Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Voltamp Transformers (VAMP IN)

Rating: HOLD | CMP: Rs7,910 | TP: Rs7,619

January 30, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	7,619		5,079	
Sales (Rs. m)	18,388	21,001	18,522	20,853
% Chng.	*(0.7)*	*0.7*		
EBITDA (Rs. m)	3,219	3,692	2,780	3,043
% Chng.	*15.8*	*21.4*		
EPS (Rs.)	279.4	315.6	239.6	268.3
% Chng.	*16.6*	*17.6*		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	13,851	16,469	18,388	21,001
EBITDA (Rs. m)	2,309	3,333	3,219	3,692
Margin (%)	*16.7*	*20.2*	*17.5*	*17.6*
PAT (Rs. m)	1,999	2,975	2,827	3,193
EPS (Rs.)	197.6	294.0	279.4	315.6
Gr. (%)	*50.5*	*48.8*	*(5.0)*	*13.0*
DPS (Rs.)	60.0	102.9	89.4	101.0
Yield (%)	*0.8*	*1.3*	*1.1*	*1.3*
RoE (%)	*19.5*	*24.7*	*20.2*	*19.9*
RoCE (%)	*21.6*	*26.7*	*22.2*	*21.9*
EV/Sales (x)	5.7	4.8	4.3	3.8
EV/EBITDA (x)	34.3	23.7	24.5	21.4
PE (x)	40.0	26.9	28.3	25.1
P/BV (x)	7.2	6.2	5.4	4.7

Key Data	VOTL.BO | VAMP IN
52-W High / Low	Rs.8,580 / Rs.2,341
Sensex / Nifty	71,942 / 21,738
Market Cap	Rs.80bn/ $ 962m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.280.67m

Shareholding Pattern (%)

Promoter's	38.00
Foreign	23.23
Domestic Institution	28.69
Public & Others	10.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	21.3	77.8	228.8
Relative	20.3	64.9	175.1

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Strong operating performance; outlook intact

Quick Pointers:

- Benefits of softening commodity prices resulted in gross margin expansion of 951bps YoY to 33.4%.
- YTD order inflows came in at Rs13.9bn/11,734 MVA (+34/+31% YoY).

We revise our FY24/25/26E EPS estimates by 26.6%/16.6%/17.6% factoring in robust demand outlook, likely capacity expansion by next year, and continued benefits of softening raw material prices. Voltamp Transformers (VAMP) reported strong quarterly performance with revenue growth of 14.3% YoY and EBITDA margin expansion of 1,019bps YoY to 25.7%. Although a slowdown in government orders is anticipated during the run up to general elections in H1FY25, demand pipeline remains strong across sectors such as Steel, Cement, Sugar, Data Centers, E-Commerce, etc. There may be some pricing pressure on the back of rising competitive intensity from capacity expansion of MNCs and large domestic players as well as aggressive bidding from smaller regional players. Meanwhile, the company's large installed base of over ~70,000 transformers across sectors & geographies augurs well for the growing opportunity in its high-margin service business.

We remain positive on VAMP considering its 1) strong market position in industrial transformers, 2) healthy enquiry pipeline, 3) debt-free balance sheet, 4) consistent free cash flow generation, and 5) growing service business. The stock is currently trading at a P/E of 28.3x/25.1x FY25/26E. We roll forward to Dec-25 and maintain a 'HOLD' rating with a TP of Rs7,619 (Rs5,079 earlier), valuing it at a P/E of 25x Dec-25E (20x Sep-25E earlier) given the strong business outlook.

Softening commodity prices & reversal of provisions drive margin expansion: Revenue grew 14.3% YoY to Rs4.1bn (PLe ~Rs4.3bn) with sales volume rising 3.7% YoY to 3,278 MVA. Gross margin increased sharply by 951bps YoY to 33.4% due to softening of raw material prices. EBITDA grew 89.2% YoY to Rs1.0bn (PLe ~Rs722mn) with EBITDA margin expanding by 1,019bps YoY to 25.7% (PLe 16.9%), owing to gross margin expansion and reversal of certain past period provisions for doubtful debts, liquidated damages and employee benefits. PAT came in at Rs946mn, up 86.4% YoY (PLe ~Rs592mn), driven by a robust operating performance and higher other income at Rs248mn (up 80.6% YoY due to improved income from the investment portfolio).

