

August 3, 2010

Key Data	
CMP	902
Target Price	1020
Bloomberg Code	VAMP IN
Reuters Code	VOTL.BO
BSE Code	532757
NSE Code	VOLTAMP
Face Value (INR)	10
Market Cap (INR Bn)	10.4
52 Week High (INR)	691
52 Week Low (INR)	1108
Avg. Daily Volume (6m)	62,833

Shareholding	%
Promoters Group	46.1
FII	23.7
DII	11.0
Others	19.2
Total	100

Voltamp Transformers Ltd

Q1 FY11 Results

Voltamp Transformers Ltd (VTL) net sales increased 15% YoY to INR1,193 million, mainly driven by strong volume growth. Operating margins decreased to 10.9%, much below our expectation. Net profit decreased by 27.9% YoY to INR107.1 million. Current order book stands at ~ INR 4,200 million (6,985 MVA).

Key Highlights

- VTL's net sales grew 15%, from INR1,042 million in Q1 FY10 to INR 1,193 million in Q1 FY11, on account of increase in volumes. Transformer sales in terms of MVA increased to 1,908 MVA in the current quarter vs 1,590 MVA in Q1 FY10.

Particulars	Q4FY10	Q4 FY09	%YoY Change	Q3 FY10	% QoQ Change
Sales INR Mn	1,193	1,042	15	1,821	-34
Sales MVA	1,908	1,590	20	3,485	-45
Sales realizations INR	625,414	655,314	-5	522,625	20

Source: Company

- Aggressive bidding for new orders and intense competition in the industry impacted VTL's operating margin. Margins declined sharply to 10.9% in Q1 FY11 vs 15.6% in Q1FY10. Operating margins are expected to remain subdued for FY11, on account of pricing pressure.
- Depreciation increased to INR 17.8 million in Q1 FY11 vs INR 9.8 million in Q1 FY10, as Vadadla facility commissioned during the second half of FY10.
- Net profit margins decline to 9% in Q1 FY11 vs 14.3% in Q1 FY10 primarily on account of fall in operating margins.

Quarterly Financials

Particulars	Q1 FY11	Q1 FY10	YoY Change	Q4 FY10	INR Mn
					QoQ Change
Net Sales	1,193.3	1,042.0	14.5	1,821.3	-34.5
Expenditure	-1,063.4	-879.8	20.9	-1,451.9	-26.8
Operating profits	129.9	162.1	-19.9	369.4	-64.8
OPM %	10.9	15.6	-4.7	20.3	-9.4
Other income	45.6	72.3	-36.9	49.2	-7.3
EBIDTA	175.6	234.4	-25.1	418.7	-58.1
EBIDTA %	14.7	22.5	-7.8	23.0	-8.3
Interest	-2.4	-1.9	27.9	-1.3	80.8
Depreciation	-17.8	-9.8	81.0	-19.6	-9.2
PBT	155.4	222.7	-30.2	397.8	-60.9
Tax	-48.3	-74.2	-34.9	-133.3	-63.8
PAT	107.1	148.5	-27.9	264.5	-59.5
PAT%	9.0	14.3	-5.3	14.5	-5.5

Source: Company.

