



V-Guard Industries

Q3 & 9M FY2017 Earnings Presentation

Disclaimer

Certain statements in this communication may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

V-Guard Industries Limited (V-Guard) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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Managing Director's Message

Commenting on the performance for Q3 FY17, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"Despite the challenges prevailing in the economy we have delivered a good performance in Q3, with a top line growth of 10.4% YoY, driven predominantly by the pumps, fans, solar water heater and stabilizer segments. Non-south markets delivered a robust growth of 22.7% YoY in Q3 on the back of a good festive season, and bears testimony to our growing visibility and penetration in the region. We will continue to make investments in advertising and promotions to expand our market share further in the non-South geography.

South markets were impacted this quarter by the uncertainty surrounding demonetization which affected certain product categories. We proactively engaged with our channel partners and introduced various facilities like cash discounts, installing card machines etc to help them tide through the liquidity crunch that prevailed. We also introduced NBFC financing schemes for customers for high value purchases like inverters and solar water heaters. Further, the socio-economic situation in Tamil Nadu along with the cyclone in Chennai and suburban areas also had a adverse impact on sales in Southern markets.

We continue to drive operational excellence. Gross margins are higher 270 bps YoY and 90 bps QoQ to 33.6%. EBITDA margins have expanded 30 bps YoY despite significantly higher investments in ad & promotional activities undertaken during the quarter. Net profit has expanded 30.1% YoY on better EBITDA margins, reduced finance costs, higher other income and lower tax rate. Further reduction in working capital cycle has resulted in strong cash generation to the tune of Rs. 138.4 crore in 9M FY17, higher by 35% YoY.

To conclude, this has been a good quarter after a strong first half. We have delivered a top line growth of 13.2% YoY in 9M FY17 with net profit growing 57.7% YoY to Rs. 110 crore, nearly equal to the profit that we delivered in the full year FY16. We are optimistic of our growth prospects going into the peak summer season. Fall in interest rates and return of liquidity into the system will spur consumer sentiment and result in strong demand across all our products. Further, the passage of GST will further accelerate the shift from unorganized players to strong brands of repute like V-Guard."



Key Highlights – Q3 FY2017

Revenue growth of 10.4% YoY at Rs. 460 crore

- Driven by pumps, fans and stabilizer segments
- Non-south markets recorded robust growth of 22.7% YoY
- Growth in South markets impacted by uncertainty surrounding demonetization and socio-economic situation in Tamil Nadu along with cyclone in Chennai and suburban areas

Gross margin expands 270 bps YoY/90 bps QoQ to 33.6%

- Gross profit up 20.0% YoY to Rs. 154 crore
- Led by lower input costs and cost savings from the various supply chain initiatives undertaken

EBITDA margins at 9.1%, up 30 bps YoY

- EBITDA growth of 15.1% YoY to Rs. 42 crore
- Despite increase in ad expenditure to sales to 6.0% vs 4.9% in Q3 FY16

PAT growth of 30.1% YoY to Rs. 28 crore

- PAT margin improves 90 bps YoY to 6.1%
- Led by better EBITDA margins, reduced finance costs, higher other income and lower tax rate

Working capital cycle improve by 6 days YoY in Q3 FY17

- Working capital cycle at 62 days in Q3 FY17 vs 68 days in Q3 FY16
- Led by 4 day YoY improvement in creditor days to 48 days and 6 day YoY reduction in debtor days to 41 days despite challenging economic environment

Strong return ratios

- ROE and ROCE of 26% and 34% respectively (TTM)

Robust cash generation

- CFO up 35.1% YoY to Rs. 138.4 crore during 9MFY17 as compared to Rs. 102.4 crore during 9M FY16
- D/E at 0.01x as on 31st December 2016 as compared to 0.05x as on 31st December 2015

Issue of Bonus Shares

- Commemorating 40th foundation day, Board recommends bonus issue of 2 equity shares of Re.1 for every 5 shares held, subject to approvals

