

JUNE 4, 2019

	3-Jun	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	40,268	1.4	3.3	11.7
NIFTY Index	12,089	1.4	3.2	11.3
NSEBANK Index	31,654	0.9	5.7	17.0
NIFTY 500 Index	9,923	1.2	3.1	9.8
CNXMcap Index	18,132	1.0	3.8	6.9
BSESMCAP Index	14,938	0.5	2.7	6.8
World Indices				
Dow Jones	24,820	0.0	(6.4)	(3.9)
Nasdaq	7,333	(1.6)	(10.2)	(3.2)
FTSE	7,185	0.3	(2.7)	0.7
NIKKEI	20,411	(0.9)	(8.7)	(6.9)
Hangseng	26,894	(0.0)	(11.2)	(7.7)
Shanghai	2,890	(0.3)	(7.1)	(5.5)

Value traded (Rs cr)	3-Jun	% Chg Day
Cash BSE	3,869	38.4
Cash NSE	33,473	(20.7)
Derivatives	1,716,927	97.8

Net inflows (Rs cr)	31-May	MTD	YTD
FII	994	8,832	77,053
Mutual Fund	516	5,191	2,529

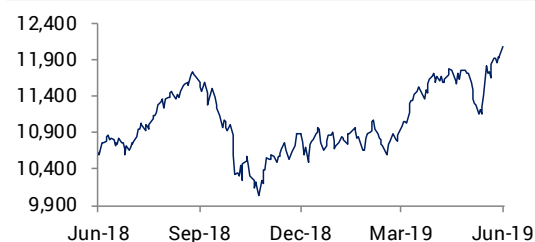
Nifty Gainers & Losers	Price	Chg	Vol
3-Jun	(Rs)	(%)	(mn)
Gainers			
Hero MotoCorp	2,840	6.0	1.9
Bajaj Auto	3,035	3.7	1.3
Asian Paints	1,459	3.7	2.9
Losers			
GAIL India Ltd	357	(1.0)	5.3
Tech Mahindra	758	(0.4)	2.8
ICICI Bank	423	(0.2)	17.1

Advances / Declines (BSE)					
3-Jun	A	B	T	Total	% total
Advances	261	405	34	700	100
Declines	194	534	81	809	116
Unchanged	5	32	9	46	7

	3-Jun	% Chg		
		1 Day	1 Mth	3 Mths
Commodity				
Crude (US\$/BBL)	61.1	(0.3)	(13.8)	(7.0)
Gold (US\$/OZ)	1,325.3	1.5	3.5	2.9
Silver (US\$/OZ)	14.8	1.5	(1.3)	(2.3)

Debt / Forex Market	3-Jun	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.0	7.0	7.4	7.4
Re/US\$	69.3	69.7	69.2	70.9

Nifty



Source: Bloomberg

News Highlights

- ▶ RBI tweaks large exposure framework for banks; NBFCs to come under scrutiny. Central bank's move may make lending to NBFCs relatively streamlined. (BS)
- ▶ The GST Council, which is likely to meet for the first time after elections in the first half of this month, is likely to take up rationalisation of rates in the textile sector in line with the global markets. (BS)
- ▶ The Nikkei PMI for manufacturing rose to 52.7 in May from 51.8 in April, pointing to the strongest improvement in the health of the sector in three months. (BS)
- ▶ Skymet has cautioned farmers in Maharashtra, MP, AP, and Telangana against early sowing of crops as the monsoon onset is going to be mild and the progress is expected to be sluggish. (BS)
- ▶ **Larsen & Toubro Technology Services** said its promoter L&T plans to sell 40.34 lakh shares on June 4 and 6. The floor price of the offer shall be Rs 1,650 per equity share of the company. (MC)
- ▶ **Wipro** is making headlines in Southeast Asia. Just in May alone, Wipro announced two deals. (BS)
- ▶ Fitch Ratings has downgraded the ratings of **ICICI Bank** and **Axis Bank** due to 'challenges' faced by them and lowering of India's operating environment. Fitch Ratings has downgraded ICICI Bank's Long-Term Issuer Default Rating (IDR) to 'BB+' from 'BBB-' and its Viability Rating to 'bb+' from 'bbb-'. The outlook on the IDR is Stable. (BL)
- ▶ CCI approved the acquisition of 75% stake in **Essel Propack** by the Blackstone group along with Epsilon BidCo Pte Ltd. In April, Blackstone had agreed to buy 51% stake in Essel Propack at Rs.134 a share. This has triggered a mandatory open offer, under which Blackstone, along with Epsilon BidCo, offered to buy an additional 26 per cent stake for Rs.11.42 bn. (BL)
- ▶ **Axis Bank** said the Reserve Bank of India has approved appointment of Rakesh Makhija as chairman of the bank. The board of the bank in March had approved appointment of Makhija as chairman subject to RBI clearance. (BL)
- ▶ **Dr Reddy's Laboratories** said it has re-launched its generic Zenatane capsules in the US market. The product is a generic version of Hoffman LaRoche's Accutane capsules, it added. (BS)
- ▶ **Aurobindo Pharma** detailed USFDA observations to unit 3. USFDA observed that responsibilities and procedures applicable to quality control unit are not in writing and fully followed. (MC)
- ▶ Brickwork Ratings India assigned AAA rating with Stable outlook to **Titan** for proposed cash credit of Rs 100 bn and A1+ rating for gold metal loan. (MC)
- ▶ Mahindra Susten (**Mahindra & Mahindra**) and Mitsui to co-invest in distributed solar power projects in India. (MC)
- ▶ **Wipro** has fixed June 21 as the record date for the purpose of determining the entitlement and the names of equity shareholders who are eligible to participate in the buyback. (MC)
- ▶ **GE Power India** received order worth Rs 7.38 bn. (MC)

