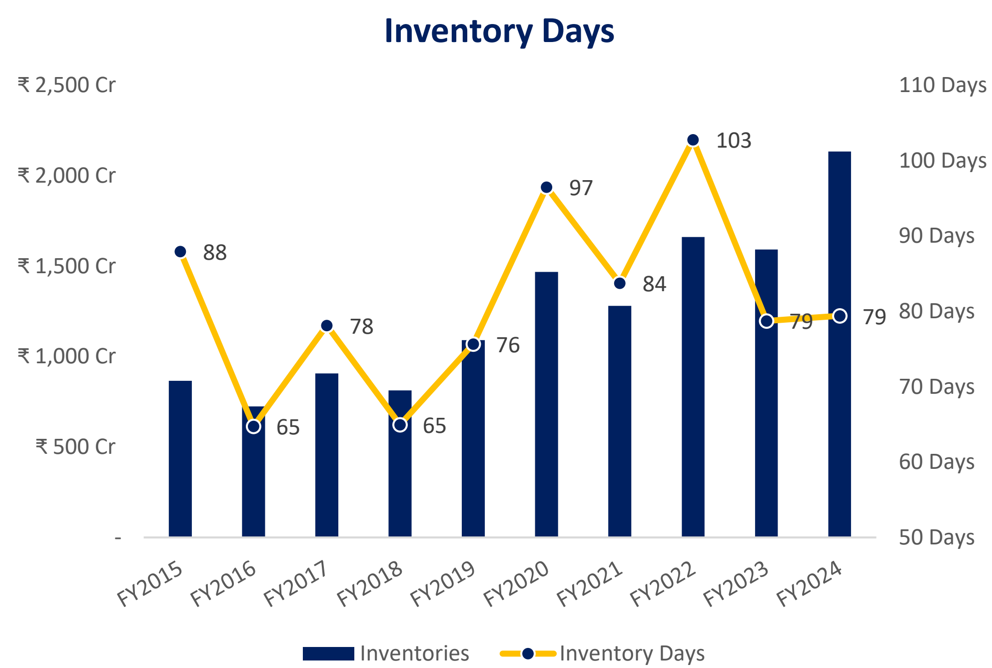
Inventory

Voltas Ltd. follows a well-defined inventory cycle, strategically building up stock between July and February in anticipation of peak summer demand from March to June. This pattern ensures seamless supply during the high-demand season while maintaining operational efficiency.

Historically, the company has maintained an average inventory level of approximately 15.5% of revenue, reflecting a disciplined approach to inventory management. Inventory turnover ratio (calculated on COGS) has typically ranged between 4.0x to 5.5x, indicating a relatively fast-moving inventory. However, there was a brief dip to 4.1x and 4.0x in FY21 and FY22, respectively, which coincided with an increase in inventory days, reaching a peak of 91 days in FY22. The trend then normalized, with inventory days reducing to 69 in FY24 as sales momentum improved.

With expanded manufacturing capacity at Chennai and Waghodia, there is potential for an uptick in inventory levels due to higher production volumes. However, street estimates suggest inventory days will remain flat, implying efficient inventory turnover will be maintained. While the company's ability to scale production has increased, its focus remains on dynamic inventory management, ensuring a balance between demand fulfillment and capital efficiency.

We foresee that our inventory levels to go up by 6 days from 69 days to 75 days in year 2025 & 2026 and post that the inventory levels are expected to normalize at 70 days.



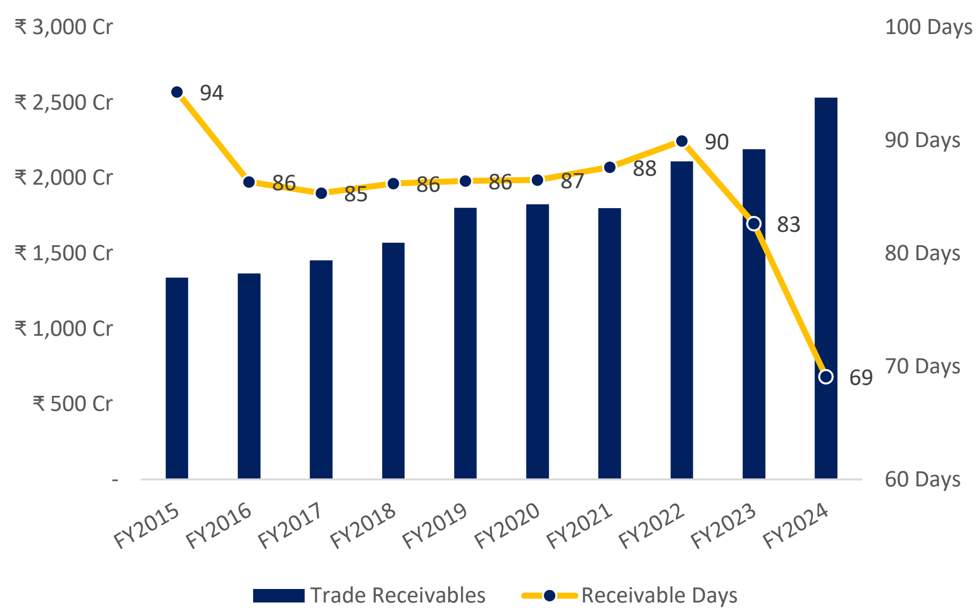
Peers Inventory Days Analysis	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Voltas	65 Days	78 Days	65 Days	76 Days	97 Days	84 Days	103 Days	79 Days	79 Days
Blue Star	104 Days	97 Days	152 Days	119 Days	116 Days	143 Days	125 Days	127 Days	106 Days
Amber Enterprises	96 Days	71 Days	83 Days	88 Days	72 Days	104 Days	87 Days	68 Days	56 Days
Johnson Controls	178 Days	138 Days	116 Days	140 Days	190 Days	249 Days	199 Days	177 Days	178 Days
Havells	70 Days	99 Days	124 Days	115 Days	121 Days	153 Days	119 Days	119 Days	102 Days
Whirlpool of India			99 Days	96 Days	117 Days	124 Days	114 Days	120 Days	99 Days
Median	**100 Days**	**98 Days**	**116 Days**	**115 Days**	**117 Days**	**143 Days**	**119 Days**	**120 Days**	**102 Days**
Average	**112 Days**	**101 Days**	**115 Days**	**112 Days**	**123 Days**	**155 Days**	**129 Days**	**122 Days**	**108 Days**

Financials

Trade Receivables

Voltas Ltd. has seen a significant shift in its receivables management, primarily driven by provisions made for delayed collections and legacy issues in the Middle East. This has led to a decline in average trade receivables as a percentage of revenue from 24.6% in FY22 to 18.9% in FY24. The immediate impact of these provisions was a sharp reduction in receivable days, dropping from 83 days to 69 days. However, this decline does not indicate an actual improvement in collections but rather an accounting adjustment due to impairment.

Since more than 50% of trade receivables are still due after six months, it suggests that a large portion of outstanding payments remains unresolved. As these long-due receivables continue to weigh on the company's balance sheet, receivable days are expected to rise from 69 days toward 75 days in FY29 which is also inline with street estimate. This increase will be gradual as older dues are either collected or written off. However, the company's prudent approach to project selection and stricter credit policies will prevent receivable days from returning to its historical average of 86 days. While Voltas' receivable cycle remains longer than the industry average of 67 days, its ongoing focus on payment discipline will ensure better stability going forward.



