

Voltamp Transformers (VAMP IN)

Rating: BUY | CMP: Rs1,095 | TP: Rs1,244

August 17, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,244		1,244	
Sales (Rs. m)	9,545	11,192	9,545	11,192
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,081	1,241	1,081	1,241
% Chng.	-	-	-	-
EPS (Rs.)	103.6	119.6	103.6	119.6
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	8,586	8,141	9,545	11,192
EBITDA (Rs. m)	1,078	868	1,081	1,241
Margin (%)	12.6	10.7	11.3	11.1
PAT (Rs. m)	894	843	1,048	1,210
EPS (Rs.)	88.3	83.3	103.6	119.6
Gr. (%)	5.3	(5.7)	24.4	15.5
DPS (Rs.)	23.9	20.8	25.9	29.9
Yield (%)	2.2	1.9	2.4	2.7
RoE (%)	12.5	10.8	12.3	12.9
RoCE (%)	13.8	9.8	11.2	11.7
EV/Sales (x)	1.2	1.3	1.1	1.0
EV/EBITDA (x)	9.9	12.3	9.8	8.6
PE (x)	12.4	13.1	10.6	9.2
P/BV (x)	1.5	1.4	1.2	1.1

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,483 / Rs.710
Sensex / Nifty	37,877 / 11,178
Market Cap	Rs.11bn/ \$ 148m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.58.44m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	15.84
Domestic Institution	21.57
Public & Others	12.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.4	(23.2)	9.5
Relative	(0.7)	(16.4)	7.9

Viral Shah

viralshah@plindia.com | 91-22-66322250

Khushboo Parekh

khushbooparekh@plindia.com | 91-22-66322257

Healthy order book provides revenue visibility

Quick Pointers:

- Despite Covid-19 pandemic order backlog stands healthy at Rs4.1bn, flat YoY as on 1QFY21.
- Due to appreciation of investment value in 1Q, other income reported a gain of Rs186mn on its investment.

Voltamp Transformers reported a healthy set of numbers despite pandemic led by improved gross margin and higher other income thereby boosting profitability. Based on our estimates, order inflow stood at ~Rs139mn (down ~94% YoY) as on 1QFY21, translating order backlog to Rs4.1bn (executable over next two-three quarters). On the order inflow front, management highlighted that enquiries remain decent but finalization is taking time due to delay in decision making. We expect Voltamp to report muted volume CAGR over next two years (FY20-22E) owing to weak economic environment. Management indicated that once the situation starts normalizing they expect sectors like Infra, Water, Mining, Oil & Gas, Airports, Defence, Pharma, Chemicals, Data Centers and Renewables to improve going ahead.

We remain positive on the company due to strong business model, debt free balance sheet and consistent free cash flow generation (current cash + Investments of ~Rs5.4bn). We have modelled revenue/PAT to grow at CAGR of 5%/8% over next two years. The stock is currently trading at attractive valuations of 13.1x/10.6x FY21E/22E. We maintain BUY rating on the stock with TP of Rs1244.

Higher other income boosts profitability: Sales came in at ~Rs723mn (down 61% YoY) vs (PLe ~Rs651mn) mainly due to weak execution and impact of Covid-19. EBITDA de-grew by 86% YoY to Rs29mn (PLe ~Rs7mn) with EBITDA margins coming in at 4% vs 11% in Q1FY20 on account of lower revenue. PBT fell by 9% YoY to Rs231mn (PLe ~Rs10mn) on back of higher depreciation cost (up 16% YoY). Other income came in strong at Rs224mn, up 235% YoY. PAT came in at Rs193mn (PLe ~Rs7mn), up 14% YoY led by higher other income.

Healthy OB of Rs4.1bn provides revenue visibility: Order inflow for the quarter de-grew by 94% YoY at Rs139mn owing to pandemic leading to delay in order finalization. OB stood healthy at Rs4.1bn, flat YoY providing revenue visibility going ahead. Order book in terms of MVA grew by 20% YoY which came in at 5,998MVA in 1QFY21 vs 5,005MVA in 1QFY20.

