

V-Guard Industries

Q1 FY2014 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.

Table of Contents

Company Overview

MD's Message

Financial Highlights - Q1 FY2014

Segment-wise/Geographical Breakup of Revenues

Outlook

About V-Guard Industries

Strong Financial Performance (FY08 - FY13)

Broad-based Growth across Segments (FY08 - FY13)

Market Share Across Product Segments



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 launches include Solar Water Heaters, Induction cooktops, Switchgears
- Household consumption market will continue to grow at a significant pace over the next five years

Invested in a strong distribution network

- Spread over 28 branches nationwide
- Network of over 230 distributors, 3,000 channel partners and 15,000 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
- Doubling house-wiring factory and setting up second manufacturing unit for 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 37% and 34% between FY08-FY13
- Significant expansion in return ratios over the last five years; ROE at 24% and ROCE at 23% for FY2013

Managing Director's Message



Commenting on the performance for Q1 FY2014, Mr. Mithun Chittilappilly, Managing Director - V-Guard Industries Limited said,

"We have started the year on a positive note with a revenue growth of 28%. Non-South expansion continues at a healthy pace, now accounting for 30.7% of total revenues as compared to 27.8% a year ago.

The Stabilizer and Digital UPS segments witnessed strong growth this quarter owing to increased demand for consumer durables in the summer season and frequent power outages. We have also been able to effect price increase in both these product categories. The pumps and house wiring cables segments were the other key growth drivers.

The total advertisement and promotion spend during the quarter stood at Rs. 21.5 crore or 5.3% of revenues. A large proportion of this spend was incurred using the IPL as a platform to reach a large audience base. Ad spends will taper off going into the next few quarters and will be maintained between 3.5-4% of our revenues this year. This will help us expand our visibility in the non-South markets, establish V-Guard as a pan-India brand and increase pricing power.

We are looking at introducing mixer grinders in Kerala during Q2 to capitalize on the demand during Onam season. This will be our second addition to the home appliance category and we will leverage the existing distribution and marketing setup for induction cookers. We will also be looking at extending switchgears and induction cooktops across the Southern markets over the next few quarters.

We have generated strong cash flows from operations this quarter on the back of a remarkable improvement of 15 days in our cash conversion cycle. We will carry on with our vendor financing and bill discounting initiatives and also increase the proportion of channel financing going forward.

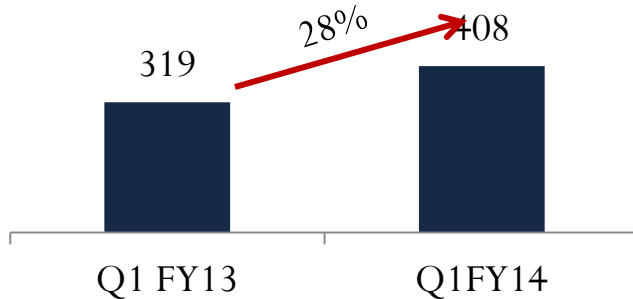
Given the strong start to the year, we are confident of achieving a topline growth of 25% in FY14 despite sluggish macroeconomic conditions. We believe that we will also see an improvement in our margin profile and expect EBITDA margins to be in the range of 9-9.5% for the full year."

