

BUZZING

STOCK

## Voltamp Transformers Ltd.

CMP – Rs.649

**Analyst**

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**Key Stock Data**

Sensex	13928
Nifty	4085
Sector	Electric Equipment
Bloomberg	NA
Reuters	NA
No. of shares (m)	11
Market Cap (Rs m)	7,139
Market Cap (US\$ m)	171
52-week H/L	Rs.735/375

**Shareholding Pattern (%)**

Promoters	51.73
Mutual Funds	13.66
FII's	23.65
Corporate Bodies	3.68
Pubic & Others	7.27

Vadodra based Voltamp Transformers Limited (VTL) has a distinct business focus in contrast to the other transformer manufacturers in the country. The company targets largely the industrial customers for its products, which contrasts it from other transformer manufacturers who largely cater to the demands of SEBs (State Electricity Board). It is also among the few transformer manufacturers in the country with good presence in dry type transformers. Currently it has an installed capacity of 7,400 MVA with the capability of manufacturing transformers up to 132KV class. It markets its products & services through a network of 9 branches covering major industrial towns and metropolitan cities in the country.

**Dry Type Transformers: Better Opportunities :**

Dry type transformers largely find application in malls, multiplexes, hotels and residential buildings especially in urban areas where availability of space is a major concern (they require less space and can be installed in the basement). There are presently very few players have their presence in this market. On the other hand the increased demand from the user industries has led to premium price (50% over the oil based transformers of same class) for these transformers. Presently the company commands around 45% share in this market and derives 25% of its turnover from these products. We expect this segment would grow by 40% CAGR in the next two to three years time and would help maintain the current profitability and growth of the company. VTL has licence agreements with two different German companies for Vacuum Resin impregnated Dry type transformers and Cast Resin Dry type transformers.

**Strong Financials and Order book :**

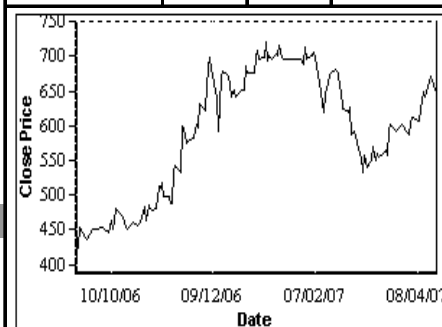
VTL has a healthy balance sheet with lowest debt equity ratio of 0.27, which is much lower than industry average of 0.9. It also enjoys higher return ratios like ROCE at 54% and ROE at 43% largely due to better management of working capital. It enjoys a lower debtor period of 56 days in the industry. The order book of the company stands at Rs 3.6bn at the end of Q3 with 70% for power and distribution transformers and rest for dry type transformers. We expect VTLs well managed financials coupled with competitive industry and geographical presence would keep its growth momentum intact. Although pressure on margin due to hike in raw material prices is not ruled out but with strong order flow and better opportunity for export, we see little impact of this on the overall financials of the company.

**Valuation:**

We expect sales Rs.4.1bn and net profit at Rs.380m for FY07. At CMP of Rs.649, the stock trades at PER of 17x of its FY07E EPS of Rs 37.5.

## Financial Snapshot

Voltamp Transformers Ltd.							Ratios (%)			
	Q3 FY07	Q3 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	1052	-	-	2488	1744	43	Debt -Equity	0.3	0.3	-
Other Income	13	-	-	45	31	46	PBIDTM	15	15	2
Total Income	1065	-	-	2533	1775	43	PBDM	15	15	2
Total Expenditure	905	-	-	2149	1511	42	RoCE	49	48	2
PBIDT	160	-	-	384	264	46	RoNW	40	38	5
Interest	3	-	-	10	7	38				
PBDT	157	-	-	374	256	46				
Depreciation	5	-	-	19	16	19				
Tax	55	-	-	125	91	38				
Reported Profit After Tax	104	-	-	230	150	54				
Extra -ordinary Items	0	-	-	0	0	0				
Adj. Profit After Extra-ordinary item	104	-	-	230	150	54				
No. of shares (m)	10	-	-	10	Na	-				
EPS (annualised.) (Rs.)	41.2	-	-	22.8	147.9	-				
P/E	15.8	-	-	28.5	4.4	-				



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