

October 29, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	14,326		14,922	
Sales (Rs. m)	21,583	25,263	22,781	26,414
% Chng.	(5.3)	(4.4)		
EBITDA (Rs. m)	4,105	4,509	4,333	4,715
% Chng.	(5.3)	(4.4)		
EPS (Rs.)	358.1	397.2	373.1	406.2
% Chng.	(4.0)	(2.2)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	16,162	18,549	21,583	25,263
EBITDA (Rs. m)	3,223	3,459	4,105	4,509
Margin (%)	19.9	18.7	19.0	17.9
PAT (Rs. m)	3,074	3,126	3,623	4,018
EPS (Rs.)	303.8	309.0	358.1	397.2
Gr. (%)	53.7	1.7	15.9	10.9
DPS (Rs.)	90.0	92.7	107.4	119.1
Yield (%)	0.9	0.9	1.0	1.1
RoE (%)	25.0	21.3	21.2	20.2
RoCE (%)	25.2	22.7	22.9	21.5
EV/Sales (x)	6.5	5.7	4.9	4.1
EV/EBITDA (x)	32.8	30.4	25.5	23.2
PE (x)	34.6	34.0	29.4	26.5
P/BV (x)	7.9	6.8	5.8	5.0

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.14,800 / Rs.4,781
Sensex / Nifty	80,005 / 24,339
Market Cap	Rs.106bn/ \$ (2,14,68,26,273)m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.326.65m

Shareholding Pattern (%)

Promoter's	38.00
Foreign	28.50
Domestic Institution	22.60
Public & Others	10.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(20.9)	2.5	110.8
Relative	(15.4)	(5.5)	68.0

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Decent quarter; price realization in focus

Quick Pointers:

- YTD order inflows stood at Rs10.1bn (8,014 MVA) in Q2FY25.
- Sales volume grew 22.6% YoY to 3,598 MVA.

We revise our FY25/26E EPS estimates by -2.4%/-4.0% factoring in weaker realization, but upgrade the rating to 'Buy' due to the recent sharp correction in stock price with a revised TP of Rs14,325 (Rs14,922 earlier). Voltamp Transformers (VAMP) reported decent quarterly performance with 4.3% YoY revenue growth and EBITDA margin expansion of 82bps YoY to 18.9%. Domestic demand landscape remains supportive of growth led by strong public and private capex across industries. Continued emphasis on energy security and energy transition is expected to drive demand for higher capacity power transformers. The company's capacity expansion plan for power transformers up to 250 MVA is on track and anticipated to be operational by Q1FY27. Opportunity pipeline remains robust with traction across data centers, commercial real estate, oil & gas, and green energy. However, increasing capacity addition is putting pressure on pricing, which will lead to margin normalization going forward. Additionally, supply chain constraints in CRGO steel and a few other critical components along with geopolitical uncertainties, remain critical risks to execution.

We remain positive on VAMP considering its 1) strong market position in industrial transformers, 2) healthy demand momentum, 3) debt-free balance sheet, 4) consistent free cash flow generation, and 5) growing high-margin services business. The stock is trading at a P/E of 34.0x/29.4x FY25/26E. We value the stock at a PE of 40x FY26E (same as earlier). Upgrade to 'Buy'.

Strong volume offset by lower realization led to revenue growth of 4.3% YoY:

Revenue rose 4.3% YoY to Rs4.0bn (PLe: Rs4.7bn) with sales volume up by 22.6% YoY to 3,598 MVA. Gross margin was flat YoY at 29.4% (PLe: 27.0%). EBITDA jumped 9.0% YoY to Rs750mn (PLe: Rs848bn). EBITDA margin expanded by 82bps YoY to 18.9% (PLe: 18.0%), owing to lower other expenses (-6.2% YoY to Rs277mn). PBT grew 23.8% YoY to Rs1.0bn (PLe: Rs1.0bn). PAT rose 10.7% YoY to Rs757mn (PLe: Rs780mn), aided by better operating performance & higher other income (up 78.9% YoY to Rs320mn), partially offset by higher effective tax rate (26.8% vs 18.2% in Q2FY24).

