

August 18, 2022

## Company Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	<b>HOLD</b>		<b>UNDER REVIEW</b>	
<b>Target Price</b>	<b>2,748</b>		<b>-</b>	
Sales (Rs. m)	13,202	15,203	11,913	14,145
% Chng.	10.8	7.5		
EBITDA (Rs. m)	1,539	1,874	1,367	1,717
% Chng.	12.6	9.1		
EPS (Rs.)	139.2	171.7	129.5	158.6
% Chng.	7.5	8.3		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	6,923	11,272	13,202	15,203
EBITDA (Rs. m)	774	1,390	1,539	1,874
Margin (%)	11.2	12.3	11.7	12.3
PAT (Rs. m)	1,122	1,328	1,408	1,737
EPS (Rs.)	110.9	131.3	139.2	171.7
Gr. (%)	25.6	18.4	6.0	23.4
DPS (Rs.)	25.0	35.0	41.8	60.1
Yield (%)	0.9	1.2	1.5	2.1
RoE (%)	14.2	15.0	14.2	15.8
RoCE (%)	8.7	14.8	14.6	16.3
EV/Sales (x)	4.1	2.4	2.1	1.8
EV/EBITDA (x)	36.3	19.8	17.9	14.7
PE (x)	25.4	21.5	20.2	16.4
P/BV (x)	3.4	3.0	2.7	2.5

### Key Data

### VOTL.BO | VAMP IN

52-W High / Low	Rs.3,691 / Rs.1,324
Sensex / Nifty	60,260 / 17,944
Market Cap	Rs.29bn/ \$ 359m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.157.62m

### Shareholding Pattern (%)

Promoter's	50.00
Foreign	16.25
Domestic Institution	21.63
Public & Others	12.12
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.7)	47.6	94.4
Relative	(18.6)	41.8	80.0

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## Decent volume growth, amidst challenges

### Quick Pointers:

- Execution of newer contracts with higher prices and no legacy fixed price contracts in book to drive margins.
- Enquiry pipeline remains healthy from sectors such as Data center, solar, sugar etc. though few order finalization may get deferred.

**Voltamp Transformers (VAMP) continued its execution momentum and reported a healthy revenue growth of 66.9% YoY to Rs2.7bn with EBITDA margins of 13.4% in Q1FY23. We believe legacy fixed price orders have been completed, which were dragging margins and with new orders now getting executed margins are expected to remain stable from H2FY23. However, sourcing key import origin raw material i.e. CRGO electrical steel sheet and transformer oil at budgeted cost along with increasing completion intensity may pose challenges. Company highlighted it has been focusing on industries, end users and limiting exposure to long EPC infra projects to protect margins and improve cashflows. Enquiry pipeline remains strong from sectors such as data center, solar, chemical, water, sugar (Ethanol blending), commercial real estate, textile etc. and will drive ordering activity going forward.**

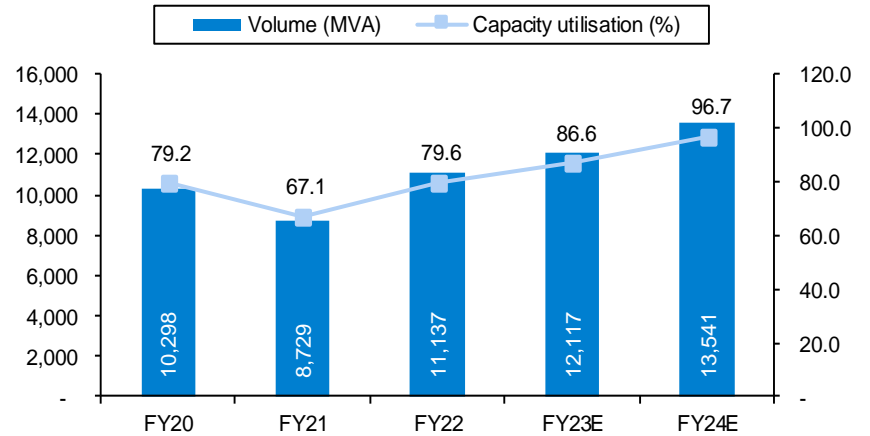
**We remain positive on the company considering 1) its strong business model, 2) debt free balance sheet, 3) consistent free cash flow generation, 4) reviving margins profile and 5) healthy enquiry pipeline. Given the reviving margins profile, healthy enquiry pipeline and strong balance sheet, we revise our estimates upwards by 7.5%/8.3% for FY23/24E. The stock is trading at PE of 20.2x/16.4x FY23/24E. We assign 'Hold' rating (earlier Under Review) on stock with TP of Rs2,748, valuing it at PE of 16x FY24E.**

