

# Voltamp Transformers (VAMP IN)

Rating: BUY | CMP: Rs1,032 | TP: Rs1,283

November 10, 2020

## Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,283		1,244	
Sales (Rs. m)	9,569	11,219	9,545	11,192
% Chng.	0.2	0.2		
EBITDA (Rs. m)	1,124	1,292	1,081	1,241
% Chng.	4.0	4.1		
EPS (Rs.)	106.8	123.4	103.6	119.6
% Chng.	3.1	3.1		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	8,586	8,162	9,569	11,219
EBITDA (Rs. m)	1,078	880	1,124	1,292
Margin (%)	12.6	10.8	11.8	11.5
PAT (Rs. m)	894	1,038	1,081	1,248
EPS (Rs.)	88.3	102.6	106.8	123.4
Gr. (%)	5.3	16.1	4.1	15.5
DPS (Rs.)	25.0	25.6	26.7	30.8
Yield (%)	2.4	2.5	2.6	3.0
RoE (%)	12.5	13.2	12.5	13.1
RoCE (%)	13.8	9.9	11.5	12.0
EV/Sales (x)	1.2	1.2	1.0	0.9
EV/EBITDA (x)	9.3	11.2	8.7	7.6
PE (x)	11.7	10.1	9.7	8.4
P/BV (x)	1.4	1.3	1.2	1.0

### Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,483 / Rs.710
Sensex / Nifty	43,278 / 12,631
Market Cap	Rs.10bn/ \$ 141m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.32.16m

### Shareholding Pattern (%)

Promoter's	50.00
Foreign	15.95
Domestic Institution	20.37
Public & Others	13.68
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.4	18.7	1.2
Relative	(3.2)	(13.2)	(5.7)

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## Utilization ramping up slowly

### Quick Pointers:

- In 1HFY21, company reported gain of Rs208mn under other income towards appreciation in value of investments.
- Order backlog stands healthy at Rs5.2bn (up, 7% YoY) providing revenue visibility for next few quarters.

**Voltamp Transformers reported healthy performance in challenging environment; cost rationalization measures and higher other income induce rise in profitability. During 2Q, sales were muted due to delay in acceptance of delivery given non-operational customer's site and disruption in supply chain. However, operation have started resuming gradually with limited availability of work force. Order inflows were flat YoY to Rs2.7bn largely affected due to deferment of orders. Order backlog stood healthy at Rs5.2bn, up 7% YoY provision revenue visibility for two-three quarters. Management indicated that enquiry levels continue to remain decent however conversions are taking time due to delayed decision making. Going ahead, company expects sectors like infra, water, power, mining, Oil & Gas, ports, pharma, data centers etc, to be major growth drivers.**

**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 ~Rs6.5bn). We expect revenue/PAT to grow at CAGR of 6%/10% over next two years. Based on decent 1HFY21, we have increased our earnings estimates by 3% each for FY22E/23E. The stock is currently trading at attractive valuations of 10x/9.6x FY21E/22E. We maintain BUY rating on the stock with TP of Rs1283 (earlier Rs1244).**

**Cost rationalization and higher other income boosts profitability:** Sales came in at ~Rs1.6bn (down 18% YoY) vs (PLe ~Rs1.4n) impacted due to lockdown. EBITDA grew by 4% YoY to Rs219mn (PLe ~Rs122mn) with EBITDA margins expanding 300bps YoY 14% vs 11% Q2FY20 on account of lower RM cost and other expenses (down,22% YoY). PBT was up 23% YoY to Rs353mn (PLe ~Rs164mn) on back of higher other income (up 58% YoY). PAT came in at Rs298mn (PLe ~Rs123mn), up 15% YoY.

**Strong OB at Rs5.2bn:** Order inflow for the quarter came in flat YoY at Rs2.7bn owing to delay in order conclusion. OB stood healthy at Rs5.2bn, up 7% YoY providing revenue visibility for few quarters. Company expects sectors like infra, water, power, mining, Oil & Gas, ports, pharma, data centers etc. to provide growth prospects going ahead.

