

October 28, 2023

## Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	5,079		4,611	
Sales (Rs. m)	16,406	18,522	15,903	18,118
% Chng.	3.2	2.2		
EBITDA (Rs. m)	2,713	2,780	2,302	2,664
% Chng.	17.8	4.3		
EPS (Rs.)	232.3	239.6	199.4	230.6
% Chng.	16.5	3.9		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	13,851	16,406	18,522	20,853
EBITDA (Rs. m)	2,309	2,713	2,780	3,043
Margin (%)	16.7	16.5	15.0	14.6
PAT (Rs. m)	1,999	2,350	2,424	2,715
EPS (Rs.)	197.6	232.3	239.6	268.3
Gr. (%)	50.5	17.5	3.2	12.0
DPS (Rs.)	60.0	81.3	76.7	85.9
Yield (%)	1.2	1.6	1.5	1.7
RoE (%)	19.5	19.9	18.1	17.9
RoCE (%)	21.6	22.0	19.7	19.1
EV/Sales (x)	3.6	3.0	2.7	2.4
EV/EBITDA (x)	21.5	18.3	17.8	16.3
PE (x)	25.2	21.5	20.8	18.6
P/BV (x)	4.6	4.0	3.5	3.1

### Key Data

### VOTL.BO | VAMP IN

52-W High / Low	Rs.5,973 / Rs.2,341
Sensex / Nifty	63,783 / 19,047
Market Cap	Rs.50bn/ \$ 606m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.342.55m

### Shareholding Pattern (%)

Promoter's	50.00
Foreign	14.09
Domestic Institution	25.68
Public & Others	10.23
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	6.6	69.4	77.5
Relative	10.5	61.1	66.3

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# Voltamp Transformers (VAMP IN)

Rating: HOLD | CMP: Rs4,989 | TP: Rs5,079

## Medium term outlook continues to remain strong

### Quick Pointers:

- Enquiry pipeline remains strong across sectors.
- Higher service revenue along with softening commodity prices resulted in EBITDA margin expansion of 343bps to 18%.

**We revise our FY24/25E estimates by 16.5%/3.9% post factoring in healthy H1FY24 performance, continued healthy demand outlook, normalizing supply chain, softening commodity prices and increasing utilization of Savli plant. Voltamp Transformers (VAMP) reported strong quarterly performance with revenue growth of 20.1% YoY, volume growth of ~10% YoY and EBITDA margin expansion of 343bps YoY to 14.9%. Enquiry pipeline continues to remain strong for next couple of years from sectors such as Data centers, Steel & Metals, Commercial real, Green energy, Sugar, Cement, refinery etc. thereupon driving order inflows. However, competition intensity has increased with revival of old players and rising Chinese/Unorganized players thereby impacting pricing power.**

**We remain positive on VAMP considering 1) strong market position in industrial transformers, 2) robust business model, 3) debt free balance sheet, 4) consistent free cash flow generation, and 5) healthy enquiry pipeline. The stock is currently trading at PE of 21.5x/20.8x/18.6x FY24/25/26E. We roll forward to Sep'25 and maintain 'Hold' rating with TP of Rs5,079 (Rs4,611 earlier), valuing at PE of 20x Sep'25E.**

**Higher service revenue drives margins in Q2FY24:** Sales grew 20.1% YoY to Rs3.8bn (PL of ~Rs3.7bn), driven by strong execution of opening order book. Gross margin expanded to 29.3% in Q2FY24 vs 23.8% in Q2FY23, due to softening of commodity prices and strong service revenue growth. EBITDA grew 48.3% YoY to Rs688mn (PL of Rs549mn) with EBITDA margins expanding 343bps YoY to 18% (PL of ~15%), mainly due to gross margin expansion and write back of provision for doubtful debts. PAT came in at Rs684mn (up 49% YoY) (PL of ~Rs465mn), driven by strong operating performance.

**Current order book stands strong at ~Rs15bn:** Order inflows in H1FY24 came in at ~Rs9bn (7037 MVA) comprising of sectors such as Steel, Metals & minerals accounting for ~22%, Green Energy ~9%, Infrastructure ~9%, Auto & Auto Ancillaries ~6% etc. Order book stands strong at ~Rs15bn/12,896MVA (1x TTM revenue), up ~63%/57% YoY. The enquiry pipeline remains robust from sectors such as Data Center Steel & Metals, Commercial real estate, Green energy, Sugar, Cement etc.

