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Rating Information	
Price (Rs)	1,179
Target Price (Rs)	NR
Target Date	-
Target Set On	-
Implied yrs of growth (DCF)	-
Fair Value (DCF)	-
Fair Value (DDM)	-
Ind Benchmark	-
Model Portfolio Position	-

Stock Information	
Market Cap (Rs Mn)	11,927
Free Float (%)	52.5%
52 Wk H/L (Rs)	1426/751
Avg Daily Volume (1yr)	37,700
Avg Daily Value (Rs Mn)	37.6
Equity Cap (Rs Mn)	101
Face Value (Rs)	10
Bloomberg Code	VAMP IN

Ownership	Recent	3M	12M
Promoters	47.5%	0.0%	0.0%
DII	18.4%	2.7%	7.0%
FII	17.7%	-3.2%	-7.8%
Public	16.4%	0.5%	0.8%

Price %	1M	3M	12M
Absolute	-4.2%	-2.4%	50.7%
Vs Industry	-9.9%	-6.0%	28.8%
TRIL	1.8%	-17.7%	2.6%
SCTE	-1.4%	4.2%	64.8%

Standalone Quarterly EPS

Rs/Share	1Q	2Q	3Q	4Q
EPS (16A)	6.4	6.7	11.5	19.0
EPS (17A)	9.0	20.8	15.1	22.4

Voltamp Transformers Ltd

Management Meet Note

NOT RATED

Absolute : NA

Relative : NA

Well-poised to cater to a business surge post capex revival in the country

Industrials

We recently met the management of Voltamp Transformers Ltd (Voltamp). The company, established in 1963, manufactures (a) distribution transformers including oil filled transformers up to 160MVA, 220KV class, (b) resin impregnated dry type transformers up to 5MVA, 11KV class and (c) cast resin dry type transformers up to 12.5MVA, 33KV class. **Voltamp has an installed capacity of ~13,000MVA** and has land available for expanding this capacity once utilization levels pick up.

Key meeting takeaways:

- Voltamp has a diversified customer base and supplies to several major industries (textile, power, auto, cement, water, and refinery), renewables and state transcos.
- In FY17, Voltamp sold ~10,189MVA of transformers, which implies ~78% capacity utilization.** As of May, **it had available orders of ~5200MVA worth ~Rs 3.1bn for execution**, providing visibility for the next 6-7 months.
- EBITDA margins improved to ~9% in FY17 from ~7% in FY16 mainly due to selective bidding by the company.
- Overall RM costs stand at ~75% of total sales. CRGO and copper are major RMs constituting around 60% of total RM costs.
- Competitive intensity remains very high and there is ~30% overcapacity in the industry currently.
- Management believes transformers are cyclical and a clear understanding of the cost-plus philosophy is essential even amid stiff competition. The company is staying away from L1 orders and selectively opting for orders with decent margins.
- In the last two years, a revival in the transformer industry was led by renewables. While the wind power segment could see some pressures in FY18E, solar enjoys rising feasibility and government push.
- Capex revival is certain but could be prolonged due to short-term disruptions like demonetization and GST.
- Voltamp has maintained a strong balance sheet with zero debt and strong cash position throughout all business cycles.
- Voltamp is trading at FY17A core P/E of ~24.6x with a FY17A core EV/EBITDA of ~16.3x after factoring in cash and other income. Considering FY18E sales growth of ~12% with ~9.5% EBITDAM and ~10% PATM, the company trades at FY18E core P/E of ~20.9x with FY18E core EV/EBITDA of ~14.1x. We do not have a rating on the stock.

Company Financials

Rs. Mn YE Mar	FY14A	FY15A	FY16A	FY17A
Sales	4,448	5,169	5,633	6,094
EBITDA	150	197	374	552
Depreciation	71	72	60	58
Interest Expense	4	3	4	5
Other Income	267	212	283	421
Reported PAT	263	284	440	680
Recurring PAT	263	284	440	680
Total Equity	4,247	4,408	4,696	5,193
Gross Debt	15	31	36	0
Cash	2,196	2,140	2,215	2,942
Rs Per Share	FY14A	FY15A	FY16A	FY17A
Earnings	26.0	28.1	43.5	67.3
Book Value	420	436	464	514
Dividends	10.0	10.0	12.5	19.9
FCFF	8.1	14.0	10.9	17.7
P/E (x)	45.3	42.0	27.1	17.5
P/B (x)	2.8	2.7	2.5	2.3
EV/EBITDA (x)	65.2	49.9	26.2	16.3
ROE (%)	6%	7%	10%	14%
Core ROIC (%)	3%	5%	9%	15%
EBITDA Margin (%)	3%	4%	7%	9%
Net Margin (%)	6%	5%	8%	11%

