

Voltamp Transformers (VAMP IN)

Rating: BUY | CMP: Rs1,073 | TP: Rs1,610

November 12, 2019

Q2FY20 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,610		1,610	
Sales (Rs. m)	9,396	10,457	9,396	10,457
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,100	1,211	1,100	1,211
% Chng.	-	-	-	-
EPS (Rs.)	104.8	115.0	104.8	115.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	8,288	9,396	10,457	11,147
EBITDA (Rs. m)	936	1,100	1,211	1,283
Margin (%)	11.3	11.7	11.6	11.5
PAT (Rs. m)	844	1,060	1,163	1,240
EPS (Rs.)	83.4	104.8	115.0	122.6
Gr. (%)	13.3	25.7	9.7	6.6
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	12.9	14.6	14.5	14.0
RoCE (%)	13.2	14.1	14.0	13.3
EV/Sales (x)	1.3	1.1	1.0	0.9
EV/EBITDA (x)	11.3	9.5	8.6	8.0
PE (x)	12.9	10.2	9.3	8.8
P/BV (x)	1.6	1.4	1.3	1.2

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,265 / Rs.918
Sensex / Nifty	40,345 / 11,913
Market Cap	Rs.11bn/ \$ 152m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.19.78m

Shareholding Pattern (%)

Promoter's	48.27
Foreign	15.46
Domestic Institution	21.79
Public & Others	14.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.0)	6.6	13.1
Relative	(9.3)	(1.0)	(1.5)

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Beat on margin improvement and higher other income

Quick Pointers:

- Order inflow continue to be healthy from Cement, Oil & Gas, Chemicals sector etc
- We have modelled revenue/PAT to grow at CAGR of 12.3/17% over next two years. The stock is currently trading at attractive valuations of 10/9x FY20/21E.

Voltamp Transformers (reported good set of number for 2QFY20 given challenging environment. Revenue for the quarter was up moderate 3% YoY led by 9% YoY dip in volumes and ~13% YoY increase in realization due to change in mix. PBT for the quarter grew 22.8% YoY due to (1) 70bps YoY expansion in EBITDA margin at 10.8%, and (2) 62% YoY rise in other income. The 2QFY20 order inflow stood at Rs2.7 bn (+~7% YoY), taking current order backlog to Rs4.9 bn (executable over next three quarters). We expect Voltamp to report ~8% volume CAGR over next two years (FY19-21E). Voltamp continues to receive recurring orders from several industries mainly Infrastructure, Steel, Cement, Oil & Gas, and Chemicals etc. Renewables (especially Solar) offers large opportunity from medium to longterm perspective. However, management is cautious and will be bidding selectively due to tariff uncertainty. Overall pricing environment has been challenging for sector which may improve with pickup in demand.

We remain long-term positive on the company due to industrial focused business model, debt free balance sheet and consistent free cash flow generation (current cash + Investments of Rs4.3 bn which is 40% of the current market cap). We have modelled revenue/PAT to grow at CAGR of 12.3/17% over next two years. The stock is currently trading at attractive valuations of 10/9x FY20/21E. We maintain BUY rating on the stock with TP of Rs1610 (14x FY21E).

Good results in challenging environment: Sales was up 3% YoY at Rs1.9 bn (PLe Rs2 bn) due change in mix. EBITDA margin expanded by 70bps at 10.8% (PLe ~10%) in 2QFY20 compared to 10.1% in 2QFY19. Absolute EBITDA was up 10% YoY at Rs210 mn. Depreciation cost was up by 28% at Rs21mn. Other income was up by 62% at Rs99 mn on the back of increase in MTM value of investments and Tax free Bond Interest income. PBT was up 23% at Rs287 mn (PLe. Rs256 mn). Tax rate for the quarter came lower at 9.8% (PLe~35.4%) as compared to 34% in 2QFY19. Hence PAT for the quarter came to Rs259 mn (PLe. Rs165 mn), up 68% YoY.

Order backlog Rs4.9 bn (~6,400 MVA): Robust order inflow grew by ~7% YoY led to healthy order backlog of Rs4.9 bn (up 15% YoY), will be executed over next 3 quarters. The company expects order inflow in FY20E from different verticals like Oil & Gas, Cement, Chemical and Fertilizer, Solar Power (from select states), and other SMEs.

