

August 16, 2022

RESULT REPORT Q1 FY23 | Sector: Capital Goods

Voltamp Transformers Ltd

Sound performance in a challenging quarter

Our view

Voltamp Transformers (VAMP) reported a strong set of numbers owing to ramp up in dispatches, robust growth in realizations (49% YoY/15% QoQ) and execution along with healthy operating margins despite a challenging environment. Order book remains strong at ~Rs7.4bn (0.6x TTM revenue) as on 1QFY23, providing revenue visibility for the next few quarters. Enquiry pipeline continues to remain buoyant on the back of capex investments across sectors such as infra, water, power, mining, oil & gas, ports, pharma, data centers, etc. However, the company's key focus in FY23 would be to protect margins by closely monitoring supply chain and sourcing inputs at competitive costs.

We believe the company is one of the best plays for future upturn in industrial demand given its industrial focused business model. We remain positive on the company considering 1) its strong business model, 2) debt free balance sheet and 3) consistent free cash flow generation (current cash + investment ~Rs5.8bn). The stock is currently trading at valuations of 17.9x/14.8x FY23E/24E and excl. other income it trades at P/E of 18.8x/14.9x FY23E/24E. With the recent run-up in the stock price, we downgrade it to NEUTRAL (previously BUY) with a revised TP of Rs3,046 (previously Rs2,540) valuing it 16x FY24 EPS.

Result Highlights

- Sales grew by 67% YoY to ~Rs2.7bn (YSLe: Rs2.6bn) driven by healthy execution of order book.
- Despite input cost pressure, the company has expanded its gross margins at 24.2% on a YoY basis by ~615bps however there was a sequential contraction of ~90bps
- EBITDA came in at Rs363mn (up ~446% YoY) (YSLe: Rs255mn) with EBITDA margins coming in at 13.4%, a 933bps YoY expansion. Sequentially, however there was a margin contraction of ~380bps mainly on account of higher employee costs
- PBT grew by 86% YoY to Rs334mn despite negative other income primarily on account of flow-through from EBITDA.
- PAT grew by 69% YoY to Rs267mn (YSLe: Rs246mn) despite higher effective tax rate (20.2% vs 12.1%).
- Order inflows grew by 59% YoY at Rs4bn while order book stands at Rs7.4bn, a 1% YoY de-growth

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	2,701	2,565	2,554	5.3	5.8	Robust execution, margins expand on low base
EBITDA	363	255	254	42.3	42.8	
EBITDA margin %	13.4	9.9	9.9	349 bps	348 bps	
Adj.Pat	267	246	245	8.4	8.9	

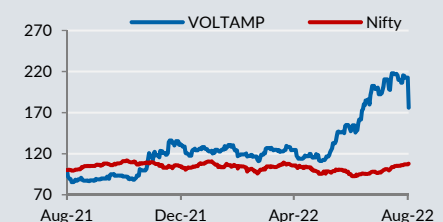
Source: Company, YES Sec

Reco	: NEUTRAL
CMP	: Rs 2,823
Target Price	: Rs 3,046
Potential Return	: +8%

Stock data (as on August 16, 2022)

Nifty	17,825
52 Week h/l (Rs)	3691 / 1324
Market cap (Rs/USD mn)	28564 / 359
Outstanding Shares (mn)	10
6m Avg t/o (Rs mn)	82
Div yield (%)	1.2
Bloomberg code:	VAMP IN
NSE code:	VOLTAMP

Stock performance



	1M	3M	1Y
Absolute return	-7.6%	58.3%	96.2%

Shareholding pattern (As of Jun'22 end)

Promoter	50.0%
FII+DII	37.9%
Others	12.1%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	3,046	2,540

Δ in earnings estimates

	FY23E	FY24E
EPS (New)	157.4	190.4
EPS (Old)	131.8	158.8
% change	19.5	19.9

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenues	11,272	13,399	15,850
YoY growth (%)	62.8	18.9	18.3
OPM (%)	12.3	12.8	13.1
EPS (Rs)	131.3	157.4	190.4
EPS growth (%)	18.4	19.9	20.9
P/E (x)	21.5	17.9	14.8
EV/EBITDA (x)	20.5	16.6	13.7
Debt/Equity (x)	-	-	-
RoE (%)	10.7	11.3	12.1
RoCE (%)	10.6	11.3	12.1

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Exhibit 2: Quarterly snapshot (Standalone)

