

November 11, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	3,150		2,748	
Sales (Rs. m)	14,193	16,844	15,203	16,709
% Chng.	(6.6)	0.8		
EBITDA (Rs. m)	1,751	2,110	1,874	2,086
% Chng.	(6.6)	1.2		
EPS (Rs.)	160.9	196.8	171.7	192.7
% Chng.	(6.3)	2.1		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	11,272	12,039	14,193	16,844
EBITDA (Rs. m)	1,390	1,438	1,751	2,110
Margin (%)	12.3	11.9	12.3	12.5
PAT (Rs. m)	1,328	1,313	1,628	1,992
EPS (Rs.)	131.3	129.8	160.9	196.8
Gr. (%)	18.4	(1.2)	24.0	22.3
DPS (Rs.)	35.0	38.9	56.3	63.0
Yield (%)	1.2	1.3	1.9	2.1
RoE (%)	15.0	13.3	15.0	16.5
RoCE (%)	14.8	13.7	15.3	16.7
EV/Sales (x)	2.6	2.4	2.1	1.7
EV/EBITDA (x)	21.2	20.4	16.8	13.9
PE (x)	22.9	23.2	18.7	15.3
P/BV (x)	3.2	2.9	2.7	2.4

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.3,691 / Rs.1,590
Sensex / Nifty	61,795 / 18,350
Market Cap	Rs.30bn/ \$ 377m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.94.66m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	17.75
Domestic Institution	21.26
Public & Others	10.99
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.5	58.8	55.8
Relative	6.8	39.0	51.0

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Voltamp Transformers (VAMP IN)

Rating: HOLD | CMP: Rs3,013 | TP: Rs3,150

Healthy growth; short term headwinds likely to persist

Quick Pointers:

- Enquiry pipeline remains healthy from sectors such as Data center, solar, sugar etc. though few order finalizations may get deferred.
- Ongoing labor strike at Savli factory, Gujarat (~65% of overall topline contributor), likely to impact execution in H2FY23.

We cut our FY23/24 EPS estimates by 6.8%/6.3% given ongoing labor strike at Savli factory, Gujarat (currently running at ~50% capacity), wherein production stands massively affected (since Oct'22). Voltamp Transformers (VAMP) reported a healthy quarterly performance with revenue growth of 20.7% and EBITDA margin expansion of 272bps YoY. Execution of newer orders and cost control measures have aided margin expansion to some extent. Going forward, focus will be on improving profitability over revenue and order inflows growth. However, ongoing labor strike at Savli factory is likely to impact overall revenue and profitability growth for FY23. Enquiry pipeline remains strong from sectors such as data center, solar, chemical, water, sugar (Ethanol blending), commercial real estate, textile etc. and likely drive ordering activities in future. Current installed capacity (~14,000MVA/annum) will be sufficient to meet medium term demand, in our view.

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. The stock is currently trading at PE of 23.2x/18.7x/15.3x FY23/24/25E. We roll forward our estimates to FY25E with revised TP of Rs3,150 (Rs2,748 earlier) valuing it at PE of 16x FY25E and maintain 'Hold' rating on stock.

Strong revenue growth drives profitability: Sales grew 20.7% YoY to Rs3.2bn (PL estimate ~Rs3.1bn), driven by volume growth and price hikes. Volumes came in at 2674MVA (up 22% YoY). EBITDA grew 48.3% YoY to Rs464mn (PL estimate Rs374mn), with EBITDA margins expanded 272bps YoY to 14.6% Q2FY22, mainly led by higher gross margin (23.8% vs 21.4% in Q2FY22). PAT grew 31% YoY to Rs459mn, (PL estimate ~Rs374mn), partly impacted due to higher tax rate (23% vs 19.1% in Q2FY22).

Healthy order book: Order inflow came in at Rs5.6bn (up 8.3% YoY). YTD order inflow came in at Rs9.6bn (~7,944 MVA). Order book stand at Rs9.2bn (0.7x TTM revenue), 8,240MVA providing revenue visibility going forward.