**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: Q2FY21 Result Overview (Rs mn) – Cost rationalization measures leads to higher margins**

Y/e March	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
<b>Revenue</b>	<b>1,949</b>	<b>2,513</b>	<b>2,250</b>	<b>723</b>	<b>1,602</b>	<b>(17.8)</b>	<b>121.5</b>	<b>2,326</b>	<b>3,822</b>	<b>(39.1)</b>
<b>Total Revenues</b>	<b>1,949</b>	<b>2,513</b>	<b>2,250</b>	<b>723</b>	<b>1,602</b>	<b>(17.8)</b>	<b>121.5</b>	<b>2,326</b>	<b>3,822</b>	<b>(39.1)</b>
Consumption of RM	1,509	1,910	1,659	535	1,186	(21.4)	121.6	1,721	2,947	(41.6)
as % of sales	77.4	76.0	73.7	74.0	74.0			74.0	77.1	
<b>Gross Profit</b>	<b>440</b>	<b>603</b>	<b>591</b>	<b>188</b>	<b>417</b>	<b>(5.3)</b>	<b>121.3</b>	<b>605</b>	<b>875</b>	<b>(30.9)</b>
Gross margins%	22.6	24.0	26.3	26.0	26.0			26.0	22.9	
Employee Cost	77	121	61	78	79	1.9	0.5	157	152	3.4
as % of sales	4.0	4.8	2.7	10.8	4.9			6.7	4.0	
Other expenditure	154	178	172	82	119	(22.3)	46.4	201	308	(34.8)
as % of sales	7.9	7.1	7.6	11.3	7.4			8.6	8.1	
<b>EBITDA</b>	<b>210</b>	<b>304</b>	<b>358</b>	<b>29</b>	<b>219</b>	<b>4.4</b>	<b>664.5</b>	<b>248</b>	<b>416</b>	<b>(40.4)</b>
Depreciation	21	24	26	22	22	4.4	1.2	44	40	10.0
<b>EBIT</b>	<b>189</b>	<b>280</b>	<b>332</b>	<b>7</b>	<b>197</b>	<b>4.5</b>	<b>2,739.1</b>	<b>204</b>	<b>376</b>	<b>(45.8)</b>
Other Income	99	126	(146)	224	156	58.0	(30.3)	380	166	129.4
Interest	-	-	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>287</b>	<b>405</b>	<b>186</b>	<b>231</b>	<b>353</b>	<b>22.9</b>	<b>52.9</b>	<b>584</b>	<b>542</b>	<b>7.8</b>
Total Tax	28	55	71	22	72	154.7	221.2	93	114	(18.0)
<b>Adjusted PAT</b>	<b>259</b>	<b>350</b>	<b>115</b>	<b>209</b>	<b>281</b>	<b>8.5</b>	<b>34.8</b>	<b>491</b>	<b>428</b>	<b>14.7</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
<b>PAT after MI</b>	<b>259</b>	<b>350</b>	<b>115</b>	<b>209</b>	<b>281</b>	<b>8.5</b>	<b>34.8</b>	<b>491</b>	<b>428</b>	<b>14.7</b>
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>259</b>	<b>350</b>	<b>115</b>	<b>209</b>	<b>281</b>	<b>8.5</b>	<b>34.8</b>	<b>491</b>	<b>428</b>	<b>14.7</b>
<b>Adjusted EPS</b>	<b>25.7</b>	<b>34.7</b>	<b>11.4</b>	<b>19.1</b>	<b>29.5</b>	<b>15.0</b>	<b>54.6</b>	<b>48.6</b>	<b>42.4</b>	<b>14.7</b>
<b>Margins (%)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>bps</b>	<b>bps</b>	<b>1HFY21</b>	<b>1HFY20</b>	<b>bps</b>
EBIDTA	10.8	12.1	15.9	4.0	13.7	291	970	10.6	10.9	(23)
EBIT	9.7	11.1	14.8	1.0	12.3	262	1,133	8.8	9.8	(107)
EBT	14.7	16.1	8.3	31.9	22.0	729	(989)	25.1	14.2	1,094
PAT	13.3	13.9	5.1	28.8	17.5	425	(1,129)	21.1	11.2	991