Healthy YTD order inflows of Rs13.9bn (11,734 MVA): Order inflows came in at Rs4.9bn (4,697 MVA) during the quarter and Rs13.9bn (11,734 MVA) during 9MFY24, up ~34% (~31%) YoY. Demand pipeline remains strong across sectors such as Steel, Cement, Sugar, Data Centers, E-Commerce, etc., driven by energy transition and infrastructure development. However, there may be a slowdown in government orders during the run up to general elections in H1FY25.

Exhibit 1: Benefits of softening commodity prices and reversal of past period provisions drive strong margin expansion

Y/e March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Revenue	**3,575**	**4,399**	**3,222**	**3,814**	**4,085**	***14.3***	***7.1***	**11,121**	**9,452**	***17.6***
Total Revenues	**3,575**	**4,399**	**3,222**	**3,814**	**4,085**	***14.3***	***7.1***	**11,121**	**9,452**	***17.6***
Expenditure	3,021	3,470	2,742	3,126	3,036	*0.5*	*(2.9)*	8,905	8,072	*10.3*
as % of sales	*84.5*	*78.9*	*85.1*	*82.0*	*74.3*			*80.1*	*85.4*	
Consumption of RM	2,719	3,139	2,356	2,696	2,719	*(0.0)*	*0.9*	7,771	7,188	*8.1*
as % of sales	*76.1*	*71.4*	*73.1*	*70.7*	*66.6*			*69.9*	*76.0*	
Employee Cost	104	91	118	135	119	*14.2*	*(11.6)*	372	310	*19.9*
as % of sales	*2.9*	*2.1*	*3.7*	*3.5*	*2.9*			*3.3*	*3.3*	
Other expenditure	197	240	268	296	198	*0.7*	*(32.9)*	762	574	*32.7*
as % of sales	*5.5*	*5.5*	*8.3*	*7.8*	*4.9*			*6.9*	*6.1*	
EBITDA	**554**	**928**	**480**	**688**	**1,048**	***89.2***	***52.4***	**2,216**	**1,380**	***60.5***
Depreciation	25	26	23	27	30	*18.2*	*8.1*	80	71	*12.8*
EBIT	**529**	**902**	**457**	**660**	**1,019**	***92.6***	***54.3***	**2,136**	**1,309**	***63.1***
Other Income	137	108	230	179	248	*80.6*	*38.4*	657	292	*124.8*
Interest	2	2	2	3	3	*27.8*	*(7.5)*	8	7	*25.9*
PBT	**664**	**1,008**	**685**	**836**	**1,264**	***90.3***	***51.1***	**2,785**	**1,595**	***74.6***
Total Tax	157	243	177	152	318	*103.0*	*109.1*	647	361	*78.9*
Adjusted PAT	**508**	**766**	**508**	**684**	**946**	***86.4***	***38.2***	**2,138**	**1,234**	***73.3***
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	**508**	**766**	**508**	**684**	**946**	***86.4***	***38.2***	**2,138**	**1,234**	***73.3***
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	**508**	**766**	**508**	**684**	**946**	***86.4***	***38.2***	**2,138**	**1,234**	***73.3***
Adjusted EPS	**50.2**	**75.7**	**50.2**	**67.6**	**93.5**	***86.4***	***38.2***	**211.4**	**121.9**	***73.3***
Margins (%)	**Q3FY23**	**Q4FY23**	**Q1FY24**	**Q2FY24**	**Q3FY24**	***bps***	***bps***	**9MFY24**	**9MFY23**	***bps***
Gross	23.9	28.6	26.9	29.3	33.4	*951*	*412*	30.1	24.0	*616*
EBITDA	15.5	21.1	14.9	18.0	25.7	*1,017*	*763*	19.9	14.6	*532*
EBIT	14.8	20.5	14.2	17.3	24.9	*1,014*	*763*	19.2	13.9	*535*
EBT	18.6	22.9	21.2	21.9	30.9	*1,236*	*901*	25.0	16.9	*817*
PAT	14.2	17.4	15.8	17.9	23.2	*896*	*522*	19.2	13.1	*618*
Effective Tax rate	23.6	24.1	25.8	18.2	25.1	*157*	*697*	23.2	22.7	*56*

