

**CMP: Rs 1,140**

**Rating: Accumulate**

**Target Price: Rs 1,301**

**Stock Info**

|                          |                      |
|--------------------------|----------------------|
| BSE                      | 532757               |
| NSE                      | VOLLTAMP             |
| Bloomberg                | VAMP IN              |
| Reuters                  | VOLT.BO              |
| Sector                   | Electrical Equipment |
| Face Value (Rs)          | 10                   |
| Equity Capital (Rs mn)   | 101                  |
| Mkt Cap (Rs mn)          | 11,540               |
| 52w H/L (Rs)             | 1,483 / 739          |
| Avg Yearly Vol (in 000') | 14.72                |

**Shareholding Pattern %**

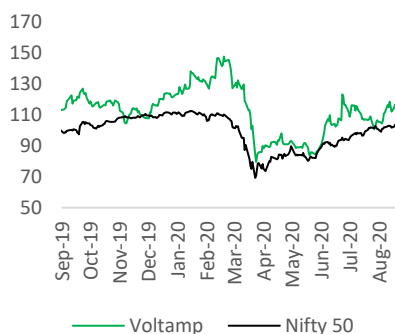
(As on June, 2020)

|                 |       |
|-----------------|-------|
| Promoters       | 50.00 |
| FII             | 15.90 |
| DII             | 20.98 |
| Public & Others | 13.12 |

**Stock Performance (%)**

|          | 3m   | 6m    | 12m  |
|----------|------|-------|------|
| Voltamp  | 36.0 | -19.8 | 17.4 |
| Nifty 50 | 25.0 | -3.8  | 3.0  |

**Voltamp Vs Nifty**



Voltamp Transformers reported mix performance during Q1FY21. It has reported 61% YoY fall in revenue at Rs 723 mn, primarily due to weak order execution and Covid impact. Lower operating performance of the Company was offset by sharp jump in other income, resulting into profit growth of 14% YoY/67% QoQ to Rs 193 mn. Other income for the quarter increased by 235% YoY to Rs 224 mn, on account of increase in investment value. EBITDA for the quarter de-grew by 86% YoY to Rs 29 mn while EBITDA margin decreased to 4% vs. 11% YoY, due to lower revenue growth. However, Gross margin of the Company increased by 282 bps YoY to 26%. Raw material cost as a percentage of sales stood at 74% vs. 77% YoY. We change our rating to Accumulate from Buy with a revised target price of Rs 1,301 (earlier Rs 1,244).

**Q1FY21 Highlights**

- In Q1FY21, Voltamp Transformers reported 61% YoY fall in revenue at Rs 723 mn. Company has sold 302 units in Q1FY21 as compared to 732 units in Q1FY20, thereby registering a volume de-growth of 59% YoY. Sale of transformers in terms of MVA stood at 892 MVA in Q1FY21 as against 2,260 MVA in Q1FY20, a de-growth of 61% YoY. Revenue per unit stood at Rs 2.40 mn vs. Rs 2.56 mn YoY.
- The Company's operation has been adversely impacted due to Covid related lockdown. However, operations are gradually resuming with limited workforce.
- PBT for the quarter fell by 9% YoY to Rs 231 mn on the back of higher depreciation cost (up by 16% YoY).

**Outlook & Valuation**

At CMP of Rs 1140, Voltamp is trading at FY21E and FY22E, P/E multiple of 10.5x and 9.5x respectively, which is quite reasonable considering its debt-free status, strong business model and free cash flow generation. Currently, Company has healthy order book of Rs 4,125 mn for 5,998 MVA, which provides future revenue visibility. Covid-19 related disruption has impacted Company's performance which is expected to recover over the medium term. Factoring in Q1FY21 result, we reduce our FY21 revenue estimate by 6% and PAT estimate by 3%. We downgrade our rating to Accumulate from Buy with a revised target price of Rs 1,301, valuing the Voltamp at PE of 11.5x to its FY22 EPS of Rs 113.

| YE March (Rs Mn) | Net Sales | EBITDA | PAT   | EPS (Rs) | EBITDA Margin % | P/E (x) |
|------------------|-----------|--------|-------|----------|-----------------|---------|
| FY19             | 8,288     | 936    | 848   | 83.9     | 11.3            | 13.6    |
| FY20             | 8,586     | 1,078  | 894   | 88.3     | 12.6            | 12.9    |
| FY21E            | 7,800     | 975    | 977   | 96.6     | 12.5            | 11.8    |
| FY22E            | 9,360     | 1,170  | 1,144 | 113.1    | 12.5            | 10.1    |