Peers Receivable Days Analysis	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Voltas	**86 Days**	**85 Days**	**86 Days**	**86 Days**	**87 Days**	**88 Days**	**90 Days**	**83 Days**	**69 Days**
Blue Star	76 Days	78 Days	75 Days	78 Days	57 Days	69 Days	72 Days	71 Days	74 Days
Amber Enterprises	83 Days	69 Days	65 Days	104 Days	79 Days	129 Days	114 Days	93 Days	85 Days
Johnson Controls	62 Days	54 Days	69 Days	73 Days	42 Days	59 Days	70 Days	49 Days	72 Days
Havells	11 Days	14 Days	15 Days	15 Days	9 Days	20 Days	20 Days	21 Days	23 Days
Whirlpool of India			18 Days	17 Days	20 Days	23 Days	25 Days	24 Days	18 Days
Median	**69 Days**	**62 Days**	**65 Days**	**73 Days**	**42 Days**	**59 Days**	**70 Days**	**49 Days**	**72 Days**
Average	**58 Days**	**54 Days**	**48 Days**	**57 Days**	**41 Days**	**60 Days**	**60 Days**	**52 Days**	**54 Days**

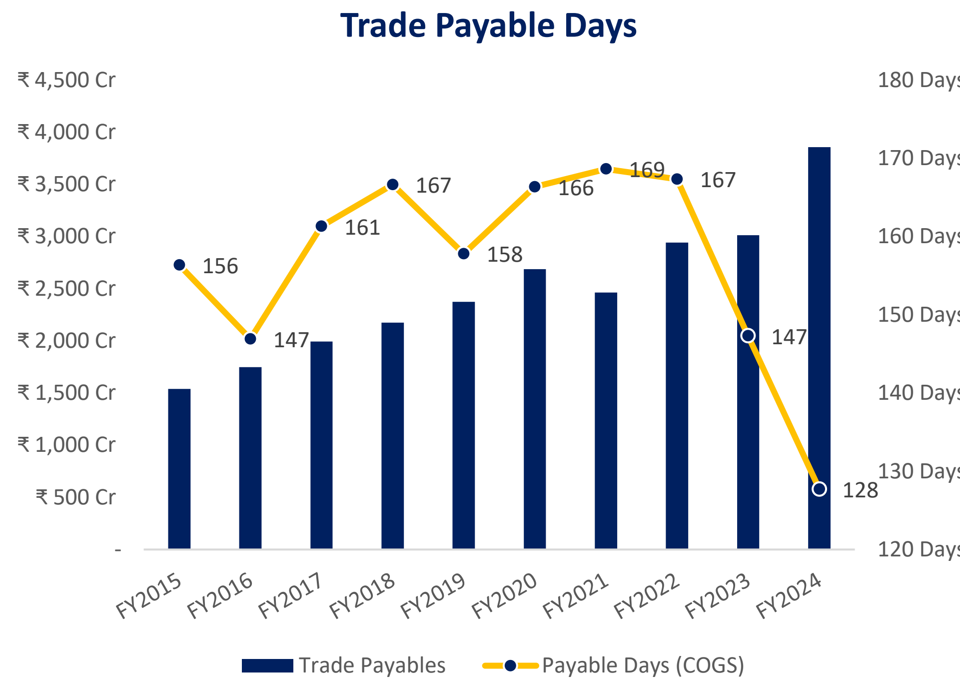
Financials

Trade Payable

Voltas' trade payable days (COGS) have shown fluctuations over the past decade, with a peak of 169 days in FY21 before declining to 128 days in FY24. The trade payables as % of Revenue & COGS have continuously decreased from 33.1% & 45.6% respectively in FY20 to 27.5% & 35.0% in FY24. The declining trend suggests tighter supplier payment cycles, possibly reflecting changes in working capital management.

However the peer companies have consistently maintained payables of 149 Days which is higher than 10 year historical payable days of the company. Further, street estimates suggest that the payable days shall remain at the lower levels than its historical average.

In the absence of management guidance and basis our research, we foresee the payable days to remain at a range of 120 Days to 140 Days.



Peers Payable Days Analysis	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Voltas	**147 Days**	**161 Days**	**167 Days**	**158 Days**	**166 Days**	**169 Days**	**167 Days**	**147 Days**	**128 Days**
Blue Star	211 Days	191 Days	228 Days	211 Days	211 Days	260 Days	223 Days	223 Days	198 Days
Amber Enterprises	165 Days	119 Days	120 Days	148 Days	124 Days	193 Days	176 Days	143 Days	144 Days
Johnson Controls	149 Days	133 Days	130 Days	137 Days	144 Days	224 Days	175 Days	143 Days	214 Days
Havells	42 Days	66 Days	125 Days	94 Days	92 Days	93 Days	95 Days	85 Days	81 Days
Epack Durables						85 Days	153 Days	107 Days	127 Days
Median	**157 Days**	**126 Days**	**128 Days**	**143 Days**	**134 Days**	**193 Days**	**175 Days**	**143 Days**	**144 Days**
Average	**142 Days**	**127 Days**	**151 Days**	**148 Days**	**143 Days**	**171 Days**	**164 Days**	**140 Days**	**153 Days**

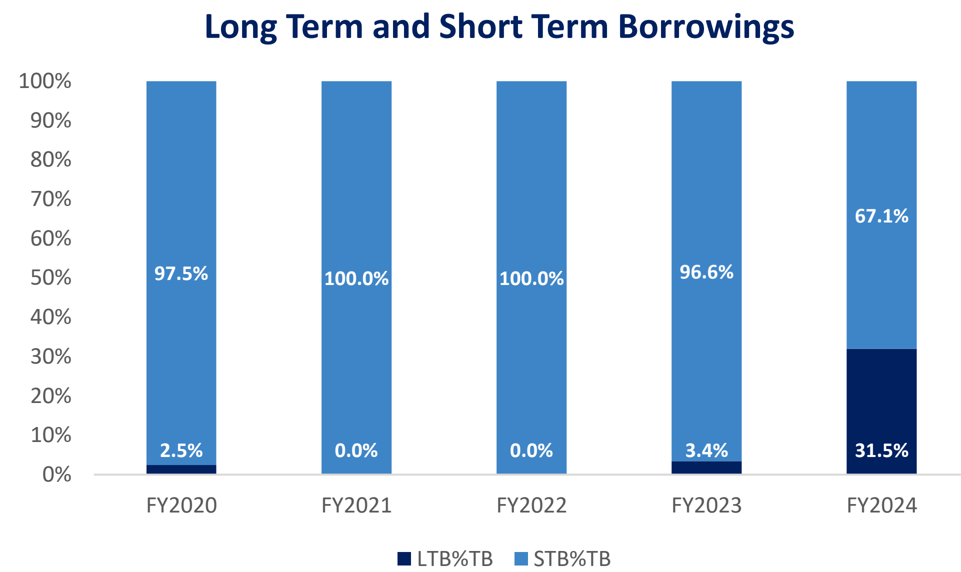
Financials

Borrowings

In recent years, the company has significantly increased its long-term debt, with the debt-to-equity ratio rising steadily from 0.05x in FY2020 to 0.12x in FY2024. This increase was primarily driven by capital expenditures (CAPEX) undertaken to expand manufacturing capacity, with approximately 70% of the CAPEX funded through long-term borrowings.

Looking ahead, we anticipate that the company will continue to raise long-term debt to support its future CAPEX plans. We assume that around 25% of the planned CAPEX will be financed through long-term borrowings.

