

*Good operating performance; robust order book, debt free status and free cash flow generation make us bullish on Voltamp; Maintain Buy*

Current	Previous
<b>CMP: Rs 968</b>	
<b>Rating: Buy</b>	<b>Rating : Buy</b>
<b>Target: Rs 1263</b>	<b>Target: Rs 1263</b>

(NR-Not Rated)

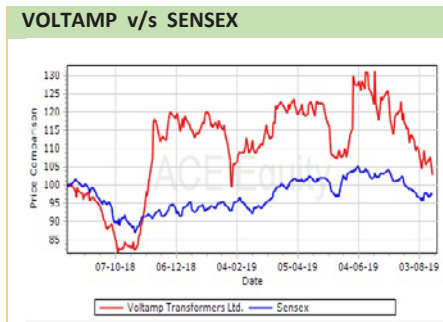
Stock Info	
INDEX	
BSE	532757
NSE	VOLTAMP
Bloomberg	VAMP IN
Reuters	VOLT.BO
Sector	Electrical Equipment
Face Value (Rs)	10
Equity Capital (Rs Mn)	101
Market Cap (Rs Mn)	9,743
52w H/L (Rs)	1271 / 735
Avg Weekly Vol (BSE+NSE)	9,990

Shareholding Pattern	%
<b>(As on June, 2019)</b>	
Promoters	49.9
Public & Others	50.1

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
VOLTAMP	-6.0	-5.5	1.8
SENSEX	-0.1	4.3	-0.8

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

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**Voltamp Transformers came out with good set of numbers in Q1FY20. Revenue for the quarter grew 12.9% YoY to Rs 1873 mn. EBITDA witnessed a robust growth of 26.5% YoY to Rs 206 mn, despite double digit increase in raw material cost (+10.3% YoY), employee cost (+13.6% YoY) and higher other expenses (+22.5%). EBITDA margin expanded 118bps YoY to 11% against 9.8% in corresponding quarter last year. PAT for the quarter stood at Rs 169 mn, a growth of 12.3% YoY. Despite input cost pressure, Voltamp was able to sustain its margins around 11% level, which is commendable. We are positive on Voltamp from longer term perspective owing to its debt free status, free cash flow generation and impressive return ratios. Maintain Buy with target price of Rs 1263 (unchanged).**

**Q1FY20 Highlights**

- In Q1FY20, Voltamp Transformers reported 12.9% YoY revenue growth to Rs 1873 mn. The company sold 732 units in Q1FY20 as compared to 674 units in Q1FY19, a growth of 8.6% YoY. Sale of transformers in terms of MVA stood at 2260 MVA in Q1FY20 against 2411 MVA YoY in Q1FY19.
- EBITDA during the quarter grew 26.5% YoY to Rs 206 mn against Rs 163 mn in Q1FY19. Despite rise in material cost due to volatile commodity prices, company has witnessed +118bps EBITDA margin expansion for the quarter.
- PAT during the quarter grew 12.3% YoY to Rs 169 mn while PAT margin contacted marginally by 5 bps YoY.

**Order Book**

Voltamp has a robust order book of Rs 7053 mn as on 12th August, 2019, against Rs 5050 mn at the end of Q4FY19, a growth of 40% QoQ. This order book includes Rs 360 mn order from TRANSCO for 760 MVA. The current order book is 8.5x its FY19 sales, thereby providing good revenue visibility.

**Valuation**

At CMP of Rs 968, Voltamp is trading at FY20E and FY21E, P/E multiples of 10.1x and 8x respectively, which is attractive considering its debt free status, free cash flow generation and superior return ratios. After factoring in good Q1FY20 results, we keep our FY20E/FY21E estimates intact and maintain our Buy rating on the stock with unchanged target price of Rs 1263, valuing it at 10.5x P/E to its FY21E EPS of Rs 120, implying a potential upside of 30.5%.

**Financial Performance**

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin (%)	RoE (%)	P/E (x)
FY18	6,390	660	735	72.6	10.3	11.8	13.3
FY19	8,288	936	844	83.4	11.3	12.3	11.6
FY20E	9,263	1,065	966	95.5	11.5	12.9	10.1
FY21E	11,136	1,370	1,217	120.3	12.3	15.0	8.0

