

Lower gross margin has impacted operating performance

CMP: INR 1,145

Rating: Buy

Target Price: INR 1,374

Stock Info

BSE	532757
NSE	VOLLTAMP
Bloomberg	VAMP IN
Reuters	VOLT.BO
Sector	Electrical Equipment
Face Value (INR)	10
Equity Capital (INR mn)	101
Mkt Cap (INR mn)	11,581
52w H/L (INR)	1,443 / 710
Avg Yearly Vol (in 000')	17

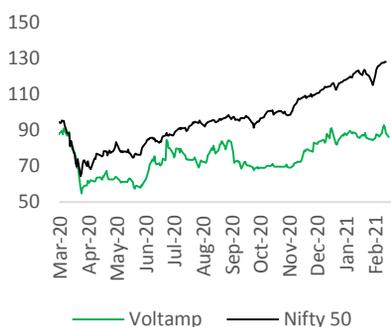
Shareholding Pattern %

(As on December, 2020)

Promoters	50.00
FII	15.98
DII	21.59
Public & Others	12.43

Stock Performance (%)	3m	6m	12m
Voltamp	1.4	-4.0	-18.9
Nifty 50	14.1	29.1	21.5

Voltamp Vs Nifty



Voltamp Transformers has reported weak performance during Q3FY21 with revenue de-growth of 30% YoY largely due to delay in delivery acceptance and disrupted supply chain amidst covid pandemic. Gross margin of the company decreased by 238 bps YoY due to sharp rise in raw material prices. EBITDA margin for the quarter contracted by 272 bps YoY owing to gross margin contraction. PBT of the company was flat YoY to INR 406 mn on the back of higher other income (+110% YoY/+69% QoQ). Due to weak operating performance, profit of the company de-grew by 8.5% YoY to INR 321 mn. Company's current order book of INR 5,292 mn provides a future revenue visibility. We maintain our Buy rating on the stock with a revised TP of INR 1,374.

Q3FY21 Highlights

- In Q3FY21, Voltamp Transformers has reported 30% YoY fall in revenue at INR 1,757 mn. Company has sold 756 units in Q3FY21 as compared to 905 units in Q3FY20, thereby registering a volume de-growth of 16.5% YoY. Sale of transformers in terms of MVA stood at 2,054 MVA in Q3FY21 as against 3,089 MVA in Q3FY20, a de-growth of 34% YoY.
- Order book remained strong:** As on 3QFY21, company has unexecuted orders worth INR 529 cr (~7703 MVA) in hand, which provides future revenue visibility. Company expects sectors like infra, water, power, mining, Oil & Gas, ports, pharma, data centers etc. to provide growth prospects going ahead.

Outlook & Valuation

At CMP of INR 1,145, Voltamp is trading at FY21E and FY22E, P/E multiple of 10.9x and 10x respectively, which is quite reasonable considering its debt-free status and superior business model. Considering its Q3FY21 result, we have revised our topline estimate for FY21E downwards by 13% while PAT estimate is increased by 5% due to higher other income growth and FY22E remain largely unchanged. Currently, company has healthy order book of INR 5,292 mn which provides future revenue visibility. Going forward, company expects sectors like infra, water, power, mining, Oil & Gas, ports, pharma, data centers etc. to be a major growth drivers. We value the stock at PE of 12x to its FY22E EPS of INR 114.5 for a target price of INR 1,374 (earlier 1,301). We maintain our buy rating on the stock due to its inexpensive valuation.

Financial Snapshot:

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	P/E (x)
FY19	8,288	936	848	83.9	11.3	13.7
FY20	8,586	1,078	894	88.3	12.6	13.0
FY21E	6,825	764	1,060	104.8	11.2	10.9
FY22E	9,360	1,189	1,158	114.5	12.7	10.0

Quarterly Result

INR Mn	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
Net Revenue	1,757	1,602	2,513	9.7%	-30.1%
Raw Material Cost	1,377	1,186	1,910	16.2%	-27.9%
as a % of sales	78.4%	74.0%	76.0%	-	-
Gross Profit	380	417	603	-8.8%	-37.0%
Gross margin %	21.6%	26.0%	24.0%	-438bps	-238bps
Employee cost	84	79	121	6.7%	-30.6%
Other Expenses	131	119	178	10.2%	-26.4%
EBITDA	165	219	304	-24.7%	-45.8%
EBITDA margin %	9.4%	13.7%	12.1%	-428bps	-272bps
Other Income	264	156	126	68.9%	109.8%
Depreciation	23	22	24	3.3%	-6.8%
EBIT	406	353	405	15.0%	0.1%
Finance cost	-	-	0	-	-
PBT	406	353	405	15.0%	0.2%
Tax Expense	85	55	55	54.9%	55.0%
Effective tax rate %	21.0%	15.6%	13.6%	542bps	744bps
PAT	321	298	350	7.6%	-8.5%
<i>PAT margin %</i>	<i>18.2%</i>	<i>18.6%</i>	<i>13.9%</i>	<i>-36bps</i>	<i>431bps</i>
EPS (INR)	31.7	29.5	34.6	7.6%	-8.5%