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	1,619	2,632	3,150	3,872	2,701	66.9	(30.2)	11,272	6,923	62.8
Total Revenues	1,619	2,632	3,150	3,872	2,701	66.9	(30.2)	11,272	6,923	62.8
Consumption of RM	1,326	2,068	2,479	2,900	2,047	54.4	(29.4)	8,773	5,290	65.8
as % of sales	81.9	78.6	78.7	74.9	75.8			77.8	76.4	
Gross Profit	293	564	670	972	654	123.6	(32.7)	2,499	1,633	53.0
Gross margins%	18.1	21.4	21.3	25.1	24.2			22.2	23.6	
Employee Cost	84	90	132	83	103	22.0	24.6	389	332	17.0
as % of sales	5.2	3.4	4.2	2.1	3.8			3.4	4.8	
Other expenditure	142	161	194	223	189	33.0	(15.2)	720	539	33.6
as % of sales	8.8	6.1	6.2	5.8	7.0			6.4	7.8	
EBITDA	66	313	344	667	363	446.4	(45.6)	1,390	762	82.5
Depreciation	18	19	20	22	22	19.3	(0.1)	79	89	(10.3)
EBIT	48	294	324	645	341	611.0	(47.2)	1,311	673	94.7
Other Income	133	142	77	78	(4)	(103.1)	(105.2)	430	733	(41.4)
Interest	1	2	2	2	2	NA	0.7	8	1	NA
PBT	180	433	398	721	334	86.2	(53.6)	1,732	1,405	23.3
Total Tax	22	83	97	202	67	210.8	(66.6)	404	282	42.9
Adjusted PAT	158	351	301	519	267	69.0	(48.6)	1,328	1,122	18.4
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	158	351	301	519	267	69.0	(48.6)	1,328	1,122	18.4
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	158	351	301	519	267	69.0	(48.6)	1,328	1,122	18.4
Adjusted EPS	15.6	34.7	29.8	51.3	26.4	69.0	(48.6)	131	111	18.2
Margins (%)										
EBIDTA	4.1	11.9	10.9	17.2	13.4	933	(380)	12.3	11.0	133
EBIT	3.0	11.2	10.3	16.7	12.6	965	(405)	11.6	9.7	190
EBT	11.1	16.5	12.6	18.6	12.4	128	(624)	15.4	20.3	(492)
PAT	9.8	13.3	9.6	13.4	9.9	12	(352)	11.8	16.2	(442)
Effective Tax rate	12.1	19.1	24.4	28.0	20.2	809	(787)	23.3	20.1	320

Source: Company, YES Sec

FINANCIALS

Exhibit 3: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds					
Equity capital	101	101	101	101	101
Reserves	7,381	8,240	9,320	10,515	11,960
Non=Controlling Int.	0	0	0	0	0
Net worth	7,482	8,342	9,421	10,616	12,061
Debt	0	0	0	0	0
Deferred tax liab (net)	(25)	(4)	21	21	21
Total liabilities	7,457	8,338	9,442	10,637	12,081
Application of Funds					
Gross Block	796	822	979	1,179	1,379
Depreciation	229	300	368	474	598
Fixed Asset	577	527	615	709	785
CWIP	12	83	78	78	78
Investments	4,539	4,923	5,613	6,029	6,815
Net Working Capital	2,328	2,806	3,136	3,820	4,403
Inventories	1,155	1,273	2,094	2,496	2,866
Sundry debtors	1,503	1,707	1,904	2,140	2,535
Cash & equivalents	60	255	135	185	152
Loans & Advances	206	243	90	275	309
Other Current Asset	90	147	84	107	127
Sundry creditors	69	68	20	73	87
Provisions	157	184	207	246	291
Other current liabilities	460	568	944	1,064	1,208
Total Assets	7,457	8,338	9,442	10,637	12,081

Source: Company, YES Sec

Exhibit 4: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	8,586	6,923	11,272	13,399	15,850
% Change YoY	3.6	(19.4)	62.8	18.9	18.3
Operating profit	1,137	774	1,390	1,708	2,072
EBITDA margins	13.2	11.2	12.3	12.8	13.1
% Change YoY	21.5	(31.9)	79.5	22.9	21.3
Depreciation	90	89	79	106	124
EBIT	1,048	686	1,311	1,602	1,948
EBIT margins	12.2	9.9	11.6	12.0	12.3
Interest expense	0	6	8	9	9
Other income	86	725	430	536	634
Profit before tax	1,134	1,405	1,732	2,129	2,572
Taxes	240	282	404	537	646
Effective tax rate (%)	21.2	20.1	23.3	25.2	25.1
Net profit	894	1,122	1,328	1,593	1,926
Minorities and other	0	0	0	0	0
Net profit after minorities	894	1,122	1,328	1,593	1,926
Exceptional items	0	0	0	0	0
Net profit	894	1,122	1,328	1,593	1,926
% Change YoY	5.3	25.6	18.4	19.9	20.9
EPS (Rs)	88.3	110.9	131.3	157.4	190.4

