

**CMP: Rs 1,014**

**Rating: Buy**

**Target Price: Rs 1,244**

**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)	10,319
52w H/L (Rs)	1,483 / 739
Avg Yearly Vol (in 000')	249

**Shareholding Pattern %**

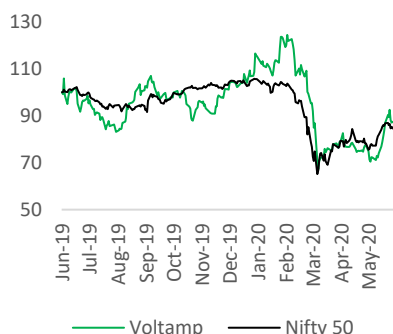
(As on December, 2019)

Promoters	50.00
FII	15.84
DII	21.57
Public & Others	12.59

**Stock Performance (%)**

	3m	6m	12m
Voltamp	0.1	-16.6	-13.3
Nifty 50	13.0	-19.4	-15.3

**Voltamp Vs Nifty**



Voltamp Transformers reported weak performance during Q4FY20. It has reported 13% YoY fall in revenue at Rs 2,250 mn. Weak performance of the company was offset marginally due to EBITDA growth of 4% YoY to Rs 358 mn. EBITDA margin for the quarter expanded by 264bps YoY to 15.9% on the back of sharp fall in material cost and employee cost. Raw material cost as a percentage of sales stood at 74% vs. 77% YoY. Bottomline of the company degrew sharply by 64% YoY due to weak sales growth and other income loss. PAT for the quarter came in at Rs 115 mn vs Rs 321 mn YoY. We maintain our Buy rating on the stock with a revised target price of Rs 1,244 (previous Rs 1,581).

**Q4FY20 Highlights**

- In Q4FY20, Voltamp Transformers reported 13% YoY fall in revenue at Rs 2,250 mn. The company sold 912 units in Q4FY20 as compared to 982 units in Q4FY19, thereby registering a volume de-growth of 7% YoY. Sale of transformers in terms of MVA stood at 2,656 MVA in Q4FY20 against 3,490 MVA in Q4FY19, de-growth of 24% YoY. Revenue per unit stood at 2.47 mn vs. 2.64 mn YoY.
- EBITDA during the quarter grew by 4.2% YoY to Rs 358 mn. Despite a fall in revenue EBITDA margin for the quarter expanded by 264 bps YoY backed by lower raw material cost and fall in employee expenses.
- Company's profit for the quarter fell sharply by 64% YoY to Rs 115 mn largely due to fall in revenue growth and other income loss.
- Company has reported other income loss of Rs 146 mn vs. gain of Rs 138 mn YoY due to MTM loss on investments.

**Outlook & Valuation**

At CMP of Rs 1,014, Voltamp is trading at FY21E and FY22E, P/E multiple of 10.1x and 9x respectively, which is quite reasonable considering its debt-free status and free cash flow generation. Currently, Company has order book of Rs 4,710 mn for 6,918 MVA, which provides revenue visibility for future. Covid-19 related disruption has impacted Company's performance which is expected to recover over medium term. We value the Voltamp at P/E of 11x to its FY22E EPS of Rs 113 and arrived at a target price of Rs 1,244. We maintain our Buy rating on the stock.

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	P/E (x)
FY19	8,288	936	848	83.9	11.3	12.1
FY20	8,586	1,078	894	88.3	12.6	11.5
FY21E	8,288	1,036	1,012	100.0	12.5	10.1
FY22E	9,360	1,170	1,144	113.1	12.5	9.0

## Quarterly Result

Rs Mn	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2,250</b>	<b>2,513</b>	<b>2,588</b>	<b>-10.5%</b>	<b>-13.0%</b>
Raw Material Cost	1,659	1,910	1,995	-13.1%	-16.8%
Employee cost	61	121	98	-49.8%	-38.1%
Other Expenses	172	178	151	-3.6%	13.7%
<b>EBITDA</b>	<b>358</b>	<b>304</b>	<b>344</b>	<b>17.8%</b>	<b>4.2%</b>
<b>EBITDA margin %</b>	<b>15.9%</b>	<b>12.1%</b>	<b>13.3%</b>	<b>382bps</b>	<b>264bps</b>
Other Income	-146	126	138	-	-
Depreciation	26	24	21	6.2%	23.7%
<b>EBIT</b>	<b>186</b>	<b>405</b>	<b>461</b>	<b>-54.0%</b>	<b>-59.5%</b>
Finance cost	0	0	0	-	-
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>186</b>	<b>405</b>	<b>461</b>	<b>-54.0%</b>	<b>-59.5%</b>
Tax Expense	71	55	139	29.1%	-48.9%
Effective tax rate %	38.1%	13.6%	30.2%	-	-
<b>PAT</b>	<b>115</b>	<b>350</b>	<b>321</b>	<b>-67.1%</b>	<b>-64.1%</b>
<b>PAT margin %</b>	<b>5.1%</b>	<b>13.9%</b>	<b>12.4%</b>	<b>-881bps</b>	<b>-729bps</b>
<b>EPS (Rs)</b>	<b>11.4</b>	<b>34.6</b>	<b>31.8</b>	<b>-67.1%</b>	<b>-64.1%</b>

