

November 11, 2011

<b>Reco</b>	<b>Previous Reco</b>
Hold	Hold
<b>CMP</b>	<b>Target Price</b>
Rs 500	Rs 491
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,221
Sensex	17,570

### Price Performance

(%)	1M	3M	6M	12M
Absolute	1	8	(8)	(43)
Rel. to Nifty	(4)	5	(2)	(31)

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Transformer
Bloomberg	VAMP@IN
Equity Capital (Rs mn)	101
Face Value(Rs)	10
No of shares o/s (mn)	10
52 Week H/L	894/451
Market Cap (Rs bn/USD mn)	5/101
Daily Avg Volume (No of sh)	16401
Daily Avg Turnover (US\$m)	0.2

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	46.1	46.1	45.1
FII/NRI	27.1	24.7	29.1
Institutions	6.5	8.2	5.7
Private Corp	7.8	8.6	9.3
Public	12.6	12.5	10.8

Source: Capitaline

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- **PAT of Rs94mn (flat qoq and yoy) is below estimate due to both lower dispatch (revenues Rs1.35bn vs estimated Rs1.41bn) and EBITDA margins (9.2% vs. est. of 10.6%).**
- **Order book at Rs4.4bn (7938MVA) is up 1% yoy. Order inflows are healthy at Rs1.5bn, up 5% yoy and 53% qoq. However, mgmt continues to highlight competition in the sector.**
- **Has built in 10%/11% EBITDA margins in FY12E/FY13E. Considering - (1) 1H margins are at 9.3%, (2) healthy order inflows and (3) 2H is normally better - we retain our estimate.**
- **Might see continued pressure in nos. for 2-3 qtrs. But looking at Voltamp's track record, do not see significant downside in stock which is trading at near 1yr fwd book. Maintain 'Hold'**

### Volumes not picked up as anticipated

Dispatch volumes declined by 9% to 2159 MVA against our expectation of 4% increase. Lower dispatches coupled with margins contraction (84bps YoY) resulted into flat EBITDA of Rs125mn in 2Q12, despite 19% YoY improvement in realisations. PAT also remained flat at Rs 94mn due to lower other income (declined by 35% YoY), impact of which get neutralised by lower effective tax rate (29% vs 39%, YoY).

### Improved visibility on impressive inflows

Voltamp booked orders worth Rs 1505mn in 2Q12 (2497 MVA), indicating better pricing. Order book to sales ratio (TTM basis) has improved to 0.81 vs 0.74 a year ago. However lower dispatch volumes than expected may result into higher inventory and unfavorable operating leverage. Order book in value terms in up 1% yoy to Rs4.4bn.

### Volumes to pick up in FY13 driven by low base, pent up demand, power additions

Expect volumes to pick up in FY13 led by decent order book, low base, pent up demand and power capacity additions. We have built in 8%/15% volume growth in FY12/13E.

### Margins to stabilise going forward

We do not see any significant downside to EBITDA margins from here. We believe that margins will improve in 2H12 on account of H2 normally being better than H1 and healthy inflows during the quarter. We retain our FY12E/FY13E earnings estimates.

### See limited downside in the stock; Maintain 'Hold'

At CMP of Rs500, stock is trading at 1yr fwd PBV of 1.1x. Considering (1) competitive environment should not deteriorate from here and gradual improvement for transformer companies and (2) Voltamp's excellent track record, we do not see significant downside from these levels. Maintain Hold with revised price target of Rs491, valuing core book at 1.2x (17% ROE) and cash at 1x. But highlight that, for any significant upside, the industry fundamentals (demand and competition) has to improve drastically.

