

February 23, 2017
BUY
MEDIUM RISK
PRICE Rs.952
TARGET Rs.1160

CAPITAL GOODS

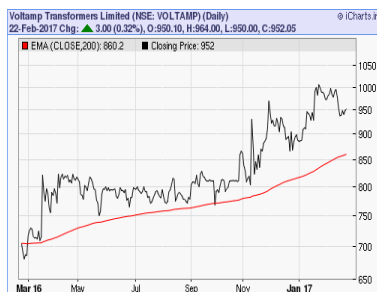
SHARE HOLDING (%)

Promoters	47.5
FII	24.3
FI / MF	12.4
Body Corporate	5.6
Public & Others	10.2

STOCK DATA

Reuters Code	VOTL.BO	
Bloomberg Code	VAMP IN	
BSE Code	532757	
NSE Symbol	VOLTAMP	
Market Capitalization*	Rs. 9656.8 mn US\$ 144.2 mn	
Shares Outstanding*	10.1mn	
52 Weeks (H/L)	Rs.1035 / 665	
Avg. Daily Volume (6m)	10,908 Shares	
Price Performance (%)		
1M	3M	6M
(3)	10	21
200 days EMA Rs.860		

*On fully diluted equity shares

 Part of  **Classic**


ANALYST

 Shreyas Bhukhanwala | +91 22 4093 4078
shreyas.bhukhanwala@sushilfinance.com

Associate

 Roma L. Kherajani | +91-22 4093 4077
roma.kherajani@sushilfinance.com

SALES:

 Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

The Company has reported slightly weak set of numbers for the quarter ended December'16 with top-line de-growth of ~25% YoY. We conducted the conference call with the management & following are the key highlights.

Key Highlights of Q3FY17 & 9MFY17 results

- Revenues de-grew by 25% YoY to Rs.1053 mn which to an extent got impacted by 1. Labor issues at Savli plant wherein the operations were suspended for ~11 days in the quarter & 2. Higher base-effect due to spill-over of some contracts from Q2FY16. However, considering the 9MFY17 performance & current order visibility, management remains confident of achieving its top-line guidance of Rs.6 bn in FY17E.
- Order Book stands at Rs.3.8 bn (~6185 MVA), providing visibility over next 4-6 months. Management has been witnessing some improvement in the ordering scenario; however consistency still remains an issue. Lower demand coupled with higher competitive scenario has resulted in subdued realizations.
- According to management, there has been good traction in tendering from the State Transcos, however margins are lower due to higher competition & hence the Company has been very selective in bidding. Renewable space i.e. Wind & Solar has witnessed huge ordering over the last few quarters with Company expecting the segment to contribute ~20-22% to its FY17 top-line. Though there has not been any meaningful pick-up in the private capex, however, with some revival the Company has been able to receive orders from various industries like Cement, Metal, Infra etc. UDAY has not yet picked up as per the expectations & hence benefits remain limited.
- Operating profit declined by 10% YoY to Rs.100 mn whereas margins improved by 150 bps to 9.5%. Management expects to deliver ~9-10% operating margins going forward. PAT grew by 32% YoY to Rs.153 mn on back of higher other income (up ~70% YoY to Rs.108 mn) & lower tax outgo. EPS for the quarter stood at Rs.15.1 vs Rs.11.4 in Q3FY16.
- 9MFY17 Results-** De-growth on quarterly basis impacted the 9MFY17 performance wherein revenues grew by mere 6% YoY to Rs.3812 mn. Higher gross margins (up 340 bps) resulted in healthy operating profit growth of ~50% to Rs.287 mn while margins improved by 220 bps YoY to 7.5%. Higher other income led to strong net profit growth which grew by ~83% YoY to Rs.454 mn. EPS for 9MFY17 stood at Rs.45 vs Rs.25 for 9MFY16.

OUTLOOK & VALUATION

After a prolonged slowdown, the transformer segment has been witnessing some pick-up in ordering scenario over the last few quarters. Increasing focus on T&D, higher traction in renewable space along with gradual recovery in industrial space is likely to offer good opportunities for players like Voltamp. Though the current quarter has been slightly weak, we expect the Company to perform well over the next few years. Strong balance-sheet coupled with prudence working-capital management provides further margin of safety. At the CMP of Rs.952, the stock is attractively trading at 15.9x & 13.3x its FY18E & FY19E EPS of Rs.60 & Rs.72 resp. Hence considering the growth visibility, we maintain BUY on the stock with price target of Rs.1160.