Effective Tax rate	9.8	13.6	38.1	9.7	20.4	1,056	1,069	16.0	21.0	(503)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>8,586</b>	<b>8,162</b>	<b>9,569</b>	<b>11,219</b>
YoY gr. (%)	3.6	(4.9)	17.2	17.3
Cost of Goods Sold	6,517	6,378	7,408	8,712
Gross Profit	2,069	1,784	2,161	2,507
Margin (%)	24.1	21.9	22.6	22.3
Employee Cost	333	351	392	460
Other Expenses	306	226	263	309
<b>EBITDA</b>	<b>1,078</b>	<b>880</b>	<b>1,124</b>	<b>1,292</b>
YoY gr. (%)	15.2	(18.3)	27.8	14.9
Margin (%)	12.6	10.8	11.8	11.5
Depreciation and Amortization	90	105	129	151
<b>EBIT</b>	<b>988</b>	<b>776</b>	<b>995</b>	<b>1,142</b>
Margin (%)	11.5	9.5	10.4	10.2
Net Interest	0	-	-	-
Other Income	146	612	450	527
<b>Profit Before Tax</b>	<b>1,134</b>	<b>1,388</b>	<b>1,445</b>	<b>1,669</b>
Margin (%)	13.2	17.0	15.1	14.9
Total Tax	240	350	364	421
Effective tax rate (%)	21.2	25.2	25.2	25.2
<b>Profit after tax</b>	<b>894</b>	<b>1,038</b>	<b>1,081</b>	<b>1,248</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>894</b>	<b>1,038</b>	<b>1,081</b>	<b>1,248</b>
YoY gr. (%)	5.3	16.1	4.1	15.5
Margin (%)	10.4	12.7	11.3	11.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>894</b>	<b>1,038</b>	<b>1,081</b>	<b>1,248</b>
YoY gr. (%)	5.3	16.1	4.1	15.5
Margin (%)	10.4	12.7	11.3	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	894	1,038	1,081	1,248
<b>Equity Shares O/s (m)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>EPS (Rs)</b>	<b>88.3</b>	<b>102.6</b>	<b>106.8</b>	<b>123.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>796</b>	<b>996</b>	<b>1,196</b>	<b>1,396</b>
Tangibles	796	996	1,196	1,396
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>229</b>	<b>319</b>	<b>448</b>	<b>599</b>
Tangibles	229	319	448	599
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>567</b>	<b>678</b>	<b>748</b>	<b>798</b>
Tangibles	567	678	748	798
Intangibles	-	-	-	-
Capital Work In Progress	22	22	22	23
Goodwill	-	-	-	-
Non-Current Investments	4,344	4,712	4,822	5,494
Net Deferred tax assets	25	25	25	25
Other Non-Current Assets	24	33	38	45
<b>Current Assets</b>				
Investments	368	368	368	368
Inventories	1,155	1,118	1,311	1,537
Trade receivables	1,503	1,728	2,156	2,383
Cash & Bank Balance	60	200	271	217
Other Current Assets	66	57	67	79
<b>Total Assets</b>	<b>8,143</b>	<b>8,965</b>	<b>9,862</b>	<b>11,010</b>
<b>Equity</b>				
Equity Share Capital	101	101	101	101
Other Equity	7,381	8,160	8,970	9,906
<b>Total Network</b>	<b>7,482</b>	<b>8,261</b>	<b>9,071</b>	<b>10,008</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	69	45	52	123
Other current liabilities	618	685	763	904
<b>Total Equity &amp; Liabilities</b>	<b>8,143</b>	<b>8,965</b>	<b>9,862</b>	<b>11,010</b>