Healthy order intake of Rs10.1bn (8,014 MVA) in H1FY25:

The company has booked new orders worth Rs10.1bn (8,014 MVA) till date in FY25 with a well-diversified mix. Current order book stands at Rs10.2bn (8,730 MVA). Demand pipeline remains healthy, supported by opportunities in commercial real estate, data centers, oil & gas, and green energy. The management continues to remain selective on order booking with focus on healthy balance sheet and cash flow generation.

Exhibit 1: Higher other income (up 78.9% YoY to Rs320mn) aided adj. PBT growth of 23.8% YoY to Rs1.0bn.

Rs mn	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	Var. (%)	Q4FY24	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Revenue	3,977	3,814	4.3%	4,713	-15.6%	5,042	-21.1%	8,259	7,036	17.4%
Gross Profit	1,170	1,118	4.6%	1,273	-8.1%	1,509	-22.5%	2,324	1,984	17.1%
Margin (%)	29.4	29.3	9	27.0	241.0	29.9	(53)	28.1	28.2	(6)
Employee Cost	142	135	5.9%	146	-2.5%	167	-14.7%	280	253	10.7%
as % of sales	3.6	3.5	5	3.1	48.2	3.3	27	3.4	3.6	(21)
Other expenditure	277	296	-6.2%	278	-0.2%	335	-17.1%	536	563	-4.8%
as % of sales	7.0	7.8	(78)	5.9	107.6	6.6	33	6.5	8.0	(152)
EBITDA	750	688	9.0%	848	-11.6%	1,007	-25.6%	1,508	1,168	29.1%
Margin (%)	18.9	18.0	82	18.0	85.2	20.0	(113)	18.3	16.6	166
Depreciation	32	27	15.7%	33	-3.9%	33	-5.4%	61	51	21.4%
EBIT	718	660	8.8%	815	-11.9%	974	-26.3%	1,446	1,117	29.5%
Margin (%)	18.1	17.3	74	17.3	75.5	19.3	(126)	17.5	15.9	164
Other Income	320	179	78.9%	200	60.2%	232	37.9%	608	409	48.6%
Interest	3	3	9.5%	3	11.7%	13	-73.2%	7	5	23.9%
PBT (ex. Extra-ordinaries)	1,035	836	23.8%	1,012	2.3%	1,194	-13.3%	2,048	1,521	34.6%
Margin (%)	26.0	21.9	410	21.5	454.9	23.7	235	24.8	21.6	318
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	1,035	836	23.8%	1,012	2.3%	1,194	-13.3%	2,048	1,521	34.6%
Total Tax	278	152	82.8%	233	-	259	7.5%	496	329	50.9%
Effective Tax Rate (%)	26.8	18.2	866	23.0	383.6	21.7	518	24.2	21.6	260
Adj. PAT	757	684	10.7%	780	-2.8%	935	-19.0%	1,552	1,192	30.2%
Margin (%)	19.0	17.9	110	16.5	250.4	18.6	49	18.8	16.9	185
Adj. EPS	74.9	67.6	10.7%	77.1	-2.8%	92.4	-19.0%	153.4	117.8	30.2%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	16,162	18,549	21,583	25,263