What's Inside

- ▶ **Result Update:** MOIL Ltd, Voltamp Ltd

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, BQ = BloombergQuint, ToI = Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

Result Update

Stock Details

Market cap (Rs mn)	:	40097
52-wk Hi/Lo (Rs)	:	201 / 140
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	203,822
Shares o/s (mn)	:	258

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	14,407	14,706	15,442
Growth (%)	8.9	2.1	5.0
EBITDA	5,958	5,935	6,272
EBITDA margin (%)	41.4	40.4	40.6
PAT	4,739	4,611	4,785
EPS	18.4	17.9	18.6
EPS Growth (%)	12.3	-2.7	3.8
BV (Rs/share)	120	130	142
Dividend/share (Rs)	6.0	6.0	6.0
ROE (%)	15.4	13.7	13.1
ROCE (%)	13.1	11.7	11.2
P/E (x)	8.5	8.7	8.4
EV/EBITDA (x)	2.9	2.9	2.3
P/BV (x)	1.3	1.2	1.1

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	65.7	65.7	65.7
FII	4.3	4.3	3.7
DII	13.6	13.6	13.7
Others	16.4	16.4	16.9

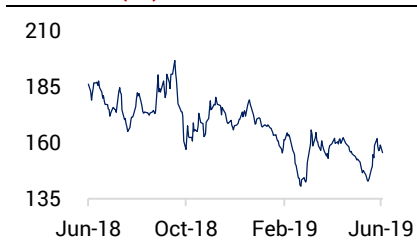
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
MOIL Ltd	1.9	3.0	(7.3)
Nifty	3.2	11.3	11.1

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

Jatin Damania

Jatin.damania@kotak.com
+91 22 6218 6440

MOIL LTD

PRICE RS.156

TARGET RS.190

BUY

MOIL Q4FY19 performance was above our estimates due to higher than expected volume, higher other income and lower tax rate. Operating performance during the quarter was impacted by lower realisation and higher employee expenses. Blended ore realizations stood at Rs9,265/tonne, down 17.2%/16.4% YoY/QoQ. We expect, manganese ore prices to remain subdued in the coming quarters, thereby restricting earnings upside.

Key Highlights

- Manganese ore shipments grew 34.1%/53.5% YoY/QoQ to 433kt (production volume stood at 376kt). The company recorded highest ever sales volume in the last 33 quarters. The company was able to liquidate inventory during Q4FY19, which was piled up in the past.
- PAT during the quarter stood at Rs1.35 bn, higher than our estimate, due to higher than expected other income and lower tax rate (28.7%).
- MOIL has taken a price hike of 5% in April'19, however the same has been roll over with effect from 1st June, 2019. The prices of Ferro Grade, SMGR (Mn30% & Mn25%), Fines and Chemical Grades of Ore have been decreased by about 7.5 %. This will impact the realisation and overall profitability.

