

Voltamp Transformers (VAMP IN)

Rating: BUY | CMP: Rs1,020 | TP: Rs1,244

June 11, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	1,244		1,244	
Sales (Rs. m)	8,141	9,545	8,848	9,573
% Chng.	(8.0)	(0.3)		
EBITDA (Rs. m)	868	1,081	946	1,081
% Chng.	(8.3)	-		
EPS (Rs.)	83.3	103.6	91.4	103.6
% Chng.	(8.8)	-		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	8,288	8,586	8,141	9,545
EBITDA (Rs. m)	936	1,078	868	1,081
Margin (%)	11.3	12.6	10.7	11.3
PAT (Rs. m)	848	894	843	1,048
EPS (Rs.)	83.9	88.3	83.3	103.6
Gr. (%)	15.5	5.3	(5.7)	24.4
DPS (Rs.)	22.5	23.9	20.8	25.9
Yield (%)	2.2	2.3	2.0	2.5
RoE (%)	13.0	12.5	10.8	12.3
RoCE (%)	13.2	13.8	9.8	11.2
EV/Sales (x)	1.2	1.2	1.2	1.0
EV/EBITDA (x)	10.7	9.2	11.4	9.1
PE (x)	12.2	11.5	12.2	9.8
P/BV (x)	1.5	1.4	1.3	1.2

Key Data

VOTL.BO | VAMP IN

52-W High / Low	Rs.1,483 / Rs.710
Sensex / Nifty	33,538 / 9,902
Market Cap	Rs.10bn/ \$ 136m
Shares Outstanding	10m
3M Avg. Daily Value	Rs.18.96m

Shareholding Pattern (%)

Promoter's	50.00
Foreign	15.84
Domestic Institution	21.57
Public & Others	12.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.9	(9.9)	(16.5)
Relative	10.0	8.6	(0.5)

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Strong order book provides revenue visibility

Quick Pointers:

- Despite Covid-19 Pandemic, order backlog stands healthy at Rs4.7bn, up 23% YoY as on FY20.
- Volatility in financial markets (debt and equity) during FY20 led to net reduction in other income worth ~Rs217mn, primarily on account of MTM loss.

Voltamp Transformers reported healthy set of numbers however lower Other income (MTM loss) dragged profitability. Based on our estimates, order inflow stood at ~Rs2.5bn (up ~33.5% YoY) as on 4QFY20, translating order backlog to Rs4.7bn (executable over next two-three quarters). We expect Voltamp to report muted volume CAGR over next two years (FY20-22E) owing to weak economic environment. The management would be bidding cautiously for orders and believes that several industries like Infrastructure, Steel, Cement, Oil & Gas, Renewables (especially Solar) and Chemicals etc. to have huge opportunities in medium to long-term.

We remain positive on the company due to strong business model, debt free balance sheet and consistent free cash flow generation (current cash + Investments of ~Rs4.6bn). We have modelled revenue/PAT to grow at CAGR of 5%/8% over next two years. The stock is currently trading at attractive valuations of 12.9/10.4x FY21E/22E. We maintain BUY rating on the stock with TP of Rs1244.

One-time MTM loss in other income drags profitability: Sales came in at ~Rs2.3bn (down 13% YoY) vs PLe ~Rs1.9bn mainly due to weak execution and impact of Covid-19. EBITDA grew by 3% YoY to Rs358mn (PLe ~Rs250mn) with EBITDA margins expanding by 250bps YoY to 16% in Q4FY20 vs 13% in 4QFY19 on account of better product mix, low RM cost & employee cost (down,38% YoY). PBT fell by 59.5% YoY to Rs186mn on back of high depreciation cost (up 24% YoY) and low other income (came in at loss of Rs146mn). PAT came in at Rs115mn (PLe Rs155mn), down 64% YoY.

Healthy OB of Rs4.7bn provides revenue visibility: Order inflow for the quarter grew by 33.5% YoY at Rs2.5bn (OI for FY20 up by 8% YoY). OB stood strong at Rs4.7bn, up 23% YoY providing revenue visibility going ahead. Order book in terms of MVA was flat YoY which came in at 6,918MVA in 4QFY20 vs 6,848MVA in 4QFY19, mainly impacted due to weak economic environment and Covid-19.

