

October 26, 2023

RESULT REPORT Q2 FY24 | Sector: Capital Goods

# Voltamp Transformers Ltd

**Decadal high gross margin adds glamour to strong revenue growth; Maintain Buy**

## Our view

Voltamp Transformers (VAMP) reported another strong print during Q2FY24 driven equally by both volume and realization (+20% y/y). The company reported a decadal high Q2 gross margin aided by easing of commodity cost pressures amidst a strong demand environment. Order Inflow of ~Rs9bn and revenue visibility of Rs14.9bn (up 25% QoQ) augurs well for strong performance for the next few quarters.

## 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 20.3x/16.1x FY24E/25E and excl. other income it trades at P/E of 27.1x/21.1x FY24E/25E EPS. We maintain our BUY rating with a revised TP of Rs5,836 based on 20x FY25E earnings.

## Result Highlights

- Revenue grew by 20% YoY to ~Rs3.8bn (YSLe: Rs4.05bn). H1FY24 revenue growth also stands at ~20% YoY.
- Gross margin of 29.3% (+550bps YoY, 240bps QoQ) was at a decadal high.
- Given a low fixed cost structure, gross margin expansion helped EBITDA margin expand 340bps YoY to 18%. EBITDA grew 48% YoY to Rs688mn (YSLe: Rs646mn).
- PBT grew 40% YoY to Rs836mn driven by higher other income which came in at Rs179mn.
- As a consequence, PAT grew by 49% YoY to Rs684mn (YSLe: Rs594mn) partly helped by lower tax rate (at 18.2% due to deferred tax benefit)
- At CMP, the stock is trading at 20.2x/16x FY24E/25E. We shall release a detailed note post interaction with management.

## Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	3,814	4,050		-5.8		Revenue growth of 20% and strong gross margin expansion
EBITDA	688	646		6.5		
EBITDA margin %	18.0	16.8		120 bps		
Adj.Pat	684	594		15.2		

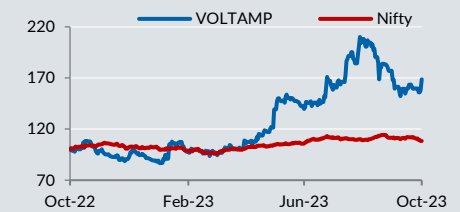
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 4,693
Target Price	: Rs 5,836
Potential Return	: +24%

## Stock data (as on Oct 26, 2023)

Nifty	18,857
52 Week h/l (Rs)	5973 / 2377
Market cap (Rs/USD mn)	44454 / 534
Outstanding Shares (mn)	10
6m Avg t/o (Rs mn):	137
Div yield (%):	1.4
Bloomberg code:	VAMP IN
NSE code:	VOLTAMP

## Stock performance



	1M	3M	1Y
Absolute return	0.5%	6.5%	68.6%

## Shareholding pattern (As of Sep'23 end)

Promoter	38.0%
FII+DII	50.8%
Others	11.2%

## Δ in stance

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

## Δ in earnings estimates

	FY24E	FY25E
EPS (New)	230.8	291.8
EPS (Old)	230.8	291.8
% change	0.0	0.0

## 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)	23.7	20.3	16.1
EV/EBITDA (x)	20.5	17.6	13.8
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	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	3,176	3,575	4,399	3,222	3,814	20.1	18.4	13,851	11,272	22.9
Total Revenues	3,176	3,575	4,399	3,222	3,814	20.1	18.4	13,851	11,272	22.9
Consumption of RM	2,421	2,719	3,139	2,356	2,696	11.3	14.4	10,327	8,773	17.7
as % of sales	76.2	76.1	71.4	73.1	70.7			74.6	77.8	
Gross Profit	755	855	1,260	866	1,118	48.1	29.2	3,524	2,499	41.0
Gross margins%	23.8	23.9	28.6	26.9	29.3			25.4	22.2	
Employee Cost	103	104	91	118	135	30.7	13.9	401	389	3.2
as % of sales	3.2	2.9	2.1	3.7	3.5			2.9	3.4	
Other expenditure	188	197	240	268	296	57.1	10.5	814	720	13.0
as % of sales	5.9	5.5	5.5	8.3	7.8			5.9	6.4	
EBITDA	464	554	928	480	688	48.3	43.3	2,309	1,390	66.1
Depreciation	24	25	26	23	27	13.7	18.1	97	79	22.1
EBIT	440	529	902	457	660	50.2	44.6	2,212	1,311	68.8
Other Income	159	137	108	230	179	12.5	(22.2)	401	430	(6.7)
Interest	2	2	2	2	3	50.0	25.9	9	8	11.7
PBT	597	664	1,008	685	836	40.2	22.2	2,604	1,732	50.3
Total Tax	137	157	243	177	152	10.6	(14.0)	604	404	49.7
Adjusted PAT	459	508	766	508	684	49.0	34.8	1,999	1,328	50.5
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	459	508	766	508	684	49.0	34.8	1,999	1,328	50.5
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	459	508	766	508	684	49.0	34.8	1,999	1,328	50.5
Adjusted EPS	45.4	50.2	75.7	50.2	67.6	49.0	34.8	198	131	50.5
<b>Margins (%)</b>										
EBIDTA	14.6	15.5	21.1	14.9	18.0	343	314	16.7	12.3	434
EBIT	13.8	14.8	20.5	14.2	17.3	347	314	16.0	11.6	434
EBT	18.8	18.6	22.9	21.2	21.9	314	68	18.8	15.4	343
PAT	14.5	14.2	17.4	15.8	17.9	348	219	14.4	11.8	265
Effective Tax rate	23.0	23.6	24.1	25.8	18.2	(486)	(766)	23.2	23.3	(10)