Highlights:

- Voltamp has an installed capacity of ~13,000MVA; in FY17, it sold transformers of ~10,189MVA, which implies ~78% capacity utilization. The company is not looking at capacity expansion as of now and even as it has land available at Vadodara for expansion.
- Transformers are a cyclical business with an up-cycle seen every 5-7 years. Voltamp has consistently maintained a strong balance sheet in every phase of a business cycle. At present, the company believes competitive intensity is very high and the industry has ~30% overcapacity.
- During 2008-09, Voltamp's performance was strong due to the introduction of dry type transformers and no sales to SEBs. Moreover, 35-40% of capacity in the industry at this time was sick while private power plants saw a capex revival.
- Voltamp supplies mainly to the industrial segment, renewables and state transcos. The company has got supply approvals to major industries like textile, thermal power, auto, and cement. Also, it generates good sales of water pump transformers (~Rs 500mn annually). Among private players, **Adani, BGR Energy, JSW Toshiba, BHEL, and Siemens are its main customers.**
- In the current scenario, Voltamp believes transformer has to be a cost-plus business. Therefore, the company is staying away from L1 business while selectively opting for orders with decent margins. It has also decided not to pursue orders aggressively.
- In the last two years, the industry saw some revival led by renewables (wind and solar). Voltamp doubled its revenues from renewables (mainly led by solar) during this period to ~Rs 1.1bn. On the wind side, Voltamp is not doing much business and hydro assets are under stress as of now.
- EBITDAM expanded to ~9% in FY17 from ~7% in FY16 due to selective bidding, improved efficiency and gross margin improvement. CRGO and copper are the main raw material cost components and see strong currency volatility impact. Most part of labor cost is variable due to its contractual nature.
- Capex revival in India is happening slowly and impacted by short-term disruptions like demonetization and GST. Once the dust settles, full revival should happen and Voltamp's focus market should grow by ~15%.

Exhibit 1: Capacity utilization improved to ~78% in FY17

Particulars	FY14	FY15	FY16	FY17
Production (MVA)	6,628	8,389	9,202	10,189
Capacity Utilization (%)	51%	65%	71%	78%

Source: Company, Equirus Securities

Exhibit 2: Voltamp's margins improved to ~9% in FY17

Voltamp	FY13	FY14	FY15	FY16	FY17
Sales (MVA)	7,670	6,628	8,389	9,202	10,189
Revenues (Mn)	5,155	4,448	5,169	5,633	6,094
Realization (Mn/MVA)	0.67	0.67	0.62	0.61	0.6
EBITDAM (%)	6.60%	3.40%	3.80%	6.60%	9.10%
PAT (Mn)	329	263	284	440	680
Shilchar	FY13	FY14	FY15	FY16	FY17
Domestic Sales (Gross)	607	610	631	797	-
Export Sales (Gross)	178	475	514	292	-
Net Sales	727	1,004	1,059	1,016	1,092
EBITDAM (%)	7.80%	10.30%	10.50%	16.00%	16.00%
PAT (Mn)	13	42	58	91	123
Bharat Bijlee	FY13	FY14	FY15	FY16	FY17
Transformers Revenues (Rsmn)	2,762	2,308	3,587	3,799	3,938
Total Revenues (Rsmn)	5,425	4,865	6,109	6,395	6,626
EBITDAM (%)	-0.30%	-1.50%	-3.20%	2.70%	2.70%
PAT (Mn)	-49	-113	-341	72	196
TRIL	FY13	FY14	FY15	FY16	FY17
Sales (MVA)	20,210	20,210	15,004	15,739	23,617
Revenues (Mn)	5,123	7,316	5,537	5,949	8,022
Realization (Mn/MVA)	0.25	0.36	0.37	0.38	0.34
EBITDAM (%)	4.10%	5.40%	5.10%	5.80%	9.50%
PAT (Mn)	48	52	-80	-75	130