KEY FINANCIALS

Y/E	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
Mar.								
FY16	5633.0	439.9	43.5	54.7	21.9	6.9	9.7	2.1
FY17E	6060.3	574.7	56.8	30.6	16.8	8.8	11.7	1.9
FY18E	6957.2	606.0	59.9	5.5	15.9	10.8	11.5	1.8
FY19E	8280.9	725.0	71.7	19.6	13.3	13.2	12.7	1.6

QUARTERLY STATEMENT

(Rs.mn)

Y/E March	Q3FY16	Q2FY17	Q3FY17
Net Sales	1395.2	1608.3	1052.7
YoY (%)	8.0	21.1	(24.5)
Raw materials	1300.5	1126.6	956.1
Employee Cost	53.5	66.9	60.8
Other Expenses	132.9	149.5	136.8
EBITDA	111.5	117.8	99.8
% Margin	8.0	7.3	9.5
Interest Cost	1.1	1.3	1.0
Depreciation	14.9	14.3	15.1
Other Income	63.1	155.8	107.8
PBT	158.7	258.0	191.5
Tax	42.9	48.3	38.8
APAT	115.8	209.7	152.7
% Margin	8.3	13.0	14.5

PROFIT & LOSS STATEMENT

(Rs.mn)

Y/E Mar.	FY16	FY17E	FY18E	FY19E
Revenue	5,633.0	6,060.3	6,957.2	8,280.9
Raw Material	4,433.0	4,678.6	5,403.0	6,467.4
Manufacturing Exp	303.3	315.1	329.1	357.7
Employee cost	212.4	254.5	269.9	294.0
Other Expenses	310.1	321.2	327.0	351.9
EBITDA	374.3	490.9	628.2	809.9
Depreciation	59.8	58.0	55.4	52.5
Interest Cost	4.4	4.8	4.9	5.8
Other Income	282.9	375.7	297.8	314.7
PBT	593.0	803.7	865.8	1,066.2
Tax	153.1	229.1	259.7	341.2
APAT	439.9	574.7	606.0	725.0

BALANCE SHEET STATEMENT

(Rs.mn)

As on 31 st Mar.	FY16	FY17E	FY18E	FY19E
Equity Share Capital	101.2	101.2	101.2	101.2
Reserves	4,594.6	4,991.7	5,384.7	5,849.3
Net worth	4,695.8	5,092.9	5,485.8	5,950.5
Total loans	-	-	-	-
Capital Employed	4,674.0	5,071.2	5,464.1	5,928.7
Net block	380.5	347.5	317.1	289.6
Investments	2,196.3	2,571.3	2,671.3	2,771.3
Sundry debtors	1,489.3	1,537.8	1,747.6	2,045.7
Inventories	945.7	919.7	1,028.5	1,238.5
Cash and bank	18.3	153.8	220.3	164.8
Loans and advances	140.7	128.1	142.7	167.0
Curr. Liab. & Prov.	510.9	601.2	677.5	762.3
Net Current assets	2,083.1	2,138.2	2,461.5	2,853.7
Total Assets	4,674.1	5,071.2	5,464.1	5,928.7

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY16	FY17E	FY18E	FY19E
Growth (%)				
Total Sales	9.0	7.6	14.8	19.0
EBITDA	89.3	31.2	28.0	28.9
APAT	54.7	30.6	5.5	19.6
Profitability (%)				
EBITDA Margin	6.6	8.1	9.0	9.8
APAT Margin	7.8	9.5	8.7	8.8
ROCE	6.9	8.8	10.8	13.2
ROE	9.7	11.7	11.5	12.7
Per Share Data (Rs.)				
AEPS	43.5	56.8	59.9	71.7
Reported CEPS	49.2	62.5	65.4	76.9
BVPS	464.1	503.4	542.2	588.2
Valuation				
PER (x)	21.9	16.8	15.9	13.3
P/BV (x)	2.1	1.9	1.8	1.6
EV/EBITDA (x)	19.8	14.1	10.7	8.3
EV/Net Sales (x)	1.3	1.1	1.0	0.8
Turnover				
Debtor Days	95	96	98	98
Inventory Days	68	69	70	72
Creditor Days	7	7	8	8
Gearing Ratio				
D/E (x)	-	-	-	-

Source: Company, Sushil Finance Research Estimates

Earlier Recommendation

Date	Reco	Price (Rs.)	Target (Rs.)
23-12-2016	BUY	867	1160

Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid. With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
- **Stock Review Reports:** These are Soft coverage's on companies where Management access is difficult or Market capitalization is below Rs.2000 mn. Views and recommendation on such companies may not necessarily be based on management meeting but may be based on the publicly available information and/or attending Company AGMs. Hence Stock Reviews may be just one-time coverage's with an occasional Update, wherever possible.

Research Analyst – SEBI Registration No. INH00000867

Disclaimer : This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information/ opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk. We do not undertake to advise you as to any change of our views expressed in this Report.

Sushil Financial Services Private Limited (SFSP) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFSP has different business segments/Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSP's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSP, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSP or its affiliates or employees are under no obligation to update the information. SFSP or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSP or its affiliates and/or its employees may have financial interest in the subject companies. SFSP or its affiliates and/or employees may have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report.

SFSP or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSP/its Associates/ Research Analyst/ his Relatives may have any other material conflict of interest at the time of publication of the research report

SFSP/its Associates/ Research Analyst/ his Relatives have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.