Source: Company, Arihant Research

## Q1FY20 Financial Performance

Rs Mn	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>1,873</b>	<b>2,588</b>	<b>1,659</b>	<b>-27.6%</b>	<b>12.9%</b>
Raw Material Cost	1,438	1,995	1,304	-27.9%	10.3%
Employee cost	74	98	66	-23.9%	13.6%
Other Expenses	154	151	126	2.1%	22.5%
<b>EBITDA</b>	<b>206</b>	<b>344</b>	<b>163</b>	<b>-40.0%</b>	<b>26.5%</b>
<b>EBITDA margin %</b>	<b>11.0%</b>	<b>13.3%</b>	<b>9.8%</b>	<b>-228bps</b>	<b>+118bps</b>
Other Income	67	138	68	-51.5%	-1.1%
Depreciation	19	21	15	-10.8%	27.8%
<b>EBIT</b>	<b>254</b>	<b>461</b>	<b>216</b>	<b>-44.8%</b>	<b>17.8%</b>
Finance cost	0	0	0	-	-
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>254</b>	<b>461</b>	<b>216</b>	<b>-44.8%</b>	<b>17.8%</b>
Tax Expense	85	139	66	-38.6%	30.4%
Effective tax rate %	33.6%	30.2%	30.4%	+338bps	+324bps
<b>PAT</b>	<b>169</b>	<b>321</b>	<b>150</b>	<b>-47.4%</b>	<b>12.3%</b>
<b>PAT margin %</b>	<b>9.0%</b>	<b>12.4%</b>	<b>9.1%</b>	<b>-340bps</b>	<b>-5bps</b>
<b>EPS (Rs)</b>	<b>16.7</b>	<b>31.8</b>	<b>14.9</b>	<b>-47.4%</b>	<b>12.3%</b>

Source: Company, Arianth Research

## Sales and Operational Performance

Rs Mn	Q1FY20	Q1FY19
<b>Sales</b>	<b>1,873</b>	<b>1,659</b>
Volume (MVA)	2,260	2,411
Units Sold	732	674
<b>Revenue per Unit (mn)</b>	<b>2.56</b>	<b>2.46</b>
<b>Revenue Per MVA</b>	<b>0.8</b>	<b>0.7</b>

## Key Risks

- Policy shift from conventional (thermal) to renewable resulted into total slowdown in the power sector as very few thermal power projects are being planned which has resulted in reduced demand for transformers.
- Prices of key raw materials like copper, CRGO, transformer oil etc are witnessing increased volatility which might put strain on operating margin.
- Currency risk in the form of rupee depreciation against US dollar also has potential to impact margin negatively.

## Financials

### Income Statement

Y/E March (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	6,109	6,390	8,288	9,263	11,136
<i>Change (%)</i>	8.5%	4.6%	29.7%	11.8%	20.2%
Raw materials	4,750	4,956	6,619	7,225	8,463
Stock Adjustments	33	-13	-123	0	0
Employee costs	221	245	295	324	412
Other expenses	504	542	563	648	891
<b>Total Expenses</b>	<b>5,508</b>	<b>5,730</b>	<b>7,352</b>	<b>8,197</b>	<b>9,766</b>
<b>EBITDA</b>	<b>602</b>	<b>660</b>	<b>936</b>	<b>1,065</b>	<b>1,370</b>
Other Income	390	407	362	463	557
Depreciation	58	60	72	81	103
Interest	5	6	5	6	7
<b>PBT</b>	<b>928</b>	<b>1,001</b>	<b>1,222</b>	<b>1,442</b>	<b>1,817</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>928</b>	<b>1,001</b>	<b>1,222</b>	<b>1,442</b>	<b>1,817</b>
Tax	206	267	378	476	600
<i>Rate (%)</i>	22.2%	26.6%	31.0%	33.0%	33.0%
<b>PAT</b>	<b>722</b>	<b>735</b>	<b>844</b>	<b>966</b>	<b>1,217</b>
<i>Change (%)</i>	64.1%	1.8%	14.8%	14.5%	26.0%