Key Highlights for Q1 FY14

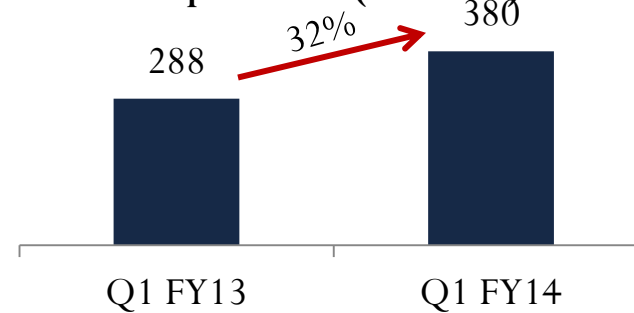
- **Revenue growth of 28% YoY**
 - Digital UPS, House wiring cables, Pumps and Stabilizer segments were the key growth drivers
 - Non-South markets expanded 41% YoY, contributing to 31% of total revenues as compared to 28% in Q1 FY13
- **EBITDA declined by 8% YoY**
 - 85.2% YoY increase in advertising and promotion spend at 5.3% of revenues as planned
- **Working capital cycle at 59 days**
 - Improved by 15 days
 - Strong demand led to liquidation of inventory piled up in Q4 FY13
 - Significant reduction in debtors
- **Strong cash generation during the quarter**
 - Cash from operations at Rs. 57 crore as compared to Rs. 14.5 crore in Q1 FY13
 - Utilized for debt reduction of Rs. 51 crore

Financial Highlights (Q1 FY2013)

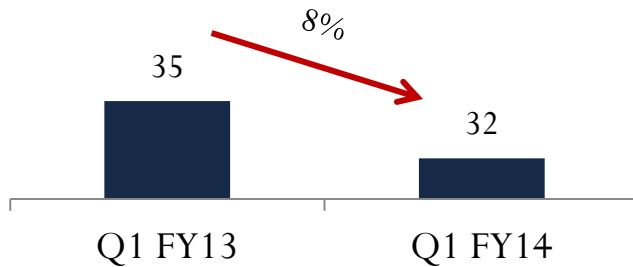
Total Income (Rs. crore)



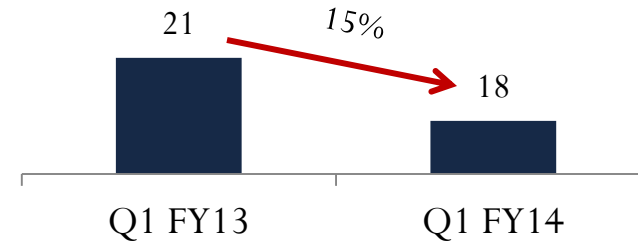
Expenditure (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	Q1 FY14	Q1 FY13
EBITDA Margin	7.9%	10.9%
Net Margin	4.3%	6.5%
COGS/ Total Operating Income	74.2%	73.0%
Ad Expenditure (incl. promotions)/Total Revenues	5.3%	3.6%
Staff Cost/ Total Operating Income	5.3%	5.1%
Other Expenditure/ Total Operating Income	5.4%	5.6%
EPS (Rs.)	5.91	6.92



Financial Highlights – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	30 June 2013	31 March 2012	30 June 2012
Net worth	279.2	261.3	231.3
Total debt	114.9	165.9	116.8
○ Working capital	76.9	126.2	94.0
○ Term loan	38.0	39.7	22.8
Acceptances	62.0	94.9	11.5
Fixed Assets	161.1	151.5	135.0
Cash & Cash Equivalentents	3.0	15.1	4.1

Key Ratios	Q1 FY14	Q4 FY13	Q1 FY13
Inventory (days)	65	78	64
Debtor (days)	39	47	46
Creditor (days)	45	52	37
Working Capital Turnover (days)	59	73	74
RoE (%)	22%	24%	26%
RoCE (%)	24%	23%	27%
Debt/Equity (x)	0.4	0.6	0.5