Historically, short-term borrowings have been maintained at approximately 4% of revenue. We expect the company to gradually pay off the short-term debts eventually reaching to ~2% of revenue



Share of Profit/(Loss) of Joint Venture & Associates

Voltbek, a JV between Voltas Ltd. and Beko, has rapidly expanded in the consumer durables market, growing volumes by 53% and revenue by 46% YoY. The home appliances industry is set to grow at a 7.23% CAGR from 2025-2029, benefiting Voltbek's positioning. Despite this, losses have widened from ₹69 crore in FY2020 to ₹139 crore in FY2024 due to brand investments and supply chain expansion.

Management expects EBITDA breakeven by Q4 FY2025 or early FY2026, supported by a 300-400 bps gross margin improvement and a projected 8-10% market share in Washing Machines and Refrigerators. Street estimates predict losses of ₹110 crore in FY2025, moderating to ₹82 crore by FY2027.

in INR Crs.

Street Estimate	FY2025E	FY2026E	FY2027E
BOB Capital	₹ (110)	₹ (110)	₹ (110)
Motilal Oswal	₹ (125)	₹ (112)	₹ (60)
ICICI Securities	₹ (80)	₹ (75)	₹ (75)
Anand Rathi	₹ (110)	₹ (99)	₹ (89)
Median	**₹ (110)**	**₹ (104)**	**₹ (82)**

Net profit is expected to breakeven by FY2029 following the street estimates for FY25 to FY27, with gradual margin improvements post-FY2029, ultimately reaching the 5%-6% industry median by FY2034. Growth will be driven by scale efficiencies, an improved product mix, and cost control measures. Additionally, continued investments in manufacturing and distribution will enhance long-term profitability, ensuring Voltbek transitions from a loss-making entity to a key earnings contributor for Voltas Ltd.

3 Statement Financials – Income Statement

	Actual	Explicit Forecast Period					Maturity Period				
In INR Crores unless stated otherwise	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Income Statement											
Revenue	₹ 12,481	₹ 15,181	₹ 18,271	₹ 21,578	₹ 24,886	₹ 27,832	₹ 30,905	₹ 34,070	₹ 37,286	₹ 40,507	₹ 43,683
Less: Cost of Goods Sold	₹ (9,814)	₹ (11,690)	₹ (14,023)	₹ (16,507)	₹ (18,975)	₹ (21,153)	₹ (23,488)	₹ (25,893)	₹ (28,337)	₹ (30,786)	₹ (33,199)
Gross Profit	**₹ 2,667**	**₹ 3,492**	**₹ 4,248**	**₹ 5,071**	**₹ 5,910**	**₹ 6,680**	**₹ 7,417**	**₹ 8,177**	**₹ 8,949**	**₹ 9,722**	**₹ 10,484**
Gross Margin	***21.4%***	***23.0%***	***23.3%***	***23.5%***	***23.8%***	***24.0%***	***24.0%***	***24.0%***	***24.0%***	***24.0%***	***24.0%***
Less: SG&A (Excluding Depreciaiton & Interest Expenses)											
Employee Benefit Expenses	₹ (779)	₹ (911)	₹ (1,073)	₹ (1,241)	₹ (1,400)	₹ (1,531)	₹ (1,700)	₹ (1,874)	₹ (2,051)	₹ (2,228)	₹ (2,403)
General & Administrative Expenses	₹ (432)	₹ (638)	₹ (736)	₹ (831)	₹ (916)	₹ (976)	₹ (1,084)	₹ (1,195)	₹ (1,307)	₹ (1,420)	₹ (1,532)
Selling & General Expenses	₹ (367)	₹ (455)	₹ (539)	₹ (626)	₹ (709)	₹ (779)	₹ (865)	₹ (954)	₹ (1,044)	₹ (1,134)	₹ (1,223)
Miscellaneous Expenses	₹ (548)	₹ (537)	₹ (608)	₹ (673)	₹ (724)	₹ (751)	₹ (834)	₹ (920)	₹ (1,007)	₹ (1,094)	₹ (1,179)
Other Expenses	₹ (67)	₹ (81)	₹ (98)	₹ (115)	₹ (133)	₹ (149)	₹ (165)	₹ (182)	₹ (200)	₹ (217)	₹ (234)
Earnings Before Interest, Taxes, Depreciation & Amortizaiton	**₹ 474**	**₹ 869**	**₹ 1,194**	**₹ 1,584**	**₹ 2,028**	**₹ 2,493**	**₹ 2,769**	**₹ 3,052**	**₹ 3,340**	**₹ 3,629**	**₹ 3,913**
EBITDA Margins	***3.8%***	***5.7%***	***6.5%***	***7.3%***	***8.2%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***
Less: Depreciation & Amortization											
Depreciation	₹ (48)	₹ (73)	₹ (88)	₹ (99)	₹ (111)	₹ (119)	₹ (140)	₹ (149)	₹ (159)	₹ (168)	₹ (179)
Earnings Before Interest and Taxes	**₹ 427**	**₹ 797**	**₹ 1,106**	**₹ 1,485**	**₹ 1,917**	**₹ 2,374**	**₹ 2,629**	**₹ 2,903**	**₹ 3,181**	**₹ 3,461**	**₹ 3,735**
EBIT Margins	***3.4%***	***5.2%***	***6.1%***	***6.9%***	***7.7%***	***8.5%***	***8.5%***	***8.5%***	***8.5%***	***8.5%***	***8.5%***
Less: Interest	₹ (56)	₹ (64)	₹ (73)	₹ (74)	₹ (75)	₹ (79)	₹ (81)	₹ (85)	₹ (91)	₹ (97)	₹ (103)
Add: Other Income	₹ 253	₹ 152	₹ 183	₹ 216	₹ 249	₹ 278	₹ 309	₹ 341	₹ 373	₹ 405	₹ 437
Profit Before Exceptional, ExtraOrdinary Items And Tax	**₹ 624**	**₹ 884**	**₹ 1,215**	**₹ 1,627**	**₹ 2,091**	**₹ 2,574**	**₹ 2,857**	**₹ 3,158**	**₹ 3,464**	**₹ 3,769**	**₹ 4,068**
Exceptional Items	-	-	-	-	-	-	-	-	-	-	-
Share Of Profit/Loss Of Associates	₹ (139)	₹ (110)	₹ (96)	₹ (82)	₹ (36)	₹ 10	₹ 65	₹ 127	₹ 199	₹ 277	₹ 363
Profit Before Tax	**₹ 486**	**₹ 774**	**₹ 1,119**	**₹ 1,545**	**₹ 2,055**	**₹ 2,584**	**₹ 2,922**	**₹ 3,286**	**₹ 3,663**	**₹ 4,046**	**₹ 4,432**
Less: Taxes	₹ (238)	₹ (172)	₹ (230)	₹ (303)	₹ (386)	₹ (472)	₹ 140	₹ 143	₹ 145	₹ 148	₹ 150
Net Income	**₹ 248**	**₹ 602**	**₹ 890**	**₹ 1,242**	**₹ 1,668**	**₹ 2,111**	**₹ 3,062**	**₹ 3,428**	**₹ 3,808**	**₹ 4,193**	**₹ 4,582**