Valuation & outlook

We believe, manganese ore prices to remain subdued and the same would reflect on the demand of the manganese ore in the near term. The company has revised its prices downwards, which will impact the realisation in the coming quarter. Factoring the same, we have revised our earnings estimates for FY20E to Rs17.9 (earlier Rs18) and introducing FY21E with an EPS of Rs18.6. At CMP, the stock trades at 8.7x/8.4x FY20E/FY21E earnings and on EV/EBITDA, it trades at 2.9x/2.3x FY20E/FY21E EBITDA. We continue to maintain our positive view on the stock, given the strong balance sheet (Rs23.8 bn of cash & cash equivalents) and dividend yield of ~4%. Reiterate **BUY** with revised target price of Rs190 (earlier Rs200), as we roll forward our multiple (3.5x) to FY21E.

Quarterly performance table

Particulars (Rs Mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
Sales	4,366	3,976	9.8	3,328	31.2
R. Materials (incl. chg in inventories)	408	(22)		(112)	
Employee expenses	1,315	1,343		1,009	
Other Expenses	1,063	933		884	
EBITDA	1,581	1,721	(8.2)	1,546	2.2
EBITDA margin (%)	36.2	43.3		46.5	
Depreciation	195	169		170	
Interest	0	0		0	
EBT	1,385	1,553		1,376	
Other Income	509	456		473	
PBT	1,894	2,008	(5.7)	1,849	2.5
Tax	544	731		647	
PAT	1,351	1,278	5.7	1,203	12.3
NPM (%)	30.9	32.1		36.1	

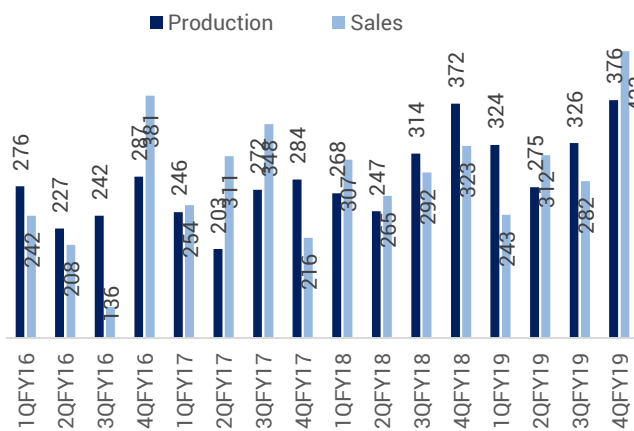
Source: Company, Kotak Securities – Private Client Research

Lower realisation and higher employee expenses dragged EBITDA

Sales volume during the quarter grew 34.1% and 53.5% YoY and QoQ, respectively to 433KT, higher than the production volume of 376KT. However, benefit of the same was partially offset by decline in blended realisation to Rs9,265/tonne, down 17.2%/16.4% YoY/QoQ. Non-Fines realization declined to Rs11,535/t (-5% QoQ), and Fines realization declined 7% QoQ at Rs3,076/t.

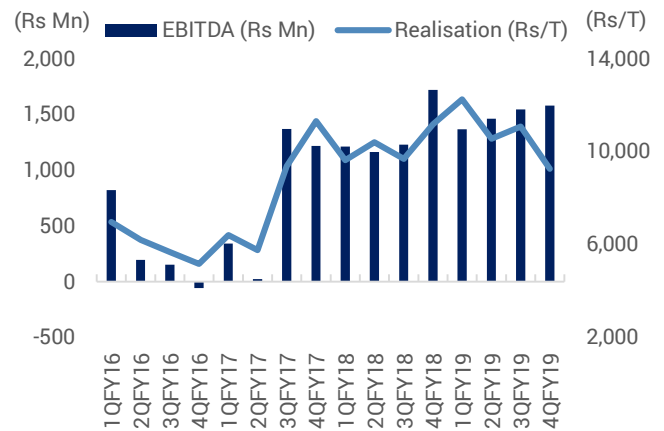
In addition to lower realisation, increase in employee expenses by 30.2% QoQ to Rs1.32 bn dragged the operating performance. EBITDA during the quarter came in at Rs1.58 bn, with an EBITDA margin of 36.2%, down from 43.3% in Q4FY18 and 46.5% in 3QFY19. Going ahead, due to subdued manganese ore price outlook, we expect margin to remain in the range of 40-41%. We have modeled 1.3MT of volume for FY20E and FY21E, respectively.