Exhibit 1: Strong revenue growth drives profitability

Y/e March (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY gr. (%)	QoQ gr. (%)	H1FY23	H1FY22	YoY gr. (%)
Revenue	2,632	3,150	3,872	2,701	3,176	20.7	17.6	5,878	4,251	38.3
Total Revenues	2,632	3,150	3,872	2,701	3,176	20.7	17.6	5,878	4,251	38.3
Consumption of RM	2,068	2,479	2,900	2,047	2,421	17.1	18.3	4,468	3,394	31.7
<i>as % of sales</i>	<i>78.6</i>	<i>78.7</i>	<i>74.9</i>	<i>75.8</i>	<i>76.2</i>			<i>76.0</i>	<i>79.8</i>	
Gross Profit	564	670	972	654	755	33.8	15.4	1,409	857	64.5
<i>Gross margins%</i>	<i>21.4</i>	<i>21.3</i>	<i>25.1</i>	<i>24.2</i>	<i>23.8</i>			<i>24.0</i>	<i>20.2</i>	
Employee Cost	90	132	83	103	103	14.0	0.2	206	175	17.9
<i>as % of sales</i>	<i>3.4</i>	<i>4.2</i>	<i>2.1</i>	<i>3.8</i>	<i>3.2</i>			<i>3.5</i>	<i>4.1</i>	
Other expenditure	161	194	223	189	188	16.7	(0.3)	377	303	24.3
<i>as % of sales</i>	<i>6.1</i>	<i>6.2</i>	<i>5.8</i>	<i>7.0</i>	<i>5.9</i>			<i>6.4</i>	<i>7.1</i>	
EBITDA	313	344	667	363	464	48.3	27.8	826	379	118.1
Depreciation	19	20	22	22	24	26.4	9.3	46	38	23.0
EBIT	294	324	645	341	440	49.8	29.0	780	341	128.5
Other Income	142	77	78	(4)	159	12.4	NA	155	275	(43.5)
Interest	2	2	2	2	2		(13.4)	4	3	36.7
PBT	433	398	721	334	597	37.7	78.5	931	613	51.9
Total Tax	83	97	202	67	137	66.1	103.7	205	104	96.2
Adjusted PAT	351	301	519	267	459	31.0	72.2	726	509	42.8
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	351	301	519	267	459	31.0	72.2	726	509	42.8
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	351	301	519	267	459	31.0	72.2	726	509	42.8
Adjusted EPS	34.7	29.8	51.3	26.4	45.4	31.0	72.2	71.8	50.3	42.8
Margins (%)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	bps	bps	H1FY23	H1FY22	bps
EBIDTA	11.9	10.9	17.2	13.4	14.6	272	117	14.1	8.9	514
EBIT	11.2	10.3	16.7	12.6	13.8	269	123	13.3	8.0	524
EBT	16.5	12.6	18.6	12.4	18.8	232	641	15.8	14.4	142
PAT	13.3	9.6	13.4	9.9	14.5	113	458	12.4	12.0	39
Effective Tax rate	19.1	24.4	28.0	20.2	23.0	395	285	22.0	17.0	497

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	11,272	12,039	14,193	16,844
YoY gr. (%)	62.8	6.8	17.9	18.7
Cost of Goods Sold	8,773	9,351	10,969	12,979
Gross Profit	2,499	2,688	3,224	3,866
Margin (%)	22.2	22.3	22.7	22.9
Employee Cost	389	397	454	546
Other Expenses	319	349	426	505
EBITDA	1,390	1,438	1,751	2,110
YoY gr. (%)	79.5	3.5	21.7	20.6
Margin (%)	12.3	11.9	12.3	12.5
Depreciation and Amortization	79	87	90	97
EBIT	1,311	1,351	1,661	2,013
Margin (%)	11.6	11.2	11.7	12.0
Net Interest	8	8	8	8
Other Income	430	373	475	598
Profit Before Tax	1,732	1,716	2,128	2,603
Margin (%)	15.4	14.3	15.0	15.5
Total Tax	404	403	500	612
Effective tax rate (%)	23.3	23.5	23.5	23.5
Profit after tax	1,328	1,313	1,628	1,992
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,328	1,313	1,628	1,992
YoY gr. (%)	18.4	(1.2)	24.0	22.3
Margin (%)	11.8	10.9	11.5	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,328	1,313	1,628	1,992
YoY gr. (%)	18.4	(1.2)	24.0	22.3
Margin (%)	11.8	10.9	11.5	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,328	1,313	1,628	1,992
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	131.3	129.8	160.9	196.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	979	1,079	1,179	1,279
Tangibles	979	1,079	1,179	1,279
Intangibles	-	-	-	-
Acc: Dep / Amortization	368	455	545	642
Tangibles	368	455	545	642
Intangibles	-	-	-	-
Net fixed assets	611	624	634	637
Tangibles	611	624	634	637
Intangibles	-	-	-	-
Capital Work In Progress	82	82	82	82
Goodwill	-	-	-	-
Non-Current Investments	4,825	5,227	5,996	6,881
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	36	48	71	84
Current Assets				
Investments	817	817	817	817
Inventories	2,094	2,210	2,333	2,677
Trade receivables	1,904	2,014	2,261	2,539
Cash & Bank Balance	135	293	307	351
Other Current Assets	48	193	170	168
Total Assets	10,612	11,568	12,744	14,305
Equity				
Equity Share Capital	101	101	101	101
Other Equity	9,320	10,239	11,298	12,652
Total Network	9,421	10,341	11,399	12,753
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	20	66	78	92
Other current liabilities	1,171	1,162	1,267	1,460
Total Equity & Liabilities	10,612	11,568	12,744	14,305