3 Statement Financials – Balance Sheet

In INR Crores unless stated otherwise	Actual	Explicit Forecast Period					Maturity Period				
	FY2024	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034**
Balance Sheet											
Assets											
Cash	₹ 814	₹ 1,196	₹ 1,289	₹ 1,596	₹ 1,836	₹ 1,641	₹ 1,748	₹ 2,103	₹ 2,143	₹ 2,140	₹ 2,058
Other Balances with Bank	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37	₹ 37
Inventories	₹ 2,135	₹ 2,402	₹ 2,881	₹ 3,166	₹ 3,639	₹ 4,057	₹ 4,505	₹ 4,966	₹ 5,435	₹ 5,904	₹ 6,367
Trade Receivables	₹ 2,533	₹ 2,923	₹ 3,577	₹ 4,294	₹ 5,033	₹ 5,719	₹ 6,266	₹ 6,814	₹ 7,355	₹ 7,880	₹ 8,378
Current Investments	₹ 501	₹ 501	₹ 501	₹ 552	₹ 607	₹ 667	₹ 667	₹ 667	₹ 667	₹ 667	₹ 667
Short Term Loans And Advances	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455	₹ 1,455
Other Current Assets	₹ 249	₹ 273	₹ 329	₹ 432	₹ 498	₹ 557	₹ 618	₹ 681	₹ 746	₹ 810	₹ 874
Total Current Assets	**₹ 7,725**	**₹ 8,787**	**₹ 10,070**	**₹ 11,531**	**₹ 13,104**	**₹ 14,133**	**₹ 15,296**	**₹ 16,724**	**₹ 17,838**	**₹ 18,894**	**₹ 19,836**
Property, Plant & Equipment	₹ 390	₹ 776	₹ 972	₹ 1,081	₹ 1,199	₹ 1,236	₹ 1,270	₹ 1,300	₹ 1,324	₹ 1,339	₹ 1,342
Capital Work in Progress	₹ 368	-	-	-	-	-	-	-	-	-	-
Investment Properties	₹ 45	₹ 40	₹ 36	₹ 31	₹ 27	₹ 22	₹ 124	₹ 119	₹ 114	₹ 108	₹ 111
Right of Use Asset	₹ 35	₹ 31	₹ 28	₹ 24	₹ 21	₹ 17	₹ 96	₹ 92	₹ 88	₹ 83	₹ 86
Other Intangible Assets	₹ 6	₹ 5	₹ 4	₹ 4	₹ 3	₹ 3	₹ 15	₹ 15	₹ 14	₹ 13	₹ 14
Goodwill	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72	₹ 72
Non Current Financial Assets	₹ 3,244	₹ 3,296	₹ 3,363	₹ 3,446	₹ 3,578	₹ 4,277	₹ 4,878	₹ 5,433	₹ 6,120	₹ 6,940	₹ 7,915
Other Non-Current Assets	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110	₹ 110
Total Non-Current Assets	**₹ 4,270**	**₹ 4,332**	**₹ 4,585**	**₹ 4,769**	**₹ 5,010**	**₹ 5,738**	**₹ 6,566**	**₹ 7,142**	**₹ 7,842**	**₹ 8,665**	**₹ 9,651**
Total Assets	**₹ 11,995**	**₹ 13,119**	**₹ 14,655**	**₹ 16,300**	**₹ 18,115**	**₹ 19,871**	**₹ 21,862**	**₹ 23,865**	**₹ 25,679**	**₹ 27,559**	**₹ 29,487**
Equities & Liabilities											
Equity											
Total Share Capital	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33	₹ 33
Reserves and Surplus	₹ 5,787	₹ 6,148	₹ 6,638	₹ 7,259	₹ 8,010	₹ 8,854	₹ 9,834	₹ 10,794	₹ 11,556	₹ 12,394	₹ 13,311
Total Shareholders Funds	**₹ 5,821**	**₹ 6,182**	**₹ 6,671**	**₹ 7,292**	**₹ 8,043**	**₹ 8,887**	**₹ 9,867**	**₹ 10,827**	**₹ 11,589**	**₹ 12,427**	**₹ 13,344**
Minority Interest	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34	₹ 34
Total Equity	**₹ 5,854**	**₹ 6,215**	**₹ 6,705**	**₹ 7,326**	**₹ 8,077**	**₹ 8,921**	**₹ 9,901**	**₹ 10,861**	**₹ 11,622**	**₹ 12,461**	**₹ 13,377**
Non-Current Liabilties											
Long Term Borrowings	₹ 228	₹ 295	₹ 296	₹ 264	₹ 227	₹ 161	₹ 112	₹ 79	₹ 55	₹ 35	₹ 22
Deferred Tax Liabilities [Net]	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18	₹ 18
Other Long Term Liabilities	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40	₹ 40
Long Term Provisions	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98	₹ 98
Total Non-Current Liabilities	**₹ 384**	**₹ 451**	**₹ 452**	**₹ 420**	**₹ 383**	**₹ 317**	**₹ 268**	**₹ 235**	**₹ 211**	**₹ 191**	**₹ 178**
Current Liabilities											
Trade Payables	₹ 3,856	₹ 4,420	₹ 5,187	₹ 5,970	₹ 6,706	₹ 7,360	₹ 8,082	₹ 8,811	₹ 9,534	₹ 10,239	₹ 10,915
Short Term Borrowings	₹ 485	₹ 607	₹ 639	₹ 647	₹ 747	₹ 835	₹ 927	₹ 1,022	₹ 1,119	₹ 1,215	₹ 1,310
Contract Liablities	₹ 647	₹ 759	₹ 914	₹ 1,079	₹ 1,244	₹ 1,392	₹ 1,545	₹ 1,703	₹ 1,864	₹ 2,025	₹ 2,184
Other Current Liabilities	₹ 557	₹ 455	₹ 548	₹ 647	₹ 747	₹ 835	₹ 927	₹ 1,022	₹ 1,119	₹ 1,215	₹ 1,310
Short Term Provisions	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211	₹ 211
Total Current Liabilities	**₹ 5,756**	**₹ 6,452**	**₹ 7,499**	**₹ 8,554**	**₹ 9,655**	**₹ 10,633**	**₹ 11,693**	**₹ 12,769**	**₹ 13,846**	**₹ 14,906**	**₹ 15,931**
Total Equity and Liabilities	**₹ 11,995**	**₹ 13,119**	**₹ 14,655**	**₹ 16,300**	**₹ 18,115**	**₹ 19,871**	**₹ 21,862**	**₹ 23,865**	**₹ 25,679**	**₹ 27,559**	**₹ 29,487**