Source: Company, YES Sec

## FINANCIALS

### Exhibit 3: Balance Sheet (Standalone)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Sources of Funds						
Equity capital	101	101	101	101	101	101
Reserves	7,381	8,240	9,320	10,971	12,723	14,937
Non Minority Controlling Int.	0	0	0	0	0	0
Net worth	7,482	8,342	9,421	11,072	12,824	15,038
Debt	0	0	0	0	0	0
Deferred tax liab (net)	(25)	(4)	21	17	17	17
Total liabilities	7,457	8,338	9,442	11,089	12,840	15,054
Application of Funds						
Gross Block	796	822	979	1,131	1,231	1,381
Depreciation	229	300	368	461	566	683
Fixed Asset	577	527	615	673	669	701
CWIP	12	83	78	2	2	2
Investments	4,539	4,923	5,613	7,176	7,983	9,412
Net Working Capital	2,328	2,806	3,136	3,237	4,186	4,938
Inventories	1,155	1,273	2,094	1,748	2,187	2,469
Sundry debtors	1,503	1,707	1,904	2,264	2,583	3,119
Cash & equivalents	60	255	135	179	745	911
Loans & Advances	206	243	90	74	158	190
Other Current Asset	90	147	84	108	133	160
Sundry creditors	69	68	20	30	91	110
Provisions	157	184	207	204	245	295
Other current liabilities	460	568	944	902	1,284	1,505
Total Assets	7,457	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)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	8,586	6,923	11,272	13,851	16,631	20,026
% Change YoY	3.6	(19.4)	62.8	22.9	20.1	20.4
Operating profit	1,137	774	1,390	2,309	2,651	3,369
EBITDA margins	13.2	11.2	12.3	16.7	15.9	16.8
% Change YoY	21.5	(31.9)	79.5	66.1	14.8	27.1
Depreciation	90	89	79	97	105	117
EBIT	1,048	686	1,311	2,212	2,546	3,252
EBIT margins	12.2	9.9	11.6	16.0	15.3	16.2
Interest expense	0	6	8	9	9	10
Other income	86	725	430	401	582	701
Profit before tax	1,134	1,405	1,732	2,604	3,119	3,943
Taxes	240	282	404	604	783	990
Effective tax rate (%)	21.2	20.1	23.3	23.2	25.1	25.1
Net profit	894	1,122	1,328	1,999	2,335	2,952
Minorities and other	0	0	0	0	0	0
Net profit after minorities	894	1,122	1,328	1,999	2,335	2,952
Exceptional items	0	0	0	0	0	0
Net profit	894	1,122	1,328	1,999	2,335	2,952
% Change YoY	5.3	25.6	18.4	50.5	16.8	26.4
EPS (Rs)	88.3	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)	FY20	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	1,134	1,405	1,732	2,604	3,119	3,943
Interest	0	6	8	9	9	10
Depreciation	90	89	79	97	105	117
Other Items	(69)	(710)	(408)	(376)	(582)	(701)
(Inc)/Dec in WC	224	(358)	(368)	(38)	(383)	(587)
Direct Taxes Paid	300	236	388	616	783	990
CF from Oper. Activity	1,078	196	656	1,680	1,484	1,792
Inc/(Dec) in FA	199	100	186	(8)	100	150
Free Cash Flow	879	96	469	1,687	1,384	1,642
(Pur)/Sale of Invest.	(1,056)	108	(650)	(1,265)	(425)	(1,028)
CF from Inv. Activity	(857)	208	(463)	(1,273)	(325)	(878)
Change in Networkth	-	-	-	-	-	-
Inc/(Dec) in Debt	-	-	-	-	-	-
Interest Paid	(0)	(6)	(8)	(9)	(9)	(10)
Dividends Paid	(274)	(253)	(253)	(354)	(584)	(738)
Others	-	-	-	-	(0)	0
CF from Fin. Activity	(275)	(259)	(261)	(363)	(593)	(748)
Inc/(Dec) in Cash	(54)	145	(68)	44	566	165
Opening cash Balance	110	56	201	133	177	743
Others	4	-	-	-	-	-
Closing cash Balance	60	201	133	177	743	909