## Quarterly Result

| Rs Mn                  | Q1FY21       | Q4FY20       | Q1FY20       | Q-o-Q           | Y-o-Y          |
|------------------------|--------------|--------------|--------------|-----------------|----------------|
| <b>Net Revenue</b>     | <b>723</b>   | <b>2,250</b> | <b>1,873</b> | <b>-67.9%</b>   | <b>-61.4%</b>  |
| Raw Material Cost      | 535          | 1,659        | 1,438        | -67.8%          | -62.8%         |
| as a % of sales        | 74.0%        | 73.7%        | 76.8%        | -               | -              |
| <b>Gross Profit</b>    | <b>188</b>   | <b>591</b>   | <b>435</b>   | <b>-68.1%</b>   | <b>-56.7%</b>  |
| <b>Gross margin %</b>  | <b>26.0%</b> | <b>26.3%</b> | <b>23.2%</b> | <b>-22bps</b>   | <b>282bps</b>  |
| Employee cost          | 78           | 61           | 74           | 29.0%           | 5.0%           |
| Other Expenses         | 82           | 172          | 154          | -52.6%          | -47.2%         |
| <b>EBITDA</b>          | <b>29</b>    | <b>358</b>   | <b>206</b>   | <b>-92.0%</b>   | <b>-86.1%</b>  |
| <b>EBITDA margin %</b> | <b>4.0%</b>  | <b>15.9%</b> | <b>11.0%</b> | <b>-1196bps</b> | <b>-704bps</b> |
| Other Income           | 224          | -146         | 67           | NA              | 234.8%         |
| Depreciation           | 22           | 26           | 19           | -16.1%          | 16.3%          |
| <b>EBIT</b>            | <b>231</b>   | <b>186</b>   | <b>254</b>   | <b>23.9%</b>    | <b>-9.2%</b>   |
| Finance cost           | 0            | 0            | 0            | -               | -              |
| Exceptional Item       | -            | -            | -            | -               | -              |
| <b>PBT</b>             | <b>231</b>   | <b>186</b>   | <b>254</b>   | <b>23.9%</b>    | <b>-9.1%</b>   |
| Tax Expense            | 38           | 71           | 85           | -46.3%          | -55.3%         |
| Effective tax rate %   | 16.5%        | 38.1%        | 33.6%        | -2160bps        | -1711bps       |
| <b>PAT</b>             | <b>193</b>   | <b>115</b>   | <b>169</b>   | <b>67.2%</b>    | <b>14.4%</b>   |
| <b>PAT margin %</b>    | <b>26.7%</b> | <b>5.1%</b>  | <b>9.0%</b>  | <b>2154bps</b>  | <b>1766bps</b> |
| <b>EPS (Rs)</b>        | <b>19.1</b>  | <b>11.4</b>  | <b>16.7</b>  | <b>67.2%</b>    | <b>14.4%</b>   |

Source: Company, Arianth Research

## Sales and Operational Performance

| Rs Mn                        | Q1FY21      | Q4FY20       | Q1FY20       | Q-o-Q         | Y-o-Y         |
|------------------------------|-------------|--------------|--------------|---------------|---------------|
| <b>Sales</b>                 | <b>723</b>  | <b>2,250</b> | <b>1,873</b> | <b>-67.9%</b> | <b>-61.4%</b> |
| Volume (MVA)                 | 892         | 2,656        | 2,260        | -66.4%        | -60.5%        |
| Units Sold                   | 302         | 912          | 732          | -66.9%        | -58.7%        |
| <b>Revenue per Unit (mn)</b> | <b>2.40</b> | <b>2.47</b>  | <b>2.56</b>  | <b>-2.9%</b>  | <b>-6.4%</b>  |
| <b>Revenue Per MVA</b>       | <b>0.8</b>  | <b>0.8</b>   | <b>0.8</b>   | <b>-4.3%</b>  | <b>-2.2%</b>  |