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	**13,851**	**16,469**	**18,388**	**21,001**
YoY gr. (%)	*22.9*	*18.9*	*11.7*	*14.2*
Cost of Goods Sold	10,327	11,514	13,312	15,198
Gross Profit	3,524	4,955	5,077	5,803
Margin (%)	*25.4*	*30.1*	*27.6*	*27.6*
Employee Cost	401	494	552	620
Other Expenses	368	445	533	609
EBITDA	**2,309**	**3,333**	**3,219**	**3,692**
YoY gr. (%)	*66.1*	*44.3*	*(3.4)*	*14.7*
Margin (%)	*16.7*	*20.2*	*17.5*	*17.6*
Depreciation and Amortization	97	113	119	188
EBIT	**2,212**	**3,219**	**3,101**	**3,505**
Margin (%)	*16.0*	*19.5*	*16.9*	*16.7*
Net Interest	9	11	12	14
Other Income	401	758	680	767
Profit Before Tax	**2,604**	**3,966**	**3,769**	**4,258**
Margin (%)	*18.8*	*24.1*	*20.5*	*20.3*
Total Tax	604	992	942	1,064
Effective tax rate (%)	*23.2*	*25.0*	*25.0*	*25.0*
Profit after tax	**1,999**	**2,975**	**2,827**	**3,193**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,999**	**2,975**	**2,827**	**3,193**
YoY gr. (%)	*50.5*	*48.8*	*(5.0)*	*13.0*
Margin (%)	*14.4*	*18.1*	*15.4*	*15.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,999**	**2,975**	**2,827**	**3,193**
YoY gr. (%)	*50.5*	*48.8*	*(5.0)*	*13.0*
Margin (%)	*14.4*	*18.1*	*15.4*	*15.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,999	2,975	2,827	3,193
Equity Shares O/s (m)	**10**	**10**	**10**	**10**
EPS (Rs)	**197.6**	**294.0**	**279.4**	**315.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	**1,131**	**1,230**	**1,397**	**2,208**
Tangibles	1,131	1,230	1,397	2,208
Intangibles	-	-	-	-
Acc: Dep / Amortization	**461**	**574**	**693**	**880**
Tangibles	461	574	693	880
Intangibles	-	-	-	-
Net fixed assets	**670**	**656**	**705**	**1,327**
Tangibles	670	656	705	1,327
Intangibles	-	-	-	-
Capital Work In Progress	6	7	739	529
Goodwill	-	-	-	-
Non-Current Investments	6,513	7,570	8,347	9,524
Net Deferred tax assets	(17)	(17)	(17)	(17)
Other Non-Current Assets	38	82	92	105
Current Assets				
Investments	672	672	672	672
Inventories	1,748	2,527	2,720	3,078
Trade receivables	2,264	2,583	2,817	3,179
Cash & Bank Balance	179	315	360	366
Other Current Assets	70	82	92	105
Total Assets	**12,225**	**14,564**	**16,622**	**18,973**
Equity				
Equity Share Capital	101	101	101	101
Other Equity	10,971	12,905	14,827	16,998
Total Networth	**11,072**	**13,006**	**14,928**	**17,100**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	30	63	76	86
Other current liabilities	1,106	1,478	1,602	1,771
Total Equity & Liabilities	**12,225**	**14,564**	**16,622**	**18,973**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,604	3,966	3,769	4,258
Add. Depreciation	97	113	119	188
Add. Interest	9	11	12	14
Less Financial Other Income	401	758	680	767
Add. Other	(376)	(758)	(680)	(767)
Op. profit before WC changes	2,333	3,333	3,219	3,692
Net Changes-WC	(38)	(752)	(320)	(578)
Direct tax	616	992	942	1,064
Net cash from Op. activities	**1,680**	**1,588**	**1,957**	**2,050**
Capital expenditures	(74)	(100)	(900)	(600)
Interest / Dividend Income	157	758	680	767
Others	(1,355)	(1,058)	(776)	(1,175)
Net Cash from Invt. activities	**(1,273)**	**(401)**	**(996)**	**(1,009)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(354)	(1,041)	(905)	(1,022)
Interest paid	(9)	(11)	(12)	(14)
Others	-	-	-	-
Net cash from Fin. activities	**(363)**	**(1,052)**	**(916)**	**(1,035)**
Net change in cash	**44**	**136**	**45**	**6**
Free Cash Flow	1,687	1,488	1,057	1,450