Debt-free balance sheet: Company enjoys a debt-free status since last few years and has good amount of investment in diversified portfolios. The company has also managed its working capital requirements efficiently resulting in attractive return ratios. With robust balance sheet, prudent payment terms and diversified clientele we believe company remains perfectly poised to grow, in future.

Exhibit 1: Q4FY20 Result Overview (Rs mn) – Margins expand due to lower RM & employee cost.

Y/e March	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	2,588	1,873	1,949	2,513	2,250	(13.0)	(10.5)	8,586	8,288	3.6
Total Revenues	2,588	1,873	1,949	2,513	2,250	(13.0)	(10.5)	8,586	8,288	3.6
Consumption of RM	1,995	1,438	1,509	1,910	1,659	(16.8)	(13.1)	6,517	6,495	0.3
<i>as % of sales</i>	<i>77.1</i>	<i>76.8</i>	<i>77.4</i>	<i>76.0</i>	<i>73.7</i>			<i>75.9</i>	<i>78.4</i>	
Gross Profit	593	435	440	603	591	(0.3)	(2.1)	2,069	1,793	15.4
<i>Gross margins%</i>	<i>22.9</i>	<i>23.2</i>	<i>22.6</i>	<i>24.0</i>	<i>26.3</i>			<i>24.1</i>	<i>21.6</i>	
Employee Cost	98	74	77	121	61	(38.1)	(49.8)	333	295	13.1
<i>as % of sales</i>	<i>3.8</i>	<i>4.0</i>	<i>4.0</i>	<i>4.8</i>	<i>2.7</i>			<i>3.9</i>	<i>3.6</i>	
Other expenditure	148	154	154	178	172	16.3	(3.6)	658	563	17.0
<i>as % of sales</i>	<i>5.7</i>	<i>8.2</i>	<i>7.9</i>	<i>7.1</i>	<i>7.6</i>			<i>7.7</i>	<i>6.8</i>	
EBITDA	347	206	210	304	358	3.2	17.8	1,078	936	15.2
Depreciation	21	19	21	24	26	23.7	6.2	90	72	25.7
EBIT	326	187	189	280	332	1.9	18.8	988	864	14.3
Other Income	135	67	99	126	(146)	(208.3)	(216.0)	146	362	(59.8)
Interest	0	-	-	-	-	(100.0)	#DIV/0!	-	0	(100.0)
PBT	461	254	287	405	186	(59.5)	(54.0)	1,134	1,227	(7.6)
Total Tax	139	85	28	55	71	(48.9)	29.1	240	378	(36.6)
Adjusted PAT	321	169	259	350	115	(64.1)	(67.1)	894	848	5.4
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	321	169	259	350	115	(64.1)	(67.1)	894	848	5.4
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	321	169	259	350	115	(64.1)	(67.1)	894	848	5.4
Adjusted EPS	31.8	16.7	25.7	34.7	11.4	(64.1)	(67.1)	88.5	84.0	5.4
Margins (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	bps	bps	FY20	FY19	bps
EBIDTA	13.4	11.0	10.8	12.1	15.9	251	382	12.6	11.3	127
EBIT	12.6	10.0	9.7	11.1	14.8	217	364	11.5	10.4	108