Mn ore production and sales volume ('000 T)



Source: Company

Mn ore realisation and EBITDA trend



Source: Company

Robust balance sheet with healthy liquidity position

MOIL is a debt free company with a robust balance sheet and a healthy liquidity position. The strong balance sheet, makes the company better placed to expand its mining capacity and to acquire other mines. The company is well placed to fund its capex of Rs15-20 bn till FY21E, backed by its strong cash flow. It has a healthy operating cash flow of ~Rs4bn every year, which would further add up to the cash balance. Besides this, dividend yield is likely to remain in the range of 3-4% in the coming years. Higher liquidity and attractive dividend yield provide a high margin of safety.

Company Background

MOIL has ~81.47MT of reserves & resources (R&R) of manganese ore out of which ~44% are proven reserves. Currently, MOIL operates 10 mines: six in Maharashtra and four in Madhya Pradesh. These include 3 open cast mines and 7 underground mines. The company's annual production of manganese ore is over 1MT. MOIL also has a ferro manganese plant with an installed capacity of 10000 tonnes, an electrolytic manganese dioxide (EMD) plant with a capacity of 1000 tonnes and two wind power plants with an aggregate capacity of 20 MW.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Net sales	13,235	14,407	14,706	15,442
growth (%)	34.8	8.9	2.1	5.0
Operating expenses	7,908	8,449	8,771	9,170
EBITDA	5,327	5,958	5,935	6,272
growth (%)	79.2	11.8	(0.4)	5.7
Depreciation & amortisation	624	668	835	943
EBIT	4,702	5,289	5,100	5,329
Other income	1,777	1,908	1,783	1,813
Interest paid	0	0	0	0
PBT	6,479	7,198	6,882	7,142
Tax	2,259	2,459	2,271	2,357
Effective tax rate (%)	34.9	34.2	33.0	33.0
Net profit	4,220	4,739	4,611	4,785
Minority interest	0	0	0	0
Reported Net profit	4,220	4,739	4,611	4,785
Adjusted Net profit	4,220	4,739	4,611	4,785
growth (%)	37.3	12.3	(2.7)	3.8

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Pre-tax profit	6,479	7,198	6,882	7,142
Depreciation	624	668	835	943
Chg in working capital	1,608	1,090	(8)	(5)
Total tax paid	2,259	2,459	2,271	2,357
Operating CF	6,452	6,497	5,438	5,723
Capital expenditure	(1,935)	(2,078)	(3,174)	(1,350)
Chg in investments	(235)	(912)	0	0
Other investing activities	0	0	0	0
Investing CF	(2,170)	(2,990)	(3,174)	(1,350)
Equity raised/(repaid)	(2,104)	0	0	0
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	(1,707)	(1,863)	(1,863)	(1,863)
Other financing activities	0	0	0	0
Financing CF	(3,811)	(1,863)	(1,863)	(1,863)
Net chg in cash & bank bal.	471	1,644	402	2,511
Closing cash & bank bal	21,391	22,619	23,021	25,532

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash & Bank balances	21,391	22,619	23,021	25,532
Other Current assets	4,437	4,219	4,894	5,136
Investments	235	1,147	1,147	1,147
Net fixed assets	5,863	7,272	9,611	10,018
Other non-current assets	480	832	832	832
Total assets	32,405	36,090	39,505	42,664
Current liabilities	4,390	5,263	5,929	6,166
Borrowings	0	0	0	0
Other non-current liabilities	23	0	0	0
Total liabilities	4,413	5,263	5,929	6,166
Share capital	2,576	2,576	2,576	2,576
Reserves & surplus	25,416	28,251	31,000	33,922
Shareholders' funds	27,992	30,827	33,576	36,498
Minority interest	0	0	0	0
Total equity & liabilities	32,405	36,090	39,505	42,664

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Profitability and return ratios (%)				
EBITDAM	40.2	41.4	40.4	40.6
EBITM	35.5	36.7	34.7	34.5
NPM	31.9	32.9	31.4	31.0
RoE	15.1	15.4	13.7	13.1
RoCE	13.0	13.1	11.7	11.2
Per share data (Rs)				
EPS	16.4	18.4	17.9	18.6
CEPS	18.8	21.0	21.1	22.2
BV	108.7	119.7	130.3	141.7
DPS	5.5	6.0	6.0	6.0
Valuation ratios (x)				
PE	9.5	8.5	8.7	8.4
P/BV	1.4	1.3	1.2	1.1
EV/EBITDA	3.5	2.9	2.9	2.3
EV/Sales	1.4	1.2	1.2	0.9
Other key ratios				
D/E (x)	0.0	0.0	0.0	0.0
DSO (days)	52	52	52	52