3 Statement Financials – Cash Flow Statement

	Actual	Explicit Forecast Period					Maturity Period				
In INR Crores unless stated otherwise	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Cash Flow Statement											
Profit Before Tax	₹ 486	₹ 774	₹ 1,119	₹ 1,545	₹ 2,055	₹ 2,584	₹ 2,922	₹ 3,286	₹ 3,663	₹ 4,046	₹ 4,432
Share of (Profit)/Loss of Joint Venture and Associates (net of tax)	₹ 139	₹ 110	₹ 96	₹ 82	₹ 36	₹ (10)	₹ (65)	₹ (127)	₹ (199)	₹ (277)	₹ (363)
Add: Interest Expense	₹ 56	₹ 64	₹ 73	₹ 74	₹ 75	₹ 79	₹ 81	₹ 85	₹ 91	₹ 97	₹ 103
Add: Depreciation	₹ 48	₹ 73	₹ 88	₹ 99	₹ 111	₹ 119	₹ 140	₹ 149	₹ 159	₹ 168	₹ 179
Add: Other Items	₹ 165	-	-	-	-	-	-	-	-	-	-
Less: Change in Working Capital	₹ 80	₹ (107)	₹ (175)	₹ (57)	₹ (277)	₹ (273)	₹ (88)	₹ (91)	₹ (94)	₹ (95)	₹ (95)
Less: Tax Paid	₹ (212)	₹ (172)	₹ (230)	₹ (303)	₹ (386)	₹ (472)	₹ 140	₹ 143	₹ 145	₹ 148	₹ 150
Cash Flow from Operations	**₹ 761**	**₹ 742**	**₹ 972**	**₹ 1,440**	**₹ 1,614**	**₹ 2,026**	**₹ 3,130**	**₹ 3,444**	**₹ 3,764**	**₹ 4,086**	**₹ 4,406**
Net Purchase of Fixed Assets	₹ (288)	₹ (450)	₹ (275)	₹ (200)	₹ (221)	₹ (147)	₹ (367)	₹ (170)	₹ (172)	₹ (172)	₹ (189)
Change in CWIP		₹ 368	-	-	-	-	-	-	-	-	-
Net Purchase of Investments	₹ (453)	₹ (162)	₹ (162)	₹ (215)	₹ (223)	₹ (750)	₹ (537)	₹ (428)	₹ (488)	₹ (543)	₹ (612)
Other Items	₹ 219	-	-	-	-	-	-	-	-	-	-
Cash From from Investing Activities	**₹ (522)**	**₹ (245)**	**₹ (437)**	**₹ (415)**	**₹ (444)**	**₹ (897)**	**₹ (903)**	**₹ (598)**	**₹ (660)**	**₹ (715)**	**₹ (801)**
Net Proceeds from Long Term Borrowings	₹ 97	₹ 67	₹ 1	₹ (32)	₹ (37)	₹ (66)	₹ (49)	₹ (33)	₹ (24)	₹ (19)	₹ (13)
Net Proceeds from Short Term Borrowings	-	₹ 122	₹ 32	₹ 8	₹ 99	₹ 88	₹ 92	₹ 95	₹ 96	₹ 97	₹ 95
Dividend Paid	₹ (143)	₹ (241)	₹ (400)	₹ (621)	₹ (918)	₹ (1,267)	₹ (2,082)	₹ (2,468)	₹ (3,046)	₹ (3,355)	₹ (3,665)
Interest Paid	₹ (56)	₹ (64)	₹ (73)	₹ (74)	₹ (75)	₹ (79)	₹ (81)	₹ (85)	₹ (91)	₹ (97)	₹ (103)
Redemption of Financial Liabilities	₹ (15)	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
Cash Flow from Financing Actiivites	**₹ (117)**	**₹ (116)**	**₹ (441)**	**₹ (719)**	**₹ (930)**	**₹ (1,323)**	**₹ (2,120)**	**₹ (2,491)**	**₹ (3,065)**	**₹ (3,374)**	**₹ (3,686)**
Net Change in Cash	₹ 121	₹ 381	₹ 94	₹ 307	₹ 240	₹ (194)	₹ 107	₹ 355	₹ 40	₹ (3)	₹ (82)
Opening Cash Balance	₹ 693	₹ 814	₹ 1,196	₹ 1,289	₹ 1,596	₹ 1,836	₹ 1,641	₹ 1,748	₹ 2,103	₹ 2,143	₹ 2,140
Closing Cash Balance	**₹ 814**	**₹ 1,196**	**₹ 1,289**	**₹ 1,596**	**₹ 1,836**	**₹ 1,641**	**₹ 1,748**	**₹ 2,103**	**₹ 2,143**	**₹ 2,140**	**₹ 2,058**

Valuation

3

Valuation

Objective

The objective is to reach at the intrinsic value of Voltas' stock. The analysis aims to assess the company's worth basis its ability to generate cash flows, future growth and risk associated with the business. We have carefully considered management's guidance while performing the analysis

Valuation Methodology

There are primarily three approaches in Valuation (viz., Cost Approach, Market Approach, and Income Approach).

For any valuation, all the approaches may not be relevant and there fore will not give a fair estimate of value. Hence, the approach most suitable for specific business/ company must be applied in the valuation exercise based on common practices

The three approaches generally adopted in valuation are as under:

- Market Approach: Comparable Companies Method and Comparable Transaction Method.
- Income Approach: Discounted Cash Flow Method
- Asset Approach: Net Asset Value Method.

Market Approach

Under this method, we measure the value of business of the company by applying the market multiples of listed companies which trade actively and possess attributes similar and comparable with the target company. This methodology is based on the principle that such market pricing taking place between informed byers and informed sellers while taking into account all the relevant factors.

Not all multiples are applicable to every company. Therefore, the relevant multiples should be chosen carefully and adjusted for differences between the comparable. For the purpose of valuation of Voltas, we have chosen EV/EBITDA multiple.

Asset Approach

Under this approach, the value of the business is derived basis difference between the value of assets and liabilities. This approach focusses on determining the value of net assets from the perspective of equity valuation. The value of net assets can be determined as follows; Net assets = Total Assets – Total External Liabilities. The value of net assets is also known as Total Equity.

Income Approach

Under this approach, the value of business is derived by considering free cash flows, future growth and weighted average cost of capital which signifies risk.

There are four major steps in Income Approach

Forecasting future cash flows for explicit growth period.
Discounting these cash flows to present value at the rate of return which depicts the risk in realizing the future cash flows and expected growth.
Calculation of terminal value of free cash flows post explicit growth period.
Addition of present value of terminal cash flows and free cash flows during explicit forecast period.

DCF Valuation

In INR Crores unless stated otherwise				Explicit Forecast Period					Maturity Period				
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Free Cash Flow to Firm													
EBITDA	681	573	474	869	1,194	1,584	2,028	2,493	2,769	3,052	3,340	3,629	3,913
Less: Depreciation & Amortisation	(37)	(40)	(48)	(73)	(88)	(99)	(111)	(119)	(140)	(149)	(159)	(168)	(179)
EBIT	**644**	**533**	**427**	**797**	**1,106**	**1,485**	**1,917**	**2,374**	**2,629**	**2,903**	**3,181**	**3,461**	**3,735**
Less: Tax	(191)	(171)	(238)	(172)	(230)	(303)	(386)	(472)	140	143	145	148	150
EBIT (1-T)	**453**	**362**	**189**	**624**	**876**	**1,182**	**1,531**	**1,901**	**2,769**	**3,045**	**3,327**	**3,608**	**3,885**
Add: Depreciation & Amortisation	37	40	48	73	88	99	111	119	140	149	159	168	179
Cash NOPAT	**490**	**402**	**237**	**697**	**964**	**1,281**	**1,642**	**2,021**	**2,909**	**3,195**	**3,485**	**3,777**	**4,064**
Less: Reinvestments													
Change in Working Capital	(44)	(384)	80	(107)	(175)	(57)	(277)	(273)	(88)	(91)	(94)	(95)	(95)
CAPEX During the year	(47)	(178)	(288)	(450)	(275)	(200)	(221)	(147)	(367)	(170)	(172)	(172)	(189)
Free Cash Flow to Firm	**399**	**(160)**	**28**	**140**	**514**	**1,025**	**1,144**	**1,600**	**2,455**	**2,933**	**3,219**	**3,510**	**3,779**
Discount Period (Years) — Mid Year? Yes				0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount Rate (WACC) (Appendix 1) — 14.00%													
Present Value Factor				0.937	0.822	0.721	0.632	0.555	0.486	0.427	0.374	0.328	0.288
Present Value of Free Cash Flow to Firm				**131**	**422**	**738**	**723**	**887**	**1,194**	**1,252**	**1,205**	**1,152**	**1,088**

