

May 31, 2019

Q4FY19 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,510		1,380	
Sales (Rs. m)	9,396	10,457	8,934	9,707
% Chng.	5.2	7.7		
EBITDA (Rs. m)	1,105	1,216	946	1,027
% Chng.	16.8	18.4		
EPS (Rs.)	98.3	107.9	84.8	92.0
% Chng.	16.0	17.3		

Key Financials

	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	6,390	8,288	9,396	10,457
EBITDA (Rs. m)	660	936	1,105	1,216
Margin (%)	10.3	11.3	11.8	11.6
PAT (Rs. m)	735	844	995	1,091
EPS (Rs.)	72.6	83.4	98.3	107.9
Gr. (%)	1.8	14.8	17.9	9.7
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	12.4	13.0	13.9	13.8
RoCE (%)	10.1	13.3	14.4	14.3
EV/Sales (x)	1.9	1.5	1.3	1.1
EV/EBITDA (x)	18.4	12.9	10.9	9.9
PE (x)	16.8	14.7	12.4	11.3
P/BV (x)	2.0	1.8	1.7	1.5

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,274 / Rs.731
Sensex / Nifty	39,832 / 11,946
Market Cap	Rs.12bn/ \$ 177m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.7.51m

Shareholding Pattern (%)

Promoter's	49.88
Foreign	14.40
Domestic Institution	19.27
Public & Others	16.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.2	9.3	17.1
Relative	5.0	(0.7)	2.6

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Robust performance

Voltamp reported strong set of numbers for 4QFY19 with revenue/PAT up 18%/60% YoY. The company has healthy order backlog of Rs5 bn (executable over next 3 quarters). We expect Voltamp to report ~8% volume CAGR over next two years (FY19-21E) against CAGR of 6.3% over FY16-19. We expect pickup in tendering activity on the back of higher order finalization post general elections and rising demand from industrial segment due to expanding utilization level. VOLTAMP continues to receive recurring orders from several industries mainly Oil & Gas, Water, Fertilizer and Chemical. Renewables (especially Solar) offers large opportunity from medium to long-term perspective. However, management is cautious and will be bidding selectively due to tariff uncertainty. Overall pricing environment has been challenging for sector which is likely to improve over the next couple of quarters with pickup in demand.

We remain long-term positive on the company due to industrial focused business model, debt free balance sheet and consistent free cash flow generation (current cash + Investments of Rs3.9 bn which 32% of the current market cap). The company recommended total dividend of Rs22.5/share (including special dividend of Rs7.5/share) for FY19. We have modelled revenue/PAT to grow at CAGR of 12.3/13.7% over next two years. The stock is currently trading at 12.4/11.3x FY20/21E. We recommend BUY on the stock with revised TP of Rs1510 (14x FY21E).

Robust 4QFY19 results: Revenue for the quarter was up 18% YoY at Rs2.6 bn (PLe Rs2.3 bn) led by 11% YoY growth in volumes which stood at 3490 MVA. EBITDA margin improved 10bps YoY to 13.3% with utilization level of 85%. Absolute EBITDA grew 18.4% YoY at Rs344 mn. Other income was up 272% YoY at Rs138 mn, mainly due to gain of Rs50 mn on sale of investments. Tax rate was lower at 30% in 4QFY19 against 35% in 4QFY18. Hence, PAT for the quarter was up 60% YoY to Rs 321 mn.

Order backlog Rs 5 bn (6,848 MVA): Robust order inflow growth (+39% YoY at Rs3 bn) led to healthy order backlog of Rs5 bn (up 25% YoY), will be executed over next 3 quarters. The company expects strong order inflow in FY20E from different verticals like Oil & Gas, Water, Chemical and Fertilizer, Solar Power (from select states), and other SMEs.

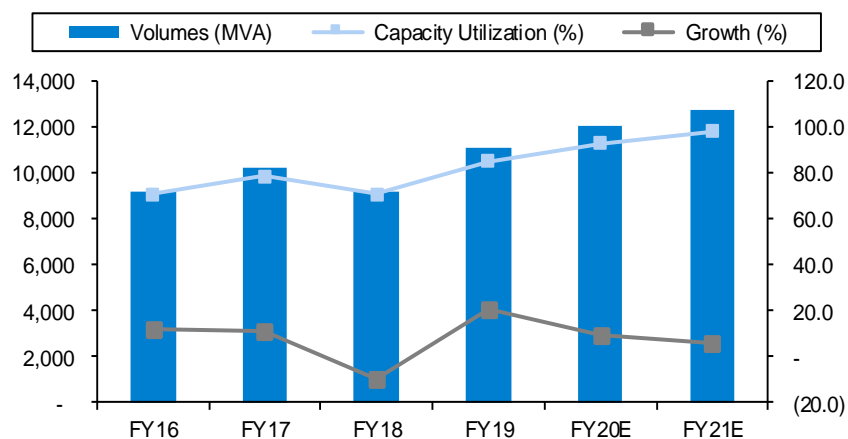
Robust balance sheet: VOLTAMP being debt-free and with good working-capital management, the company has managed its cash-flows better and enjoys healthy return ratios. Prudent payment terms and a diversified clientele with more private clients help it maintain healthy working capital.