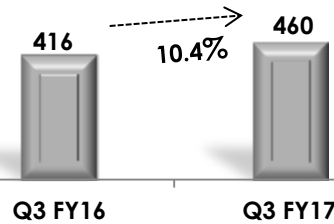
Business Updates

Sikkim Capacity Expansion

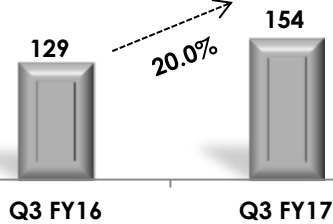
- Investment of Rs. 12.5 crore to setup new manufacturing unit for stabilizers
 - Commercial production expected to commence in March 2017
- Investment of Rs. 25 crore to setup manufacturing unit for Electric water heaters
 - Commercial production expected to commence in March 2017

Financial Highlights (Q3 FY17 vs Q3 FY16)

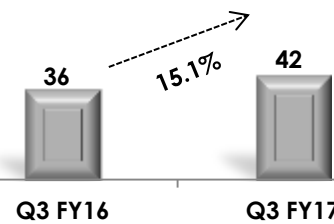
Total Income (Rs. crore)



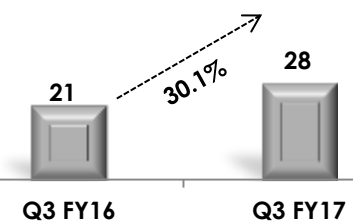
Gross Profit



EBITDA (Rs. crore)

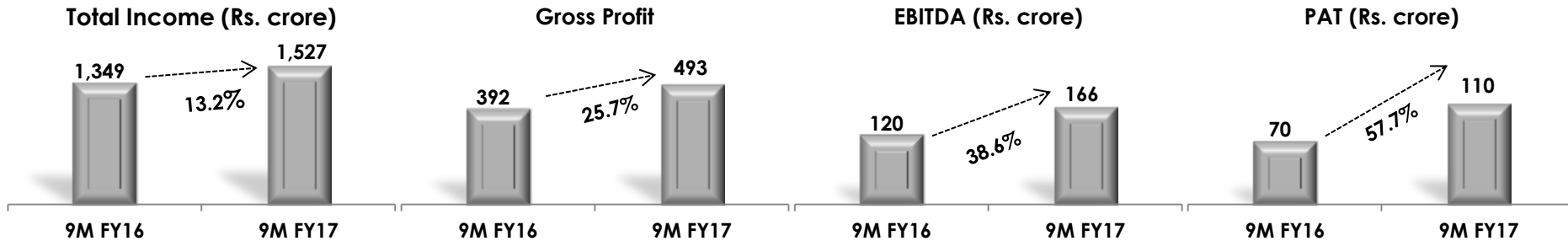


PAT (Rs. crore)



Key ratios (%)	Q3 FY17	Q3 FY16
Gross Margin	33.6%	30.9%
EBITDA Margin	9.1%	8.8%
Net Margin	6.1%	5.2%
Ad Expenditure (incl. promotions)/Total Revenues	6.0%	4.9%
Staff Cost/ Total Operating Income	7.4%	6.9%
Other Expenditure/ Total Operating Income	9.1%	8.5%
Tax rate	24.9%	31.0%
EPS (Rs.)	0.93	0.72

Financial Highlights (9M FY17 vs 9M FY16)



Key ratios (%)	9M FY17	9M FY16
Gross Margin	32.3%	29.1%
EBITDA Margin	10.9%	8.9%
Net Margin	7.2%	5.2%
Ad Expenditure (incl. promotions)/Total Revenues	5.1%	4.5%
Staff Cost/ Total Operating Income	6.4%	6.1%
Other Expenditure/ Total Operating Income	8.0%	7.7%
Tax rate	27.8%	30.6%
EPS (Rs.)	3.65	2.32

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. crore)	31 December 2016	30 September 2016	31 December 2015
Net worth	588.8	557.8	450.8
Gross debt	6.5	7.4	23.8
Current Investments	136.9	79.6	16.0
Cash and cash equivalents	4.5	10.6	12.4
Fixed Assets	167.4	162.7	161.7

