

February 6, 2023

RESULT REPORT Q3 FY23 | Sector: Capital Goods

Voltamp Transformers Ltd

Another quarter of stellar performance

Our view

Voltamp Transformers (VAMP) reported a strong set of numbers despite a month-long workers' strike at its Savli facilities. Revenue growth was led by a mix of volume/realization growth of 10%/5% YoY respectively. Healthy operating margins aided by gross margin expansion and operating leverage benefits led to a ~450bps YoY operating margin expansion. Order book remains strong at ~Rs9bn (0.7x TTM revenue) as on 3QFY23, providing revenue visibility for the next few quarters. In the medium term, the company sees private investments taking place in sectors such as clean energy, cement, steel, chemicals, pharmaceuticals, auto, semiconductors, electronics, textile, healthcare, data centres, logistics, industrial parks and oil refining, etc.

We believe the company is one of the best plays for future upturn in industrial demand given its industrial focused business model. We remain positive on the company considering 1) its strong business model, 2) debt free balance sheet and 3) consistent free cash flow generation (current cash + investment ~Rs6.4bn). The stock is currently trading at valuations of 18.5x/15.3x/12.8x FY23E/24E/25E and excl. other income it trades at P/E of 19.5x/15.5x/12.4x FY23E/24E/25E EPS. We roll forward our target multiple to FY25E with a revised TP of Rs3,656 valuing the company at a PE of 16x on FY25E EPS. We believe the recent correction in the stock price is an attractive opportunity to enter. Accordingly, we upgrade it to BUY from NEUTRAL.

Result Highlights

- Sales grew by 13% YoY to ~Rs3.6bn (YSLe: Rs2.8bn) driven by healthy execution of order book
- With easing of input cost pressures, the company has expanded its gross margins by ~260bps YoY basis at 23.9%
- EBITDA came in at Rs554mn (up ~61% YoY) (YSLe: Rs150mn) with EBITDA margins coming in at 15.5%, a 450bps/90bps YoY/QoQ expansion
- PBT grew by 67% YoY to Rs664mn on the back of higher other income (up 79% YoY)
- PAT grew by 69% YoY to Rs508mn (YSLe: Rs191mn) on account of robust operational performance

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	3,575	2,948	-	21.3	-	Robust execution, margins expand
EBITDA	554	373	-	48.7	-	
EBITDA margin %	15.5	12.6	-	286 bps	-	
Adj.Pat	508	381	-	33.1	-	

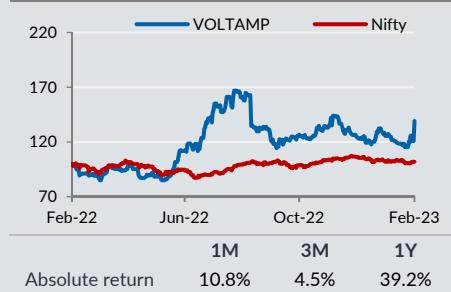
Source: Company, YES Sec

Reco	:	BUY
CMP	:	Rs 2,916
Target Price	:	Rs 3,656
Potential Return	:	+25%

Stock data (as on Feb 6, 2023)

Nifty	17,765
52 Week h/l (Rs)	3691 / 1729
Market cap (Rs/USD mn)	25623 / 314
Outstanding Shares (mn)	10
6m Avg t/o (Rs mn):	93
Div yield (%):	1.3
Bloomberg code:	VAMP IN
NSE code:	VOLTAMP

Stock performance



Shareholding pattern (As of Dec'22 end)

Promoter	50.0%
FII+DII	30.9%
Others	11.0%

△ in stance

(1-Yr)	New	Old
Rating	BUY	NEUTRAL
Target Price	3,656	3,046

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenues	13,399	15,850	18,751
YoY growth (%)	18.9	18.3	18.3
OPM (%)	12.8	13.1	13.3
EPS (Rs)	157.4	190.4	228.5
EPS growth (%)	19.9	20.9	20.0
P/E (x)	18.5	15.3	12.8
EV/EBITDA (x)	17.2	14.2	11.8
Debt/Equity (x)	-	-	-
RoE (%)	11.3	12.1	12.7
RoCE (%)	11.3	12.1	12.7

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Exhibit 2: Quarterly snapshot (Standalone)