DCF Calculation - Perpetuity Growth

Perpetual Growth Rate	6%
Terminal Year FCFF x (1+PGR)	4,006
Terminal Value	**50,076**
Present Value of Terminal Value	14,422
Present Value of FCFFs	8,794
Enterprise Value	**23,216**
Implied Exit Multiple	*5.9x*
Implied EV/EBITDA	*48.9x*
Less: Debt	(713)
Add: Cash	851
Less: Minority Interest	(34)
Add: Value of Holdings	
Add: Non Operating Asset	7,915
Equity Value	**31,236**
Less: Value of Options	0
Equity Value for Shareholders	**31,236**

DCF Calculation - Exit Multiple

Exit Multiple	13.5x
Terminal Year EBITDA	2,493
Terminal Value	**33,661**
Present Value of Terminal Value	9,695
Present Value of FCFFs	8,794
Enterprise Value	**18,489**
Implied Exit Multiple	4.7x
Implied EV/EBITDA	39.0x
Less: Debt	(713)
Add: Cash	851
Less: Minority Interest	(34)
Add: Non Operating Asset	7,915
Equity Value	**26,508**
Less: Value of Options	0
Equity Value for Shareholders	**26,508**

Market Cap
INR 41,989

Intrinsic Value
INR 31,236 Crores

WACC
14%

Terminal Growth
6%

Terminal Growth % \ WACC	12.00%	13.00%	14.00%	15.00%	16.00%	17.00%
3%	32,550	29,485	27,006	24,964	23,257	21,813
4%	34,553	30,971	28,134	25,837	23,943	22,359
5%	37,128	32,828	29,513	26,884	24,754	22,997
6%	40,562	35,216	31,236	28,164	25,727	23,751
7%	45,370	38,401	33,452	29,764	26,917	24,656
8%	52,582	42,858	36,406	31,822	28,403	25,761

Exit Multiple \ WACC	12.00%	13.00%	14.00%	15.00%	16.00%	17.00%
2.0x	19,511	18,857	18,250	17,687	17,164	16,678
3.0x	20,361	19,637	18,968	18,348	17,773	17,239
4.0x	21,210	20,418	19,686	19,009	18,382	17,800
5.0x	22,060	21,199	20,404	19,670	18,990	18,361
6.0x	22,909	21,980	21,123	20,331	19,599	18,922
7.0x	23,759	22,761	21,841	20,992	20,208	19,483

Relative Valuation

In INR Crores

Relative Valuation	Ticker	Market Data: Share Price	Market Cap	Debt	Enterprise Value	Financials: Sales 2024A	Sales 2025E	Sales 2026E	EBITDA 2024A	EBITDA 2025E	EBITDA 2026E	PAT 2024A	PAT 2025E	PAT 2026E
Blue Star Ltd	NSEI:BLUESTARCO	1949	40018	2	40153	9685	11900	14200	665	908	1129	415	603	766
Whirlpool of India Ltd	NSEI:WHIRLPOOL	1000	12682	52	10296	6829	7876	8871	403	567	759	217	356	503
Havells India Ltd	NSEI:HAVELLS	1533	96082	332	93132	18550	21453	24586	1845	2066	2605	1273	1440	1816
Amber Enterprises India Ltd	NSEI:AMBER	5780	19549	2032	21043	6729	9463	11158	492	717	882.3	132	252	384

Relative Valuation	EV/Sales 2024A	EV/Sales 2025E	EV/Sales 2026E	EV/EBITDA 2024A	EV/EBITDA 2025E	EV/EBITDA 2026E	Price/Earnings 2024A	Price/Earnings 2025E	Price/Earnings 2026E
Blue Star Ltd	4.1x	3.4x	2.8x	60.4x	44.2x	35.6x	96.4x	66.4x	52.2x
Whirlpool of India Ltd	1.5x	1.3x	1.2x	25.5x	18.2x	13.6x	58.4x	35.6x	25.2x
Havells India Ltd	5.0x	4.3x	3.8x	50.5x	45.1x	35.8x	75.5x	66.7x	52.9x
Amber Enterprises India Ltd	3.1x	2.2x	1.9x	42.8x	29.3x	23.9x	148.1x	77.6x	50.9x
High	5.0x	4.3x	3.8x	60.4x	45.1x	35.8x	148.1x	77.6x	52.9x
75th Percentile	4.4x	3.6x	3.1x	53.0x	44.4x	35.6x	109.3x	69.4x	52.4x
Average	**3.5x**	**2.8x**	**2.4x**	**44.8x**	**34.2x**	**27.2x**	**94.6x**	**61.6x**	**45.3x**
Median	**3.6x**	**2.8x**	**2.4x**	**46.6x**	**36.8x**	**29.7x**	**86.0x**	**66.5x**	**51.6x**
25th Percentile	2.7x	2.0x	1.7x	38.5x	26.6x	21.3x	71.2x	58.7x	44.5x
Low	1.5x	1.3x	1.2x	25.5x	18.2x	13.6x	58.4x	35.6x	25.2x

Parameter Weights	15%	20%	20%	30%	15%			2024A		
Comparable Companies	**Size**	**Growth**	**Profitability**	**Revenue Mix Alignment**	**Geographic Revenue Alignment**	**Parameter Score**	**Weighted Score**	**EV/Sales**	**EV/EBITDA**	**P/E**
Blue Star Ltd	4	3	1	4	4	3.2	0.32	4.1x	44.2x	66.4x
Whirlpool of India Ltd	1	2	2	2	1	1.7	0.17	1.5x	18.2x	35.6x
Havells India Ltd	3	4	4	1	3	2.8	0.28	5.0x	45.1x	66.7x
Amber Enterprises India Ltd	2	1	3	3	2	2.3	0.23	3.1x	29.3x	77.6x
							Discounted Multiple	3.7x	36.6x	63.8x

Relative Valuation	
Sales	12,481
EBITDA	474
Earnings	248
Valuation Multiple	EV/Sales
EV/Sales	3.7x
Enterprise Value	**46280**
Less: Debt	(713)
Add: Cash	851
Less: Minority Interest	(34)
Add: Value of Holdings	-
Add: Non Operating Asset	7,915
Equity Value	**54,300**
Less: Value of Options	-
Equity Value for Shareholders	**54,300**

Relative Valuation	
Sales	12,481
EBITDA	474
Earnings	248
Valuation Multiple	EV/EBITDA
EV/EBITDA	36.6x
Enterprise Value	**17367**
Less: Debt	(713)
Add: Cash	851
Less: Minority Interest	(34)
Add: Value of Holdings	-
Add: Non Operating Asset	7,915
Equity Value	**25,387**
Less: Value of Options	-
Equity Value for Shareholders	**25,387**

Relative Valuation	
Sales	12,481
EBITDA	474
Earnings	248
Valuation Multiple	P/E
P/E	63.8x
Equity Value	**15818**
Less: Debt	-
Add: Cash	-
Less: Minority Interest	-
Add: Value of Holdings	-
Add: Non Operating Asset	-
Equity Value	**15,818**
Less: Value of Options	-
Equity Value for Shareholders	**15,818**

Companies in consumer durable industry considered for relative valuation includes Blue Star Ltd, Whirlpool of India Ltd, Havells India Ltd, Amber Enterprises Ltd. Refer Appendix 2 for brief business description and methodology for assigning weights to relative valuation parameters.