YoY gr. (%)	16.7	14.8	16.4	17.1
Cost of Goods Sold	11,303	13,392	15,583	18,341
Gross Profit	4,859	5,156	6,000	6,922
Margin (%)	30.1	27.8	27.8	27.4
Employee Cost	539	566	637	758
Other Expenses	431	445	496	758
EBITDA	3,223	3,459	4,105	4,509
YoY gr. (%)	39.6	7.3	18.7	9.9
Margin (%)	19.9	18.7	19.0	17.9
Depreciation and Amortization	114	132	185	228
EBIT	3,110	3,327	3,920	4,281
Margin (%)	19.2	17.9	18.2	16.9
Net Interest	21	12	14	16
Other Income	890	798	874	1,036
Profit Before Tax	3,979	4,113	4,780	5,301
Margin (%)	24.6	22.2	22.1	21.0
Total Tax	905	987	1,157	1,283
Effective tax rate (%)	22.7	24.0	24.2	24.2
Profit after tax	3,074	3,126	3,623	4,018
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,074	3,126	3,623	4,018
YoY gr. (%)	53.7	1.7	15.9	10.9
Margin (%)	19.0	16.9	16.8	15.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,074	3,126	3,623	4,018
YoY gr. (%)	53.7	1.7	15.9	10.9
Margin (%)	19.0	16.9	16.8	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,074	3,126	3,623	4,018
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	303.8	309.0	358.1	397.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,323	1,922	3,122	4,122
Tangibles	1,323	1,922	3,122	4,122
Intangibles	-	-	-	-
Acc: Dep / Amortization	561	693	878	1,106
Tangibles	561	693	878	1,106
Intangibles	-	-	-	-
Net fixed assets	762	1,230	2,245	3,017
Tangibles	762	1,230	2,245	3,017
Intangibles	-	-	-	-
Capital Work In Progress	11	12	12	12
Goodwill	-	-	-	-
Non-Current Investments	8,921	9,534	10,282	11,583
Net Deferred tax assets	(57)	(57)	(57)	(57)
Other Non-Current Assets	56	65	76	88
Current Assets				
Investments	313	313	313	313
Inventories	2,262	2,592	2,986	3,357
Trade receivables	2,388	2,668	3,016	3,391
Cash & Bank Balance	294	911	1,276	1,599
Other Current Assets	93	93	108	126
Total Assets	15,211	17,514	20,415	23,593
Equity				
Equity Share Capital	101	101	101	101
Other Equity	13,435	15,650	18,336	21,267
Total Networth	13,536	15,751	18,437	21,368
Non-Current Liabilities				
Long Term borrowings	17	17	17	17
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	16	16	16	16
Trade payables	85	76	89	104
Other current liabilities	1,501	1,597	1,800	2,032
Total Equity & Liabilities	15,211	17,514	20,415	23,593