Robust balance sheet: Voltamp being debt-free and with good working-capital management, the company has managed its cash-flows better and enjoys healthy return ratios. Prudent payment terms and a diversified clientele with more private clients help it maintain healthy working capital.



Exhibit 1: Q2FY20 Result Overview (Rs mn)

Y/e March	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	QoQ gr. (%)	H1FY20	H1FY19	YoY gr. (%)
Net Revenue	1,949	1,890	3.1	1,873	4.0	3,822	3,549	7.7
EBITDA	210	191	9.9	206	1.7	416	355	17.0
EBITDA Margin (%)	10.8	10.1		11.0		10.9	10.0	
Other Income	99	61	62.0	67	47.6	166	128	29.0
Depreciation	21	16	28.3	19	12.8	40	31	28.1
Interest	-	1	NA	-	NA	-	2.7	NA
Profit before Tax	287	234	22.8	254	13.0	542	450	20.4
Tax	28	80		85		114	145	
Reported PAT	259	154	68.2	169	53.4	428	304	40.6
Adjusted PAT	259	154	68.2	169	53.4	428	304	40.6
Net Margin (%)	13.3	8.1		9.0		11.2	8.6	
Adjusted EPS	25.6	15.2		16.7		42.3	30.1	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	8,288	9,396	10,457	11,147
YoY gr. (%)	29.7	13.4	11.3	6.6
Cost of Goods Sold	6,495	7,196	8,023	8,561
Gross Profit	1,793	2,200	2,434	2,587
Margin (%)	21.6	23.4	23.3	23.2
Employee Cost	295	348	387	412
Other Expenses	563	752	837	892
EBITDA	936	1,100	1,211	1,283
YoY gr. (%)	39.7	17.6	10.0	5.9
Margin (%)	11.3	11.7	11.6	11.5
Depreciation and Amortization	72	77	89	101
EBIT	864	1,024	1,122	1,181
Margin (%)	10.4	10.9	10.7	10.6
Net Interest	5	5	5	6
Other Income	362	399	439	482
Profit Before Tax	1,222	1,417	1,555	1,658
Margin (%)	14.7	15.1	14.9	14.9
Total Tax	378	357	392	418
Effective tax rate (%)	31.0	25.2	25.2	25.2
Profit after tax	844	1,060	1,163	1,240
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	844	1,060	1,163	1,240
YoY gr. (%)	13.3	25.7	9.7	6.6
Margin (%)	10.2	11.3	11.1	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	844	1,060	1,163	1,240
YoY gr. (%)	13.3	25.7	9.7	6.6
Margin (%)	10.2	11.3	11.1	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	844	1,060	1,163	1,240
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	83.4	104.8	115.0	122.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	647	755	868	985
Tangibles	631	739	852	969
Intangibles	16	16	16	16
Acc: Dep / Amortization	166	229	303	388
Tangibles	166	229	303	388
Intangibles	-	-	-	-
Net fixed assets	481	526	565	598
Tangibles	466	510	549	582
Intangibles	16	16	16	16
Capital Work In Progress	2	2	2	3
Goodwill	-	-	-	-
Non-Current Investments	3,772	3,956	4,338	4,759
Net Deferred tax assets	(38)	(38)	(38)	(38)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	204	204	204	204
Inventories	1,077	1,221	1,359	1,448
Trade receivables	1,766	2,002	2,228	2,504
Cash & Bank Balance	114	226	286	377
Other Current Assets	-	-	-	-
Total Assets	7,506	8,265	9,125	10,045
Equity				
Equity Share Capital	101	101	101	101
Other Equity	6,766	7,517	8,341	9,220
Total Network	6,867	7,618	8,442	9,321
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	65	68	72	75
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10	26	29	31
Other current liabilities	525	515	544	580
Total Equity & Liabilities	7,506	8,265	9,125	10,045

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	1,227	1,417	1,555	1,658
Add. Depreciation	72	77	89	101
Add. Interest	0	5	5	6
Less Financial Other Income	362	399	439	482
Add. Other	(297)	(399)	(439)	(482)
Op. profit before WC changes	1,002	1,100	1,211	1,283
Net Changes-WC	(307)	(411)	(343)	(343)
Direct tax	370	357	392	418
Net cash from Op. activities	325	333	476	522
Capital expenditures	(109)	(121)	(128)	(135)
Interest / Dividend Income	107	399	439	482
Others	(107)	(184)	(382)	(420)
Net Cash from Invt. activities	(109)	94	(71)	(72)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(183)	(309)	(339)	(362)
Interest paid	0	(5)	(5)	(6)
Others	-	-	-	-
Net cash from Fin. activities	(183)	(314)	(345)	(367)
Net change in cash	33	112	60	82
Free Cash Flow	325	333	476	522