**Exhibit 1: Strong service revenue growth and softening commodity prices drives EBITDA margin**

Y/e March (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY Gr. (%)	QoQ Gr. (%)	H1FY24	H1FY23	YoY Gr. (%)
<b>Revenue</b>	<b>3,176</b>	<b>3,575</b>	<b>4,399</b>	<b>3,222</b>	<b>3,814</b>	<b>20.1</b>	<b>18.4</b>	<b>7,036</b>	<b>5,878</b>	<b>19.7</b>
<b>Total Revenues</b>	<b>3,176</b>	<b>3,575</b>	<b>4,399</b>	<b>3,222</b>	<b>3,814</b>	<b>20.1</b>	<b>18.4</b>	<b>7,036</b>	<b>5,878</b>	<b>19.7</b>
Consumption of RM	2,421	2,719	3,139	2,356	2,696	11.3	14.4	5,052	4,468	13.1
<i>as % of sales</i>	<i>76.2</i>	<i>76.1</i>	<i>71.4</i>	<i>73.1</i>	<i>70.7</i>			<i>71.8</i>	<i>76.0</i>	
Gross Profit	755	855	1,260	866	1,118	48.1	29.2	1,984	1,409	40.8
<i>Gross margins%</i>	<i>23.8</i>	<i>23.9</i>	<i>28.6</i>	<i>26.9</i>	<i>29.3</i>			<i>28.2</i>	<i>24.0</i>	
Employee Cost	103	104	91	118	135	30.7	13.9	253	206	22.8
<i>as % of sales</i>	<i>3.2</i>	<i>2.9</i>	<i>2.1</i>	<i>3.7</i>	<i>3.5</i>			<i>3.6</i>	<i>3.5</i>	
Other expenditure	188	197	240	268	296	57.1	10.5	563	377	49.4
<i>as % of sales</i>	<i>5.9</i>	<i>5.5</i>	<i>5.5</i>	<i>8.3</i>	<i>7.8</i>			<i>8.0</i>	<i>6.4</i>	
<b>EBITDA</b>	<b>464</b>	<b>554</b>	<b>928</b>	<b>480</b>	<b>688</b>	<b>48.3</b>	<b>43.3</b>	<b>1,168</b>	<b>826</b>	<b>41.3</b>
Depreciation	24	25	26	23	27	13.7	18.1	51	46	9.8
<b>EBIT</b>	<b>440</b>	<b>529</b>	<b>902</b>	<b>457</b>	<b>660</b>	<b>50.2</b>	<b>44.6</b>	<b>1,117</b>	<b>780</b>	<b>43.2</b>
Other Income	159	137	108	230	179	12.5	(22.2)	409	155	163.9
Interest	2	2	2	2	3	50.0	25.9	5	4	24.9
<b>PBT</b>	<b>597</b>	<b>664</b>	<b>1,008</b>	<b>685</b>	<b>836</b>	<b>40.2</b>	<b>22.2</b>	<b>1,521</b>	<b>931</b>	<b>63.4</b>
Total Tax	137	157	243	177	152	10.6	(14.0)	329	205	60.5
<b>Adjusted PAT</b>	<b>459</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>	<b>49.0</b>	<b>34.8</b>	<b>1,192</b>	<b>726</b>	<b>64.2</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
<b>PAT after MI</b>	<b>459</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>	<b>49.0</b>	<b>34.8</b>	<b>1,192</b>	<b>726</b>	<b>64.2</b>
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>459</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>	<b>49.0</b>	<b>34.8</b>	<b>1,192</b>	<b>726</b>	<b>64.2</b>
<b>Adjusted EPS</b>	<b>45.4</b>	<b>50.2</b>	<b>75.7</b>	<b>50.2</b>	<b>67.6</b>	<b>49.0</b>	<b>34.8</b>	<b>118</b>	<b>71.8</b>	<b>64.2</b>
<b>Margins (%)</b>						<b>bps</b>	<b>bps</b>			<b>bps</b>
EBIDTA	14.6	15.5	21.1	14.9	18.0	343	314	16.6	14.1	254
EBIT	13.8	14.8	20.5	14.2	17.3	347	314	15.9	13.3	260
EBT	18.8	18.6	22.9	21.2	21.9	314	68	21.6	15.8	578
PAT	14.5	14.2	17.4	15.8	17.9	348	219	16.9	12.4	459
Effective Tax rate	23.0	23.6	24.1	25.8	18.2	(486)	(766)	21.6	22.0	(39)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>13,851</b>	<b>16,406</b>	<b>18,522</b>	<b>20,853</b>
YoY gr. (%)	22.9	18.4	12.9	12.6
Cost of Goods Sold	10,327	12,094	13,927	15,738
Gross Profit	3,524	4,312	4,595	5,115
Margin (%)	25.4	26.3	24.8	24.5
Employee Cost	401	476	537	605
Other Expenses	368	451	519	592
<b>EBITDA</b>	<b>2,309</b>	<b>2,713</b>	<b>2,780</b>	<b>3,043</b>
YoY gr. (%)	66.1	17.5	2.5	9.4