Valuation Summary

Valuation Method	Enterprise Value	Equity Value Available for Shareholders	Value Per Share	Market Price	Discount/ Premium	Discount/ Premium%
DCF - Perpetuity Growth	23216	31236	₹ 944	₹ 1,269	₹ 325	25.6%
DCF - Exit Multiple	18489	26508	₹ 801	₹ 1,269	₹ 468	36.9%
Relative Valuation - EV/Sales	46280	54300	₹ 1,641	₹ 1,269	₹ (372)	(29.4%)
Relative Valuation - EV/EBITDA	17367	25387	₹ 767	₹ 1,269	₹ 502	39.5%
Relative Valuation - P/E		15818	₹ 478	₹ 1,269	₹ 791	62.3%

Analysis

As per the DCF Valuation, the share is trading at a premium of INR 325 and INR 468 per share when valued using perpetuity growth method and Exit Multiple method respectively. Similarly, when valued on EV/EBITDA multiple and P/E multiple, the company was found out to be trading at premium of INR 502 and INR 791 per share respectively.
However, the relative valuation of company based on EV/Sales multiple found out to be undervalued, trading at discount of INR 372 per share

Analysis considering DCF valuation for Perpetual Growth

The share is trading at a premium of INR 325 making it overvalued, is because of factors such as:

1. PEG lower than industry PEG: Share of the company is trading at a PEG ratio of 0.37 as compared to the industry PEG ratio of 1.4 making it a lucrative investment for the investors.
2. Low Debt Exposure: The company is perceived as less risky due to its low debt-to-equity ratio of 0.12.
3. Strong Brand Image: Voltas has a strong brand image which keeps it at an advantage in the market thus attracting investors.

Acknowledgment, Sources & Disclaimer

Acknowledgment

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His expertise in finance and his willingness to share his knowledge not only enriched my understanding of business analysis and valuation but also inspired me to strive for excellence. I am deeply appreciative of his support throughout this journey.

Sources

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- Statista, Markets & Data, Renub Research
- Mordor Intelligence
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Disclaimer

The valuations carried out are based on a good amount of assumptions, which are built based on the understanding of the company analysis.
The report has been prepared solely for educational purposes and should not be considered or used for investment purposes. The author assumes no liability or responsibility for the losses caused by using this report as investment advice.
Please bear in mind that the analysis and valuations presented in this report are based on the data and information available at the time of preparation.

Appendix 1: Weighted Average Cost of Capital

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Appendix 1: Weighted Average Cost of Capital (WACC)

WACC Inputs	
Country	India
Local Currency 10Y Government Bond Yield	6.75%
India's Moodys Sovereign Rating	Baa3
Credit Default Spread as per Dr Damodaran	2.18%
Implied US Equity Risk Premium	3.95%
Asset Beta	0.79
Asset Beta Variation (+/-)	0.05
Debt to Equity	12.4%

Debt to Capital (Gearing)	11.0%
Marginal Tax Rate	25%
Company Credit Rating Available?	Yes
Company is Large Firm or Small Firm?	L
Provide Credit Rating	Aaa/AAA
Interest Coverage Ratio	7.6
ICR Based Corporate Default Spread	0.6%
Small Size Premium	6%

WACC Inputs	Low	Mid	High
Risk Free Rate	4.57%	4.57%	4.57%
Equity Risk Premium	6.13%	6.13%	6.13%
Asset Beta	0.74	0.79	0.84
D/E Ratio	12.35%	12.35%	12.35%
Equity Beta	0.81	0.86	0.92
CAPM Cost of Equity	**9.53%**	**9.86%**	**10.20%**
Small Size Premium	5.30%	5.30%	5.30%
Asset Specific Premium	0.00%	0.00%	0.00%
Modified Cost of Equity	**14.83%**	**15.16%**	**15.50%**
Pre Tax Cost of Debt	7.20%	7.20%	7.20%
Marginal Tax Rate	25%	25%	25%
Post Tax Cost of Debt	**5.39%**	**5.39%**	**5.39%**
Capital Gearing (D/D+E)	11.0%	11.0%	11.0%
Weighted Average Cost of Capital	13.79%	14.09%	14.38%
Weighted Average Cost of Capital (Rounded)	**14.00%**	**14.00%**	**14.00%**

1. Tax rate considered as Marginal Tax Rate of India
2. Asset Beta is considered as median of 2 years weekly beta for comps adjusted for Blume effect.
*3. Equity Beta = Asset Beta * (1+(1-Tax Rate %)*Debt/Equity)*

Risk Free Rate

We have considered 4.57% as the risk-free rate in estimation of cost of equity of 9.86%. The risk-free rate of India is calculated by considering local currency 10 years government bond yield adjusted for default spread of India.

Asset Beta

We have estimated an asset beta range of 0.74 to 0.84, with a mid point of 0.79 based on observed median of 2 Years weekly asset beta of benchmark listed companies adjusted for blume effect.

Equity Risk Premium (ERP)

An ERP of 6.13% has been adopted based on US implied equity risk premium, relative equity volatility of ICE BoFA Public Sector Issues Emerging Mkts Index, S&P Emerging BMI Index and country risk premium of India.

Cost of Debt

For the purpose of assessing the cost of debt, we have used country's default spread and corporate default spread based on company's debt rating & interest coverage ratio

Small Size Premium

Empirically small sized assets have exceeded the returns as compared to large sized assets. We have used the study on size premium conducted by Incwert which is based on difference between actual returns and CAPM expected returns arranged in decile basis market capitalization of Indian companies

Appendix 1: Beta Analysis

Beta Analysis - 2 Years Weekly

Comparable Company	Ticker	No. Of Weekly Observations	Market Cap	Asset Beta	2 Years avg D/E	Equity Beta	2 Years avg D/D+E	Considered?	Narrow Set
Blue Star Ltd	NSE: BLUESTARCO	104	41915	0.74	13.0%	0.81	11.5%	Y	TRUE
Havells India Ltd	NSE: HAVELLS	104	101194	0.75	4.0%	0.77	3.8%	Y	TRUE
Amber Enterprises India Ltd	NSE: AMBER	104	23318	0.52	96.0%	0.9	49.0%	N	FALSE
Whirlpool of India Ltd	NSE: WHIRLPOOL	104	14061	0.57	1.0%	0.57	1.0%	N	FALSE
Johnson Controls-Hitachi Air Condition. India Ltd	NSE: JCHAC	104	4574	1.10	7.0%	1.16	6.5%	N	FALSE
Epack Durable Ltd	NSE: EPACK	104	3987	0.83	54.0%	1.16	35.1%	N	FALSE
Crompton Greaves Consumer Electricals Ltd	NSE: CROMPTON	104	23551	0.68	16.0%	0.76	13.8%	Y	TRUE
Median - Broad Set				**0.74**	**13.0%**	**0.81**	**11.5%**		
Average - Broad Set				0.74	27.3%	0.88	17.2%		
Median - Considered Set				**0.74**	**13.0%**	**0.77**	**11.5%**		
Average - Considered Set				0.72	11.0%	0.78	9.7%		