### Financial Snapshot

Rs Mn

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	(Rs)	% chg	(%)	P/E	EBITDA	P/BV	
FY10	5,420	1,058	19.5	826	81.6	(23.7)	27.7	6.1	3.3	1.5
FY11	5,263	668	12.7	518	51.2	(37.3)	14.7	9.7	5.6	1.3
FY12E	5,854	588	10.0	443	43.8	(14.4)	11.3	11.3	5.9	1.2
FY13E	6,935	761	11.0	575	56.8	29.8	13.3	8.7	4.4	1.1

**Quarterly Results**

Rs mn	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	FY10	FY11	YoY (%)
<b>Revenue</b>	<b>1,243</b>	<b>1,336</b>	<b>1,490</b>	<b>941</b>	<b>1,355</b>	<b>9.0</b>	<b>44.0</b>	<b>5,420</b>	<b>5,263</b>	<b>-2.9</b>
<b>Expenditure</b>	<b>-1,118</b>	<b>-1,192</b>	<b>-1,222</b>	<b>-853</b>	<b>-1,230</b>	<b>10.0</b>	<b>44.2</b>	<b>-4,362</b>	<b>-4,595</b>	<b>5.4</b>
<i>as % of sales</i>	<i>-89.9%</i>	<i>-89.2%</i>	<i>-82.0%</i>	<i>-90.6%</i>	<i>-90.8%</i>			<i>-80.5%</i>	<i>-87.3%</i>	
Consumption of RM	-1,045	-1,133	-1,132	-787	-1,158	10.8	47.1	-4,032	-4,307	6.8
<i>as % of sales</i>	<i>-84.1%</i>	<i>-84.8%</i>	<i>-76.0%</i>	<i>-83.6%</i>	<i>-85.5%</i>			<i>-74.4%</i>	<i>-81.8%</i>	
Power and Fuel	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>			<i>0.0%</i>	<i>0.0%</i>	
Other Mfg Expenses	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>			<i>0</i>	<i>0</i>	
Employee Cost	-41	-39	-38	-43	-48	16.6	11.6	-155	-160	3.1
<i>as % of sales</i>	<i>-3.3%</i>	<i>-2.9%</i>	<i>-2.6%</i>	<i>-4.6%</i>	<i>-3.5%</i>			<i>-2.9%</i>	<i>-3.0%</i>	
Other expenditure	-32	-19	-51	-23	-24	-24.7	4.3	-175	-128	-26.5
<i>as % of sales</i>	<i>-2.6%</i>	<i>-1.4%</i>	<i>-3.4%</i>	<i>-2.4%</i>	<i>-1.8%</i>			<i>-3.2%</i>	<i>-2.4%</i>	
<b>EBITDA</b>	<b>125</b>	<b>145</b>	<b>268</b>	<b>88</b>	<b>125</b>	<b>-0.1</b>	<b>42.0</b>	<b>1,058</b>	<b>668</b>	<b>-36.9</b>
Depreciation	-16	-18	-23	-20	-21	27.8	5.0	-60	-75	26.0
<b>EBIT</b>	<b>109</b>	<b>127</b>	<b>245</b>	<b>68</b>	<b>104</b>	<b>-4.3</b>	<b>52.9</b>	<b>998</b>	<b>593</b>	<b>-40.6</b>
Other Income	0	0	0	0	0			0	0	
Interest	43	47	42	64	28	-35.0	-55.9	245	176	-28.2
<b>PBT</b>	<b>152</b>	<b>173</b>	<b>287</b>	<b>132</b>	<b>132</b>	<b>-13.0</b>	<b>0.2</b>	<b>1,243</b>	<b>768</b>	<b>-38.2</b>
Total Tax	-59	-46	-97	-39	-38	-35.4	-2.6	-398	-250	-37.1
<b>Adjusted PAT</b>	<b>93</b>	<b>128</b>	<b>190</b>	<b>93</b>	<b>94</b>	<b>1.1</b>	<b>1.3</b>	<b>845</b>	<b>518</b>	<b>-38.7</b>
Extra ordinary items	0	0	0	0	0			26	0	
<b>Reported PAT</b>	<b>93</b>	<b>128</b>	<b>190</b>	<b>93</b>	<b>94</b>	<b>1.1</b>	<b>1.3</b>	<b>871</b>	<b>518</b>	<b>-40.5</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
<b>PAT after MI</b>	<b>93</b>	<b>128</b>	<b>190</b>	<b>93</b>	<b>94</b>	<b>1.1</b>	<b>1.3</b>	<b>871</b>	<b>518</b>	<b>-40.5</b>
<b>Reported EPS</b>	<b>9.2</b>	<b>12.6</b>	<b>18.7</b>	<b>9.2</b>	<b>9.3</b>	<b>1.1</b>	<b>1.3</b>	<b>86.1</b>	<b>51.2</b>	<b>-40.5</b>

