

December 2, 2020

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,283		1,283	
Sales (Rs. m)	9,569	11,219	9,569	11,219
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,124	1,292	1,124	1,292
% Chng.	-	-	-	-
EPS (Rs.)	106.8	123.4	106.8	123.4
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	8,586	8,162	9,569	11,219
EBITDA (Rs. m)	1,078	880	1,124	1,292
Margin (%)	12.6	10.8	11.8	11.5
PAT (Rs. m)	894	1,038	1,081	1,248
EPS (Rs.)	88.3	102.6	106.8	123.4
Gr. (%)	5.3	16.1	4.1	15.5
DPS (Rs.)	25.0	25.6	26.7	30.8
Yield (%)	2.1	2.2	2.3	2.6
RoE (%)	12.5	13.2	12.5	13.1
RoCE (%)	13.8	9.9	11.5	12.0
EV/Sales (x)	1.3	1.4	1.2	1.0
EV/EBITDA (x)	10.7	13.0	10.1	8.8
PE (x)	13.4	11.6	11.1	9.6
P/BV (x)	1.6	1.5	1.3	1.2

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,483 / Rs.710
Sensex / Nifty	44,618 / 13,114
Market Cap	Rs.12bn/ \$ 163m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.37.39m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	15.95
Domestic Institution	20.37
Public & Others	13.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	20.5	29.8	12.5
Relative	7.4	(1.6)	2.9

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Major beneficiary to capex spending

We recently hosted Mr. KS Patel, CMD of Voltamp Transformers Ltd (VAMP) to gain insights on company's growth strategy and industry outlook. Despite of challenging environment, company reported healthy performance during Q2FY21 with 55% capacity utilization. Management indicated that operations have started resuming gradually and enquiries continue to remain strong. However, there is some delay in order finalization as projects are getting delayed at site and finalization process is largely project progress specific. Order book currently stands at Rs5.2bn, providing revenue visibility for next two-three quarters. Management highlighted that as the competitive intensity remains high due to pricing pressures, revenue is expected to be around Rs6-6.5bn, with EBITDA margins being at similar levels of ~10-10.5% for FY21E.

We remain positive on the company due to its strong business model, debt free status and consistent free cash flow generation (current cash + Investments of ~Rs6.5bn). Going forward, company expects sectors like infra, water, power, mining, oil & gas, ports, pharma, data centers etc. to be major growth drivers. We expect revenue/PAT to grow at CAGR of 6%/10% over next two years. At CMP, the stock is trading at a PE multiple of 11.4x/10.9x for FY21E/22E respectively. We maintain BUY rating on the stock with TP of Rs1283 (same as earlier)

Focused player in transformer sector with customized offerings: VAMP is a leading manufacturer of customized transformers for industrial, building and power applications. In the addressable market, company has market share of 20% in distribution transformers, dry type transformers of ~40% and for industry based transformer market share is 10%.

Healthy order book to provide revenue visibility: Currently, company has healthy OB of Rs5.2bn which provides future revenue visibility. Going ahead, sectors such as infra, water, power, mining, oil & gas, ports, defense, pharma, chemicals, data center, renewables and environment protection are expected to be major growth drivers. Enquiries continue to remain healthy however order finalization takes time as there is delay at project site. Pricing pressure continues as competition intensity is high and there is demand for extended period from buyers. Competition is seen from national players like Bharat Bhijlee, Schneider Electric, Shirdi Sai, Kirloskar and local players for contract manufacturing.

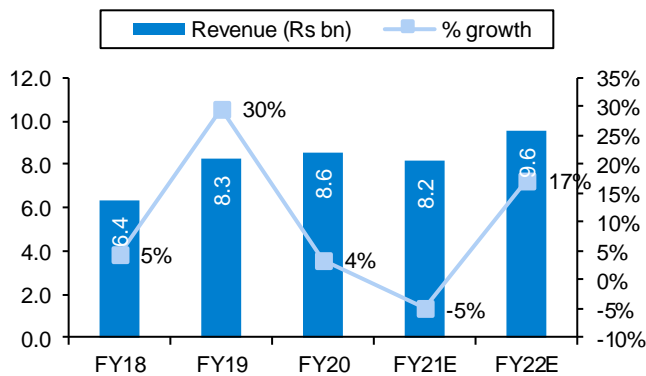
Trusted vendor for leading companies: VAMP is the trusted vendor for leading business houses across industries, like profitable and Navratna PSUs, large co-operatives as well as MNCs. Top 10 clients contribute about 30% to the revenue. Voltamp has good relationships with most of its clients and gets repeat business from its customers. Company has received FGD orders of Rs60mn from L&T.

Revenue/PAT expected to grow at a CAGR of 6%/10% over FY20-22E: In 1HFY21 revenue contribution majorly came in from sectors like Water (~Rs1.1bn), Oil & Gas/Refinery (~Rs950mn), Steel/Mining/Minerals (~Rs750mn), Infrastructure (~Rs750mn), Solar/Wind (~Rs650mn), FGD (~Rs570mn), Private utilities

(~Rs420mn), Cement (Rs410mn), Sugar co-gen (~Rs250mn), Pharma/F&B (~Rs320mn) and Auto/Auto Ancillary (~Rs300mn). Management expects revenue of Rs6-6.5bn, with EBITDA margins at similar levels of 10-10.5% for FY21E as competition intensity continues to remain high on account of pricing pressures. Currently capacity utilization is ~55-60% and expected to be around 60-65% 2HF21E.

