

August 8, 2023

RESULT REPORT Q1 FY24 | Sector: Capital Goods

Voltamp Transformers Ltd

Robust quarter; outlook remains sanguine

Our view

Voltamp Transformers (VAMP) reported another strong print during Q1FY24 driven by volume-led revenue growth (+19% y/y). The company reported a decadal high Q1 EBITDA margin aided by easing of commodity cost pressures amidst a strong demand environment. An order book of ~Rs11.9bn (executable in the current year) and full ramp-up of Savli operations back to normal, augurs well for the company's near term revenue and margin performance.

Looking forward

Management remains optimistic on the business outlook aided by steady growth in domestic demand from metals, data centres, green energy, pharma, automobiles, etc. Though order booking momentum is expected to sustain, competitive intensity especially in lower voltage class transformers has increased which leaves little room for margin expansion. We are building in a 22% EPS CAGR over FY23-25E mainly driven by revenue growth while margin is expected to remain flat in the near term. The stock is currently trading at valuations of 16.3x/13.0x FY24E/25E and excl. other income it trades at P/E of 20.9x/16.5x FY24E/25E EPS. We maintain our BUY rating with a revised TP of Rs5,836.

Result Highlights

- Sales grew by 19% YoY to ~Rs3.2bn (YSLe: Rs3.3bn) on the back of 15% YoY volume growth at 2,751 MVA
- Gross margins expanded by ~270bps YoY at 26.9% led by softening of commodity prices
- EBITDA came in at Rs480mn (up ~32% YoY) (YSLe: Rs556mn) with EBITDA margins coming in at 14.9%, a ~150bps YoY expansion. Other expenses grew by 42% YoY
- PBT grew by 105% YoY to Rs685mn driven by higher other income which came in at Rs108mn vs a negative Rs4mn in 1QFY23
- As a consequence, PAT grew by 90% YoY to Rs508mn (YSLe: Rs497mn)

Exhibit 1: Actual vs Estimate

Rs m006E	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	3,222	3,306	-	-2.5	-	Other income boosts PAT
EBITDA	480	556	-	-13.8	-	
EBITDA margin %	14.9	16.8	-	-194 bps	-	
Adj.Pat	508	497	-	2.1	-	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 4,813
Target Price	: Rs 5,836
Potential Return	: +21%

Stock data (as on August 8, 2023)

Nifty	19,571
52 Week h/l (Rs)	4875 / 2370
Market cap (Rs/USD mn)	46731 / 564
Outstanding Shares (mn)	10
6m Avg t/o (Rs mn):	81
Div yield (%):	1.3
Bloomberg code:	VAMP IN
NSE code:	VOLTAMP

Stock performance



	1M	3M	1Y
Absolute return	18.5%	54.3%	45.4%

Shareholding pattern (As of Jun'23 end)

Promoter	50.0%
FII+DII	39.8%
Others	10.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	5,836	4,779

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	230.8	291.8
EPS (Old)	236.8	298.7
% change	-2.5	-2.3

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	13,851	16,631	20,026
YoY growth (%)	22.9	20.1	20.4
OPM (%)	16.7	15.9	16.8
EPS (Rs)	197.6	230.8	291.8
EPS growth (%)	50.5	16.8	26.4
P/E (x)	24.4	20.9	16.5
EV/EBITDA (x)	21.0	18.1	14.2
Debt/Equity (x)	-	-	-
RoE (%)	15.3	14.9	16.2
RoCE (%)	15.3	14.8	16.2

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Exhibit 2: Quarterly snapshot (Standalone)