## Annual Financials

## Income Statement

| Y/E March (Rs Mn)         | FY19         | FY20         | FY21E        | FY22E        |
|---------------------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>           | 8,288        | 8,586        | 7,800        | 9,360        |
| <i>Change (%)</i>         | 29.7%        | 3.6%         | -9.1%        | 20.0%        |
| Raw materials             | 6,619        | 6,668        | 5,928        | 7,114        |
| Employee costs            | 295          | 333          | 289          | 346          |
| Other expenses            | 563          | 658          | 608          | 730          |
| <b>Total Expenses</b>     | <b>7,352</b> | <b>7,508</b> | <b>6,825</b> | <b>8,190</b> |
| <b>EBITDA</b>             | <b>936</b>   | <b>1,078</b> | <b>975</b>   | <b>1,170</b> |
| Other Income              | 362          | 146          | 429          | 468          |
| Depreciation              | 72           | 90           | 94           | 105          |
| Interest                  | 0            | 0            | 7            | 7            |
| <b>PBT</b>                | <b>1,227</b> | <b>1,133</b> | <b>1,303</b> | <b>1,526</b> |
| Extra-ordinary            | 0            | 0            | 0            | 0            |
| <b>PBT after ext-ord.</b> | <b>1,227</b> | <b>1,133</b> | <b>1,303</b> | <b>1,526</b> |
| Tax                       | 378          | 240          | 326          | 381          |
| <i>Rate (%)</i>           | 30.8%        | 21.2%        | 25.0%        | 25.0%        |
| <b>PAT</b>                | <b>848</b>   | <b>894</b>   | <b>977</b>   | <b>1,144</b> |
| <i>Change (%)</i>         | 15.5%        | 5.3%         | 9.3%         | 17.1%        |

Source: Company, Arianth Research

## Balance Sheet

| Y/E March (Rs Mn)                | FY19         | FY20         | FY21E        | FY22E        |
|----------------------------------|--------------|--------------|--------------|--------------|
| <b>Sources of Funds</b>          |              |              |              |              |
| Share Capital                    | 101          | 101          | 101          | 101          |
| Reserves & Surplus               | 6,766        | 7,381        | 7,415        | 8,073        |
| <b>Net Worth</b>                 | <b>6,867</b> | <b>7,482</b> | <b>7,516</b> | <b>8,174</b> |
| <b>Loan Funds</b>                |              |              |              |              |
| Deferred Tax & other liabilities | 38           | 1            | 0            | 0            |
| <b>Capital Employed</b>          | <b>6,905</b> | <b>7,483</b> | <b>7,516</b> | <b>8,174</b> |
| <b>Application of Funds</b>      |              |              |              |              |
| Gross Block                      | 671          | 857          | 957          | 1,057        |
| Less: Accumulated Depreciation   | 190          | 280          | 374          | 479          |
| Net Block                        | 481          | 577          | 583          | 578          |
| CWIP                             | 2            | 12           | 12           | 12           |
| Other non current assets         | 163          | 197          | 197          | 197          |
| Deferred tax assets              | 0            | 25           | 25           | 25           |
| <b>Net fixed assets</b>          | <b>647</b>   | <b>812</b>   | <b>818</b>   | <b>812</b>   |
| <b>Investments</b>               | <b>3,609</b> | <b>4,171</b> | <b>4,321</b> | <b>4,471</b> |
| Debtors                          | 1,766        | 1,503        | 1,389        | 1,795        |
| Inventories                      | 1,077        | 1,155        | 1,051        | 1,261        |
| Cash & bank balance              | 114          | 60           | 398          | 355          |
| Loans & advances & other CA      | 294          | 468          | 321          | 385          |
| <b>Total current assets</b>      | <b>3,250</b> | <b>3,186</b> | <b>3,158</b> | <b>3,796</b> |
| Current liabilities              | 478          | 528          | 623          | 748          |
| Provisions                       | 123          | 157          | 157          | 157          |
| <b>Net current assets</b>        | <b>2,649</b> | <b>2,500</b> | <b>2,378</b> | <b>2,891</b> |
| <b>Total Assets</b>              | <b>6,905</b> | <b>7,483</b> | <b>7,516</b> | <b>8,174</b> |