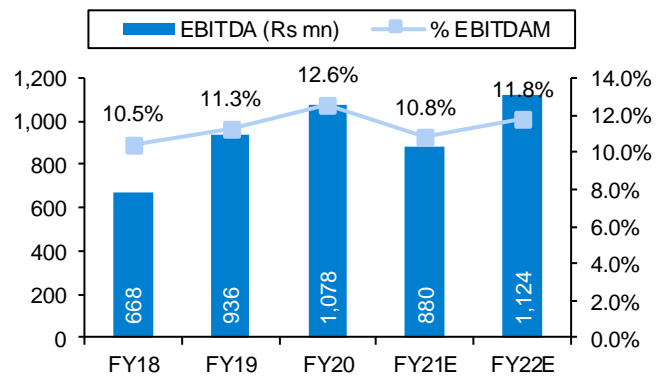
Debt free company with strong balance sheet: Voltamp has maintained its debt free status for more than 20 years now by virtue of its minimal exposure to SEBs. This has enabled company to maintain a comfortable working capital cycle along with generation of free cash flows. The company also has adequate cash and liquid investments to fund its future growth plans and will not have to resort to debt.

Exhibit 1: Revenue expected to grow in FY22E.



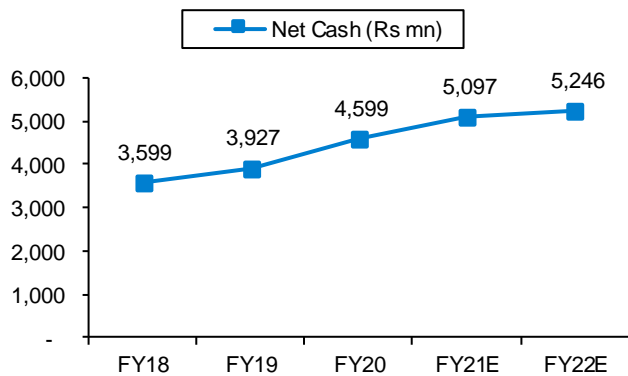
Source: Company, PL

Exhibit 2: Cost control measures helps maintain EBITDAM



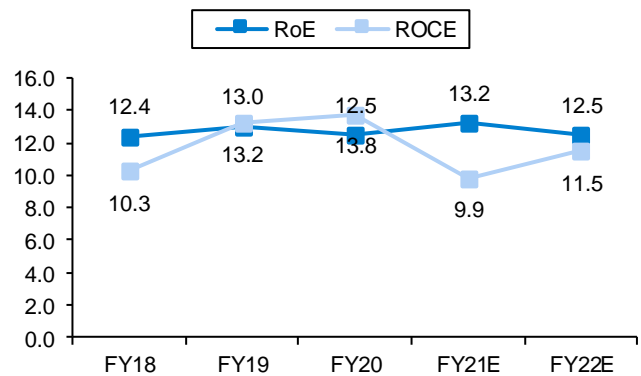
Source: Company, PL

Exhibit 3: Consistent strong cash position



Source: Company, PL

Exhibit 4: RoE/RoCE remains decent



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	8,586	8,162	9,569	11,219
YoY gr. (%)	3.6	(4.9)	17.2	17.3
Cost of Goods Sold	6,517	6,378	7,408	8,712
Gross Profit	2,069	1,784	2,161	2,507
Margin (%)	24.1	21.9	22.6	22.3
Employee Cost	333	351	392	460
Other Expenses	306	226	263	309
EBITDA	1,078	880	1,124	1,292
YoY gr. (%)	15.2	(18.3)	27.8	14.9
Margin (%)	12.6	10.8	11.8	11.5
Depreciation and Amortization	90	105	129	151
EBIT	988	776	995	1,142
Margin (%)	11.5	9.5	10.4	10.2
Net Interest	0	-	-	-
Other Income	146	612	450	527
Profit Before Tax	1,134	1,388	1,445	1,669
Margin (%)	13.2	17.0	15.1	14.9
Total Tax	240	350	364	421
Effective tax rate (%)	21.2	25.2	25.2	25.2
Profit after tax	894	1,038	1,081	1,248
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	894	1,038	1,081	1,248
YoY gr. (%)	5.3	16.1	4.1	15.5
Margin (%)	10.4	12.7	11.3	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	894	1,038	1,081	1,248
YoY gr. (%)	5.3	16.1	4.1	15.5
Margin (%)	10.4	12.7	11.3	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	894	1,038	1,081	1,248
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	88.3	102.6	106.8	123.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	796	996	1,196	1,396
Tangibles	796	996	1,196	1,396
Intangibles	-	-	-	-
Acc: Dep / Amortization	229	319	448	599
Tangibles	229	319	448	599
Intangibles	-	-	-	-
Net fixed assets	567	678	748	798
Tangibles	567	678	748	798
Intangibles	-	-	-	-
Capital Work In Progress	22	22	22	23
Goodwill	-	-	-	-
Non-Current Investments	4,344	4,712	4,822	5,494
Net Deferred tax assets	25	25	25	25
Other Non-Current Assets	24	33	38	45
Current Assets				
Investments	368	368	368	368
Inventories	1,155	1,118	1,311	1,537
Trade receivables	1,503	1,728	2,156	2,383
Cash & Bank Balance	60	200	271	217
Other Current Assets	66	57	67	79
Total Assets	8,143	8,965	9,862	11,010
Equity				
Equity Share Capital	101	101	101	101
Other Equity	7,381	8,160	8,970	9,906
Total Networkth	7,482	8,261	9,071	10,008
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	69	45	52	123
Other current liabilities	618	685	763	904
Total Equity & Liabilities	8,143	8,965	9,862	11,010