Source: Company, Arianth Research

## Sales and Operational Performance

Rs Mn	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
<b>Sales</b>	<b>2,250</b>	<b>2,513</b>	<b>2,588</b>	<b>-10.5%</b>	<b>-13.0%</b>
Volume (MVA)	2,656	3,089	3,490	-14.0%	-23.9%
Units Sold	912	905	982	0.8%	-7.1%
<b>Revenue per Unit (mn)</b>	<b>2.47</b>	<b>2.78</b>	<b>2.64</b>	<b>-11.2%</b>	<b>-6.4%</b>
<b>Revenue Per MVA</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>4.1%</b>	<b>14.3%</b>

## Annual Financials

## Income Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
<b>Revenues</b>	8,288	8,586	8,288	9,360
<i>Change (%)</i>	29.7%	3.6%	-3.5%	12.9%
Raw materials	6,619	6,668	6,299	7,114
Employee costs	295	333	307	346
Other expenses	563	658	646	730
<b>Total Expenses</b>	<b>7,352</b>	<b>7,508</b>	<b>7,252</b>	<b>8,190</b>
<b>EBITDA</b>	<b>936</b>	<b>1,078</b>	<b>1,036</b>	<b>1,170</b>
Other Income	362	146	414	468
Depreciation	72	90	94	105
Interest	0	0	7	7
<b>PBT</b>	<b>1,227</b>	<b>1,133</b>	<b>1,349</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>1,349</b>	<b>1,526</b>
Tax	378	240	337	381
<i>Rate (%)</i>	30.8%	21.2%	25.0%	25.0%
<b>PAT</b>	<b>848</b>	<b>894</b>	<b>1,012</b>	<b>1,144</b>
<i>Change (%)</i>	15.5%	5.3%	13.2%	13.1%

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	7,682	8,073
<b>Net Worth</b>	<b>6,867</b>	<b>7,482</b>	<b>7,783</b>	<b>8,174</b>
<b>Loan Funds</b>				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deferred Tax & other liabilities	38	1	0	0
<b>Capital Employed</b>	<b>6,905</b>	<b>7,483</b>	<b>7,783</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>4,021</b>	<b>3,871</b>
Debtors	1,766	1,503	1,476	1,795
Inventories	1,077	1,155	1,117	1,261
Cash & bank balance	114	60	526	322
Loans & advances & other CA	294	468	341	385
<b>Total current assets</b>	<b>3,250</b>	<b>3,186</b>	<b>3,762</b>	<b>4,395</b>
Current liabilities	478	528	662	748
Provisions	123	157	157	157
<b>Net current assets</b>	<b>2,649</b>	<b>2,500</b>	<b>2,942</b>	<b>3,490</b>
<b>Total Assets</b>	<b>6,905</b>	<b>7,483</b>	<b>7,783</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>1,349</b>	<b>1,526</b>
Depreciation	72	90	94	105
Interest & others	-362	-146	-407	-461
Cash flow before WC changes	936	1,078	1,036	1,170
<b>(Inc)/dec in working capital</b>	<b>-330</b>	<b>57</b>	<b>326</b>	<b>-422</b>
Operating CF after WC changes	606	1,135	1,362	748
Less: Taxes	-378	-240	-337	-381
<b>Operating cash flow</b>	<b>228</b>	<b>895</b>	<b>1,025</b>	<b>366</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>50</b>	<b>50</b>
<b>Free cash flow (FCF)</b>	<b>203</b>	<b>789</b>	<b>925</b>	<b>266</b>
Loan raised/(repaid)	0	0	0	0
Equity raised	0	0	0	0
Interest & others	336	31	-306	-316
Dividend	-228	-253	-304	-304
<b>Cash flow from financing activities</b>	<b>108</b>	<b>-222</b>	<b>-610</b>	<b>-620</b>
<b>Net inc/(dec) in cash</b>	<b>33</b>	<b>-54</b>	<b>466</b>	<b>-203</b>
Opening balance of cash	80	114	60	526
Closing balance of cash	114	60	526	322

Source: Company, Arihant Research

## Key Ratios

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
<b>Per share (Rs)</b>				
EPS	83.9	88.3	100.0	113.1
CEPS	90.9	97.2	109.3	123.5
BVPS	678.8	739.6	769.3	807.9
DPS	22.5	25.0	30.0	30.0
Payout (%)	26.8%	28.3%	30.0%	26.5%
<b>Valuation (x)</b>				
P/E	12.1	11.5	10.1	9.0
P/CEPS	11.2	10.4	9.3	8.2
P/BV	1.5	1.4	1.3	1.3
EV/EBITDA	11.5	10.0	10.0	9.0
Dividend Yield (%)	2.2%	2.5%	3.0%	3.0%
<b>Return Ratio (%)</b>				
EBIDTA Margin	11.3%	12.6%	12.5%	12.5%
PAT Margin	10.2%	10.4%	12.2%	12.2%
ROE	12.4%	11.9%	13.0%	14.0%
ROCE	12.5%	13.2%	12.1%	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	1.1	1.1
Inventory Days	61	65	65	65
Receivable Days	78	64	65	70
Payable days	26	29	29	29

Source: Company, Arihant 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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