Key Ratios	31 December 2016	30 September 2016	31 December 2015
Debtor (days)	41	49	47
Inventory (days)	69	67	66
Creditor (days)	48	49	44
Working Capital Turnover (days)	62	67	68
RoE (%)	26%	26%	20%
RoCE (%)	34%	35%	28%
Gross Debt / Equity (x)	0.01	0.01	0.05

Please note all calculations are based on a TTM basis

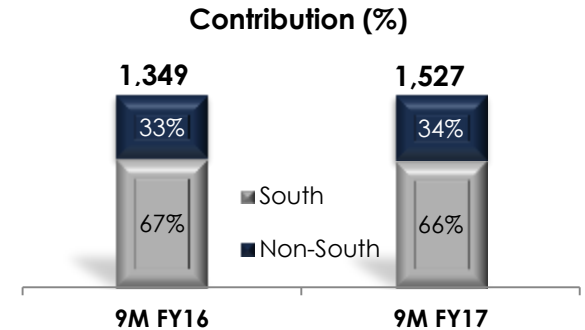
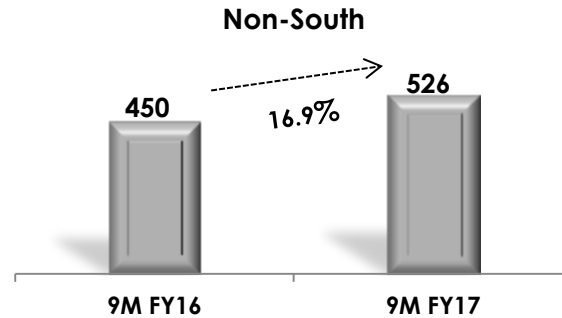
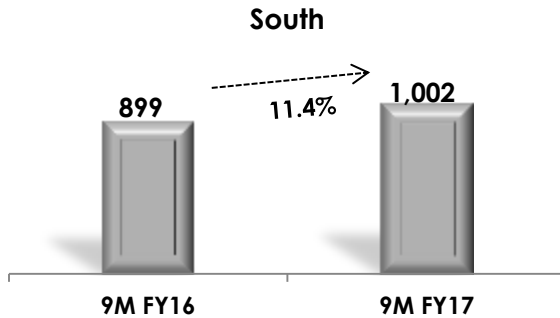
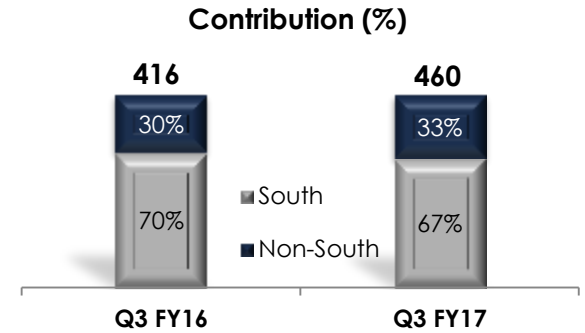
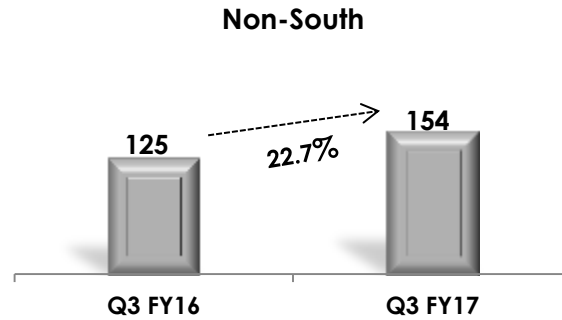
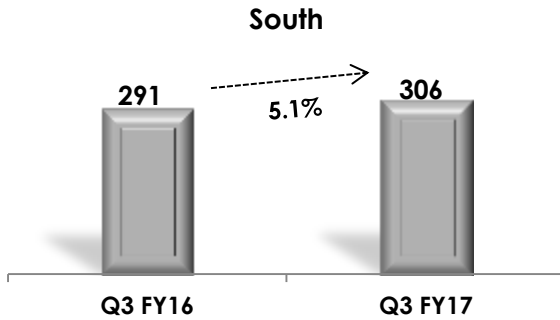
Segment-wise Breakup of Revenues – Q3 FY17 vs Q3 FY16

