

CMP: Rs 1,029

Rating: Buy

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)	10.440
52w H/L (Rs)	1,483 / 739
Avg Yearly Vol (in 000')	17

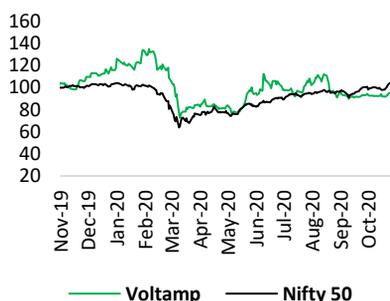
Shareholding Pattern %

(As on September, 2020)

Promoters	50.00
FII	15.95
DII	20.37
Public & Others	13.68

Stock Performance (%)	3m	6m	12m
Voltamp	-10.9	19.2	-3.9
Nifty 50	11.5	35.9	5.6

Voltamp Vs Nifty



Despite a challenging environment, Voltamp Transformers has reported healthy performance during Q2FY21. Profit for the quarter grew by 54.5% YoY/15% QoQ to Rs 298 mn, driven by cost control measures and higher other income. Sales of the company decreased by 18% YoY to Rs 1,602 mn, largely due to delay in acceptance of delivery and disrupted supply chain amidst covid pandemic. However, operations have started resuming gradually with enquiry and order finalization taking place on project progress basis. On a sequential basis sales bounced back quickly and grew by 122%. Other income for the quarter grew by 57% YoY to Rs 156 mn. In H1FY21, company has reported gain of Rs 208 mn under other income towards appreciation in value of investments. EBITDA grew by 5% YoY to Rs 219 mn with EBITDA margins expansion of 295bps YoY to 14%, on account of lower RM cost and decline in other expenses (-22% YoY). However, Gross margin of the company increased by 342 bps YoY to 26%. We upgrade our rating to Buy from Accumulate with a target price of Rs 1,301.

Q2FY21 Highlights

- In Q2FY21, Voltamp Transformers has reported 18% YoY fall in revenue at Rs 1,602 mn. Company has sold 626 units in Q2FY21 as compared to 805 units in Q2FY20, thereby registering a volume de-growth of 22% YoY. Sale of transformers in terms of MVA stood at 2,087 MVA in Q2FY21 as against 2,291 MVA in Q2FY20, a de-growth of 9% YoY. Revenue per unit stood at Rs 2.56 mn vs. Rs 2.42 mn YoY/2.40 mn QoQ.
- Management has stated that enquiry levels continue to remain decent. However, decision making is slow and payment realization towards finished good is taking long time.
- PBT for the quarter grew by 23% YoY to Rs 353 mn.
- Capacity utilization at present is at about 60%.

Outlook & Valuation

At CMP of Rs 1,029, Voltamp is trading at FY21E and FY22E, P/E multiple of 11.5x and 10.1x respectively, which is quite reasonable considering its debt-free status, superior business model and free cash flow generation. Currently, company has healthy order book of Rs 5,200 mn which provides future revenue visibility. Going forward, company expects sectors like infra, water, power, mining, Oil & Gas, ports, pharma, data centers etc. to be a major growth drivers. We have increased our FY21 PAT estimates by 3% to factoring higher other income. We continue to value the company at 11.5x FY22E PE for a target price of Rs 1,301 (unchanged). We upgrade our rating on the stock to Buy from Accumulate, due to its inexpensive valuations.

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	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
Net Revenue	1,602	723	1,949	121.5%	-17.8%
Raw Material Cost	1,186	535	1,509	121.6%	-21.4%
as a % of sales	74.0%	74.0%	77.4%	-	-
Gross Profit	417	188	440	121.3%	-5.3%
Gross margin %	26.0%	26.0%	22.6%	-3bps	342bps
Employee cost	79	78	77	0.5%	1.9%
Other Expenses	119	82	154	46.4%	-22.7%
EBITDA	219	29	209	664.5%	4.9%
EBITDA margin %	13.7%	4.0%	10.7%	970bps	295bps
Other Income	156	224	100	-30.3%	56.7%
Depreciation	22	22	21	1.2%	4.4%
EBIT	353	231	287	52.8%	22.9%
Finance cost	-	0	0	-	-
PBT	353	231	287	52.8%	22.9%
Tax Expense	55	38	28	44.3%	95.1%
Effective tax rate %	15.6%	16.5%	9.8%	-92bps	577bps
PAT	298	193	259	54.5%	15.1%
PAT margin %	18.6%	26.7%	13.3%	-807bps	531bps
EPS (Rs)	29.5	19.1	25.6	54.5%	15.1%