Source: Company, Kotak Securities – Private Client Research

Result Update

VOLTAMP LTD

Stock Details

Market cap (Rs mn)	:	12046
52-wk Hi/Lo (Rs)	:	1274 / 731
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	7,590
Shares o/s (mn)	:	10

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	8,288	9,117	10,029
Growth (%)	29.7	10.0	10.0
EBITDA	940	1,033	1,158
EBITDA margin (%)	11.3	11.3	11.5
PAT	849	1,000	1,091
EPS	84.0	99.0	108.1
EPS Growth (%)	15.4	17.9	9.1
BV (Rs/share)	680	756	840
Dividend/share (Rs)	23	20	20
ROE (%)	13.0	13.8	13.5
ROCE (%)	13.0	13.8	13.5
P/E (x)	14.0	11.8	10.9
EV/EBITDA (x)	8.3	7.1	5.9
P/BV (x)	1.8	1.6	1.4

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	48.4	48.4	47.5
FII	15.6	15.6	15.6
DII	19.4	19.4	19.8
Others	16.6	16.6	17.0

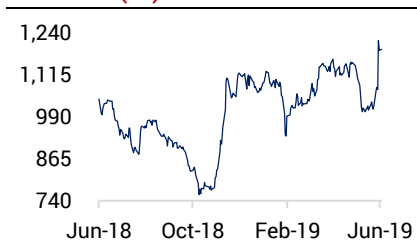
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Voltamp Ltd	7.7	14.9	7.2
Nifty	3.2	11.3	11.1

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE RS.1173

TARGET RS.1512

BUY

Voltamp reported good set of numbers for the quarter. Revenue, EBITDA and PAT topped our estimates.

Key Highlights

- Company reported 30% growth in revenue in FY19, highest since FY08.
- Order book is also at one of the highest levels at Rs 5.0 bn. From our discussion with the management, it sounded optimistic on the current business scenario and is witnessing higher orders enquiries in the market than in earlier quarters, which is a key positive.
- However, Q1FY20 revenue is likely to be weak as clients have been slow in taking deliveries of its ordered products.
- Post the strong numbers in FY19 and the robust order book, we have revised our earnings upwards in FY20E.
- We forecast 13.4% CAGR in earnings over FY19-21E.

Valuation and Outlook

Voltamp is currently trading at 11.8x and 10.9x FY20E and FY21E earnings respectively. Valuations are attractive compared to peers and more so considering that management remains prudent and has been able to preserve quality of balance sheet even through years of industry distress. Voltamp remains one of the best stocks to play future upturn in industrial demand. Maintain BUY with revised target price of Rs 1512 (Rs 1320 earlier), valuing the stock at 14x FY20E.

Q3FY19 Results

(Rs mn)	Q4 FY19	Q4 FY18	YoY (%)	Q3 FY19	QoQ (%)
Net Sales	2588	2196	17.8	2152	20
Consumption of Raw Materials	1995	1752	13.9	1695	18
Staff Cost	98	68	44.2	65	50
Other Expenditure	151	86	75.6	150	1
Operating Expenditures	2244	1905	17.8	1910	17
PBDIT	344	291	18.3	241	42
Depreciation	21	16	32.3	20	7
Other Income	138	37	273.0	96	44
EBIT	461	312	47.8	318	45
Interest & Finance Charges	0.0	2.7	-100.0	1.5	-100
Profit / (Loss) before tax	461	309	49.1	316	46
Tax provision	139	108	29.3	94	48
Profit / (Loss) after tax	322	202	59.7	223	45
EPS (Rs)	31.9	20.0	59.7	22.0	45
Ratios					
EBITDA (%)	13.3	13.2		11.2	
Raw material cost to sales (%)	77.1	79.8		78.8	
Other exp to sales (%)	5.8	3.9		7.0	
Tax rate (%)	30.2	34.8		29.6	