Blume Beta Analysis - 2 Years Weekly

Comparable Company	Ticker	No. Of Weekly Observations	Market Cap	Asset Beta	2 Years avg D/E	Equity Beta	2 Years avg D/D+E	Considered?	Narrow Set
Blue Star Ltd	NSE: BLUESTARCO	104	41915	0.80	13.0%	0.87	11.5%	Y	TRUE
Havells India Ltd	NSE: HAVELLS	104	101194	0.82	4.0%	0.85	3.8%	Y	TRUE
Amber Enterprises India Ltd	NSE: AMBER	104	23318	0.54	96.0%	0.93	49.0%	N	FALSE
Whirlpool of India Ltd	NSE: WHIRLPOOL	104	14061	0.71	1.0%	0.71	1.0%	N	FALSE
Johnson Controls-Hitachi Air Condition. India Ltd	NSE: JCHAC	104	4574	1.05	7.0%	1.11	6.5%	N	FALSE
Epack Durable Ltd	NSE: EPACK	104	3987	0.79	54.0%	1.11	35.1%	N	FALSE
Crompton Greaves Consumer Electricals Ltd	NSE: CROMPTON	104	23551	0.75	16.0%	0.84	13.8%	Y	TRUE
Median - Broad Set				**0.79**	**13.0%**	**0.87**	**11.5%**		
Average - Broad Set				0.78	27.3%	0.92	17.2%		
Median - Considered Set				**0.80**	**13.0%**	**0.85**	**11.5%**		
Average - Considered Set				0.79	11.0%	0.85	9.7%		

We are taking 0.79 as asset beta of consumer durable unit

Appendix 2: Comparable Companies

A-2

Appendix 2– Comparable Companies

Comparable Companies	Description
Blue Star Ltd	Blue Star Limited, established in 1943, is a prominent Indian multinational company specializing in air conditioning, commercial refrigeration, and MEP (Mechanical, Electrical, Plumbing, and Fire-fighting) contracting services. The company's extensive product range includes room air conditioners, air coolers, air purifiers, water purifiers, and a variety of commercial refrigeration solutions such as deep freezers, water coolers, and cold storage units. Blue Star also offers advanced central air conditioning systems, including chillers, ducted systems, and Variable Refrigerant Flow (VRF) systems, catering to diverse residential, commercial, and industrial applications. In addition to its product offerings, the company provides comprehensive MEP contracting services, delivering integrated solutions for large-scale infrastructure projects. With a robust presence across India, Blue Star operates seven state-of-the-art manufacturing facilities and maintains a strong international footprint, exporting to over 18 countries in the Middle East, SAARC, and African regions. The company's revenue is predominantly derived from the Indian market, with significant contributions from its international operations.
Whirlpool of India Ltd	Whirlpool of India Limited, a subsidiary of the global Whirlpool Corporation, offers a diverse range of home appliances tailored to the Indian market. Its product lineup includes refrigerators, washing machines, air conditioners, microwave ovens, purifiers, and built-in kitchen appliances. The company operates through two primary segments: major domestic appliances and small domestic appliances. Major domestic appliances encompass core products like refrigerators, washing machines, and air conditioners, while small domestic appliances include items such as microwave ovens and purifiers. Whirlpool of India maintains a strong manufacturing presence with facilities in Faridabad, Puducherry, and Pune, ensuring efficient production and distribution across the country. The company's extensive sales and service network spans urban and rural regions, reinforcing its commitment to meeting diverse consumer needs throughout India
Havells India Ltd	Havells India Limited is a prominent Fast-Moving Electrical Goods (FMEG) company, offering a diverse range of products for residential, commercial, and industrial applications. Its extensive product portfolio includes industrial and domestic circuit protection devices, cables and wires, motors, fans, modular switches, home appliances, air conditioners, electric water heaters, power capacitors, and luminaires. The company operates under several key brands, such as Havells, Havells Studio, Lloyd, Havells Crabtree, Standard Electricals, and REO, catering to various consumer segments. Havells maintains a strong manufacturing presence with 15 state-of-the-art plants across eight locations in India, including Alwar, Neemrana, Ghiloth (Rajasthan), Baddi (Himachal Pradesh), Tumakuru (Karnataka), Sri City (Andhra Pradesh), Faridabad (Haryana), and Haridwar (Uttarakhand). Its robust distribution network features over 1,000 exclusive brand showrooms, known as 'Havells Exclusive Brand Stores,' ensuring widespread availability and service across urban and rural regions throughout India.
Amber Enterprises India Ltd	Amber Enterprises India Limited is a leading solution provider in India's HVAC industry, specializing in the manufacturing of Room Air Conditioners (RACs) and their critical components. The company's diverse product portfolio includes complete RAC units—both window and split air conditioners—along with essential components such as heat exchangers, motors, multi-flow condensers, and printed circuit boards. Amber also extends its expertise to mobility applications, offering air conditioning solutions for railways, metros, buses, and defense vehicles. Operating through three primary segments—Consumer Durables, Electronics Manufacturing Services (EMS), and Railway Subsystems & Mobility—the company generates the majority of its revenue from the Consumer Durables segment. With 27 strategically located manufacturing facilities across nine states in India, Amber ensures efficient production and distribution to meet the demands of its extensive clientele, which includes prominent brands like Daikin, Hitachi, LG, Panasonic, Voltas, and Whirlpool.

Appendix 2– Benchmarking

Revenue Growth	2019	2020	2021	2022	2023	2024	Historical Average
Average Revenue Growth	19.7%	12.8%	-8.7%	29.8%	31.3%	7.7%	15.4%
Average EBITDA Margin	10.0%	9.0%	10.0%	8.5%	7.3%	8.1%	8.8%
Average EBIT Margin	8.8%	7.7%	8.2%	8.2%	6.6%	6.4%	7.7%
Average PBT Margin	8.2%	7.3%	7.3%	7.5%	5.8%	5.6%	6.9%
Average PAT Margin	5.6%	5.7%	5.3%	5.8%	4.3%	4.1%	5.1%
Median Revenue Growth	18.5%	6.7%	-11.0%	36.0%	26.4%	6.2%	13.8%
Median EBITDA Margin	10.0%	9.5%	8.7%	7.2%	6.4%	7.6%	8.2%
Median EBIT Margin	8.8%	7.8%	6.7%	8.0%	6.5%	5.7%	7.2%
Median PBT Margin	8.1%	7.2%	6.0%	7.3%	5.7%	5.1%	6.6%
Median PAT Margin	5.6%	6.0%	4.4%	5.7%	4.2%	3.8%	4.9%

Methodology for Weighting Parameters

For the purpose of discounting relative valuation we have assigned weights to company parameters based on following methodology

- Size of Company: Weights for company size were assigned by comparing each company's market size to Voltas Ltd., with closer alignment in market size resulting in higher weights, reflecting their relative scale and market presence.
- Geographic Revenue Alignment: Weights were assigned by comparing each company's geographic revenue distribution to Voltas Ltd., using a scoring system based on differences in India (50%), international (30%), and Middle East (20%) revenue percentages, with lower scores indicating closer alignment and higher weights.
- Weights for growth prospects were assigned by comparing each company's projected revenue growth rates to Voltas Ltd.'s estimates (FY2025-2029), calculating the average absolute difference, with lower differences indicating closer alignment and higher weights.
- Median EBITDA Profitability for last 6 years is considered for assigning weights. Higher profitability indicates higher weights.
- Weights for revenue mix alignment were assigned by comparing each company's product portfolio to Voltas Ltd.'s, with higher weights given to those with closer similarity in revenue composition across product categories.