Debt-free balance sheet: Company enjoys a debt-free status since last few years and has good amount of investment in diversified portfolios. The company has also managed its working capital requirements efficiently resulting in attractive return ratios. With robust balance sheet, prudent payment terms and diversified clientele we believe company remains perfectly poised to grow, in future.

Exhibit 1: Q1FY21 Result Overview (Rs mn) – Higher other income leads to strong profitability

Y/e March	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY gr. (%)	QoQ gr. (%)	FY21E	FY20	YoY gr. (%)
Revenue	1,873	1,949	2,513	2,250	723	(61.4)	(67.9)	8,141	8,586	(5.2)
Total Revenues	1,873	1,949	2,513	2,250	723	(61.4)	(67.9)	8,141	8,586	(5.2)
Consumption of RM	1,438	1,509	1,910	1,659	535	(62.8)	(67.8)	6,337	6,517	(2.7)
<i>as % of sales</i>	<i>76.8</i>	<i>77.4</i>	<i>76.0</i>	<i>73.7</i>	<i>74.0</i>			<i>77.8</i>	<i>75.9</i>	
Gross Profit	435	440	603	591	188	(56.7)	(68.1)	1,804	2,069	(12.8)
<i>Gross margins%</i>	<i>23.2</i>	<i>22.6</i>	<i>24.0</i>	<i>26.3</i>	<i>26.0</i>			<i>22.2</i>	<i>24.1</i>	
Employee Cost	74	77	121	61	78	5.0	29.0	366	333	10.0
<i>as % of sales</i>	<i>4.0</i>	<i>4.0</i>	<i>4.8</i>	<i>2.7</i>	<i>10.8</i>			<i>4.5</i>	<i>3.9</i>	
Other expenditure	154	154	178	172	82	(47.2)	(52.6)	570	658	(13.4)
<i>as % of sales</i>	<i>8.2</i>	<i>7.9</i>	<i>7.1</i>	<i>7.6</i>	<i>11.3</i>			<i>7.0</i>	<i>7.7</i>	
EBITDA	206	210	304	358	29	(86.1)	(92.0)	868	1,078	(19.5)
Depreciation	19	21	24	26	22	16.3	(16.1)	107	90	19.4
EBIT	187	189	280	332	7	(96.3)	(97.9)	760	988	(23.0)
Other Income	67	99	126	(146)	224	234.9	(253.7)	366	146	151.6
Interest	0	0	-	-	0	(66.7)	#DIV/0!	-	0	(100.0)
PBT	254	287	405	186	231	(9.1)	23.8	1,127	1,134	(0.6)
Total Tax	85	28	55	71	38	(55.3)	(46.3)	284	240	18.4
Adjusted PAT	169	259	350	115	193	14.3	67.1	843	894	(5.7)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	169	259	350	115	193	14.3	67.1	843	894	(5.7)
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	169	259	350	115	193	14.3	67.1	843	894	(5.7)
Adjusted EPS	16.7	25.7	34.7	11.4	19.1	14.1	67.1	83.4	88.4	(5.7)
Margins (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	bps	bps	FY21E	FY20	bps
EBIDTA	11.0	10.8	12.1	15.9	4.0	(704)	(1,196)	10.7	12.6	(190)
EBIT	10.0	9.7	11.1	14.8	1.0	(905)	(1,381)	9.3	11.5	(217)
EBT	13.6	14.7	16.1	8.3	31.9	1,836	2,364	13.8	13.2	64
PAT	9.0	13.3	13.9	5.1	26.7	1,765	2,152	10.4	10.4	(6)
Effective Tax rate	33.6	9.8	13.6	38.1	16.5	(1,711)	(2,159)	25.2	21.2	405