Source: Company, YES Sec

## Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	3.4	1.9	2.5	2.8	2.4	2.5
Interest burden (x)	0.2	0.4	0.3	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.1	0.2	0.2	0.2
Asset turnover (x)	1.2	0.8	1.2	1.2	1.3	1.3
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0	1.0
RoE (%)	11.0%	6.6%	10.7%	15.3%	14.9%	16.2%

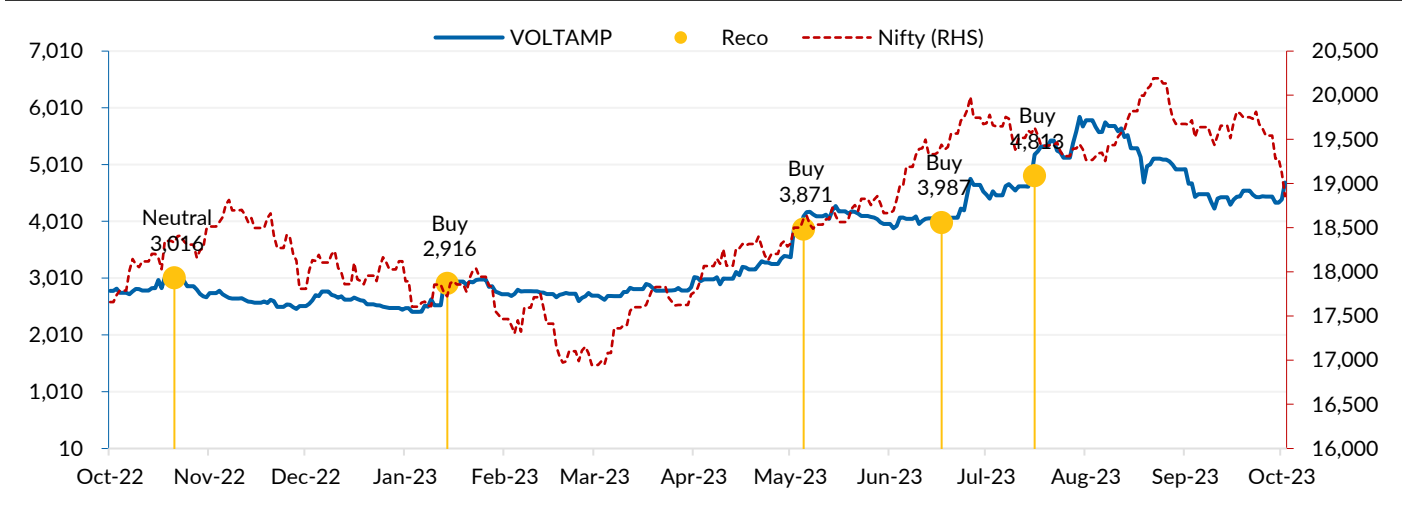
Source: Company, YES Sec

## Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (Rs)</b>						
EPS	88.3	110.9	131.3	197.6	230.8	291.8
Dividend per share	27.1	25.0	35.0	60.0	57.7	73.0
Cash EPS	97.2	119.7	139.2	207.2	241.2	303.4
Book value per share	739.6	824.5	931.2	1,094.4	1,267.5	1,486.4
Div. payout (%)	28.3	22.5	26.7	30.4	25.0	25.0
<b>Valuation ratios (x)</b>						
P/E	53.1	42.3	35.7	23.7	20.3	16.1
P/CEPS	48.3	39.2	33.7	22.6	19.5	15.5
P/B	6.3	5.7	5.0	4.3	3.7	3.2
EV/EBIDTA	41.7	61.0	34.1	20.5	17.6	13.8
Dividend yield (%)	0.6	0.5	0.7	1.3	1.2	1.6
<b>Profitability Ratios (%)</b>						
RoC	14.8	9.6	13.3	18.5	19.4	21.1
RoE	11.0	6.6	10.7	15.3	14.9	16.2
RoCE	11.1	6.6	10.6	15.3	14.8	16.2
<b>Liquidity ratios</b>						
Debtor (days)	64	90	62	60	57	57
Inventory (days)	49	67	68	46	48	45
Creditor (days)	3	4	1	1	2	2
Net working Capital (days)	96	134	97	81	76	73
Asset Turnover (x)	1.2	0.8	1.2	1.2	1.3	1.3

Source: Company, YES Sec

## Recommendation Tracker



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**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

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