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	10.1	10.8	18.0	9.4	9.2	-84	-13	19.5	12.7	-683
EBIT	8.7	9.5	16.5	7.2	7.7	-106	45	18.4	11.3	-716
EBT	12.2	13.0	19.3	14.0	9.8	-247	-427	22.9	14.6	-834
PAT	7.5	9.6	12.7	9.9	7.0	-54	-293	16.1	9.8	-623
Effective Tax rate	38.7	26.3	33.9	29.5	28.7	-998	-80	32.0	32.6	57

**Financials**

**Income Statement**

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>5,420</b>	<b>5,263</b>	<b>5,854</b>	<b>6,935</b>
<i>Growth (%)</i>	-15.9	-2.9	11.2	18.5
<b>Expenditure</b>	<b>4,361</b>	<b>4,595</b>	<b>5,267</b>	<b>6,174</b>
Raw Materials	4,111	4,307	4,954	5,834
Construction Exp	96	128	140	153
Employee Cost	155	159	173	187
Other Exp	0	0	0	0
<b>EBITDA</b>	<b>1,058</b>	<b>668</b>	<b>588</b>	<b>761</b>
<i>Growth (%)</i>	-27.3	-36.9	-12.0	29.4
<b>EBITDA margin (%)</b>	<b>19.5</b>	<b>12.7</b>	<b>10.0</b>	<b>11.0</b>
Depreciation	60	75	86	79
<b>EBIT</b>	<b>999</b>	<b>593</b>	<b>501</b>	<b>681</b>
<b>EBIT margin (%)</b>	<b>18.4</b>	<b>11.3</b>	<b>8.6</b>	<b>9.8</b>
Other Income	231	183	156	172
Interest expenses	6	8	0	0
<b>PBT</b>	<b>1,223</b>	<b>768</b>	<b>657</b>	<b>853</b>
Tax	398	250	214	278
<i>Effective tax rate (%)</i>	32.5	32.6	32.6	32.6
<b>Adjusted PAT</b>	<b>826</b>	<b>518</b>	<b>443</b>	<b>575</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0
<b>Adjusted PAT after MI</b>	<b>826</b>	<b>518</b>	<b>443</b>	<b>575</b>
<i>Growth (%)</i>	-23.7	-37.3	-14.4	29.8
<b>Net Margin (%)</b>	<b>15.2</b>	<b>9.8</b>	<b>7.6</b>	<b>8.3</b>
E/O items	0	0	0	0
<b>Reported PAT</b>	<b>826</b>	<b>518</b>	<b>443</b>	<b>575</b>
<i>Growth (%)</i>	-28.1	-37.3	-14.4	29.8

**Cash Flow**

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>PBT (Ex-Other income)</b>	992	585	501	681
Depreciation	60	75	86	79
Interest Provided	6	8	0	0
Other Non-Cash items	0	0	0	0
Chg in working cap	-450	-469	-199	-429
Tax paid	-422	-287	-169	-230
<b>Operating Cashflow</b>	<b>186</b>	<b>-88</b>	<b>219</b>	<b>101</b>
Capital expenditure	-207	-170	-50	-50
<b>Free Cash Flow</b>	<b>-22</b>	<b>-258</b>	<b>169</b>	<b>51</b>
Other income	231	183	156	172
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>23</b>	<b>12</b>	<b>106</b>	<b>122</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0
Interest Paid	-6	-8	0	0
Dividend paid (incl tax)	-126	-91	-78	-101
Income from investments	-21	0	0	0
Others	1	-9	-13	-17
<b>Financing Cashflow</b>	<b>-152</b>	<b>-108</b>	<b>-91</b>	<b>-118</b>
<b>Net chg in cash</b>	<b>57</b>	<b>-183</b>	<b>234</b>	<b>105</b>
Opening cash position	1,413	1,470	1,287	1,521
<b>Closing cash position</b>	<b>1,470</b>	<b>1,287</b>	<b>1,521</b>	<b>1,626</b>