Products	Q3 FY2017 (Rs. cr.)	Contribution (%)	Q3 FY2016 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	83.4	18.2%	76.3	18.3%	9.3%
UPS (Digital + Standalone)	35.3	7.7%	33.6	8.1%	5.2%
Electronics Segment Total	118.8	25.8%	109.9	26.4%	8.1%
Pumps	59.5	12.9%	43.2	10.4%	37.7%
Cables & Wires (PVC + LT)	138.1	30.1%	130.5	31.3%	5.9%
Water Heaters (Electric + Solar)	96.0	20.9%	90.7	21.8%	5.9%
Fan	30.1	6.5%	26.1	6.3%	15.1%
Electricals Segment Total	323.7	70.4%	290.5	69.8%	11.4%
Kitchen Appliances (Induction Cooktops + Mixers)	8.0	1.7%	7.5	1.8%	7.2%
Switchgears	9.1	2.0%	8.4	2.0%	8.2%
New Products Total	17.1	3.7%	15.9	3.8%	7.8%
GRAND TOTAL	459.6	100.0%	416.3	100.0%	10.4%

Segment-wise Breakup of Revenues – 9M FY17 vs 9M FY16

Products	9M FY2017 (Rs. cr.)	Contribution (%)	9M FY2016 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	311.1	20.4%	269.0	19.9%	15.6%
UPS (Digital + Standalone)	164.7	10.8%	139.2	10.3%	18.3%
Electronics Segment Total	475.8	31.2%	408.2	30.3%	16.6%
Pumps	177.0	11.6%	135.9	10.1%	30.3%
Cables & Wires (PVC + LT)	445.9	29.2%	434.0	32.2%	2.7%
Water Heaters (Electric + Solar)	239.7	15.7%	214.9	15.9%	11.5%
Fan	123.7	8.1%	104.7	7.8%	18.2%
Electricals Segment Total	986.3	64.6%	889.5	65.9%	10.9%
Kitchen Appliances (Induction Cooktops + Mixers)	36.0	2.4%	28.1	2.1%	28.3%
Switchgears	29.3	1.9%	23.2	1.7%	26.3%
New Products Total	65.3	4.3%	51.2	3.8%	27.4%
GRAND TOTAL	1,527.4	100.0%	1,349.0	100.0%	13.2%

Geographical Breakup of Revenues



Outlook

Industry Drivers

- Strong demand from housing construction activity and increased penetration in Tier 2, 3 and 4 cities
- Easy access to credit and a rising middle class population with increasing disposable income

Distribution Network

- To increase more retailers below existing distributors going forward
- Increasing revenue per distributor, providing significant scope for expansion on existing investments

Advertising Expenditure

- Continued investments in advertising and marketing to enhance brand visibility and facilitate pan-India expansion

Working Capital Efficiencies

- Target to reduce cash conversion cycle through various initiatives
- Increased pricing power in non-South markets, will help to improve debtor days

Annexure

Company Overview

Comprehensive portfolio catering to the mass consumption market

- Electronics - Stabilizers, UPS and Digital UPS
- Electricals - Pumps, House Wiring and Industrial Cables, Electric Water Heaters, Fans
- Other products include Solar Water Heaters, Induction cooktops, Switchgears and Mixer Grinders
- Household consumption market will continue to grow at a significant pace over the next five years

Invested in a strong distribution network

- Spread over 29 branches nationwide
- Network of over 638 distributors, 5,742 channel partners and over 25,000+ retailers

Strong Brand Equity

- Aggressive ad spends and sales promotions have created a strong equity and brand recall
- Strong established player in South India with leadership in the Voltage Stabilizer segment