Source: Company, Arianth Research

### Balance Sheet

Y/E March (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Sources of Funds</b>					
Share Capital	101	101	101	101	101
Reserves & Surplus	5,549	6,100	6,766	7,387	8,014
<b>Net Worth</b>	<b>5,650</b>	<b>6,201</b>	<b>6,867</b>	<b>7,488</b>	<b>8,116</b>
<b>Loan Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deferred Tax & other liabilities	1	6	38	38	38
<b>Capital Employed</b>	<b>5,651</b>	<b>6,207</b>	<b>6,905</b>	<b>7,526</b>	<b>8,153</b>
<b>Application of Funds</b>					
Gross Block	440	548	671	821	971
Less: Accumulated Depreciation	58	118	190	270	373
Net Block	382	430	481	551	598
CWIP	12	29	2	2	2
Other non current assets	124	139	163	163	163
Deferred tax assets	0	0	0	0	0
<b>Net fixed assets</b>	<b>518</b>	<b>598</b>	<b>647</b>	<b>717</b>	<b>764</b>
<b>Investments</b>	<b>2,952</b>	<b>3,355</b>	<b>3,609</b>	<b>3,459</b>	<b>3,309</b>
Debtors	1,538	1,446	1,766	1,903	2,288
Inventories	825	970	1,077	1,188	1,391
Cash & bank balance	42	80	114	637	829
Loans & advances & other CA	252	250	294	381	458
<b>Total current assets</b>	<b>2,658</b>	<b>2,747</b>	<b>3,250</b>	<b>4,109</b>	<b>4,967</b>
Current liabilities	367	372	478	634	763
Provisions	109	121	123	123	123
<b>Net current assets</b>	<b>2,181</b>	<b>2,254</b>	<b>2,649</b>	<b>3,351</b>	<b>4,081</b>
<b>Total Assets</b>	<b>5,651</b>	<b>6,207</b>	<b>6,905</b>	<b>7,526</b>	<b>8,153</b>

Source: Company, Arianth Research

**Cash Flow Statement**

Y/E March (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>928</b>	<b>1,001</b>	<b>1,222</b>	<b>1,442</b>	<b>1,817</b>
Depreciation	58	60	72	81	103
Interest & others	-327	-308	-358	-457	-550
Cash flow before WC changes	660	753	936	1,065	1,370
<b>(Inc)/dec in working capital</b>	<b>334</b>	<b>-42</b>	<b>-330</b>	<b>-179</b>	<b>-537</b>
Operating CF after WC changes	993	711	606	887	832
Less: Taxes	-213	-280	-378	-476	-600
<b>Operating cash flow</b>	<b>781</b>	<b>431</b>	<b>228</b>	<b>411</b>	<b>233</b>
(Inc)/dec in F.A + CWIP	-57	-142	-49	-150	-150
(Pur)/sale of investment	-542	-77	-254	150	150
<b>Cash flow from investing</b>	<b>-600</b>	<b>-219</b>	<b>-303</b>	<b>0</b>	<b>0</b>
<b>Free cash flow (FCF)</b>	<b>724</b>	<b>289</b>	<b>203</b>	<b>261</b>	<b>83</b>
Loan raised/(repaid)	0	0	0	0	0
Equity raised	0	0	0	0	0
Interest & others	1	8	336	365	263
Dividend	-152	-183	-228	-253	-304
<b>Cash flow from financing activities</b>	<b>-152</b>	<b>-174</b>	<b>108</b>	<b>112</b>	<b>-40</b>
<b>Net inc /(dec) in cash</b>	<b>30</b>	<b>38</b>	<b>34</b>	<b>523</b>	<b>193</b>
Opening balance of cash	13	42	80	114	637
Closing balance of cash	42	80	114	637	829

Source: Company, Arianth Research

**Key Ratios**

Y/E March (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Per share (Rs)</b>					
EPS	71.4	72.6	83.4	95.5	120.3
CEPS	77.1	78.6	90.4	103.4	130.5
BVPS	558.5	613.0	678.8	740.2	802.2
DPS	15.0	18.1	22.5	25.0	30.0
Payout (%)	21.1%	24.9%	27.0%	26.2%	24.9%
<b>Valuation (x)</b>					
P/E	13.6	13.3	11.6	10.1	8.0
P/CEPS	12.6	12.3	10.7	9.4	7.4
P/BV	1.7	1.6	1.4	1.3	1.2
EV/EBITDA	16.2	14.7	10.3	8.6	6.5
Dividend Yield (%)	1.6%	1.9%	2.3%	2.6%	3.1%
<b>Return Ratio (%)</b>					
EBIDTA Margin	9.9%	10.3%	11.3%	11.5%	12.3%
PAT Margin	11.8%	11.5%	10.2%	10.4%	10.9%
ROE	12.8%	11.8%	12.3%	12.9%	15.0%
ROCE	9.6%	9.7%	12.5%	13.1%	15.5%
<b>Leverage Ratio (%)</b>					
Total D/E	0.0	0.0	0.0	0.0	0.0
Net D/E	0.0	0.0	0.0	-0.1	-0.1
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.1	1.0	1.2	1.2	1.4
Inventory Days	63	72	61	60	60
Receivable Days	92	83	78	75	75
Payable days	28	28	26	25	25

Source: Company, Arianth Research

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**Stock Rating Scale****Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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