Exhibit 1: Q4FY19 Result Update

Y/e March	Q4FY19	Q4FY18	YoY gr. (%)	Q3FY19	FY19	FY18	YoY gr. (%)
Net Revenue	2,588	2,196	17.9	2,152	8,288	6,390	29.7
EBITDA	344	290	18.4	241	936	660	41.8
<i>EBITDA Margin (%)</i>	13.3	13.2		11.2	0.1	0.1	
Other Income	138	37	272.4	96	362	407	(10.9)
Depreciation	21	16	32.3	20	72	60	19.3
Interest	0	3	(89.0)	1	4.9	5.6	(12.1)
Profit before Tax	461	309	49.2	316	1,222	1,001	22.0
Tax	139	108		94	378	267	
Reported PAT	321	201	59.9	222	844	735	14.8
Adjusted PAT	321	201	59.9	222	844	735	14.8
<i>Net Margin (%)</i>	12.4	9.2		10.3	10.2	11.5	
Adjusted EPS	31.8	19.9	59.9	22.0	83.4	72.6	14.8

Source: Company, PL

Exhibit 2: Volumes to grow at CAGR of 8% over next two years (FY19-21E)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	6,390	8,288	9,396	10,457
YoY gr. (%)	4.6	29.7	13.4	11.3
Cost of Goods Sold	4,943	6,495	7,191	8,018
Gross Profit	1,447	1,793	2,204	2,440
Margin (%)	22.6	21.6	23.5	23.3
Employee Cost	245	295	348	387
Other Expenses	542	563	752	837
EBITDA	660	936	1,105	1,216
YoY gr. (%)	9.7	41.8	18.1	10.0
Margin (%)	10.3	11.3	11.8	11.6
Depreciation and Amortization	60	72	78	90
EBIT	600	864	1,027	1,126
Margin (%)	9.4	10.4	10.9	10.8
Net Interest	6	5	5	5
Other Income	407	362	399	439
Profit Before Tax	1,001	1,222	1,421	1,559
Margin (%)	15.7	14.7	15.1	14.9
Total Tax	267	378	426	468
Effective tax rate (%)	26.6	31.0	30.0	30.0
Profit after tax	735	844	995	1,091
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	735	844	995	1,091
YoY gr. (%)	1.8	14.8	17.9	9.7
Margin (%)	11.5	10.2	10.6	10.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	735	844	995	1,091
YoY gr. (%)	1.8	14.8	17.9	9.7
Margin (%)	11.5	10.2	10.6	10.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	735	844	995	1,091
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	72.6	83.4	98.3	107.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	538	655	768	885
Tangibles	529	639	752	869
Intangibles	9	16	16	16
Acc: Dep / Amortization	108	176	241	316
Tangibles	108	176	241	316
Intangibles	-	-	-	-
Net fixed assets	430	479	527	569
Tangibles	421	464	511	553
Intangibles	9	16	16	16
Capital Work In Progress	29	2	2	2
Goodwill	-	-	-	-
Non-Current Investments	3,494	3,772	3,956	4,338
Net Deferred tax assets	(6)	(38)	(38)	(38)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	163	204	204	204
Inventories	970	1,077	1,221	1,359
Trade receivables	1,446	1,703	1,931	2,149
Cash & Bank Balance	80	129	181	195
Other Current Assets	-	-	-	-
Total Assets	6,700	7,480	8,150	8,959
Equity				
Equity Share Capital	101	101	101	101
Other Equity	6,100	6,698	7,402	8,175
Total Networkth	6,201	6,799	7,503	8,276
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	56	65	68	72
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14	10	26	29
Other current liabilities	423	568	515	544
Total Equity & Liabilities	6,700	7,480	8,150	8,959