Source: Company Data, PL Research

Key Financial Metrics

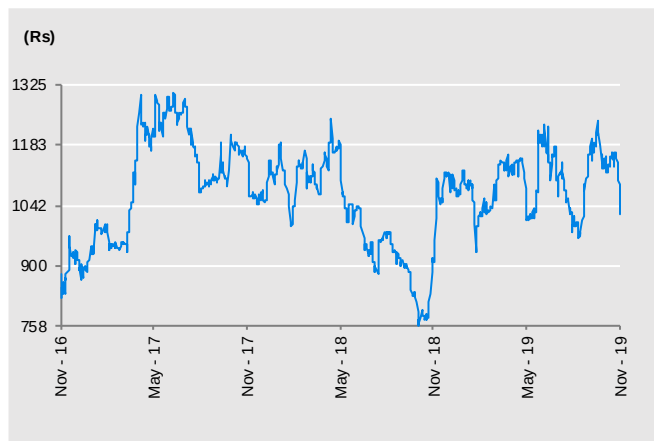
Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	83.4	104.8	115.0	122.6
CEPS	90.5	112.4	123.8	132.6
BVPS	678.8	753.0	834.5	921.3
FCF	32.1	32.9	47.0	51.6
DPS	-	-	-	-
Return Ratio(%)				
RoCE	13.2	14.1	14.0	13.3
ROIC	9.6	11.2	11.1	10.6
RoE	12.9	14.6	14.5	14.0
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	125	124	124	128
Valuation(x)				
PER	12.9	10.2	9.3	8.8
P/B	1.6	1.4	1.3	1.2
P/CEPS	11.9	9.6	8.7	8.1
EV/EBITDA	11.3	9.5	8.6	8.0
EV/Sales	1.3	1.1	1.0	0.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Net Revenue	2,152	2,588	1,873	1,949
YoY gr. (%)	34.4	17.9	12.9	3.1
Raw Material Expenses	1,695	1,995	1,438	1,509
Gross Profit	457	593	435	440
Margin (%)	21.2	22.9	23.2	22.6
EBITDA	241	344	206	210
YoY gr. (%)	28.6	18.4	25.3	9.9
Margin (%)	11.2	13.3	11.0	10.8
Depreciation / Depletion	20	21	19	21
EBIT	222	323	187	189
Margin (%)	10.3	12.5	10.0	9.7
Net Interest	1	-	-	-
Other Income	96	138	67	99
Profit before Tax	316	461	254	287
Margin (%)	14.7	17.8	13.6	14.7
Total Tax	94	139	85	28
Effective tax rate (%)	29.7	30.2	33.6	9.8
Profit after Tax	222	321	169	259
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	222	321	169	259
YoY gr. (%)	(5.9)	59.9	12.3	68.2
Margin (%)	10.3	12.4	9.0	13.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	222	321	169	259
YoY gr. (%)	(5.9)	59.9	12.3	68.2
Margin (%)	10.3	12.4	9.0	13.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	222	321	169	259
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	22.0	31.8	16.7	25.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Oct-19	BUY	1,601	1,128
2	4-Jul-19	BUY	1,505	1,160
3	31-May-19	BUY	1,510	1,224
4	5-Apr-19	BUY	1,380	1,125

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,442	1,461
2	Apar Industries	Accumulate	646	521
3	Bharat Electronics	Hold	118	113
4	BHEL	Hold	63	47
5	Cummins India	Hold	543	540
6	Engineers India	BUY	156	111
7	GE T&D India	Reduce	150	167
8	Kalpataru Power Transmission	BUY	662	437
9	KEC International	BUY	375	265
10	Larsen & Toubro	BUY	1,800	1,432
11	Power Grid Corporation of India	BUY	224	199
12	Siemens	BUY	1,722	1,526
13	Thermax	Accumulate	1,300	1,153
14	Triveni Turbine	Accumulate	142	104
15	Voltamp Transformers	BUY	1,601	1,128

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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