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	3,150	3,872	2,701	3,176	3,575	13.5	12.5	11,272	6,923	62.8
Total Revenues	3,150	3,872	2,701	3,176	3,575	13.5	12.5	11,272	6,923	62.8
Consumption of RM	2,479	2,900	2,047	2,421	2,719	9.7	12.3	8,773	5,290	65.8
as % of sales	78.7	74.9	75.8	76.2	76.1			77.8	76.4	
Gross Profit	670	972	654	755	855	27.6	13.3	2,499	1,633	53.0
Gross margins%	21.3	25.1	24.2	23.8	23.9			22.2	23.6	
Employee Cost	132	83	103	103	104	(20.9)	1.2	389	332	17.0
as % of sales	4.2	2.1	3.8	3.2	2.9			3.4	4.8	
Other expenditure	194	223	189	188	197	1.4	4.6	720	539	33.6
as % of sales	6.2	5.8	7.0	5.9	5.5			6.4	7.8	
EBITDA	344	667	363	464	554	61.1	19.5	1,390	762	82.5
Depreciation	20	22	22	24	25	26.4	4.0	79	89	(10.3)
EBIT	324	645	341	440	529	63.2	20.3	1,311	673	94.7
Other Income	77	78	(4)	159	137	79.4	(13.7)	430	733	(41.4)
Interest	2	2	2	2	2	NA	8.5	8	1	NA
PBT	398	721	334	597	664	66.8	11.3	1,732	1,405	23.3
Total Tax	97	202	67	137	157	61.2	13.9	404	282	42.9
Adjusted PAT	301	519	267	459	508	68.6	10.5	1,328	1,122	18.4
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	301	519	267	459	508	68.6	10.5	1,328	1,122	18.4
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	301	519	267	459	508	68.6	10.5	1,328	1,122	18.4
Adjusted EPS	29.8	51.3	26.4	45.4	50.2	68.6	10.5	131	111	18.2
Margins (%)										
EBIDTA	10.9	17.2	13.4	14.6	15.5	458	90	12.3	11.0	133
EBIT	10.3	16.7	12.6	13.8	14.8	451	96	11.6	9.7	190
EBT	12.6	18.6	12.4	18.8	18.6	593	(21)	15.4	20.3	(492)
PAT	9.6	13.4	9.9	14.5	14.2	464	(26)	11.8	16.2	(442)
Effective Tax rate	24.4	28.0	20.2	23.0	23.6	(81)	54	23.3	20.1	320

Source: Company, YES Sec

FINANCIALS

Exhibit 3: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Sources of Funds					
Equity capital	101	101	101	101	101
Reserves	8,240	9,320	10,515	11,960	13,693
Non=Controlling Int.	0	0	0	0	0
Net worth	8,342	9,421	10,616	12,061	13,795
Debt	0	0	0	0	0
Deferred tax liab (net)	(4)	21	21	21	21
Total liabilities	8,338	9,442	10,637	12,081	13,815
Application of Funds					
Gross Block	822	979	1,179	1,379	1,529
Depreciation	300	368	474	598	736
Fixed Asset	527	615	709	785	797
CWIP	83	78	78	78	78
Investments	4,923	5,613	6,029	6,815	7,688
Net Working Capital	2,806	3,136	3,820	4,403	5,252
Inventories	1,273	2,094	2,496	2,866	3,391
Sundry debtors	1,707	1,904	2,140	2,535	3,003
Cash & equivalents	255	135	185	152	171
Loans & Advances	243	90	275	309	366
Other Current Asset	147	84	107	127	150
Sundry creditors	68	20	73	87	103
Provisions	184	207	246	291	344
Other current liabilities	568	944	1,064	1,208	1,382
Total Assets	8,338	9,442	10,637	12,081	13,815

Source: Company, YES Sec

Voltamp Transformers Ltd

Exhibit 4: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	6,923	11,272	13,399	15,850	18,751
% Change YoY	(19.4)	62.8	18.9	18.3	18.3
Operating profit	774	1,390	1,708	2,072	2,485
EBITDA margins	11.2	12.3	12.8	13.1	13.3
% Change YoY	(31.9)	79.5	22.9	21.3	19.9
Depreciation	89	79	106	124	138
EBIT	686	1,311	1,602	1,948	2,347
EBIT margins	9.9	11.6	12.0	12.3	12.5
Interest expense	6	8	9	9	10
Other income	725	430	536	634	750
Profit before tax	1,405	1,732	2,129	2,572	3,087
Taxes	282	404	537	646	776
Effective tax rate (%)	20.1	23.3	25.2	25.1	25.1
Net profit	1,122	1,328	1,593	1,926	2,312
Minorities and other	0	0	0	0	0
Net profit after minorities	1,122	1,328	1,593	1,926	2,312
Exceptional items	0	0	0	0	0
Net profit	1,122	1,328	1,593	1,926	2,312
% Change YoY	25.6	18.4	19.9	20.9	20.0
EPS (Rs)	110.9	131.3	157.4	190.4	228.5