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	1,001	1,190	1,421	1,559
Add. Depreciation	60	72	78	90
Add. Interest	6	5	5	5
Less Financial Other Income	407	362	399	439
Add. Other	(314)	(362)	(399)	(439)
Op. profit before WC changes	753	904	1,105	1,216
Net Changes-WC	(42)	(240)	(421)	(335)
Direct tax	280	378	426	468
Net cash from Op. activities	431	285	258	413
Capital expenditures	(125)	(94)	(126)	(132)
Interest / Dividend Income	126	362	399	439
Others	(202)	(319)	(184)	(382)
Net Cash from Inv. activities	(202)	(50)	89	(76)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(182)	(246)	(290)	(318)
Interest paid	(6)	(5)	(5)	(5)
Others	-	-	-	-
Net cash from Fin. activities	(188)	(251)	(295)	(324)
Net change in cash	41	(16)	52	14
Free Cash Flow	431	285	258	413

Source: Company Data, PL Research

Key Financial Metrics

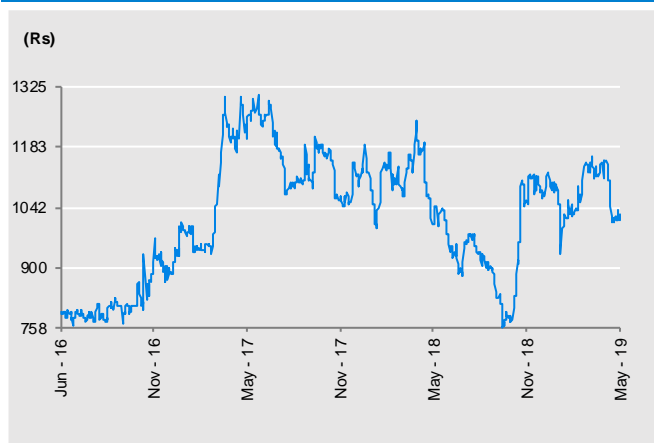
Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	72.6	83.4	98.3	107.9
CEPS	78.6	90.5	106.0	116.8
BVPS	612.9	672.0	741.7	818.1
FCF	42.6	28.2	25.5	40.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	10.1	13.3	14.4	14.3
ROIC	7.8	9.7	10.6	10.5
RoE	12.4	13.0	13.9	13.8
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	0.0
Net Working Capital (Days)	137	122	121	121
Valuation(x)				
PER	16.8	14.7	12.4	11.3
P/B	2.0	1.8	1.7	1.5
P/CEPS	15.6	13.5	11.5	10.5
EV/EBITDA	18.4	12.9	10.9	9.9
EV/Sales	1.9	1.5	1.3	1.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenue	1,659	1,890	2,152	2,588
YoY gr. (%)	27.2	46.6	34.4	17.9
Raw Material Expenses	1,304	1,501	1,695	1,995
Gross Profit	354	389	457	593
Margin (%)	21.4	20.6	21.2	22.9
EBITDA	165	191	241	344
YoY gr. (%)	(43.3)	15.9	26.5	42.5
Margin (%)	9.9	10.1	11.2	13.3
Depreciation / Depletion	15	16	20	21
EBIT	150	174	222	323
Margin (%)	9.0	9.2	10.3	12.5
Net Interest	1	1	1	-
Other Income	67	61	96	138
Profit before Tax	216	234	316	461
Margin (%)	13.0	12.4	14.7	17.8
Total Tax	66	80	94	139
Effective tax rate (%)	30.4	34.2	29.7	30.2
Profit after Tax	150	154	222	321
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	150	154	222	321
YoY gr. (%)	3.7	0.8	(5.9)	59.9
Margin (%)	9.1	8.1	10.3	12.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	150	154	222	321
YoY gr. (%)	3.7	0.8	(5.9)	59.9
Margin (%)	9.1	8.1	10.3	12.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	150	154	222	321
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	14.9	15.2	22.0	31.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Apr-19	BUY	1,380	1,125

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,320	1,454
2	Apar Industries	Accumulate	762	681
3	Bharat Electronics	BUY	112	97
4	BHEL	Hold	77	73
5	Cummins India	Accumulate	841	757
6	Engineers India	BUY	139	108
7	GE T&D India	Reduce	257	263
8	Kalpataru Power Transmission	BUY	565	457
9	KEC International	BUY	352	295
10	Larsen & Toubro	BUY	1,744	1,356
11	Power Grid Corporation of India	BUY	224	190
12	Siemens	Accumulate	1,263	1,253
13	Thermax	Accumulate	1,147	988
14	Triveni Turbine	Accumulate	124	110
15	Voltamp Transformers	BUY	1,380	1,125

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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