Source: Company, Arianth Research

## Annual Financials

## Cash Flow Statement

| Y/E March (Rs Mn)                          | FY19         | FY20         | FY21E        | FY22E        |
|--|--------------|--------------|--------------|--------------|
| <b>PBT</b>                                 | <b>1,227</b> | <b>1,133</b> | <b>1,303</b> | <b>1,526</b> |
| Depreciation                               | 72           | 90           | 94           | 105          |
| Interest & others                          | -362         | -146         | -422         | -461         |
| Cash flow before WC changes                | 936          | 1,078        | 975          | 1,170        |
| <b>(Inc)/dec in working capital</b>        | <b>-330</b>  | <b>57</b>    | <b>460</b>   | <b>-556</b>  |
| Operating CF after WC changes              | 606          | 1,135        | 1,435        | 614          |
| Less: Taxes                                | -378         | -240         | -326         | -381         |
| <b>Operating cash flow</b>                 | <b>228</b>   | <b>895</b>   | <b>1,109</b> | <b>233</b>   |
| (Inc)/dec in F.A + CWIP                    | -49          | -165         | -100         | -100         |
| (Pur)/sale of investment                   | -254         | -562         | -150         | -150         |
| <b>Cash flow from investing</b>            | <b>-303</b>  | <b>-727</b>  | <b>-250</b>  | <b>-250</b>  |
| <b>Free cash flow (FCF)</b>                | <b>203</b>   | <b>789</b>   | <b>1,009</b> | <b>133</b>   |
| Loan raised/(repaid)                       | 0            | 0            | 0            | 0            |
| Equity raised                              | 0            | 0            | 0            | 0            |
| Interest & others                          | 336          | 31           | -218         | 278          |
| Dividend                                   | -228         | -253         | -304         | -304         |
| <b>Cash flow from financing activities</b> | <b>108</b>   | <b>-222</b>  | <b>-522</b>  | <b>-26</b>   |
| <b>Net inc /(dec) in cash</b>              | <b>33</b>    | <b>-54</b>   | <b>338</b>   | <b>-43</b>   |
| Opening balance of cash                    | 80           | 114          | 60           | 398          |
| Closing balance of cash                    | 114          | 60           | 398          | 355          |

Source: Company, Arianth Research

## Key Ratios

| Y/E March (Rs Mn)         | FY19  | FY20  | FY21E | FY22E |
|---------------------------|-------|-------|-------|-------|
| <b>Per share (Rs)</b>     |       |       |       |       |
| EPS                       | 83.9  | 88.3  | 96.6  | 113.1 |
| CEPS                      | 90.9  | 97.2  | 105.9 | 123.5 |
| BVPS                      | 678.8 | 739.6 | 742.9 | 807.9 |
| DPS                       | 22.5  | 25.0  | 30.0  | 30.0  |
| Payout (%)                | 26.8% | 28.3% | 31.1% | 26.5% |
| <b>Valuation (x)</b>      |       |       |       |       |
| P/E                       | 13.6  | 12.9  | 11.8  | 10.1  |
| P/CEPS                    | 12.5  | 11.7  | 10.8  | 9.2   |
| P/BV                      | 1.7   | 1.5   | 1.5   | 1.4   |
| EV/EBITDA                 | 11.5  | 10.0  | 10.7  | 9.0   |
| Dividend Yield (%)        | 2.0%  | 2.2%  | 2.6%  | 2.6%  |
| <b>Return Ratio (%)</b>   |       |       |       |       |
| EBIDTA Margin             | 11.3% | 12.6% | 12.5% | 12.5% |
| PAT Margin                | 10.2% | 10.4% | 12.5% | 12.2% |
| ROE                       | 12.4% | 11.9% | 13.0% | 14.0% |
| ROCE                      | 12.5% | 13.2% | 11.7% | 13.0% |
| <b>Leverage Ratio (%)</b> |       |       |       |       |
| Total D/E                 | 0.0   | 0.0   | 0.0   | 0.0   |
| Net D/E                   | 0.0   | 0.0   | -0.1  | 0.0   |
| <b>Turnover Ratios</b>    |       |       |       |       |
| Asset Turnover (x)        | 1.2   | 1.1   | 1.0   | 1.1   |
| Inventory Days            | 61    | 65    | 65    | 65    |
| Receivable Days           | 78    | 64    | 65    | 70    |
| Payable days              | 26    | 29    | 29    | 29    |

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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