Source: Company, YES Sec

Exhibit 5: Cash flow statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Profit before Tax	1,405	1,732	2,129	2,572	3,087
Interest	6	8	9	9	10
Depreciation	89	79	106	124	138
Other Items	(710)	(408)	(536)	(634)	(750)
(Inc)/Dec in WC	(358)	(368)	(634)	(616)	(830)
Direct Taxes Paid	236	388	537	646	776
CF from Oper. Activity	196	656	538	810	880
(Inc)/Dec in FA	100	186	200	200	150
Free Cash Flow	96	469	338	610	729
(Pur)/Sale of Invest.	108	(650)	(281)	(552)	(423)
CF from Inv. Activity	208	(463)	(81)	(352)	(272)
Change in Networth	-	-	-	-	-
Inc/(Dec) in Debt	-	-	-	-	-
Interest Paid	(6)	(8)	(9)	(9)	(10)
Dividends Paid	(253)	(253)	(398)	(482)	(578)
Others	-	-	(0)	(0)	(0)
CF from Fin. Activity	(259)	(261)	(407)	(491)	(588)
Inc/(Dec) in Cash	145	(68)	50	(33)	19
Opening cash Balance	56	201	133	183	150
Others	-	-	-	-	-
Closing cash Balance	201	133	183	150	169

Source: Company, YES Sec

Voltamp Transformers Ltd

Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Tax burden (x)	1.9	2.5	2.2	2.3	2.3
Interest burden (x)	0.4	0.3	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	0.8	1.2	1.3	1.3	1.4
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	6.6%	10.7%	11.3%	12.1%	12.7%

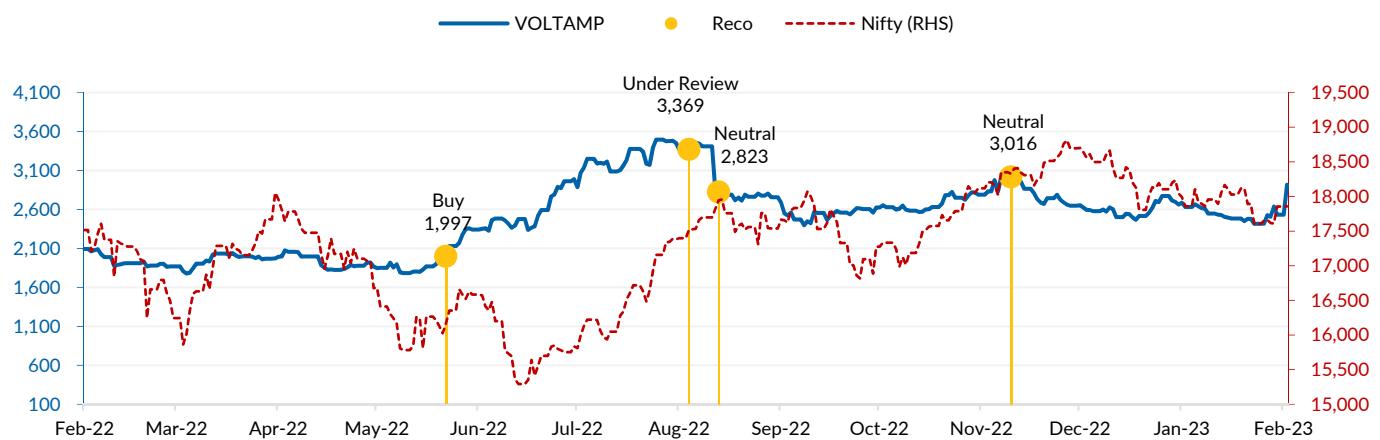
Source: Company, YES Sec

Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Basic (Rs)					
EPS	110.9	131.3	157.4	190.4	228.5
Dividend per share	25.0	35.0	39.4	47.6	57.1
Cash EPS	119.7	139.1	167.9	202.7	242.1
Book value per share	824.5	931.2	1,049.3	1,192.1	1,363.5
Div. payout (%)	22.5	26.7	25.0	25.0	25.0
Valuation ratios (x)					
P/E	26.3	22.2	18.5	15.3	12.8
P/CEPS	24.4	21.0	17.4	14.4	12.0
P/B	3.5	3.1	2.8	2.4	2.1
EV/EBIDTA	37.8	21.1	17.2	14.2	11.8
Dividend yield (%)	0.9	1.2	1.3	1.6	2.0
Profitability Ratios (%)					
RoIC	9.6	13.3	15.0	16.1	16.9
RoE	6.6	10.7	11.3	12.1	12.7
RoCE	6.6	10.6	11.3	12.1	12.7
Liquidity ratios					
Debtor (days)	90	62	58	58	58
Inventory (days)	67	68	68	66	66
Creditor (days)	4	1	2	2	2
Net working Capital (days)	134	97	99	98	99
Asset Turnover (x)	0.8	1.2	1.3	1.3	1.4

Source: Company, YES Sec

Recommendation Tracker



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