**Q1FY23 performance driven by price pass through and volume growth:** Sales grew 66.9% YoY to Rs2.7bn (PLe ~Rs1.7bn), (driven by volume growth of ~12% and price hikes). Volume came in at 2,397 MVA (up ~12% YoY). EBITDA came in at Rs363mn (up 446% YoY) (PLe Rs160mn) with EBITDA margins coming in at 13.4% vs 4.1% in Q1FY22, mainly led by higher gross margin (24.2% vs 18.1% in Q1FY22). PAT grew 69% YoY to Rs267mn (PLe ~Rs187mn). Company reported negative other income to the tune of Rs4mn in Q1FY23.

**Order book continues to remain strong:** Order inflows during the quarter came in at ~Rs4bn, up 58.7% YoY. Order book (OB) stands strong at Rs7.4bn (7,051 MVA) (0.6x TTM revenue), providing revenue visibility for next couple of quarters.

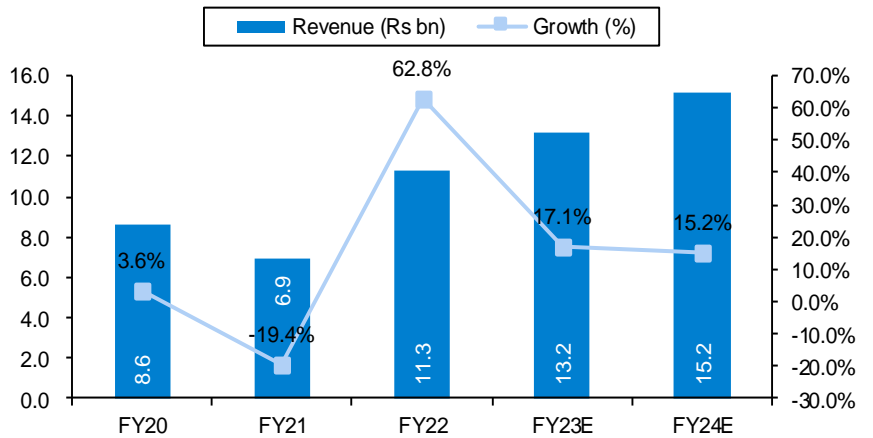
**Sufficient installed capacity to meet demand:** Voltamp installed capacity stands at ~14,000MVA and capacity utilization as on FY22 stood at ~80%. We believe, current capacity will be sufficient to meet medium term demand.