Source: Company

Sanjeev Zarbade

sanjeev.zarbade@kotak.com

+91 22 6218 6424

Reported Vs Estimated performance

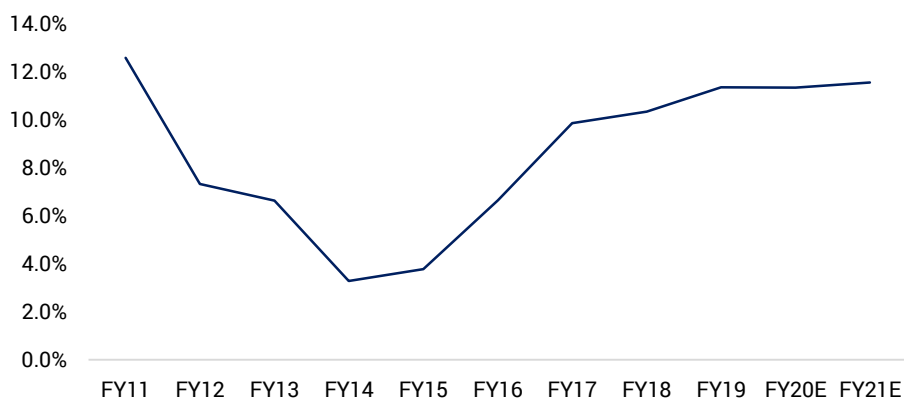
Rs mn	Reported	Estimated
Revenue	2588	3800
EBITDA (%)	13.3%	12.4%
PAT	322	264

Source: Kotak Securities – Private Client Research

Result Highlights

- Net sales for Q4FY19 rose 18% y-o-y to Rs 2.6 bn. Sale of transformers in terms of MVA stood at 3493 MVA (3506 on y-o-y basis) and 11053 MVA (9180 MVA in FY18) in Q4FY19 and FY19 respectively.
- The company's dependence on TRANSCOs (erstwhile SEBs) business declined during the year to Rs. 297 mn (~ 3.58% of revenues).
- Revenue growth was strong in the quarter, which could be partly attributed to improved order book position and incremental improvement in industrial demand,
- EBITDA margins was stable on a y-o-y to 13.3% as on expansion in gross margins was largely offset by increase in "other expenditure".
- Although the company has notched good margin gains in the fourth quarter and FY19, we note that the pricing pressure continues unabated in the transformer industry due to weak demand from the Power sector coupled with excess capacity in the transformer manufacturing industry.

EBITDA margins (%)



Source: Company and Kotak Securities – Private Client Research

"Other income" for the quarter rose sharply to Rs 138 mn. However, for the fiscal year FY19, "Other income" declined by 11% over FY18 due to 1) writebacks of past periods was lower by Rs 21 mn and 2) Reduction in dividend income by Rs 11.2 mn as investment got redeemed.

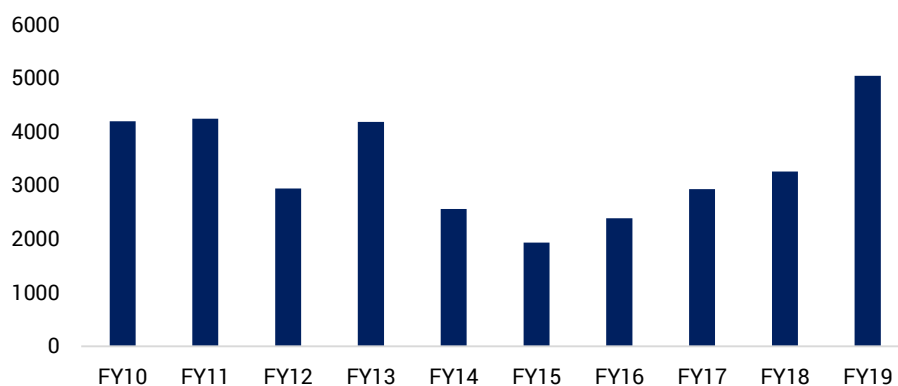
Order book

Order book at the end of May 2019 stands at ~ Rs 5.0 bn. The management is fairly positive on the level of order book, which gives it a good revenue visibility for the remainder of the fiscal.

Bulk of the orders in hand are from Industrial customers while only ~ Rs 370 mn of orders are from Utility customers.

The management stated that, enquiry level at present is encouraging, however, pace of order finalisation slowed down during election period but is expected to resume from July 2019 onward.

Order book (Rs mn)



Source: Company

In the current fiscal, the company is witnessing good demand from Chemicals, O&G and Auto ancillaries sectors.

In recent weeks, it has also started to see demand coming back for transformers from the Solar Power sector and expects the sector to be a key demand driver in current fiscal.

Industry Outlook

- Over all, CAPEX by Corporates, both private and public sectors, has been much lower than desirable levels. This has caused transformer industry's capacity utilization to remain at sub-optimum level (~ 65% level), thereby restricting any improvement in price realization quoted by manufacturers.
- On a net basis, the management is witnessing higher demand for transformers than in earlier quarters. However, it sounded cautiously optimistic and noted that several large transformer makers are struggling to fill capacity and are lifting orders even at low margins.