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	**4,399**	**3,222**	**3,814**	**4,085**
YoY gr. (%)	*13.6*	*19.3*	*20.1*	*14.3*
Raw Material Expenses	3,139	2,356	2,696	2,719
Gross Profit	1,260	866	1,118	1,366
Margin (%)	*28.6*	*26.9*	*29.3*	*33.4*
EBITDA	**928**	**480**	**688**	**1,048**
YoY gr. (%)	*39.2*	*32.3*	*48.3*	*89.2*
Margin (%)	*21.1*	*14.9*	*18.0*	*25.7*
Depreciation / Depletion	26	23	27	30
EBIT	**902**	**457**	**660**	**1,019**
Margin (%)	*20.5*	*14.2*	*17.3*	*24.9*
Net Interest	2	2	3	3
Other Income	108	230	179	248
Profit before Tax	**1,008**	**685**	**836**	**1,264**
Margin (%)	*22.9*	*21.2*	*21.9*	*30.9*
Total Tax	243	177	152	318
Effective tax rate (%)	*24.1*	*25.8*	*18.2*	*25.1*
Profit after Tax	**766**	**508**	**684**	**946**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**766**	**508**	**684**	**946**
YoY gr. (%)	*47.6*	*90.3*	*49.0*	*86.4*
Margin (%)	*17.4*	*15.8*	*17.9*	*23.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**766**	**508**	**684**	**946**
YoY gr. (%)	*47.6*	*90.3*	*49.0*	*86.4*
Margin (%)	*17.4*	*15.8*	*17.9*	*23.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**766**	**508**	**684**	**946**
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	**75.8**	**50.3**	**67.8**	**93.7**

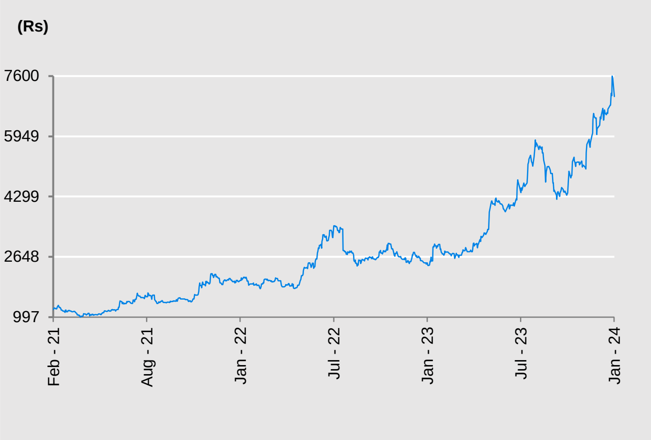
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	197.6	294.0	279.4	315.6
CEPS	207.2	305.2	291.2	334.2
BVPS	1,094.4	1,285.5	1,475.5	1,690.2
FCF	166.8	147.1	104.5	143.3
DPS	60.0	102.9	89.4	101.0
Return Ratio(%)				
RoCE	21.6	26.7	22.2	21.9
ROIC	18.1	21.8	18.0	17.6
RoE	19.5	24.7	20.2	19.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	105	112	108	107
Valuation(x)				
PER	40.0	26.9	28.3	25.1
P/B	7.2	6.2	5.4	4.7
P/CEPS	38.2	25.9	27.2	23.7
EV/EBITDA	34.3	23.7	24.5	21.4
EV/Sales	5.7	4.8	4.3	3.8
Dividend Yield (%)	0.8	1.3	1.1	1.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	Hold	5,079	6,538
2	28-Oct-23	Hold	5,079	4,989
3	05-Oct-23	Hold	4,611	4,413
4	09-Aug-23	Hold	4,611	4,802
5	06-Jul-23	Hold	3,961	4,069
6	27-May-23	Hold	3,961	3,871
7	11-Apr-23	Hold	3,056	2,905
8	13-Feb-23	Hold	3,055	2,949

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,984	4,753
2	Apar Industries	Accumulate	5,776	5,950
3	Bharat Electronics	Accumulate	143	184
4	BHEL	UR	-	195
5	Carborundum Universal	BUY	1,408	1,132
6	Cummins India	Hold	1,811	2,005
7	Engineers India	BUY	166	199
8	GE T&D India	UR	-	585
9	Grindwell Norton	BUY	2,604	2,283
10	Harsha Engineers International	Accumulate	415	395
11	Hindustan Aeronautics	BUY	2,266	2,996
12	Kalpataru Projects International	BUY	740	737
13	KEC International	Hold	645	612
14	Larsen & Toubro	BUY	3,437	3,501
15	Praj Industries	Accumulate	611	540
16	Siemens	Accumulate	4,359	4,020
17	Thermax	Hold	2,771	3,200
18	Triveni Turbine	Accumulate	450	407
19	Voltamp Transformers	Hold	5,079	6,538

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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