Expanding towards a pan India presence

- Significant investments committed towards aggressive expansion in non-South markets
- Increased capacities for house-wiring cables and solar water heaters

Mix of in-house and outsourcing production model provides flexibility

- Follows an asset light model outsourcing ~60% of its products from a range of vendors
- Tie-ups with SSIs/self-help groups spread across southern India help derive excise benefit
- Blended manufacturing policy helps optimize capex and working capital requirements

Increasing market share across all product lines

- Leadership position in its flagship product, voltage stabilizers, with over 51% market share
- Successfully gained market share in all of its product categories
- Rapidly expanding market share in the non-South markets

Strong Financial Performance

- Revenues and PAT have grown at a CAGR of 22% and 23% between FY11-16
- ROE at 23.5% and ROCE at 32.9% for FY2016

Production Model



PVC Cable Factory



LT Cable Factory



Solar Water Heater Factory



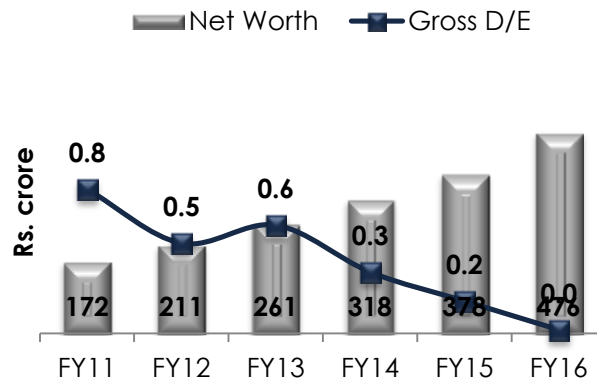
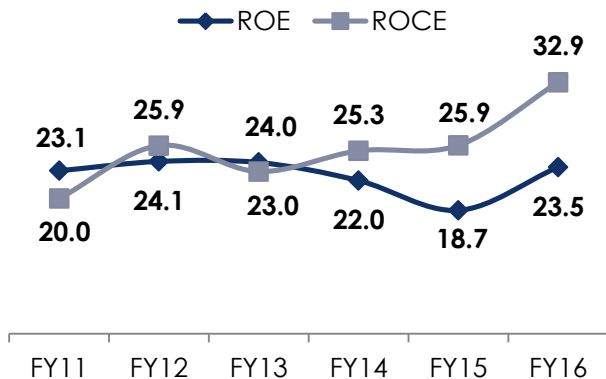
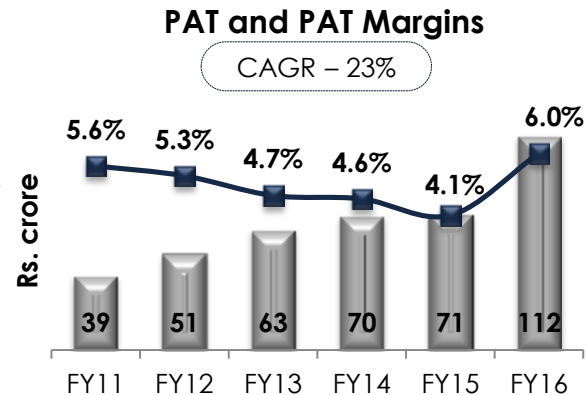
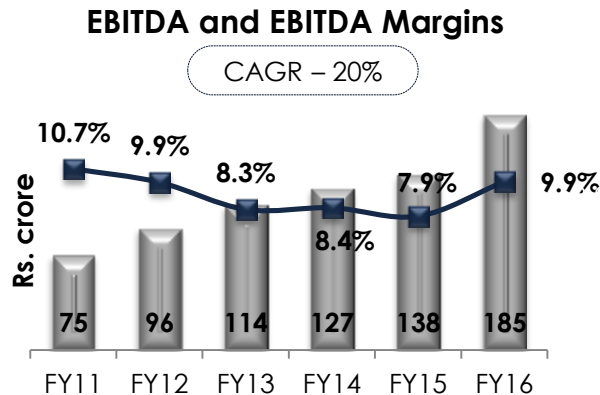
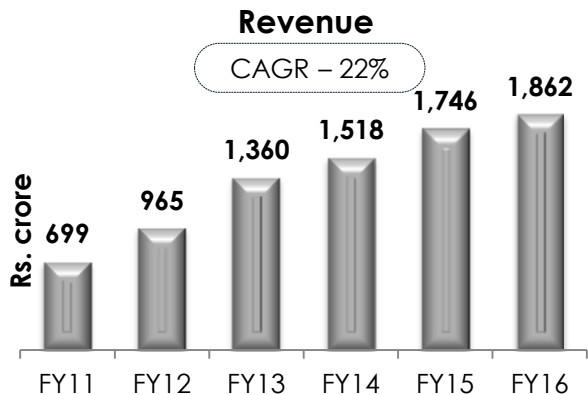
Stabilizer Manufacturing Units