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	2,701	3,176	3,575	4,399	3,222	19.3	(26.8)	13,851	11,272	22.9
Total Revenues	2,701	3,176	3,575	4,399	3,222	19.3	(26.8)	13,851	11,272	22.9
Consumption of RM	2,047	2,421	2,719	3,139	2,356	15.1	(24.9)	10,327	8,773	17.7
as % of sales	75.8	76.2	76.1	71.4	73.1			74.6	77.8	
Gross Profit	654	755	855	1,260	866	32.3	(31.3)	3,524	2,499	41.0
Gross margins%	24.2	23.8	23.9	28.6	26.9			25.4	22.2	
Employee Cost	103	103	104	91	118	14.9	29.1	401	389	3.2
as % of sales	3.8	3.2	2.9	2.1	3.7			2.9	3.4	
Other expenditure	189	188	197	240	268	41.7	11.4	814	720	13.0
as % of sales	7.0	5.9	5.5	5.5	8.3			5.9	6.4	
EBITDA	363	464	554	928	480	32.3	(48.3)	2,309	1,390	66.1
Depreciation	22	24	25	26	23	5.3	(9.9)	97	79	22.1
EBIT	341	440	529	902	457	34.1	(49.4)	2,212	1,311	68.8
Other Income	(4)	159	137	108	230	NA	112.6	401	430	(6.7)
Interest	2	2	2	2	2	3.1	5.7	9	8	11.7
PBT	334	597	664	1,008	685	104.8	(32.1)	2,604	1,732	50.3
Total Tax	67	137	157	243	177	162.1	(27.2)	604	404	49.7
Adjusted PAT	267	459	508	766	508	90.3	(33.7)	1,999	1,328	50.5
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	267	459	508	766	508	90.3	(33.7)	1,999	1,328	50.5
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	267	459	508	766	508	90.3	(33.7)	1,999	1,328	50.5
Adjusted EPS	26.4	45.4	50.2	75.7	50.2	90.3	(33.7)	198	131	50.5
Margins (%)										
EBIDTA	13.4	14.6	15.5	21.1	14.9	147	(621)	16.7	12.3	434
EBIT	12.6	13.8	14.8	20.5	14.2	156	(634)	16.0	11.6	434
EBT	12.4	18.8	18.6	22.9	21.2	887	(168)	18.8	15.4	343
PAT	9.9	14.5	14.2	17.4	15.8	588	(165)	14.4	11.8	265
Effective Tax rate	20.2	23.0	23.6	24.1	25.8	565	175	23.2	23.3	(10)

Source: Company, YES Sec

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Exhibit 3: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Sources of Funds					
Equity capital	101	101	101	101	101
Reserves	8,240	9,320	10,971	12,723	14,937
Non=Controlling Int.	0	0	0	0	0
Net worth	8,342	9,421	11,072	12,824	15,038
Debt	0	0	0	0	0
Deferred tax liab (net)	(4)	21	17	17	17
Total liabilities	8,338	9,442	11,089	12,840	15,054
Application of Funds					
Gross Block	822	979	1,131	1,231	1,381
Depreciation	300	368	461	566	683
Fixed Asset	527	615	673	669	701
CWIP	83	78	2	2	2
Investments	4,923	5,613	7,176	7,983	9,412
Net Working Capital	2,806	3,136	3,237	4,186	4,938
Inventories	1,273	2,094	1,748	2,187	2,469
Sundry debtors	1,707	1,904	2,264	2,583	3,119
Cash & equivalents	255	135	179	745	911
Loans & Advances	243	90	74	158	190
Other Current Asset	147	84	108	133	160
Sundry creditors	68	20	30	91	110
Provisions	184	207	204	245	295
Other current liabilities	568	944	902	1,284	1,505
Total Assets	8,338	9,442	11,089	12,840	15,054

Source: Company, YES Sec

Exhibit 4: Income statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	6,923	11,272	13,851	16,631	20,026
% Change YoY	(19.4)	62.8	22.9	20.1	20.4
Operating profit	774	1,390	2,309	2,651	3,369
EBITDA margins	11.2	12.3	16.7	15.9	16.8
% Change YoY	(31.9)	79.5	66.1	14.8	27.1
Depreciation	89	79	97	105	117
EBIT	686	1,311	2,212	2,546	3,252
EBIT margins	9.9	11.6	16.0	15.3	16.2
Interest expense	6	8	9	9	10
Other income	725	430	401	582	701
Profit before tax	1,405	1,732	2,604	3,119	3,943
Taxes	282	404	604	783	990
Effective tax rate (%)	20.1	23.3	23.2	25.1	25.1
Net profit	1,122	1,328	1,999	2,335	2,952
Minorities and other	0	0	0	0	0
Net profit after minorities	1,122	1,328	1,999	2,335	2,952
Exceptional items	0	0	0	0	0
Net profit	1,122	1,328	1,999	2,335	2,952
% Change YoY	25.6	18.4	50.5	16.8	26.4
EPS (Rs)	110.9	131.3	197.6	230.8	291.8

Source: Company, YES Sec

Exhibit 5: Cash flow statement (Standalone)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	1,405	1,732	2,604	3,119	3,943
Interest	6	8	9	9	10
Depreciation	89	79	97	105	117
Other Items	(710)	(408)	(376)	(582)	(701)
(Inc)/Dec in WC	(358)	(368)	(38)	(383)	(587)
Direct Taxes Paid	236	388	616	783	990
CF from Oper. Activity	196	656	1,680	1,484	1,792
(Inc)/Dec in FA	100	186	(8)	100	150
Free Cash Flow	96	469	1,687	1,384	1,642
(Pur)/Sale of Invest.	108	(650)	(1,265)	(425)	(1,028)
CF from Inv. Activity	208	(463)	(1,273)	(325)	(878)
Change in Network	-	-	-	-	-
Inc/(Dec) in Debt	-	-	-	-	-
Interest Paid	(6)	(8)	(9)	(9)	(10)
Dividends Paid	(253)	(253)	(354)	(584)	(738)
Others	-	-	-	(0)	0
CF from Fin. Activity	(259)	(261)	(363)	(593)	(748)
Inc/(Dec) in Cash	145	(68)	44	566	165
Opening cash Balance	56	201	133	177	743
Others	-	-	-	-	-
Closing cash Balance	201	133	177	743	909