Please note ROE, ROCE calculations are based on a TTM basis



Segment-wise Breakup of Revenues

Segment	Products	Q1 FY2014 (Rs. cr.)	Contribution (%)	Q1 FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
Electronics	Stabilizers	90.2	22.1%	77.4	24.3%	16.5%
	Standalone UPS	11.5	2.8%	10.9	3.4%	5.1%
	Digital UPS	63.3	15.5%	37.6	11.8%	68.6%
	Segment Total	165.1	40.4%	125.9	39.5%	31.1%
Electricals	Pumps	55.6	13.6%	46.1	14.4%	20.8%
	House wiring cable	106.1	26.0%	80.0	25.1%	32.6%
	LT cable	15.6	3.8%	18.8	5.9%	-16.6%
	Electric water heater	19.8	4.9%	18.7	5.9%	6.1%
	Fan	31.9	7.8%	22.7	7.1%	40.4%
	Other Products	6.1	1.5%	2.2	0.7%	174.4%
	Segment Total	235.2	57.6%	188.5	59.1%	24.8%
Others	Solar water heater	7.9	1.9%	4.6	1.4%	73.8%
	Segment Total	7.9	1.9%	4.6	1.4%	73.8%
	GRAND TOTAL	408.2	100.0%	319.0	100.0%	28.0%

Geographical Breakup of Revenues

Region	Q1 FY2014 (Rs. cr.)	Contribution (%)	Q1 FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	287.12	69%	234.30	72%	23%
Non-South	127.18	31%	90.42	28%	41%
Total	414.30	100%	324.72	100%	28%

Outlook

Strong demand outlook

- Household consumption expected to grow at a significant pace over the next five years
- Continuing power deficit in South India to augment sales of Stabilizers, UPS and Inverters
- Boom in residential real estate markets in South India

Leveraging investments in non-South markets

- Investments towards establishing strong dealer network in non-South markets over the last 3 years
- Average revenue per distributor in non-South markets is Rs. 2.5 crore as compared to Rs. 7.5 crore in in South markets, providing significant scope for expansion of business on existing investments

Increasing brand visibility

- Continued investments in advertising and marketing to enhance brand visibility and facilitate pan-India expansion
- Advertising spends to be to the tune of 3.5-4% for FY2014

Working capital efficiencies

- Vendor financing and bill discounting initiatives to help lower cash conversion cycle
- Increase the proportion of channel financing going forward
- Increased pricing power in non-South markets, will help to improve debtor days

Robust financial performance to continue

- Topline growth of 25% expected in FY2014
- EBITDA margins to remain in the 9-9.5% band in FY2014
- Robust incremental growth, steady margins, focused working capital management and stable asset base will lead to strong cash generation

About V-Guard Industries

V-Guard Industries Limited (BSE:532953, NSE: VGUARD) is a Kochi based company, incepted in 1977 by Kochouseph 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 and Switchgears.

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 25% of total revenues in FY13. 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 28 branches, over 230 distributors, 3,000 channel partners and 15,000 retailers across the country.

For further information, please contact:

Jacob Kuruvilla (VP & Chief Financial Officer)