Product	No. of Units	Location
Own Manufacturing Facilities		
PVC Wiring Cables	2	Coimbatore, Kashipur
LT Cables	1	Coimbatore
Pumps & Motors	1	Coimbatore
Fans	1	Kala Amb, Himachal Pradesh
Water Heater	1	Kala Amb, Himachal Pradesh
Solar Water Heaters	1	Perundhurai
Stabilizers	1	Sikkim
Outsourced production facilities		
Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Elec. Water Heater	7	"

Outsourcing Objectives

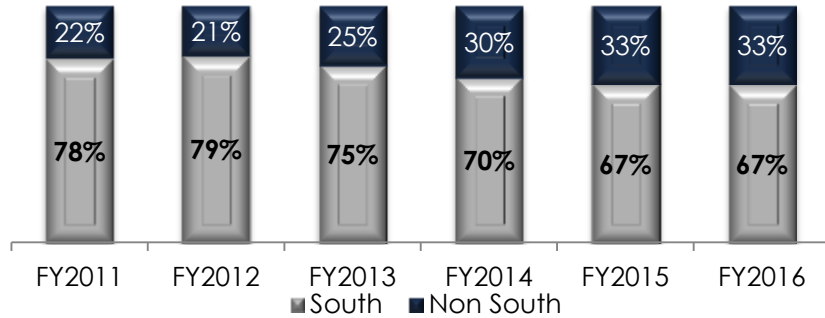
- Asset light model outsourcing ~60% products
- Complete control over supply chain ecosystem
- R&D support to vendors' technical teams
- Quality assurance official posted at vendors' production units to ensure maintenance of quality
- Owns all its designs and moulds
- Helps procure raw material for the vendors, negotiating price with the supplier
- Tie-ups with SSIs/self-help groups across Southern India for flagship product, Stabilizers, helps derive excise benefit
- Blended manufacturing policy helps optimize capex and working capital requirements

Financial Highlights (FY11-16)

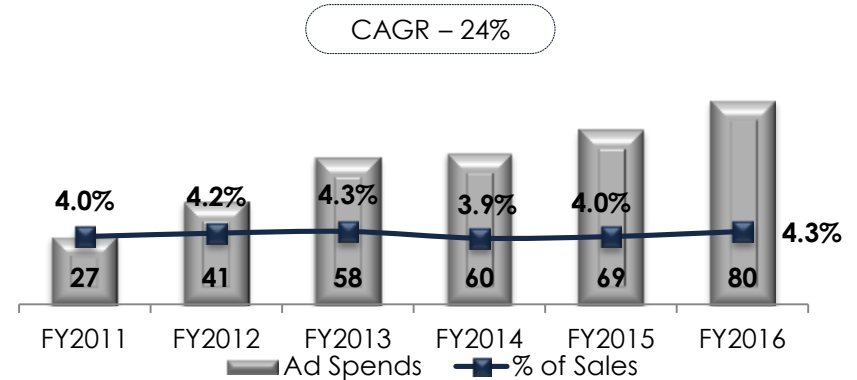


Operational Highlights (FY11-16)