Source: Company, YES Sec

Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	1.9	2.5	2.8	2.4	2.5
Interest burden (x)	0.4	0.3	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.2	0.2	0.2
Asset turnover (x)	0.8	1.2	1.2	1.3	1.3
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	6.6%	10.7%	15.3%	14.9%	16.2%

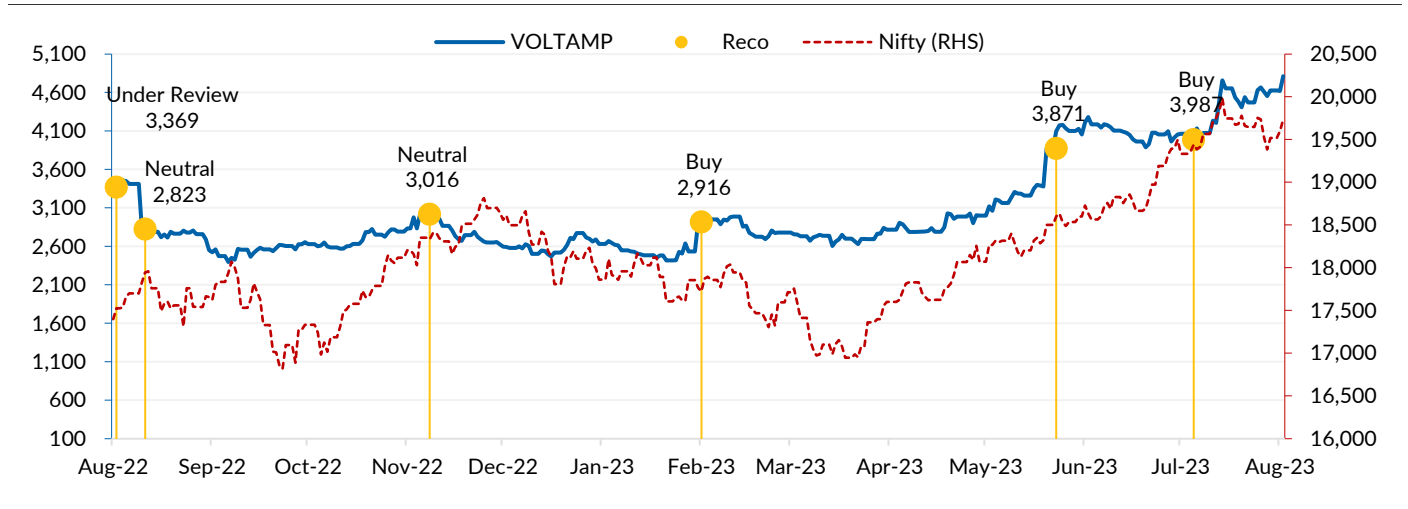
Source: Company, YES Sec

Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
Basic (Rs)					
EPS	110.9	131.3	197.6	230.8	291.8
Dividend per share	25.0	35.0	60.0	57.7	73.0
Cash EPS	119.7	139.2	207.2	241.2	303.4
Book value per share	824.5	931.2	1,094.4	1,267.5	1,486.4
Div. payout (%)	22.5	26.7	30.4	25.0	25.0
Valuation ratios (x)					
P/E	43.4	36.7	24.4	20.9	16.5
P/CEPS	40.2	34.6	23.2	20.0	15.9
P/B	5.8	5.2	4.4	3.8	3.2
EV/EBIDTA	62.5	34.9	21.0	18.1	14.2
Dividend yield (%)	0.5	0.7	1.2	1.2	1.5
Profitability Ratios (%)					
RoIC	9.6	13.3	18.5	19.4	21.1
RoE	6.6	10.7	15.3	14.9	16.2
RoCE	6.6	10.6	15.3	14.8	16.2
Liquidity ratios					
Debtor (days)	90	62	60	57	57
Inventory (days)	67	68	46	48	45
Creditor (days)	4	1	1	2	2
Net working Capital (days)	134	97	81	76	73
Asset Turnover (x)	0.8	1.2	1.2	1.3	1.3

Source: Company, YES Sec

Recommendation Tracker



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