EBT	17.8	13.6	14.7	16.1	8.3	(951)	(784)	13.2	14.8	(159)
PAT	12.4	9.0	13.3	13.9	5.1	(729)	(881)	10.4	10.2	18
Effective Tax rate	30.2	33.6	9.8	13.6	38.1	790	2,454	21.2	30.9	(970)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	8,288	8,586	8,141	9,545
YoY gr. (%)	29.7	3.6	(5.2)	17.2
Cost of Goods Sold	6,495	6,517	6,337	7,389
Gross Profit	1,793	2,069	1,804	2,156
Margin (%)	21.6	24.1	22.2	22.6
Employee Cost	295	333	366	407
Other Expenses	234	302	226	262
EBITDA	936	1,078	868	1,081
YoY gr. (%)	40.2	15.2	(19.5)	24.6
Margin (%)	11.3	12.6	10.7	11.3
Depreciation and Amortization	72	90	107	128
EBIT	864	988	760	953
Margin (%)	10.4	11.5	9.3	10.0
Net Interest	0	0	-	-
Other Income	362	146	366	449
Profit Before Tax	1,227	1,134	1,127	1,401
Margin (%)	14.8	13.2	13.8	14.7
Total Tax	378	240	284	353
Effective tax rate (%)	30.8	21.2	25.2	25.2
Profit after tax	848	894	843	1,048
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	848	894	843	1,048
YoY gr. (%)	15.5	5.3	(5.7)	24.4
Margin (%)	10.2	10.4	10.4	11.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	848	894	843	1,048
YoY gr. (%)	15.5	5.3	(5.7)	24.4
Margin (%)	10.2	10.4	10.4	11.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	848	894	843	1,048
Equity Shares O/s (m)	10	10	10	10
EPS (Rs)	83.9	88.3	83.3	103.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	631	823	1,023	1,223
Tangibles	631	823	1,023	1,223
Intangibles	-	-	-	-
Acc: Dep / Amortization	166	255	348	476
Tangibles	166	255	348	476
Intangibles	-	-	-	-
Net fixed assets	466	567	675	746
Tangibles	466	567	675	746
Intangibles	-	-	-	-
Capital Work In Progress	18	22	22	22
Goodwill	-	-	-	-
Non-Current Investments	3,748	4,344	4,700	4,810
Net Deferred tax assets	(38)	25	25	25
Other Non-Current Assets	25	24	33	38
Current Assets				
Investments	204	368	368	368
Inventories	1,077	1,155	1,115	1,308
Trade receivables	1,766	1,503	1,724	2,151
Cash & Bank Balance	114	60	66	112
Other Current Assets	56	66	57	67
Total Assets	7,506	8,143	8,809	9,679
Equity				
Equity Share Capital	101	101	101	101
Other Equity	6,766	7,381	8,013	8,799
Total Network	6,867	7,482	8,114	8,900
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10	69	45	52
Other current liabilities	590	618	675	752
Total Equity & Liabilities	7,506	8,143	8,809	9,679