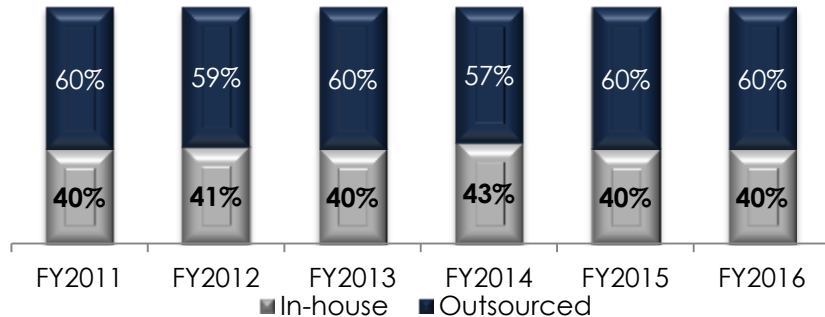
Expanding Geographic Presence



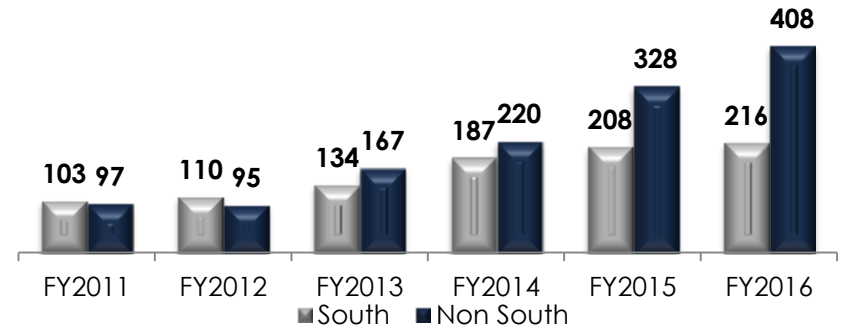
Ad Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



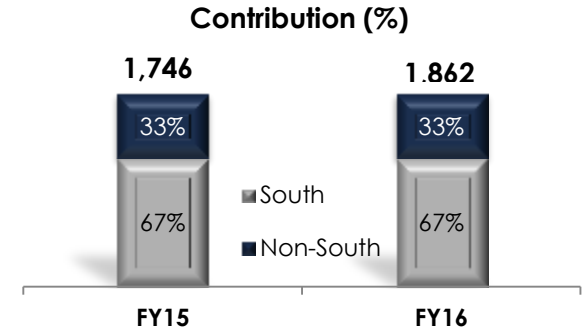
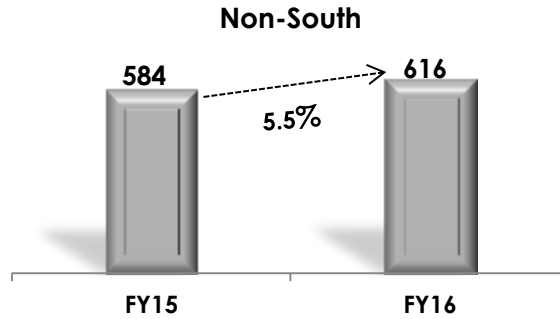
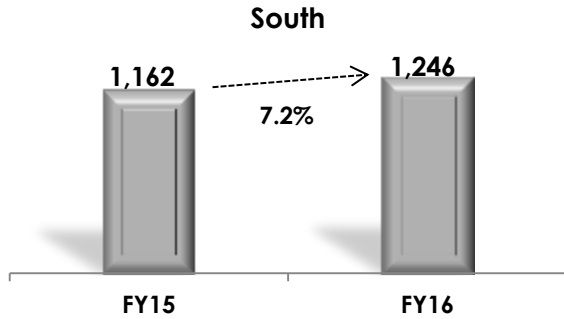
Strong Growth in Dealer Network