V-Guard Industries Limited

Tel: +91 484 300 5602

Email: jacob@vguard.in

Shiv Muttoo/Varun Divadkar

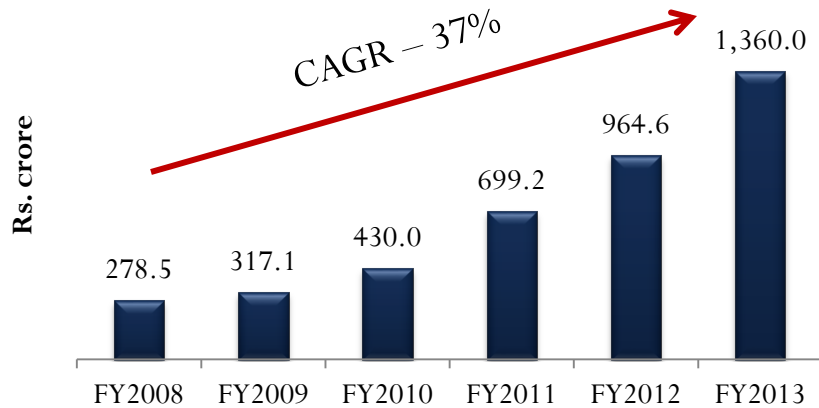
Citigate Dewe Rogerson

Tel: +91 22 6645 1207 / 1222

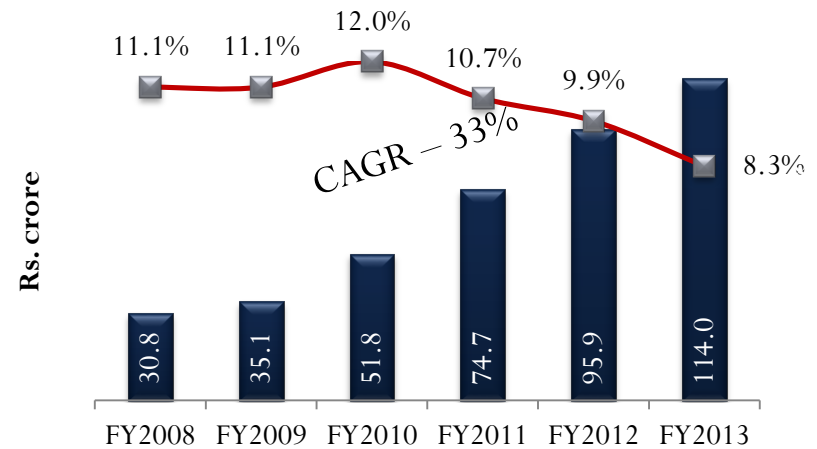
Email: shiv@cdr-india.com / varun@cdr-india.com