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	8,586	8,141	9,545	11,192
YoY gr. (%)	3.6	(5.2)	17.2	17.3
Cost of Goods Sold	6,517	6,337	7,389	8,690
Gross Profit	2,069	1,804	2,156	2,502
Margin (%)	24.1	22.2	22.6	22.4
Employee Cost	333	366	407	477
Other Expenses	302	226	262	308
EBITDA	1,078	868	1,081	1,241
YoY gr. (%)	15.2	(19.5)	24.6	14.8
Margin (%)	12.6	10.7	11.3	11.1
Depreciation and Amortization	90	107	128	149
EBIT	988	760	953	1,092
Margin (%)	11.5	9.3	10.0	9.8
Net Interest	0	-	-	-
Other Income	146	366	449	526
Profit Before Tax	1,134	1,127	1,401	1,618
Margin (%)	13.2	13.8	14.7	14.5
Total Tax	240	284	353	408
Effective tax rate (%)	21.2	25.2	25.2	25.2
Profit after tax	894	843	1,048	1,210
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	894	843	1,048	1,210
YoY gr. (%)	5.3	(5.7)	24.4	15.5
Margin (%)	10.4	10.4	11.0	10.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	894	843	1,048	1,210
YoY gr. (%)	5.3	(5.7)	24.4	15.5
Margin (%)	10.4	10.4	11.0	10.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	894	843	1,048	1,210
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	88.3	83.3	103.6	119.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	823	1,023	1,223	1,423
Tangibles	823	1,023	1,223	1,423
Intangibles	-	-	-	-
Acc: Dep / Amortization	255	348	476	626
Tangibles	255	348	476	626
Intangibles	-	-	-	-
Net fixed assets	567	675	746	797
Tangibles	567	675	746	797
Intangibles	-	-	-	-
Capital Work In Progress	22	22	22	23
Goodwill	-	-	-	-
Non-Current Investments	4,344	4,700	4,810	5,479
Net Deferred tax assets	25	25	25	25
Other Non-Current Assets	24	33	38	45
Current Assets				
Investments	368	368	368	368
Inventories	1,155	1,115	1,308	1,533
Trade receivables	1,503	1,724	2,151	2,377
Cash & Bank Balance	60	66	112	28
Other Current Assets	66	57	67	78
Total Assets	8,143	8,809	9,679	10,795
Equity				
Equity Share Capital	101	101	101	101
Other Equity	7,381	8,013	8,799	9,707
Total Network	7,482	8,114	8,900	9,808
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	69	45	52	123
Other current liabilities	618	675	752	890
Total Equity & Liabilities	8,143	8,809	9,679	10,795

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,134	1,127	1,401	1,618
Add. Depreciation	90	107	128	149
Add. Interest	0	-	-	-
Less Financial Other Income	146	366	449	526
Add. Other	(146)	(366)	(449)	(526)
Op. profit before WC changes	1,078	868	1,081	1,241
Net Changes-WC	227	(173)	(590)	(308)
Direct tax	240	284	353	408
Net cash from Op. activities	1,065	411	138	525
Capital expenditures	(201)	(215)	(200)	(200)
Interest / Dividend Income	146	366	449	526
Others	(726)	(346)	(79)	(632)
Net Cash from Inv. activities	(782)	(194)	170	(306)
Issue of share cap. / premium	-	-	-	-
Debt changes	(81)	-	-	-
Dividend paid	(261)	(211)	(262)	(303)
Interest paid	0	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(342)	(211)	(262)	(303)
Net change in cash	(59)	6	46	(84)
Free Cash Flow	863	196	(62)	325