Analyst

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Business Update

- Order book**

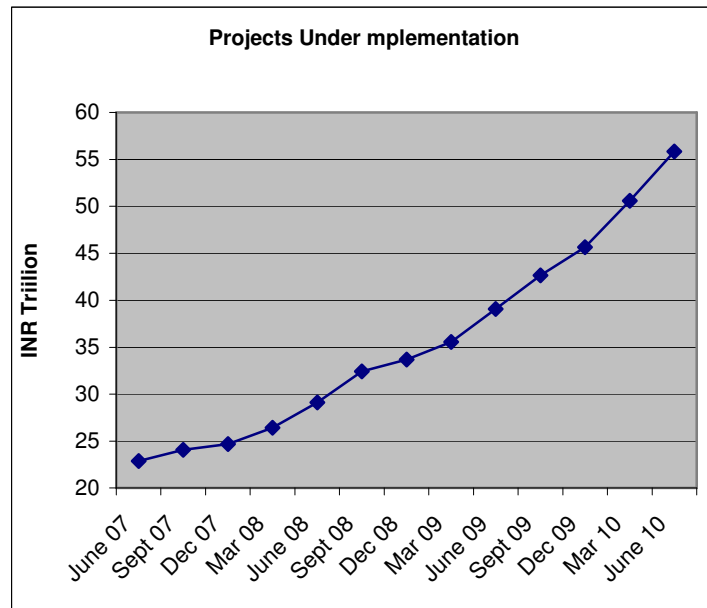
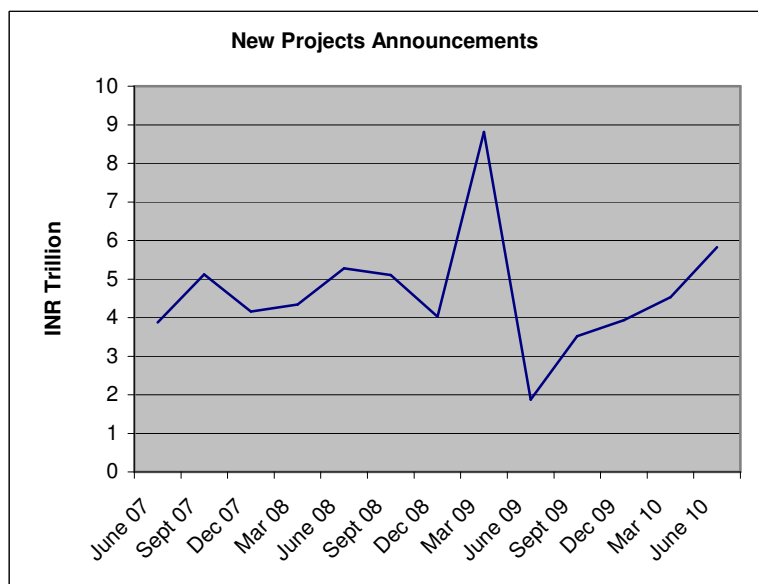
Order book stands at INR 4,200 million (~ 6985 MVA)

Particulars	July '10	May '10
Order book (MVA)	6985	6,831
Order book (INR Mn)	4200	4,100

Source: Company

Outlook

For FY12, we maintain our operating profits estimate at 16% as we expect current pricing pressure to ease over time as industrial capex is picking up. New projects announcements have started gaining momentum. They have increased to INR 5.8 trillion in June '10 from INR 3.5 trillion in Sept '09. Project under implementation have also increased in tandem with new project implementations indicating conversion of announcements in to actual capex



Source: CMIE

Valuation and Recommendation

As significant portion of balance sheet constitutes of investments, we have valued core (transformer) business separately and then added investments per share. We have assigned a P/E of 10x to Voltamp's core (transformers) business earnings of INR 71.4. (FY12E) to arrive at value per share of INR 714. Considering investments per share of INR306 and core business value of INR714/share, we recommend **"BUY on Declines"** on Voltamp Transformer Limited with a price target of INR1020.

Financials

Profit & Loss Account						INR Mn
Particulars	FY07	FY08	FY09	FY10	FY11E	FY12E
Net Sales	4,058.0	5,553.5	6,430.6	5,419.7	6,797.2	7,275.1
Total Expenditure	3,444.5	4,374.9	4,932.1	4,361.7	5,913.6	6,111.1
Operating Profit	613.5	1,178.6	1,498.6	1,058.0	883.6	1,164.0
Other Income	48.7	107.6	239.7	230.9	265.0	300.0
EBIDTA	662.2	1,286.2	1,738.3	1,288.9	1,148.6	1,464.0
Depreciation	21.7	31.3	44.7	59.7	78.9	80.0
EBIT	640.5	1,254.8	1,693.6	1,229.2	1,069.7	1,384.0
Interest	12.6	5.0	4.7	6.2	6.2	6.2
PBT	627.9	1,249.8	1,689.0	1,223.0	1,063.5	1,377.8
Taxes	232.3	450.8	540.9	397.7	351.0	454.7
PAT	395.6	799.0	1,148.0	825.3	712.6	923.1
Adj PAT (Core Business)	364.9	730.3	985.1	669.5	535.0	722.1
Growth in Sales (%)	63.1	36.9	15.8	-15.7	25.4	7.0
Growth in Operating Profits (%)	80.8	92.1	27.1	-29.4	-16.5	31.7
Growth in PAT (%)	71.8	102.0	43.7	-28.1	-13.7	29.6
Growth in Adj PAT	80.4	100.1	34.9	-32.0	-20.1	35.0
OPM (%)	15.1	21.2	23.3	19.5	13.0	16.0
PAT (%)	9.7	14.4	17.9	15.2	10.5	12.7