**Exhibit 1: Utilization level to increase to meet demand**



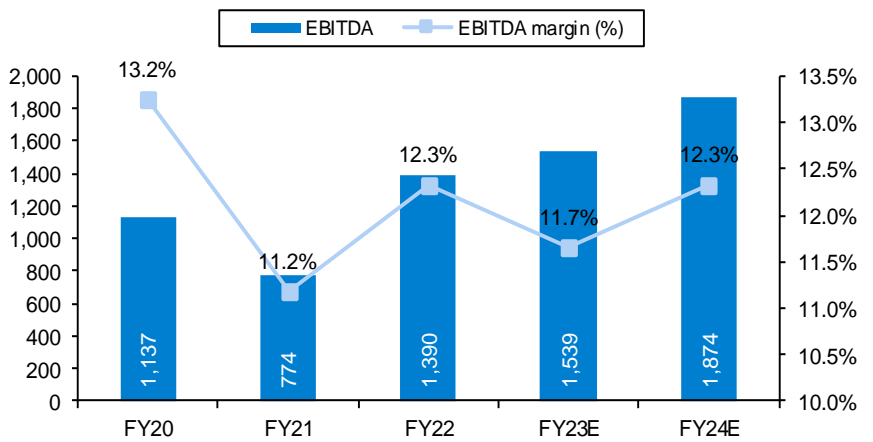
Source: Company, PL

**Exhibit 2: Revenue growth momentum to continue on back of strong OB**



Source: Company, PL

**Exhibit 3: EBITDA margin to remain stable going forward at 12.3%**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>6,923</b>	<b>11,272</b>	<b>13,202</b>	<b>15,203</b>
YoY gr. (%)	(19.4)	62.8	17.1	15.2
Cost of Goods Sold	5,290	8,773	10,299	11,758
Gross Profit	1,633	2,499	2,903	3,445
Margin (%)	23.6	22.2	22.0	22.7
Employee Cost	332	389	429	486
Other Expenses	216	319	383	448
<b>EBITDA</b>	<b>774</b>	<b>1,390</b>	<b>1,539</b>	<b>1,874</b>
YoY gr. (%)	(31.9)	79.5	10.7	21.8
Margin (%)	11.2	12.3	11.7	12.3
Depreciation and Amortization	89	79	87	90
<b>EBIT</b>	<b>686</b>	<b>1,311</b>	<b>1,452</b>	<b>1,785</b>
Margin (%)	9.9	11.6	11.0	11.7
Net Interest	6	8	8	8
Other Income	725	430	409	509
<b>Profit Before Tax</b>	<b>1,405</b>	<b>1,732</b>	<b>1,853</b>	<b>2,286</b>
Margin (%)	20.3	15.4	14.0	15.0
Total Tax	282	404	445	549
Effective tax rate (%)	20.1	23.3	24.0	24.0
<b>Profit after tax</b>	<b>1,122</b>	<b>1,328</b>	<b>1,408</b>	<b>1,737</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,122</b>	<b>1,328</b>	<b>1,408</b>	<b>1,737</b>
YoY gr. (%)	25.6	18.4	6.0	23.4
Margin (%)	16.2	11.8	10.7	11.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,122</b>	<b>1,328</b>	<b>1,408</b>	<b>1,737</b>
YoY gr. (%)	25.6	18.4	6.0	23.4
Margin (%)	16.2	11.8	10.7	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,122	1,328	1,408	1,737
<b>Equity Shares O/s (m)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>EPS (Rs)</b>	<b>110.9</b>	<b>131.3</b>	<b>139.2</b>	<b>171.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>822</b>	<b>979</b>	<b>1,079</b>	<b>1,179</b>
Tangibles	822	979	1,079	1,179
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>300</b>	<b>368</b>	<b>455</b>	<b>545</b>
Tangibles	300	368	455	545
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>523</b>	<b>611</b>	<b>624</b>	<b>634</b>
Tangibles	523	611	624	634
Intangibles	-	-	-	-
Capital Work In Progress	87	82	82	82
Goodwill	-	-	-	-
Non-Current Investments	4,875	4,825	5,533	6,207
Net Deferred tax assets	4	-	-	-
Other Non-Current Assets	4	36	53	76
<b>Current Assets</b>				
Investments	234	817	817	817
Inventories	1,273	2,094	2,206	2,416
Trade receivables	1,707	1,904	2,143	2,345
Cash & Bank Balance	203	135	166	191
Other Current Assets	139	48	92	106
<b>Total Assets</b>	<b>9,100</b>	<b>10,612</b>	<b>11,783</b>	<b>12,951</b>
<b>Equity</b>				
Equity Share Capital	101	101	101	101
Other Equity	8,240	9,320	10,306	11,435
<b>Total Networkth</b>	<b>8,341</b>	<b>9,421</b>	<b>10,407</b>	<b>11,537</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	68	20	72	83
Other current liabilities	695	1,171	1,304	1,331
<b>Total Equity &amp; Liabilities</b>	<b>9,100</b>	<b>10,612</b>	<b>11,783</b>	<b>12,951</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	1,405	1,732	1,853	2,286
Add. Depreciation	89	79	87	90
Add. Interest	-	8	8	8
Less Financial Other Income	725	430	409	509
Add. Other	(712)	(408)	(409)	(509)
Op. profit before WC changes	782	1,412	1,539	1,874
Net Changes-WC	(363)	(368)	(402)	(527)
Direct tax	231	388	445	549
<b>Net cash from Op. activities</b>	<b>188</b>	<b>656</b>	<b>692</b>	<b>799</b>
Capital expenditures	(97)	(185)	(100)	(100)
Interest / Dividend Income	107	146	409	509
Others	197	(424)	(539)	(568)
<b>Net Cash from Inv. activities</b>	<b>207</b>	<b>(463)</b>	<b>(230)</b>	<b>(158)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(253)	(253)	(422)	(608)
Interest paid	-	(8)	(8)	(8)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(253)</b>	<b>(261)</b>	<b>(430)</b>	<b>(616)</b>
<b>Net change in cash</b>	<b>142</b>	<b>(68)</b>	<b>32</b>	<b>25</b>
Free Cash Flow	190	657	592	699