Source: Company Data, PL Research

## Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,134	1,388	1,445	1,669
Add. Depreciation	90	105	129	151
Add. Interest	0	-	-	-
Less Financial Other Income	146	612	450	527
Add. Other	(69)	(612)	(450)	(527)
Op. profit before WC changes	1,154	880	1,124	1,292
Net Changes-WC	224	(171)	(590)	(306)
Direct tax	300	350	364	421
<b>Net cash from Op. activities</b>	<b>1,078</b>	<b>360</b>	<b>170</b>	<b>565</b>
Capital expenditures	(194)	(215)	(200)	(200)
Interest / Dividend Income	126	612	450	527
Others	(790)	(358)	(79)	(634)
<b>Net Cash from Inv. activities</b>	<b>(857)</b>	<b>39</b>	<b>171</b>	<b>(307)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(274)	(259)	(270)	(312)
Interest paid	0	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(275)</b>	<b>(259)</b>	<b>(270)</b>	<b>(312)</b>
<b>Net change in cash</b>	<b>(54)</b>	<b>140</b>	<b>71</b>	<b>(53)</b>
Free Cash Flow	1,083	145	(30)	365

Source: Company Data, PL Research

## Key Financial Metrics

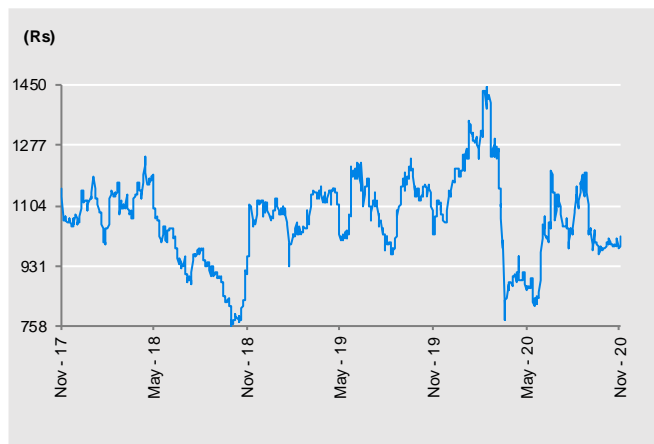
Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	88.3	102.6	106.8	123.4
CEPS	97.2	112.9	119.6	138.3
BVPS	739.6	816.5	896.6	989.2
FCF	107.0	14.3	(2.9)	36.1
DPS	25.0	25.6	26.7	30.8
<b>Return Ratio(%)</b>				
RoCE	13.8	9.9	11.5	12.0
ROIC	11.5	7.9	9.3	9.5
RoE	12.5	13.2	12.5	13.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	110	125	130	124
<b>Valuation(x)</b>				
PER	11.7	10.1	9.7	8.4
P/B	1.4	1.3	1.2	1.0
P/CEPS	10.6	9.1	8.6	7.5
EV/EBITDA	9.3	11.2	8.7	7.6
EV/Sales	1.2	1.2	1.0	0.9
Dividend Yield (%)	2.4	2.5	2.6	3.0

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Net Revenue</b>	<b>2,513</b>	<b>2,250</b>	<b>723</b>	<b>1,602</b>
YoY gr. (%)	16.8	(13.0)	(61.4)	(17.8)
Raw Material Expenses	1,910	1,659	535	1,186
Gross Profit	603	591	188	417
Margin (%)	24.0	26.3	26.0	26.0
<b>EBITDA</b>	<b>304</b>	<b>358</b>	<b>29</b>	<b>219</b>
YoY gr. (%)	26.0	3.2	(86.1)	4.4
Margin (%)	12.1	15.9	4.0	13.7
Depreciation / Depletion	24	26	22	22
<b>EBIT</b>	<b>280</b>	<b>332</b>	<b>7</b>	<b>197</b>
Margin (%)	11.1	14.8	1.0	12.3
Net Interest	-	-	-	-
Other Income	126	(146)	224	156
<b>Profit before Tax</b>	<b>405</b>	<b>186</b>	<b>231</b>	<b>353</b>
Margin (%)	16.1	8.3	31.9	22.0
Total Tax	55	71	38	55
Effective tax rate (%)	13.6	38.1	16.5	15.6
<b>Profit after Tax</b>	<b>350</b>	<b>115</b>	<b>193</b>	<b>298</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>350</b>	<b>115</b>	<b>193</b>	<b>298</b>
YoY gr. (%)	57.6	(64.1)	14.1	15.0
Margin (%)	13.9	5.1	26.7	18.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>350</b>	<b>115</b>	<b>193</b>	<b>298</b>
YoY gr. (%)	57.6	(64.1)	14.1	15.0
Margin (%)	13.9	5.1	26.7	18.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>350</b>	<b>115</b>	<b>193</b>	<b>298</b>
Avg. Shares O/s (m)	10	10	10	10
<b>EPS (Rs)</b>	<b>34.7</b>	<b>11.4</b>	<b>19.1</b>	<b>29.5</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	1,244	988
2	17-Aug-20	BUY	1,244	1,095
3	08-Jul-20	BUY	1,244	1,132
4	11-Jun-20	BUY	1,244	1,020
5	11-Feb-20	BUY	1,591	1,379
6	03-Jan-20	BUY	1,610	1,250
7	12-Nov-19	BUY	1,610	1,073

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	89
11	H.G. Infra Engineering	BUY	259	185
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	109
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	34
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,244	988

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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