**Balance Sheet**

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	101	101	101	101
Reserves & surplus	3,223	3,635	3,987	4,444
<b>Net worth</b>	<b>3,325</b>	<b>3,736</b>	<b>4,088</b>	<b>4,545</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	-3	3	3	3
<b>Total Liabilities</b>	<b>3,322</b>	<b>3,739</b>	<b>4,091</b>	<b>4,548</b>
Gross Block	682	876	905	955
Less: Depreciation	245	318	404	484
<b>Net block</b>	<b>437</b>	<b>558</b>	<b>501</b>	<b>472</b>
Capital work in progress	35	9	30	30
<b>Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>	<b>3,492</b>	<b>3,733</b>	<b>4,242</b>	<b>4,849</b>
Inventories	605	882	981	1,162
Sundry debtors	1,304	1,445	1,607	1,904
Cash & bank balance	1,470	1,287	1,521	1,625
Loans & advances	113	120	134	158
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>642</b>	<b>561</b>	<b>682</b>	<b>803</b>
Current liabilities	392	347	423	496
Provisions	251	214	259	306
<b>Net current assets</b>	<b>2,850</b>	<b>3,172</b>	<b>3,561</b>	<b>4,047</b>
Misc. exp & Def. Assets				
<b>Total Assets</b>	<b>3,322</b>	<b>3,739</b>	<b>4,091</b>	<b>4,548</b>

**Key Ratios**

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
EBITDA Margin	19.5	12.7	10.0	11.0
Net Margin	15.2	9.8	7.6	8.3
ROCE	33.4	16.8	12.8	15.8
ROE	27.7	14.7	11.3	13.3
RoIC	68.6	27.8	20.1	25.1
<b>Per Share Data (Rs)</b>				
EPS	81.6	51.2	43.8	56.8
CEPS	87.5	58.6	52.3	64.7
BVPS	328.5	369.2	404.0	449.1
DPS	12.5	9.0	7.7	10.0
<b>Valuations (x)</b>				
PER	6.1	9.7	11.3	8.7
P/CEPS	5.7	8.5	9.5	7.7
P/BV	1.5	1.3	1.2	1.1
EV / Sales	0.7	0.7	0.6	0.5
EV / EBITDA	3.3	5.6	5.9	4.4
Dividend Yield (%)	2.5	1.8	1.6	2.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	-0.4	-0.3	-0.4	-0.4
Net Debt/EBIDTA	-1.4	-1.9	-2.6	-2.1
Working Cap Cycle (days)	93	131	127	127

**Recommendation History: Voltamp Transformers – VAMP IN**

Date	Reports	Reco	CMP	Target
23/08/2011	<a href="#">Voltamp Transformers Q1FY12 Result Update</a>	Hold	495	491
02/06/2011	<a href="#">Voltamp Transformers Q4FY11 Result Update</a>	Hold	575	656
15/02/2011	<a href="#">Voltamp Transformer Q3FY11 Result Update</a>	Hold	630	656
01/11/2010	<a href="#">Voltamp Transformer Q2FY11 Result Update</a>	Hold	862	840

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
08/11/2011	<a href="#">Reliance Power Q2FY12 Result Update</a>	Buy	103	155
31/10/2011	<a href="#">NTPC Q2FY12 Result Update</a>	Buy	179	204
21/10/2011	<a href="#">GIPCL Q2FY12 Result Update</a>	Buy	77	115
21/10/2011	<a href="#">Sintex Industries Q2FY12 Result Update</a>	Buy	118	150

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