Management outlook

Revenue growth is a function of 1) Order book 2) Commodity prices and 3) delivery schedules of clients. In FY19, the company delivered 31% growth in revenue, the highest since FY08. Going into FY20E, the company is in a comfortable position in terms of order book. It is thus targeting double digit growth in volumes terms.

However, despite a much improved order book, the revenue growth in current quarter (Q1FY20) is likely to be weak as clients have been slow in terms of taking deliveries of finished products. Notwithstanding this, we expect the company to report improved growth rates in the remaining quarters on account of the strong order book.

Margins are a function of pricing pressure in the market and volatility in commodity prices and Forex. Since the company's orders are on a fixed price basis, managing commodity volatility remains a key factor in ensuring profitability. However, we believe, by virtue of its long experience and risk management practices, the management is capable of handling commodity price risk provided the fluctuation is not extraordinary.

Earnings Revision - FY20E

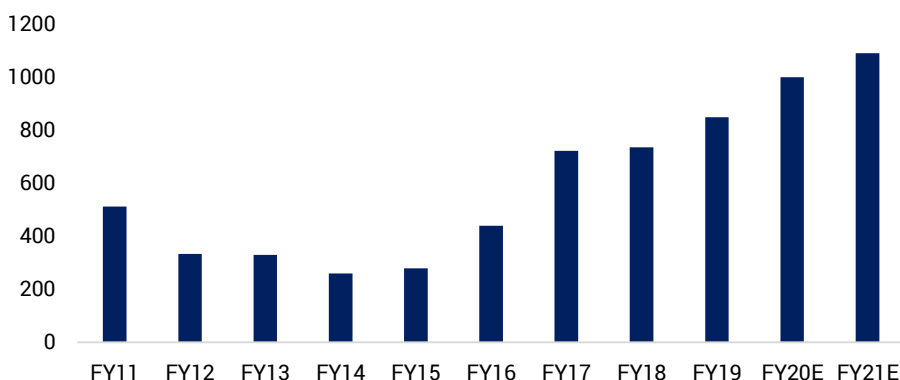
(Rs mn)	Earlier	Revised
Revenue	8910.0	9434.8
EBITDA (%)	11.2	11.3
EPS (Rs)	93.0	99.0

Source: Kotak Securities – Private Client Research

Valuation and Outlook

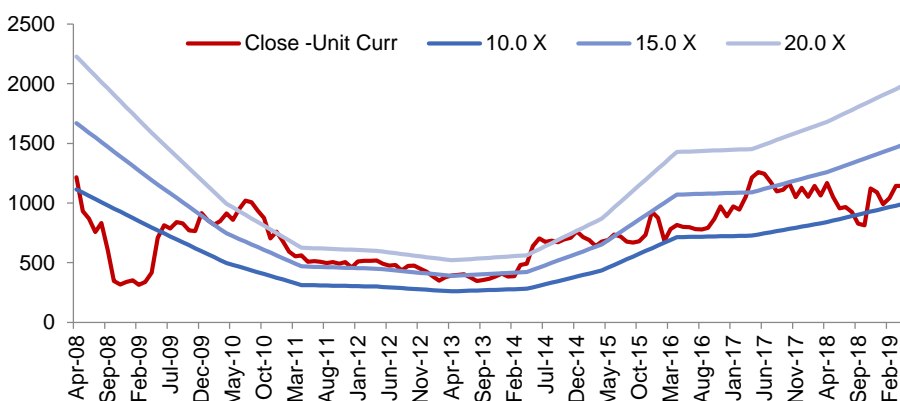
Voltamp is currently trading at 11.8x and 10.9x FY20E and FY21E earnings respectively. Valuations are attractive compared to peers and more so considering that management remains prudent and has been able to preserve quality of balance sheet even through years of industry distress. Voltamp remains one of the best stocks to play future upturn in industrial demand. Maintain BUY with revised target price of Rs 1512 (Rs 1320 earlier), valuing the stock at 14x FY20E.