Source: Company Data, PL Research

Key Financial Metrics

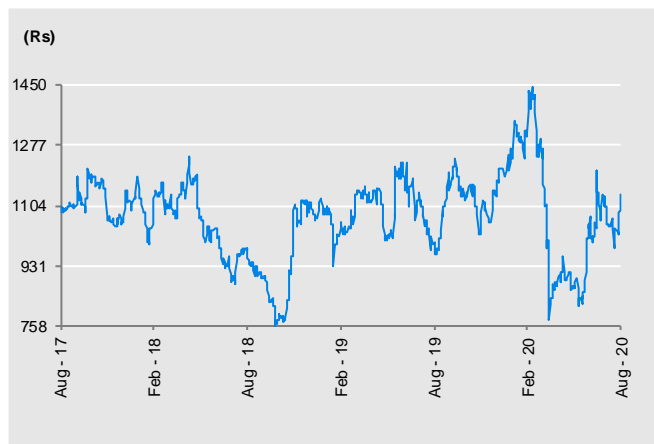
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	88.3	83.3	103.6	119.6
CEPS	97.2	93.9	116.3	134.4
BVPS	739.6	802.0	879.7	969.5
FCF	85.3	19.4	(6.1)	32.2
DPS	23.9	20.8	25.9	29.9
Return Ratio(%)				
RoCE	13.8	9.8	11.2	11.7
ROIC	11.5	7.7	8.9	9.1
RoE	12.5	10.8	12.3	12.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	0.0
Net Working Capital (Days)	110	125	130	124
Valuation(x)				
PER	12.4	13.1	10.6	9.2
P/B	1.5	1.4	1.2	1.1
P/CEPS	11.3	11.7	9.4	8.2
EV/EBITDA	9.9	12.3	9.8	8.6
EV/Sales	1.2	1.3	1.1	1.0
Dividend Yield (%)	2.2	1.9	2.4	2.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	1,949	2,513	2,250	723
YoY gr. (%)	3.1	16.8	(13.0)	(61.4)
Raw Material Expenses	1,509	1,910	1,659	535
Gross Profit	440	603	591	188
Margin (%)	22.6	24.0	26.3	26.0
EBITDA	210	304	358	29
YoY gr. (%)	9.9	26.0	3.2	(86.1)
Margin (%)	10.8	12.1	15.9	4.0
Depreciation / Depletion	21	24	26	22
EBIT	189	280	332	7
Margin (%)	9.7	11.1	14.8	1.0
Net Interest	-	-	-	-
Other Income	99	126	(146)	224
Profit before Tax	287	405	186	231
Margin (%)	14.7	16.1	8.3	31.9
Total Tax	28	55	71	38
Effective tax rate (%)	9.8	13.6	38.1	16.5
Profit after Tax	259	350	115	193
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	259	350	115	193
YoY gr. (%)	68.2	57.6	(64.1)	14.1
Margin (%)	13.3	13.9	5.1	26.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	259	350	115	193
YoY gr. (%)	68.2	57.6	(64.1)	14.1
Margin (%)	13.3	13.9	5.1	26.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	259	350	115	193
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	25.7	34.7	11.4	19.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	BUY	1,244	1,132
2	11-Jun-20	BUY	1,244	1,020
3	11-Feb-20	BUY	1,591	1,379
4	03-Jan-20	BUY	1,610	1,250
5	12-Nov-19	BUY	1,610	1,073
6	03-Oct-19	BUY	1,601	1,128

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	913
2	Ahluwalia Contracts (India)	BUY	288	244
3	Ashoka Buildcon	BUY	147	60
4	Bharat Electronics	Hold	99	97
5	BHEL	Hold	34	41
6	Capacite's Infraprojects	BUY	162	106
7	Container Corporation of India	BUY	468	386
8	Cummins India	Accumulate	472	437
9	Engineers India	BUY	104	68
10	GE T&D India	Hold	86	108
11	H.G. Infra Engineering	BUY	259	200
12	IRB Infrastructure Developers	BUY	139	114
13	ITD Cementation India	BUY	67	52
14	J.Kumar Infraprojects	BUY	176	102
15	Kalpataru Power Transmission	BUY	276	250
16	KEC International	BUY	333	294
17	KNR Constructions	BUY	305	215
18	Larsen & Toubro	BUY	1,192	917
19	NCC	BUY	83	31
20	PNC Infratech	BUY	205	151
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	49
23	Siemens	BUY	1,402	1,159
24	Thermax	Accumulate	798	751
25	Triveni Turbine	BUY	83	64
26	Voltamp Transformers	BUY	1,244	1,132

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



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Ms. Khushboo Parekh- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Ms. Khushboo Parekh- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com