Source: Company, YES Sec

Exhibit 5: Cash flow statement (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Profit before Tax	1,134	1,405	1,732	2,129	2,572
Interest	0	6	8	9	9
Depreciation	90	89	79	106	124
Other Items	(69)	(710)	(408)	(536)	(634)
(Inc)/Dec in WC	224	(358)	(368)	(634)	(616)
Direct Taxes Paid	300	236	388	537	646
CF from Oper. Activity	1,078	196	656	538	810
(Inc)/Dec in FA	199	100	186	200	200
Free Cash Flow	879	96	469	338	610
(Pur)/Sale of Invest.	(1,056)	108	(650)	(281)	(552)
CF from Inv. Activity	(857)	208	(463)	(81)	(352)
Change in Network	-	-	-	-	-
Inc/(Dec) in Debt	-	-	-	-	-
Interest Paid	(0)	(6)	(8)	(9)	(9)
Dividends Paid	(274)	(253)	(253)	(398)	(482)
Others	-	-	-	(0)	(0)
CF from Fin. Activity	(275)	(259)	(261)	(407)	(491)
Inc/(Dec) in Cash	(54)	145	(68)	50	(33)
Opening cash Balance	110	56	201	133	183
Others	4	-	-	-	-
Closing cash Balance	60	201	133	183	150

Source: Company, YES Sec

Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Tax burden (x)	3.4	1.9	2.5	2.2	2.3
Interest burden (x)	0.2	0.4	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.2	0.8	1.2	1.3	1.3
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	11.0%	6.6%	10.7%	11.3%	12.1%

Source: Company, YES Sec

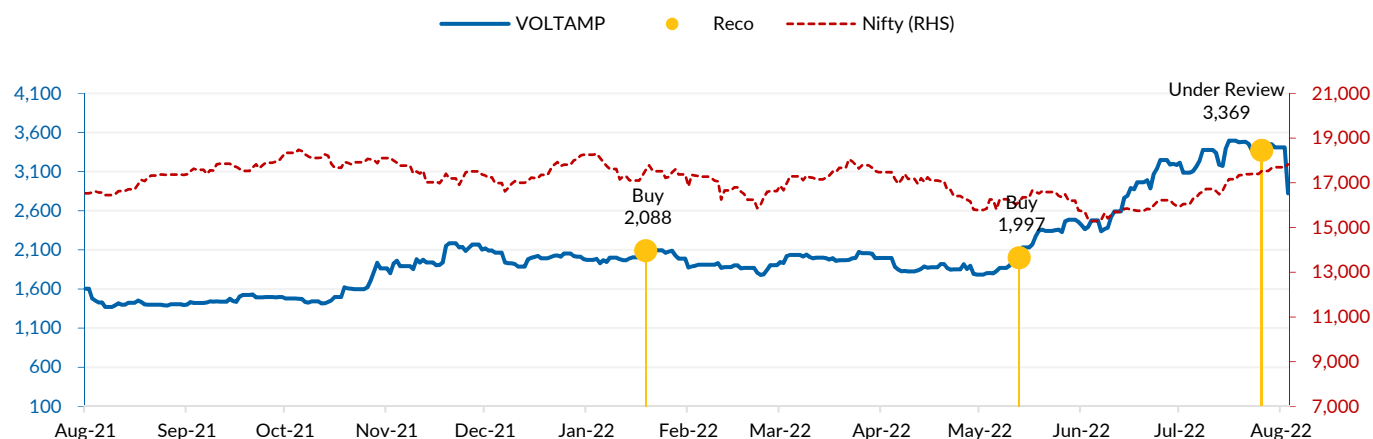
Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Basic (Rs)					
EPS	88.3	110.9	131.3	157.4	190.4
Dividend per share	27.1	25.0	35.0	39.4	47.6
Cash EPS	97.2	119.7	139.1	167.9	202.7
Book value per share	739.6	824.5	931.2	1,049.3	1,192.1
Div. payout (%)	28.3	22.5	26.7	25.0	25.0
Valuation ratios (x)					
P/E	32.0	25.5	21.5	17.9	14.8
P/CEPS	29.0	23.6	20.3	16.8	13.9
P/B	3.8	3.4	3.0	2.7	2.4
EV/EBIDTA	25.1	36.6	20.5	16.6	13.7
Dividend yield (%)	1.0	0.9	1.2	1.4	1.7
Profitability Ratios (%)					
RoIC	14.8	9.6	13.3	15.0	16.1
RoE	11.0	6.6	10.7	11.3	12.1
RoCE	11.1	6.6	10.6	11.3	12.1
Liquidity ratios					
Debtor (days)	64	90	62	58	58
Inventory (days)	49	67	68	68	66
Creditor (days)	3	4	1	2	2
Net working Capital (days)	96	134	97	99	98
Asset Turnover (x)	1.2	0.8	1.2	1.3	1.3

Source: Company, YES Sec

Voltamp Transformers Ltd

Exhibit 8: Recommendation Tracker



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