Source: Company, Aриhant Research

Sales and Operational Performance

Rs Mn	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
Sales	1,602	723	1,949	121.5%	-17.8%
Volume (MVA)	2,087	892	2,291	134.0%	-8.9%
Units Sold	626	302	805	107.3%	-22.2%
Revenue per Unit (mn)	2.56	2.40	2.42	6.9%	5.7%
Revenue Per MVA	0.8	0.8	0.9	-5.3%	-9.7%

Annual Financials

Income Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Revenues	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
Total Expenses	7,352	7,508	6,825	8,190
EBITDA	936	1,078	975	1,170
Other Income	362	146	468	468
Depreciation	72	90	94	105
Interest	0	0	7	7
PBT	1,227	1,133	1,342	1,526
Extra-ordinary	0	0	0	0
PBT after ext-ord.	1,227	1,133	1,342	1,526
Tax	378	240	335	381
<i>Rate (%)</i>	30.8%	21.2%	25.0%	25.0%
PAT	848	894	1,006	1,144
<i>Change (%)</i>	15.5%	5.3%	12.6%	13.7%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	101	101	101	101
Reserves & Surplus	6,766	7,381	7,640	8,073
Net Worth	6,867	7,482	7,741	8,174
Loan Funds				
Deferred Tax & other liabilities	38	1	10	10
Capital Employed	6,905	7,483	7,751	8,184
Application of Funds				
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
Net fixed assets	647	812	818	812
Investments	3,609	4,171	4,321	4,471
Debtors	1,766	1,503	1,389	1,795
Inventories	1,077	1,155	1,051	1,261
Cash & bank balance	114	60	378	83
Loans & advances & other CA	294	468	321	385
Total current assets	3,250	3,186	3,394	3,806
Current liabilities	478	528	623	748
Provisions	123	157	157	157
Net current assets	2,649	2,500	2,613	2,901
Total Assets	6,905	7,483	7,751	8,184

Source: Company, Aриhant Research

Annual Financials

Cash Flow Statement

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
PBT	1,227	1,133	1,342	1,526
Depreciation	72	90	94	105
Interest & others	-362	-146	-461	-461
Cash flow before WC changes	936	1,078	975	1,170
(Inc)/dec in working capital	-330	57	460	-556
Operating CF after WC changes	606	1,135	1,435	614
Less: Taxes	-378	-240	-335	-381
Operating cash flow	228	895	1,100	233
(Inc)/dec in F.A + CWIP	-49	-165	-100	-100
(Pur)/sale of investment	-254	-562	-150	-150
Cash flow from investing	-303	-727	-250	-250
Free cash flow (FCF)	203	789	1,000	133
Loan raised/(repaid)	0	0	0	0
Equity raised	0	0	0	0
Interest & others	336	31	-228	26
Dividend	-228	-253	-304	-304
Cash flow from financing activities	108	-222	-532	-278
Net inc /(dec) in cash	33	-54	318	-295
Opening balance of cash	80	114	60	378
Closing balance of cash	114	60	378	83

Source: Company, Arihant Research

Key Ratios

Y/E March (Rs Mn)	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	83.9	88.3	99.5	113.1
CEPS	90.9	97.2	108.8	123.5
BVPS	678.8	739.6	765.1	807.9
DPS	22.5	25.0	30.0	30.0
Payout (%)	26.8%	28.3%	30.2%	26.5%
Valuation (x)				
P/E	13.6	12.9	11.5	10.1
P/CEPS	12.5	11.7	10.5	9.2
P/BV	1.7	1.5	1.5	1.4
EV/EBITDA	11.5	10.0	10.7	9.2
Dividend Yield (%)	2.0%	2.2%	2.6%	2.6%
Return Ratio (%)				
EBIDTA Margin	11.3%	12.6%	12.5%	12.5%
PAT Margin	10.2%	10.4%	12.9%	12.2%
ROE	12.4%	11.9%	13.0%	14.0%
ROCE	12.5%	13.2%	11.4%	13.0%
Leverage Ratio (%)				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	0.0	0.0	0.0	0.0
Turnover Ratios				
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, 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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