Margin (%)	16.7	16.5	15.0	14.6
Depreciation and Amortization	97	113	133	147
<b>EBIT</b>	<b>2,212</b>	<b>2,599</b>	<b>2,647</b>	<b>2,895</b>
Margin (%)	16.0	15.8	14.3	13.9
Net Interest	9	7	7	6
Other Income	401	541	593	730
<b>Profit Before Tax</b>	<b>2,604</b>	<b>3,134</b>	<b>3,233</b>	<b>3,619</b>
Margin (%)	18.8	19.1	17.5	17.4
Total Tax	604	783	808	905
Effective tax rate (%)	23.2	25.0	25.0	25.0
<b>Profit after tax</b>	<b>1,999</b>	<b>2,350</b>	<b>2,424</b>	<b>2,715</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,999</b>	<b>2,350</b>	<b>2,424</b>	<b>2,715</b>
YoY gr. (%)	50.5	17.5	3.2	12.0
Margin (%)	14.4	14.3	13.1	13.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,999</b>	<b>2,350</b>	<b>2,424</b>	<b>2,715</b>
YoY gr. (%)	50.5	17.5	3.2	12.0
Margin (%)	14.4	14.3	13.1	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,999	2,350	2,424	2,715
<b>Equity Shares O/s (m)</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>EPS (Rs)</b>	<b>197.6</b>	<b>232.3</b>	<b>239.6</b>	<b>268.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,131</b>	<b>1,231</b>	<b>1,331</b>	<b>1,431</b>
Tangibles	1,131	1,231	1,331	1,431
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>461</b>	<b>574</b>	<b>707</b>	<b>855</b>
Tangibles	461	574	707	855
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>670</b>	<b>656</b>	<b>623</b>	<b>576</b>
Tangibles	670	656	623	576
Intangibles	-	-	-	-
Capital Work In Progress	6	6	6	6
Goodwill	-	-	-	-
Non-Current Investments	6,513	7,260	8,505	9,806
Net Deferred tax assets	(17)	(17)	(17)	(17)
Other Non-Current Assets	38	82	93	104
<b>Current Assets</b>				
Investments	672	672	672	672
Inventories	1,748	2,517	2,740	3,057
Trade receivables	2,264	2,583	2,855	3,182
Cash & Bank Balance	179	191	220	288
Other Current Assets	70	82	93	104
<b>Total Assets</b>	<b>12,225</b>	<b>14,119</b>	<b>15,886</b>	<b>17,883</b>
<b>Equity</b>				
Equity Share Capital	101	101	101	101
Other Equity	10,971	12,499	14,147	15,993
<b>Total Network</b>	<b>11,072</b>	<b>12,600</b>	<b>14,249</b>	<b>16,094</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	30	63	76	86
Other current liabilities	1,106	1,440	1,545	1,686
<b>Total Equity &amp; Liabilities</b>	<b>12,225</b>	<b>14,119</b>	<b>15,886</b>	<b>17,883</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,604	3,134	3,233	3,619
Add. Depreciation	97	113	133	147
Add. Interest	9	7	7	6
Less Financial Other Income	401	541	593	730
Add. Other	(376)	(541)	(593)	(730)
Op. profit before WC changes	2,333	2,713	2,780	3,043
Net Changes-WC	(38)	(781)	(409)	(526)
Direct tax	616	783	808	905
<b>Net cash from Op. activities</b>	<b>1,680</b>	<b>1,149</b>	<b>1,563</b>	<b>1,612</b>
Capital expenditures	(74)	(100)	(100)	(100)
Interest / Dividend Income	157	541	593	730
Others	(1,355)	(748)	(1,244)	(1,300)
<b>Net Cash from Invt. activities</b>	<b>(1,273)</b>	<b>(307)</b>	<b>(752)</b>	<b>(670)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(354)	(823)	(776)	(869)
Interest paid	(9)	(7)	(7)	(6)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(363)</b>	<b>(830)</b>	<b>(783)</b>	<b>(874)</b>
<b>Net change in cash</b>	<b>44</b>	<b>12</b>	<b>29</b>	<b>68</b>
Free Cash Flow	1,687	1,049	1,463	1,512