Source: Company, Arianth Research

Sales and Operational Performance

INR Mn	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
Sales	1,757	1,602	2,513	9.7%	-30.1%
Volume (MVA)	2,054	2,087	3,089	-1.6%	-33.5%
Units Sold	756	626	905	20.8%	-16.5%
Revenue per Unit (mn)	2.32	2.56	2.78	-9.2%	-16.3%
Revenue Per MVA	0.9	0.8	0.8	11.4%	5.2%

Annual Financials

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E
Revenues	8,288	8,586	6,825	9,360
<i>Change (%)</i>	29.7%	3.6%	-20.5%	37.1%
Raw materials	6,619	6,668	5,255	7,114
Employee costs	295	333	307	374
Other expenses	563	658	498	683
Total Expenses	7,352	7,508	6,061	8,171
EBITDA	936	1,078	764	1,189
Other Income	362	146	751	468
Depreciation	72	90	94	105
Interest	0	0	7	7
PBT	1,227	1,133	1,414	1,544
Extra-ordinary	0	0	0	0
PBT after ext-ord.	1,227	1,133	1,414	1,544
Tax	378	240	353	386
<i>Rate (%)</i>	30.8%	21.2%	25.0%	25.0%
PAT	848	894	1,060	1,158
<i>Change (%)</i>	15.5%	5.3%	18.7%	9.2%

Source: Company, Arihant Research

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	101	101	101	101
Reserves & Surplus	6,766	7,381	8,056	8,173
Net Worth	6,867	7,482	8,157	8,274
Loan Funds	0	0	0	0
Deferred Tax & other liabilities	38	1	10	10
Capital Employed	6,905	7,483	8,167	8,284
Application of Funds				
Gross Block	671	857	957	1,057
Less: Accumulated Depreciation	190	280	374	479
Net Block	481	577	583	578
CWIP	2	12	12	12
Other non current assets	163	197	197	197
Deferred tax assets	0	25	25	25
Net fixed assets	647	812	818	812
Investments	3,609	4,171	4,321	4,471
Debtors	1,766	1,503	1,215	1,795
Inventories	1,077	1,155	932	1,261
Cash & bank balance	114	60	871	19
Loans & advances & other CA	294	468	280	385
Total current assets	3,250	3,186	3,732	3,906
Current liabilities	478	528	545	748
Provisions	123	157	157	157
Net current assets	2,649	2,500	3,029	3,001
Total Assets	6,905	7,483	8,167	8,284

Source: Company, Arihant Research

Annual Financials

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21E	FY22E
PBT	1,227	1,133	1,414	1,544
Depreciation	72	90	94	105
Interest & others	(362)	(146)	(744)	(461)
Cash flow before WC changes	936	1,078	764	1,189
(Inc)/dec in working capital	(330)	57	715	(811)
Operating CF after WC changes	606	1,135	1,480	378
Less: Taxes	(378)	(240)	(353)	(386)
Operating cash flow	228	895	1,126	(8)
(Inc)/dec in F.A + CWIP	(49)	(165)	(100)	(100)
(Pur)/sale of investment	(254)	(562)	(150)	(150)
Cash flow from investing	(303)	(727)	(250)	(250)
Free cash flow (FCF)	203	789	1,026	(108)
Loan raised/(repaid)	0	0	0	0
Equity raised	0	0	0	0
Interest & others	336	31	188	(290)
Dividend	(228)	(253)	(253)	(304)
Cash flow from financing activities	108	(222)	(65)	(594)
Net inc/(dec) in cash	33	(54)	811	(852)
Opening balance of cash	80	114	60	871
Closing balance of cash	114	60	871	19

Source: Company, Arihant Research

Key Ratios

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	83.9	88.3	104.8	114.5
CEPS	90.9	97.2	114.1	124.9
BVPS	678.8	739.6	806.3	817.8
DPS	22.5	25.0	25.0	30.0
Payout (%)	26.8%	28.3%	23.9%	26.2%
Valuation (x)				
P/E	13.7	13.0	10.9	10.0
P/CEPS	12.6	11.8	10.0	9.2
P/BV	1.7	1.5	1.4	1.4
EV/EBITDA	11.5	10.0	13.1	9.1
Dividend Yield (%)	2.0%	2.2%	2.2%	2.6%
Return Ratio (%)				
EBIDTA Margin	11.3%	12.6%	11.2%	12.7%
PAT Margin	10.2%	10.4%	15.5%	12.4%
ROE	12.4%	11.9%	13.0%	14.0%
ROCE	12.5%	13.2%	8.2%	13.1%
Leverage Ratio (%)				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	0.0	0.0	-0.1	0.0
Turnover Ratios				
Asset Turnover (x)	1.2	1.1	0.8	1.1
Inventory Days	61	65	65	65
Receivable Days	78	64	65	70
Payable days	26	29	29	29

Source: Company, Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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