



Farsight

MORNING FARSIGHT

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VOLTAMP TRANSFORMERS

CMP:RS 908

TRGT:RS 1075

TIME HORIZON: 1 YEAR

Voltamp Transformers, having manufacturing capacity of 13,000 MVA and capable of making oil-filled power and distribution transformers upto 160 mega volt ampere (MVA), 220 kilo volt (KV) class and dry type transformers upto 12.50 MVA, 33 KV class, across production facilities located at Makarpura and Savli in Vadodara, is looking a good buy with positive industry outlook, stable earnings, strong balance-sheet, healthy order book, healthy Q1FY19 earnings and reasonable valuations. For Q1FY19, company reported 27% YoY revenue growth at Rs 166 cr, with total volume sales of 2,412 MVA against 1,811 MVA in the corresponding quarter of the previous fiscal, representing volume growth of 33%. However, higher commodity costs kept margins under pressure and PAT remained largely flat at Rs 15 cr against Rs 14.5 cr YoY, leading to an EPS of Rs 14.87 for Q1 FY19. Order book at the end of August 2018 stands at Rs 450 cr (6,534 MVA) against Rs 300 cr in the corresponding quarter of the previous fiscal. Long Term growth prospects of the company remain quite positive, as the growing demand for electricity with the growing population and industrialization is expected to result in increased demand for transformers. The Indian power and distribution transformer market is forecast to reach \$2.9 billion by 2022. Industry believes that reforms such as 'Power for All' and UDAY will drive the demand and Indian power transformer market is set to grow at CAGR of 10% in the medium term. Further, as on 31-03-2018, company had cash equivalents of Rs 360 cr, which is 40% of current M Cap or Rs 354 per share. On an estimated EPS of Rs 80 for FY19, stock is trading at PE of 11.3x and net of cash of PE of 6.9x, which are seen attractive. Share ruling at Rs 908 can move to Rs 1075 in 1 year

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.