Segment-wise Breakup of Revenues – FY16 vs FY15

Products	FY2016 (Rs. cr.)	Contribution (%)	FY2015 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	369.1	19.8%	326.8	18.7%	13.0%
UPS (Digital + Standalone)	193.6	10.4%	222.1	12.7%	-12.8%
Electronics Segment Total	562.7	30.2%	548.9	31%	2.5%
Pumps	210.0	11.3%	189.0	10.8%	11.1%
Cables & Wires (PVC + LT)	588.6	31.6%	583.7	33.4%	0.8%
Water Heaters (Electric + Solar)	255.4	13.7%	228.0	13.1%	12.0%
Fan	176.7	9.5%	137.5	7.9%	28.5%
Electricals Segment Total	1,230.7	66.1%	1,138.1	65%	8.1%
Kitchen Appliances (Induction Cooktops + Mixers)	35.8	1.9%	36.9	2.1%	-2.9%
Switchgears	33.0	1.8%	22.1	1.3%	49.6%
New Products Total	68.8	3.7%	58.9	3%	16.8%
GRAND TOTAL	1,862.3	100.0%	1,745.9	100%	6.7%

Geographical Breakup of Revenues




Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organized	Unorganized	Total			
 STABILIZERS	700.00	550.00	1,250.00	Micro tech, Livguard, Bluebird, Capri, Logicstat, Premier, Everest	90% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	5,500.00	4,000.00	9,500.00	Polycab, Havells, Finloex, RR Cables, Anchor	100% In-House	Electrical and Hardware Stores
 COOKTOP	400.00	250.00	650.00	Prestige, Bajaj, Preethi, Butterfly	100% In-House	Consumer Durables / Kitchen Appliances stores

*Company estimates FY16

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organized	Unorganized	Total			
 <p>MOTOR PUMPS</p>	5,000.00	5,000.00	10,000.00	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 <p>WATER HEATERS</p>	1,325.00	700.00	2,025.00	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves, Usha	55% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 <p>FANS</p>	5,000.00	1,500.00	6,500.00	Crompton, Usha, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates FY16

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organized	Unorganized	Total			
 UPS	160.00	240.00	400.00	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 Digital UPS	4,500.00	750.00	5,250.00	Microtek, Luminous, Su-Kam, Exide	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	420.00	180.00	600.00	Racold, Emmvee Solar, Sudarshan, Supreme	100% In-House	Direct Marketing Channel

*Company estimates FY16

About V-Guard Industries

V-Guard Industries Limited (BSE:532953, NSE: VGUARD) is a Kochi based company, incepted in 1977 by Kochoseph Chittilapilly to manufacture and market Voltage stabilizers. The Company has since then established a strong brand name and aggressively diversified to become a multi-product Company catering to the Light Electricals sector manufacturing Voltage stabilizers, Invertors & Digital UPS systems, Pumps, House wiring/LT cables, Electric water heaters, Fans, Solar water heaters and has also recently forayed into Induction cooktops, switchgears and mixer grinders.

V-Guard outsources 60% of its product profile while the rest are manufactured in – house while keeping a strong control in designs and quality. It has manufacturing facilities at Coimbatore (Tamil Nadu), Kashipur (Uttaranchal) and Kala Amb (Himachal Pradesh).

V-Guard has been a dominant player in the South market, though the last five years have also seen the Company expanding rapidly in the non-South geographies with their contribution increasing from 5% of total revenues in FY08 to around 33% of total revenues in FY15. Significant investments continue to be made to expand its distributor base in the non-South geographies, and become a dominant pan-India player.

V-Guard has a diversified client base and an extensive marketing & distribution network. Its client base differs from product to product and includes direct marketing agents, distributors and retailers. The Company today has a strong network of 29 branches, 624 distributors, 5,562 channel partners and ~25,000+ retailers across the country.

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The image features a large red circle on the left side, partially cut off by the edge. On the right side, there are two abstract, flame-like or feather-like shapes in red and black, extending from the top and bottom edges towards the center. The background is white.

THANK YOU