Source: Company, Equirus Securities

Exhibit 3: Shilchar leads in terms of ROE generation, followed by Voltamp

Voltamp	FY13	FY14	FY15	FY16	FY17
Profit Margin (PAT/Net Sales)	6%	6%	5%	8%	11%
Asset Turnover Ratio (Net Sales/Total Assets)	124%	104%	116%	122%	104%
Financial Leverage (Total Assets/Total Equity)	113%	113%	112%	111%	113%
RoE (%)	9%	7%	7%	11%	13%
Shilchar	FY13	FY14	FY15	FY16	FY17
Profit Margin (PAT/Net Sales)	2%	4%	5%	9%	11%
Asset Turnover Ratio (Net Sales/Total Assets)	106%	143%	154%	154%	122%
Financial Leverage (Total Assets/Total Equity)	370%	341%	278%	185%	180%
RoE (%)	7%	20%	23%	25%	25%
Bharat Bijlee	FY13	FY14	FY15	FY16	FY17
Profit Margin (PAT/Net Sales)	-1%	-2%	-6%	1%	3%
Asset Turnover Ratio (Net Sales/Total Assets)	99%	92%	114%	115%	97%
Financial Leverage (Total Assets/Total Equity)	189%	190%	208%	231%	234%
RoE (%)	-2%	-4%	-13%	3%	7%
TRIL	FY13	FY14	FY15	FY16	FY17
Profit Margin (PAT/Net Sales)	1%	1%	-1%	-1%	2%
Asset Turnover Ratio (Net Sales/Total Assets)	81%	91%	76%	75%	92%
Financial Leverage (Total Assets/Total Equity)	187%	235%	217%	242%	256%
RoE (%)	1%	2%	-2%	-2%	4%

Source: Company, Equirus Securities

Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	4,448	5,169	5,633	6,094
Op. Expenditure	4,298	4,971	5,259	5,541
EBITDA	150	197	374	552
Depreciation	71	72	60	58
EBIT	78	125	314	494
Interest Expense	4	3	4	5
Other Income	267	212	283	421
PBT	342	334	593	910
Tax	79	50	153	230
PAT bef. MI & Assoc.	263	284	440	680
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	263	284	440	680
Extraordinaires	0	0	0	0
Reported PAT	263	284	440	680
EPS (Rs)	26.0	28.1	43.5	67.3
DPS (Rs)	10.0	10.0	12.5	19.9
CEPS (Rs)	33.1	35.2	49.4	73.0
FCFPS (Rs)	8.1	14.0	10.9	17.7
BVPS (Rs)	420.1	436.0	464.5	513.6
EBITDAM (%)	3%	4%	7%	9%
PATM (%)	6%	5%	8%	11%
Tax Rate (%)	23%	15%	26%	25%
Sales growth (%)	-14%	16%	9%	8%
FDEPS growth (%)	-20%	8%	55%	55%

Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Equity Capital	101	101	101	101
Reserve	4,146	4,307	4,595	5,092
Net worth	4,247	4,408	4,696	5,193
Long Term Debt	0	0	0	0
Def Tax Liability	15	31	36	46
Minority Interest	0	0	0	0
Account Payables	157	132	44	18
Other CurrLiabi	393	382	431	595
Total Liabilities & Equity	4,812	4,953	5,206	5,851
Net Fixed Assets	471	411	390	382
Capital WIP	3	14	5	12
Others	7	20	22	22
Inventory	573	816	946	825
Account Receivables	1,427	1,445	1,489	1,538
Other Current Assets	135	108	141	85
Cash	2,196	2,140	2,215	2,988
Total Assets	4,812	4,953	5,206	5,851
Non-cash Working Capital	1,586	1,854	2,101	1,835
Cash Conv Cycle	130.1	130.9	136.1	109.9
WC Turnover	2.8	2.8	2.7	3.3
FA Turnover	9.4	12.2	14.3	15.5
Net D/E	-0.5	-0.5	-0.5	-0.6
Revenue/Capital Employed	1.1	1.2	1.3	1.3
Capital Employed/Equity	1.0	1.0	1.0	1.0

Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
PBT	342	334	593	910
Depreciation	71	72	60	58
Others	-172	-145	-144	-240
Taxes Paid	66	59	143	208
Change in WC	221	-304	-377	110
Operating C/F	396	-102	-12	630
Capex	-26	-25	-31	-57
Change in Invest	-378	162	14	-553
Others	87	103	136	156
Investing C/F	-317	240	119	-454
Change in Debt	0	0	0	0
Change in Equity	0	0	0	0
Others	-178	-118	-122	-152
Financing C/F	-178	-118	-122	-152
Net change in cash	-99	20	-15	23
RoE (%)	6%	7%	10%	14%
RoIC (%)	6%	7%	10%	14%
Core RoIC (%)	3%	5%	9%	15%
Div Payout (%)	45%	43%	35%	35%
P/E	45.3	42.0	27.1	17.5
P/B	2.8	2.7	2.5	2.3
P/FCFF	145.7	84.5	108.3	66.5
EV/EBITDA	65.2	49.9	26.2	16.3
EV/Sales	2.2	1.9	1.7	1.5
Dividend Yield (%)	0.0%	0.7%	1.1%	1.1%

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- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap > Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

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Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

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Research Analyst' or Relatives' financial interest	No	
Research Analyst' or Relatives' actual/beneficial ownership of 1% or more	No	
Research Analyst' or Relatives' material conflict of interest	No	

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