PAT (Rs mn)



Source: Company and Kotak Securities – Private Client Research

Forward PE band



Source: Kotak Securities – Private Client Research

Company Background

Voltamp Transformers Ltd was established in the year 1963 by Mr. Lalitkumar H. Patel along with Mr. Babubhai H. Patel and Mr. Navinchandra R. Patel to manufacture transformers in Baroda city. The main promoter is, Mr Kunjalbhai Patel (VC and MD) and is a technocrat. Voltamp has a manufacturing capacity of 13000 MVA capable of making transformers upto 160 MVA, 220 KV, class for many applications covering most segments of users including industrial, utility and buildings. The company caters to cater to a wide spectrum of transformer users in various industries like: petrochemical, oil refining, cement, paper and pulp, pharmaceuticals, automobiles, steel, power plant, building, metro rail applications, mining and minerals and many others.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	6,390	8,288	9,117	10,029
% change yoy	4.6	29.7	10.0	10.0
EBITDA	661	940	1,033	1,158
% change yoy	9.8	42.3	9.9	12.1
Depreciation	60.0	71.5	84.8	97.0
EBIT	1,008	1,231	1,317	1,445
% change yoy	7.9	22.2	6.9	9.7
Net Interest	5.6	4.2	5.0	5.0
Earnings Before Tax	1,002	1,227	1,312	1,440
% change yoy	7.9	22.5	6.9	9.8
Provisions and amortisations	-	-	-	-
Tax	267	378	311	348
as % of EBT	26.6	30.8	23.7	24.2
Net Income adj	735	849	1,000	1,091
% change yoy	1.9	15.4	17.9	9.1
Preference dividend	0.0	0.0	0.0	0.0
Adj Net income for equityholders	735	849	1,000	1,091
Shares outstanding (m)	10.1	10.1	10.1	10.1
EPS (Rs)	72.8	84.0	99.0	108.1
DPS (Rs)	15.0	22.5	20.0	20.0
CEPS	78.8	91.1	107.4	117.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
PBDIT	661	940	1,033	1,158
Tax and adjustments	(276)	(287)	(311)	(348)
Cash flow from operations	385	653	722	810
Net Change in Working Capital	(31)	(301)	(338)	(288)
Net Cash from Operations	354	352	384	522
Capital Expenditure	(126)	(89)	(100)	(100)
Cash from investing	6	57	368	384
Net Cash from Investing	(120)	(31)	268	284
Interest paid	(6)	(4)	(5)	(5)
Issue of Shares	-	-	-	-
Dividends Paid	(182)	(266)	(237)	(237)
Debt Raised	-	-	-	-
Net cash from financing	(188)	(270)	(242)	(242)
Net change in cash	46	51	411	564
Free cash flow	228	264	284	422
Cash at end	77	114	524	1,088

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash and cash equivalents	77	114	524	1,088
Accounts receivable	1,446	1,766	1,748	1,923
Stocks	970	1,077	1,324	1,456
Loans and Advances	95	114	132	153
Others	-	-	-	-
Current Assets	2,588	3,070	3,729	4,621
LT investments	3,647	3,952	3,952	3,952
Net fixed assets	421	466	481	484
Deferred tax assets	-	-	-	-
CWIP	38	18	18	18
Total Assets	6,694	7,506	8,179	9,075
Payables	349	478	375	402
Others	121	123	136	149
Current liabilities	470	601	510	551
LT debt	-	-	-	-
Other liab (defd tax+minority int)	6	38	38	38
Equity & reserves	6,201	6,867	7,631	8,486
Total Liabilities	6,694	7,506	8,179	9,075
BVPS (Rs)	614	680	756	840

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBITDA margin (%)	10.3	11.3	11.3	11.5
EBIT margin (%)	15.8	14.9	14.4	14.4
Net profit margin (%)	11.5	10.2	11.0	10.9
Adjusted EPS growth (%)	1.9	15.4	17.9	9.1
Receivables (days)	82.6	77.8	70.0	70.0
Inventory (days)	57.3	47.4	53.0	53.0
Sales / Net Fixed Assets (x)	15.2	17.8	19.0	20.7
ROE (%)	12.4	13.0	13.8	13.5
ROCE (%)	12.4	13.0	13.8	13.5
EV/ Sales	1.3	0.9	0.8	0.7
EV/EBITDA	12.3	8.3	7.1	5.9
Price to earnings (P/E)	16.1	14.0	11.8	10.9
Price to book value (P/B)	1.9	1.8	1.6	1.4
Price to cash earnings	14.9	12.9	10.9	10.0

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	–	We advise investor to subscribe to the IPO.
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NA	–	Not Available or Not Applicable. The information is not available for display or is not applicable
NM	–	Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6425	
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434		

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Faisal Shaikh, FRM, CFTe Research Associate faisalf.shaikh@kotak.com +91 22 62185499	Siddhesh Jain Research Associate siddhesh.jain@kotak.com +91 22 62185498
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DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6625 9810
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