Source: ACMIIL Research, Company

Balance Sheet						INR Mn
Particulars	FY07	FY08	FY09	FY10	FY11E	FY12E
Sources of Funds						
Share Capital	101.2	101.2	101.2	101.2	101.2	101.2
Reserves and Surplus	894.4	1,545.5	2,545.6	3,223.4	4,083.9	5,155.0
Total Shareholders Funds	995.6	1,646.7	2,646.7	3,324.6	4,185.1	5,256.2
Total Loan Funds	9.0	10.4	0.0	0.0	0.0	0.0
Total Capital Employed	1,004.5	1,657.1	2,646.7	3,324.6	4,185.1	5,256.2
Application of Funds						
Gross Block	215.3	324.5	370.7	682.1	717.4	727.4
Less: Accumulated Depreciation	116.4	147.0	190.3	244.7	323.6	403.6
Net Block	98.9	177.6	180.4	437.4	393.8	323.8
Capital Work in Progress	27.2	16.9	143.8	35.3	10.0	10.0
Investments	232.3	581.1	1,352.5	1,426.8	2,150.0	3,100.0
Net Current Assets	636.3	879.0	965.4	1,423.2	1,629.4	1,820.5
Differed Tax Assets	9.9	2.5	4.6	1.9	1.9	1.9
Total Assets	1,004.5	1,657.1	2,646.7	3,324.6	4,185.1	5,256.2

Source: ACMIIL Research, Company

Cash Flow Statement						INR Mn
Particulars	FY07	FY08	FY09	FY10	FY11E	FY12E
Pre tax profit	665.8	1,249.6	1,689.0	1,222.9	1,063.5	1,377.8
Add						
Depreciation	21.7	31.3	44.7	59.7	78.9	80.0
Interest Exp	12.6	5.0	4.7	6.2	6.2	6.2
Profit before working capital changes	694.3	1,244.2	1,673.6	1,194.7	1,148.6	1,464.0
Working capital changes	76.0	-340.4	-93.9	-456.3	-178.1	-175.8
Less Taxes	-215.5	-447.7	-521.0	-413.3	-351.0	-454.7
Net Cash flow from operating activities	554.8	456.1	1,058.7	325.1	619.6	833.6
Net Cash flow in investment activities	-288.9	-406.4	-881.1	-188.1	-733.2	-960.0
Net Cash flow from financing activities	-198.9	-98.3	-163.0	-154.2	141.8	141.8
Net increase /(decrease) in cash	66.9	-48.6	14.5	-17.2	28.1	15.3
Op. balance of cash and cash equivalents	27.8	94.7	46.1	60.6	43.5	71.6
Cl. balance of cash and cash equivalents	94.7	46.1	60.6	43.5	71.6	87.0

Source: ACMIIL Research, Company

Ratios						
Particulars	FY07	FY08	FY09	FY10	FY11E	FY12E
Profitability Ratios						
OPM (%)	15.1	21.2	23.3	19.5	13.0	16.0
PAT Margin (%)	9.7	14.4	17.9	15.2	10.5	12.7
RONW (%)	39.7	48.5	43.4	24.8	17.0	17.6
ROCE (%)	63.8	75.7	64.0	37.0	25.6	26.3
Adj RONW (%)	47.8	68.5	76.1	35.3	26.3	33.5
Adj ROCE (%)	75.0	106.2	112.0	52.3	39.2	50.0
Per Share Ratios						
EPS (Rs.)	39.1	79.0	113.5	81.6	70.4	91.2
Adj EPS	36.1	72.2	97.4	66.2	52.9	71.4
CEPS (Rs.)	41.3	82.1	117.9	87.5	78.2	99.2
BV Per Share (Rs.)	98.4	162.8	261.6	328.6	413.7	519.5
Valuation Ratios						
P/E (x)	-	-	-	11.1	12.8	9.9
P/CEPS (x)	-	-	-	10.3	11.5	9.1
P/BV (x)	-	-	-	2.7	2.2	1.7
Capital Structure Ratios						
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0
Current Ratio	1.9	2.0	2.4	3.2	3.2	3.1
Turnover Ratios						
Debtors turnover ratio	10.7	9.2	7.0	4.7	5.1	5.0
Inventory turnover ratio	5.9	7.1	9.7	9.6	9.7	8.5
Fixed Asset Turnover	41.0	31.3	35.6	12.4	17.3	22.5

Source: ACMIIL Research

Notes

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