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	110.9	131.3	139.2	171.7
CEPS	119.7	139.1	147.8	180.6
BVPS	824.5	931.2	1,028.7	1,140.3
FCF	18.8	65.0	58.5	69.1
DPS	25.0	35.0	41.8	60.1
<b>Return Ratio(%)</b>				
RoCE	8.7	14.8	14.6	16.3
ROIC	7.3	12.7	12.4	13.6
RoE	14.2	15.0	14.2	15.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	154	129	118	112
<b>Valuation(x)</b>				
PER	25.4	21.5	20.2	16.4
P/B	3.4	3.0	2.7	2.5
P/CEPS	23.6	20.3	19.1	15.6
EV/EBITDA	36.3	19.8	17.9	14.7
EV/Sales	4.1	2.4	2.1	1.8
Dividend Yield (%)	0.9	1.2	1.5	2.1

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Net Revenue</b>	<b>2,632</b>	<b>3,150</b>	<b>3,872</b>	<b>2,701</b>
YoY gr. (%)	64.2	79.2	36.3	66.9
Raw Material Expenses	2,068	2,479	2,900	2,047
Gross Profit	564	670	972	654
Margin (%)	21.4	21.3	25.1	24.2
<b>EBITDA</b>	<b>313</b>	<b>344</b>	<b>667</b>	<b>363</b>
YoY gr. (%)	41.2	81.0	101.8	446.4
Margin (%)	11.9	10.9	17.2	13.4
Depreciation / Depletion	19	20	22	22
<b>EBIT</b>	<b>294</b>	<b>324</b>	<b>645</b>	<b>341</b>
Margin (%)	11.2	10.3	16.7	12.6
Net Interest	2	2	2	2
Other Income	142	77	78	(4)
<b>Profit before Tax</b>	<b>433</b>	<b>398</b>	<b>721</b>	<b>334</b>
Margin (%)	16.5	12.6	18.6	12.4
Total Tax	83	97	202	67
Effective tax rate (%)	19.1	24.4	28.0	20.2
<b>Profit after Tax</b>	<b>351</b>	<b>301</b>	<b>519</b>	<b>267</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>351</b>	<b>301</b>	<b>519</b>	<b>267</b>
YoY gr. (%)	17.7	(6.1)	67.0	69.0
Margin (%)	13.3	9.6	13.4	9.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>351</b>	<b>301</b>	<b>519</b>	<b>267</b>
YoY gr. (%)	17.7	(6.1)	67.0	69.0
Margin (%)	13.3	9.6	13.4	9.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>351</b>	<b>301</b>	<b>519</b>	<b>267</b>
Avg. Shares O/s (m)	10	10	10	10
<b>EPS (Rs)</b>	<b>34.7</b>	<b>29.8</b>	<b>51.3</b>	<b>26.4</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-22	UR	-	2,972
2	25-May-22	Accumulate	2,220	1,997
3	08-Apr-22	Accumulate	2,215	2,075
4	11-Jan-22	Accumulate	1,825	2,021
5	05-Oct-21	Accumulate	1,825	1,493

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	3,115	2,799
2	Apar Industries	Accumulate	1,194	1,124
3	Bharat Electronics	BUY	295	269
4	BHEL	Sell	36	46
5	Cummins India	Accumulate	1,296	1,238
6	Engineers India	BUY	89	60
7	GE T&D India	Hold	102	101
8	Kalpataru Power Transmission	BUY	442	373
9	KEC International	Accumulate	473	444
10	Larsen & Toubro	BUY	2,030	1,751
11	Siemens	Accumulate	2,815	2,615
12	Thermax	Accumulate	2,190	2,019
13	Triveni Turbine	BUY	240	192
14	Voltamp Transformers	UR	-	2,972

**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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