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,227	1,134	1,127	1,401
Add. Depreciation	72	90	107	128
Add. Interest	0	0	-	-
Less Financial Other Income	362	146	366	449
Add. Other	(297)	(146)	(366)	(449)
Op. profit before WC changes	1,002	1,078	868	1,081
Net Changes-WC	(307)	227	(173)	(590)
Direct tax	370	240	284	353
Net cash from Op. activities	325	1,065	411	138
Capital expenditures	(109)	(201)	(215)	(200)
Interest / Dividend Income	107	146	366	449
Others	(107)	(726)	(346)	(79)
Net Cash from Invt. activities	(109)	(782)	(194)	170
Issue of share cap. / premium	-	-	-	-
Debt changes	-	(81)	-	-
Dividend paid	(183)	(261)	(211)	(262)
Interest paid	0	0	-	-
Others	-	-	-	-
Net cash from Fin. activities	(183)	(342)	(211)	(262)
Net change in cash	33	(59)	6	46
Free Cash Flow	325	863	196	(62)

Source: Company Data, PL Research

Key Financial Metrics

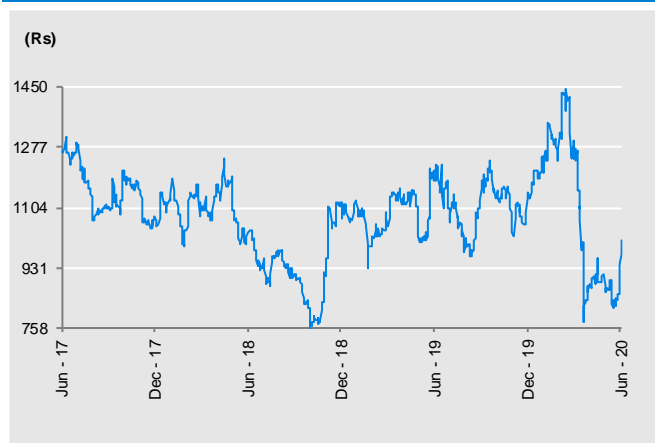
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	83.9	88.3	83.3	103.6
CEPS	90.9	97.2	93.9	116.3
BVPS	678.8	739.6	802.0	879.7
FCF	32.1	85.3	19.4	(6.1)
DPS	22.5	23.9	20.8	25.9
Return Ratio(%)				
RoCE	13.2	13.8	9.8	11.2
ROIC	9.6	11.5	7.7	8.9
RoE	13.0	12.5	10.8	12.3
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	125	110	125	130
Valuation(x)				
PER	12.2	11.5	12.2	9.8
P/B	1.5	1.4	1.3	1.2
P/CEPS	11.2	10.5	10.9	8.8
EV/EBITDA	10.7	9.2	11.4	9.1
EV/Sales	1.2	1.2	1.2	1.0
Dividend Yield (%)	2.2	2.3	2.0	2.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	1,873	1,949	2,513	2,250
YoY gr. (%)	12.9	3.1	16.8	(13.0)
Raw Material Expenses	1,438	1,509	1,910	1,659
Gross Profit	435	440	603	591
Margin (%)	23.2	22.6	24.0	26.3
EBITDA	206	210	304	358
YoY gr. (%)	25.3	9.9	26.0	3.2
Margin (%)	11.0	10.8	12.1	15.9
Depreciation / Depletion	19	21	24	26
EBIT	187	189	280	332
Margin (%)	10.0	9.7	11.1	14.8
Net Interest	-	-	-	-
Other Income	67	99	126	(146)
Profit before Tax	254	287	405	186
Margin (%)	13.6	14.7	16.1	8.3
Total Tax	85	28	55	71
Effective tax rate (%)	33.6	9.8	13.6	38.1
Profit after Tax	169	259	350	115
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	169	259	350	115
YoY gr. (%)	12.3	68.2	57.6	(64.1)
Margin (%)	9.0	13.3	13.9	5.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	169	259	350	115
YoY gr. (%)	12.3	68.2	57.6	(64.1)
Margin (%)	9.0	13.3	13.9	5.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	169	259	350	115
Avg. Shares O/s (m)	10	10	10	10
EPS (Rs)	16.7	25.7	34.7	11.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Feb-20	BUY	1,591	1,379
2	03-Jan-20	BUY	1,610	1,250
3	12-Nov-19	BUY	1,610	1,073
4	03-Oct-19	BUY	1,601	1,128
5	04-Jul-19	BUY	1,505	1,160

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	836
2	Ahluwalia Contracts (India)	Accumulate	264	142
3	Apar Industries	BUY	587	368
4	Ashoka Buildcon	BUY	147	39
5	Bharat Electronics	Hold	89	70
6	BHEL	Hold	50	21
7	Capacite's Infraprojects	BUY	168	75
8	Container Corporation of India	Accumulate	595	572
9	Cummins India	BUY	493	385
10	Engineers India	BUY	83	67
11	GE T&D India	Hold	91	86
12	H.G. Infra Engineering	BUY	259	164
13	IRB Infrastructure Developers	BUY	127	53
14	ITD Cementation India	BUY	67	33
15	J.Kumar Infraprojects	BUY	340	185
16	Kalpataru Power Transmission	BUY	261	193
17	KEC International	BUY	295	197
18	KNR Constructions	BUY	305	183
19	Larsen & Toubro	BUY	1,192	955
20	NCC	BUY	83	23
21	PNC Infratech	BUY	205	94
22	Power Grid Corporation of India	BUY	205	160
23	Sadbhav Engineering	BUY	128	25
24	Siemens	BUY	1,402	1,049
25	Thermax	Accumulate	855	705
26	Triveni Turbine	BUY	109	66
27	Voltamp Transformers	BUY	1,591	1,379

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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