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	197.6	232.3	239.6	268.3
CEPS	207.2	243.5	252.8	282.9
BVPS	1,094.4	1,245.4	1,408.4	1,590.8
FCF	166.8	103.7	144.6	149.4
DPS	60.0	81.3	76.7	85.9
<b>Return Ratio(%)</b>				
RoCE	21.6	22.0	19.7	19.1
ROIC	18.1	17.8	15.8	15.3
RoE	19.5	19.9	18.1	17.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	105	112	109	108
<b>Valuation(x)</b>				
PER	25.2	21.5	20.8	18.6
P/B	4.6	4.0	3.5	3.1
P/CEPS	24.1	20.5	19.7	17.6
EV/EBITDA	21.5	18.3	17.8	16.3
EV/Sales	3.6	3.0	2.7	2.4
Dividend Yield (%)	1.2	1.6	1.5	1.7

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Net Revenue</b>	<b>3,575</b>	<b>4,399</b>	<b>3,222</b>	<b>3,814</b>
YoY gr. (%)	13.5	13.6	19.3	20.1
Raw Material Expenses	2,719	3,139	2,356	2,696
Gross Profit	855	1,260	866	1,118
Margin (%)	23.9	28.6	26.9	29.3
<b>EBITDA</b>	<b>554</b>	<b>928</b>	<b>480</b>	<b>688</b>
YoY gr. (%)	61.1	39.2	32.3	48.3
Margin (%)	15.5	21.1	14.9	18.0
Depreciation / Depletion	25	26	23	27
<b>EBIT</b>	<b>529</b>	<b>902</b>	<b>457</b>	<b>660</b>
Margin (%)	14.8	20.5	14.2	17.3
Net Interest	2	2	2	3
Other Income	137	108	230	179
<b>Profit before Tax</b>	<b>664</b>	<b>1,008</b>	<b>685</b>	<b>836</b>
Margin (%)	18.6	22.9	21.2	21.9
Total Tax	157	243	177	152
Effective tax rate (%)	23.6	24.1	25.8	18.2
<b>Profit after Tax</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>
YoY gr. (%)	68.6	47.6	90.3	49.0
Margin (%)	14.2	17.4	15.8	17.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>
YoY gr. (%)	68.6	47.6	90.3	49.0
Margin (%)	14.2	17.4	15.8	17.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>508</b>	<b>766</b>	<b>508</b>	<b>684</b>
Avg. Shares O/s (m)	10	10	10	10
<b>EPS (Rs)</b>	<b>50.3</b>	<b>75.8</b>	<b>50.3</b>	<b>67.8</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-23	Hold	4,611	4,413
2	09-Aug-23	Hold	4,611	4,802
3	06-Jul-23	Hold	3,961	4,069
4	27-May-23	Hold	3,961	3,871
5	11-Apr-23	Hold	3,056	2,905
6	13-Feb-23	Hold	3,055	2,949
7	04-Jan-23	Hold	3,150	2,691
8	11-Nov-22	Hold	3,150	3,013

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,013	4,068
2	Apar Industries	Accumulate	5,630	5,165
3	Bharat Electronics	Accumulate	140	139
4	BHEL	Reduce	67	127
5	Carborundum Universal	BUY	1,482	1,192
6	Cummins India	Hold	1,788	1,691
7	Engineers India	Accumulate	165	143
8	GE T&D India	Hold	260	413
9	Grindwell Norton	BUY	2,604	2,092
10	Harsha Engineers International	Accumulate	474	415
11	Hindustan Aeronautics	BUY	2,266	1,889
12	Kalpataru Projects International	BUY	732	647
13	KEC International	Hold	645	672
14	Larsen & Toubro	BUY	3,302	3,096
15	Praj Industries	Accumulate	618	571
16	Siemens	Accumulate	4,241	3,559
17	Thermax	Hold	2,613	3,101
18	Triveni Turbine	Accumulate	419	421
19	Voltamp Transformers	Hold	4,611	4,413

**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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