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,979	4,113	4,780	5,301
Add. Depreciation	114	132	185	228
Add. Interest	21	12	14	16
Less Financial Other Income	890	798	874	1,036
Add. Other	(849)	(798)	(874)	(1,036)
Op. profit before WC changes	3,264	3,459	4,105	4,509
Net Changes-WC	(237)	(517)	(560)	(538)
Direct tax	865	987	1,157	1,283
Net cash from Op. activities	2,163	1,955	2,388	2,689
Capital expenditures	(177)	(600)	(1,200)	(1,000)
Interest / Dividend Income	170	798	874	1,036
Others	(1,408)	(613)	(745)	(1,298)
Net Cash from Invst. activities	(1,414)	(416)	(1,071)	(1,262)
Issue of share cap. / premium	-	-	-	-
Debt changes	(9)	-	-	-
Dividend paid	(607)	(911)	(938)	(1,087)
Interest paid	(18)	(12)	(14)	(16)
Others	-	-	-	-
Net cash from Fin. activities	(633)	(922)	(952)	(1,103)
Net change in cash	115	617	366	323
Free Cash Flow	2,179	1,955	2,388	2,689

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	303.8	309.0	358.1	397.2
CEPS	315.0	322.0	376.4	419.7
BVPS	1,337.9	1,556.9	1,822.4	2,112.1
FCF	215.4	193.2	236.0	265.7
DPS	90.0	92.7	107.4	119.1
Return Ratio(%)				
RoCE	25.2	22.7	22.9	21.5
ROIC	20.5	18.8	19.1	18.0
RoE	25.0	21.3	21.2	20.2
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	103	102	100	96
Valuation(x)				
PER	34.6	34.0	29.4	26.5
P/B	7.9	6.8	5.8	5.0
P/CEPS	33.4	32.7	27.9	25.1
EV/EBITDA	32.8	30.4	25.5	23.2
EV/Sales	6.5	5.7	4.9	4.1
Dividend Yield (%)	0.9	0.9	1.0	1.1

Source: Company Data, PL Research

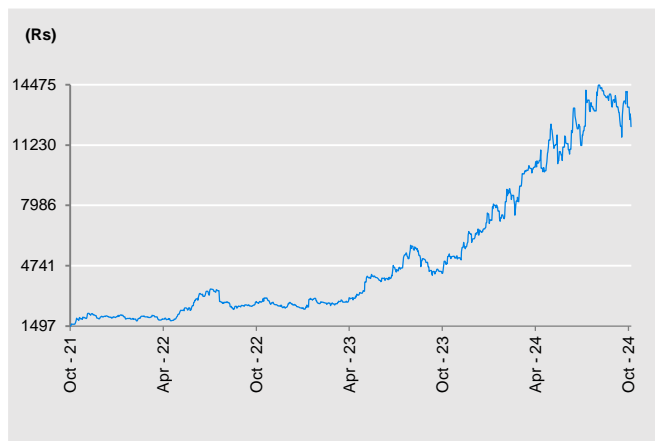
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	4,085	5,042	4,282	3,977
YoY gr. (%)	14.3	14.6	32.9	4.3
Raw Material Expenses	2,719	3,532	3,128	2,808
Gross Profit	1,366	1,509	1,154	1,170
Margin (%)	33.4	29.9	26.9	29.4
EBITDA	1,048	1,007	758	750
YoY gr. (%)	89.2	8.5	57.9	9.0
Margin (%)	25.7	20.0	17.7	18.9
Depreciation / Depletion	30	33	30	32
EBIT	1,019	974	728	718
Margin (%)	24.9	19.3	17.0	18.1
Net Interest	3	13	3	3
Other Income	248	232	288	320
Profit before Tax	1,264	1,194	1,013	1,035
Margin (%)	30.9	23.7	23.7	26.0
Total Tax	318	259	218	278
Effective tax rate (%)	25.1	21.7	21.6	26.8
Profit after Tax	946	935	794	757
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	946	935	794	757
YoY gr. (%)	86.4	22.2	56.5	10.7
Margin (%)	23.2	18.6	18.6	19.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	946	935	794	757
YoY gr. (%)	86.4	22.2	56.5	10.7
Margin (%)	23.2	18.6	18.6	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	946	935	794	757
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	93.7	92.6	78.7	75.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	14,922	12,236
2	13-Aug-24	Accumulate	14,922	13,177
3	30-Jul-24	Accumulate	14,922	14,174
4	08-Jul-24	Hold	10,041	13,220
5	06-May-24	Hold	10,018	9,985
6	12-Apr-24	UR	-	10,000
7	30-Jan-24	Hold	7,619	7,910
8	09-Jan-24	Hold	5,079	6,538

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,833	7,930
2	Apar Industries	BUY	10,399	9,514
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	Accumulate	341	277
5	BHEL	Reduce	264	268
6	Carborundum Universal	Hold	1,650	1,469
7	Cummins India	Accumulate	4,081	3,624
8	Engineers India	BUY	250	188
9	GE T&D India	Hold	1,601	1,661
10	Grindwell Norton	Accumulate	2,749	2,441
11	Harsha Engineers International	Hold	566	502
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,413	1,348
14	KEC International	Hold	880	1,032
15	Larsen & Toubro	BUY	4,130	3,494
16	Praj Industries	BUY	804	761
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	719	671
20	Voltamp Transformers	Accumulate	14,922	12,236

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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