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,134	1,388	1,445	1,669
Add. Depreciation	90	105	129	151
Add. Interest	0	-	-	-
Less Financial Other Income	146	612	450	527
Add. Other	(69)	(612)	(450)	(527)
Op. profit before WC changes	1,154	880	1,124	1,292
Net Changes-WC	224	(171)	(590)	(306)
Direct tax	300	350	364	421
Net cash from Op. activities	1,078	360	170	565
Capital expenditures	(194)	(215)	(200)	(200)
Interest / Dividend Income	126	612	450	527
Others	(790)	(358)	(79)	(634)
Net Cash from Inv. activities	(857)	39	171	(307)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(274)	(259)	(270)	(312)
Interest paid	0	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(275)	(259)	(270)	(312)
Net change in cash	(54)	140	71	(53)
Free Cash Flow	1,083	145	(30)	365

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	88.3	102.6	106.8	123.4
CEPS	97.2	112.9	119.6	138.3
BVPS	739.6	816.5	896.6	989.2
FCF	107.0	14.3	(2.9)	36.1
DPS	25.0	25.6	26.7	30.8
Return Ratio(%)				
RoCE	13.8	9.9	11.5	12.0
ROIC	11.5	7.9	9.3	9.5
RoE	12.5	13.2	12.5	13.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	110	125	130	124
Valuation(x)				
PER	13.4	11.6	11.1	9.6
P/B	1.6	1.5	1.3	1.2
P/CEPS	12.2	10.5	9.9	8.6
EV/EBITDA	10.7	13.0	10.1	8.8
EV/Sales	1.3	1.4	1.2	1.0
Dividend Yield (%)	2.1	2.2	2.3	2.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	2,513	2,250	723	1,602
YoY gr. (%)	16.8	(13.0)	(61.4)	(17.8)
Raw Material Expenses	1,910	1,659	535	1,186
Gross Profit	603	591	188	417
Margin (%)	24.0	26.3	26.0	26.0
EBITDA	304	358	29	219
YoY gr. (%)	26.0	3.2	(86.1)	4.4
Margin (%)	12.1	15.9	4.0	13.7
Depreciation / Depletion	24	26	22	22
EBIT	280	332	7	197
Margin (%)	11.1	14.8	1.0	12.3
Net Interest	-	-	-	-
Other Income	126	(146)	224	156
Profit before Tax	405	186	231	353
Margin (%)	16.1	8.3	31.9	22.0
Total Tax	55	71	38	55
Effective tax rate (%)	13.6	38.1	16.5	15.6
Profit after Tax	350	115	193	298
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	350	115	193	298
YoY gr. (%)	57.6	(64.1)	14.1	15.0
Margin (%)	13.9	5.1	26.7	18.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	350	115	193	298
YoY gr. (%)	57.6	(64.1)	14.1	15.0
Margin (%)	13.9	5.1	26.7	18.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	350	115	193	298
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	34.7	11.4	19.1	29.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Nov-20	BUY	1,283	1,032
2	8-Oct-20	BUY	1,244	988
3	17-Aug-20	BUY	1,244	1,095
4	8-Jul-20	BUY	1,244	1,132
5	11-Jun-20	BUY	1,244	1,020
6	11-Feb-20	BUY	1,591	1,379
7	3-Jan-20	BUY	1,610	1,250

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	880	894
2	Ahluwalia Contracts (India)	BUY	288	237
3	Ashoka Buildcon	BUY	147	69
4	Bharat Electronics	Accumulate	110	103
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	144
7	Container Corporation of India	BUY	468	378
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	73
10	GE T&D India	Hold	86	86
11	H.G. Infra Engineering	BUY	259	186
12	IRB Infrastructure Developers	BUY	152	109
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	105
15	Kalpataru Power Transmission	BUY	296	251
16	KEC International	Accumulate	339	338
17	KNR Constructions	BUY	336	255
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	36
20	PNC Infratech	BUY	219	167
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	48
23	Siemens	Accumulate	1,516	1,513
24	Thermax	Accumulate	798	790
25	Triveni Turbine	BUY	85	69
26	Voltamp Transformers	BUY	1,283	1,032

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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