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	1,732	1,716	2,128	2,603
Add. Depreciation	79	87	90	97
Add. Interest	8	8	8	8
Less Financial Other Income	430	373	475	598
Add. Other	(408)	(373)	(475)	(598)
Op. profit before WC changes	1,412	1,438	1,751	2,110
Net Changes-WC	(368)	(497)	(368)	(476)
Direct tax	388	403	500	612
Net cash from Op. activities	656	538	882	1,023
Capital expenditures	(185)	(100)	(100)	(100)
Interest / Dividend Income	146	373	475	598
Others	(424)	(250)	(666)	(832)
Net Cash from Invt. activities	(463)	23	(290)	(334)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(253)	(394)	(570)	(637)
Interest paid	(8)	(8)	(8)	(8)
Others	-	-	-	-
Net cash from Fin. activities	(261)	(402)	(578)	(645)
Net change in cash	(68)	159	14	43
Free Cash Flow	657	438	782	923

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	131.3	129.8	160.9	196.8
CEPS	139.1	138.4	169.8	206.5
BVPS	931.2	1,022.1	1,126.7	1,260.5
FCF	65.0	43.3	77.3	91.2
DPS	35.0	38.9	56.3	63.0
Return Ratio(%)				
RoCE	14.8	13.7	15.3	16.7
ROIC	12.7	11.8	13.0	14.1
RoE	15.0	13.3	15.0	16.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	129	126	116	111
Valuation(x)				
PER	22.9	23.2	18.7	15.3
P/B	3.2	2.9	2.7	2.4
P/CEPS	21.7	21.8	17.7	14.6
EV/EBITDA	21.2	20.4	16.8	13.9
EV/Sales	2.6	2.4	2.1	1.7
Dividend Yield (%)	1.2	1.3	1.9	2.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	3,150	3,872	2,701	3,176
YoY gr. (%)	79.2	36.3	66.9	20.7
Raw Material Expenses	2,479	2,900	2,047	2,421
Gross Profit	670	972	654	755
Margin (%)	21.3	25.1	24.2	23.8
EBITDA	344	667	363	464
YoY gr. (%)	81.0	101.8	446.4	48.3
Margin (%)	10.9	17.2	13.4	14.6
Depreciation / Depletion	20	22	22	24
EBIT	324	645	341	440
Margin (%)	10.3	16.7	12.6	13.8
Net Interest	2	2	2	2
Other Income	77	78	(4)	159
Profit before Tax	398	721	334	597
Margin (%)	12.6	18.6	12.4	18.8
Total Tax	97	202	67	137
Effective tax rate (%)	24.4	28.0	20.2	23.0
Profit after Tax	301	519	267	459
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	301	519	267	459
YoY gr. (%)	(6.1)	67.0	69.0	31.0
Margin (%)	9.6	13.4	9.9	14.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	301	519	267	459
YoY gr. (%)	(6.1)	67.0	69.0	31.0
Margin (%)	9.6	13.4	9.9	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	301	519	267	459
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	29.8	51.3	26.4	45.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-22	Hold	2,748	2,616
2	18-Aug-22	Hold	2,748	2,818
3	05-Jul-22	UR	-	2,972
4	25-May-22	Accumulate	2,220	1,997
5	08-Apr-22	Accumulate	2,215	2,075
6	11-Jan-22	Accumulate	1,825	2,021

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	3,115	3,100
2	Apar Industries	BUY	1,834	1,464
3	Bharat Electronics	BUY	125	110
4	BHEL	Sell	36	62
5	Cummins India	Accumulate	1,514	1,335
6	Engineers India	BUY	89	65
7	GE T&D India	Hold	102	129
8	Kalpataru Power Transmission	BUY	442	419
9	KEC International	Accumulate	495	435
10	Larsen & Toubro	BUY	2,384	2,023
11	Praj Industries	BUY	520	434
12	Siemens	Accumulate	3,116	2,750
13	Thermax	Accumulate	2,190	2,199
14	Triveni Turbine	BUY	328	283
15	Voltamp Transformers	Hold	2,748	2,616

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



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