Strong Financial Performance FY08-13

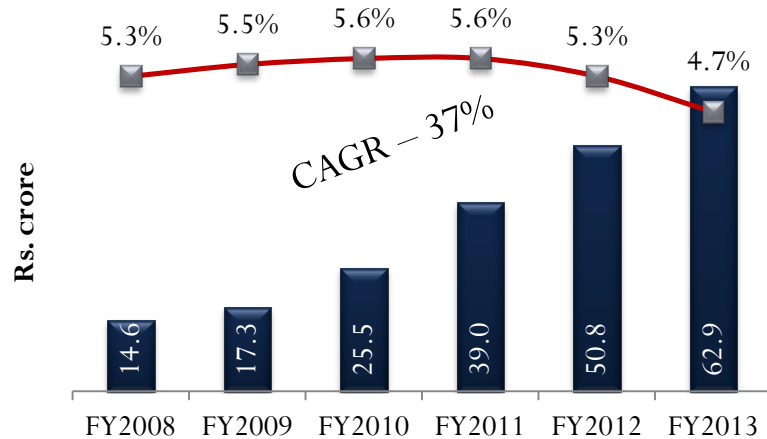
Revenue



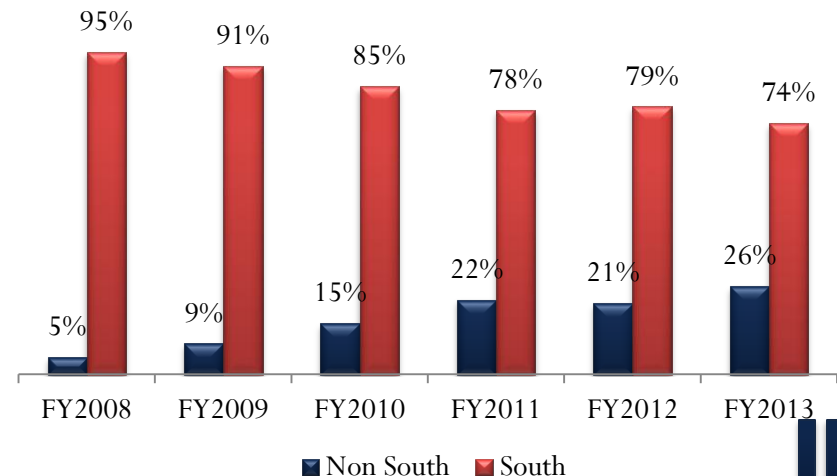
EBITDA and EBITDA Margins



PAT and PAT Margins

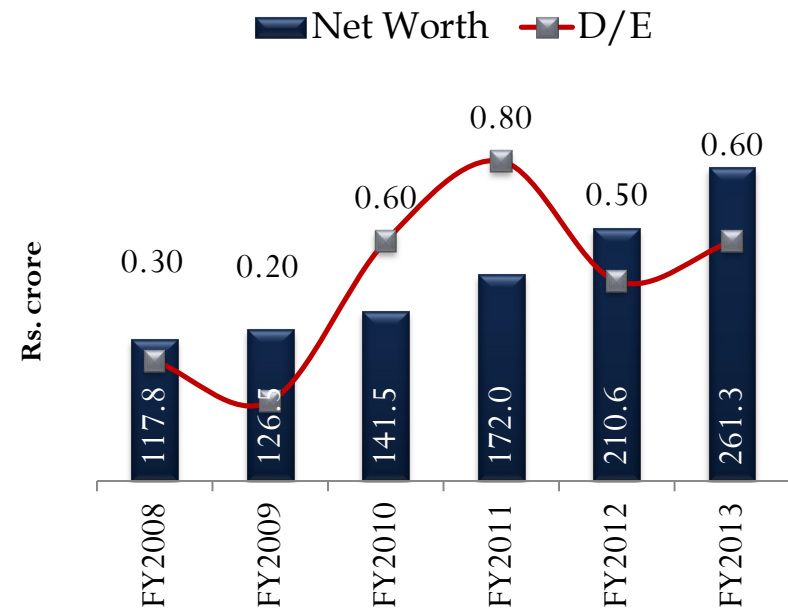
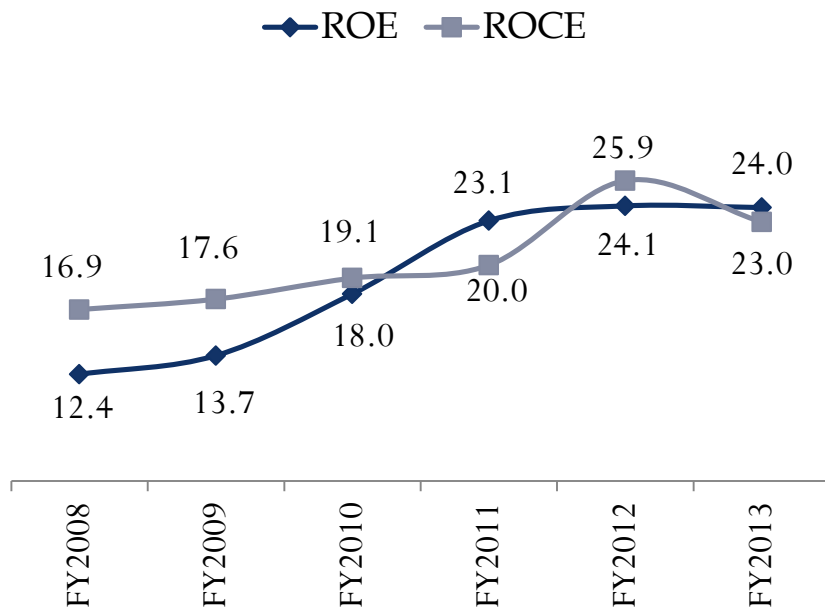


Expanding Geographic Presence



Note – Profit and related figures are excluding exceptional items




Strong Financial Performance FY08-13



Broad-based Growth across Segments FY08-13




Segment	Products	FY08	Contribution (%)	FY13	Contribution (%)	CAGR(%)
Electronics	Stabilizers	93.7	35.3%	237.8	17.5%	20.5%
	Standalone UPS	16.9	6.4%	48.3	3.6%	23.4%
	Digital UPS	0.0	0.0%	173.3	12.7%	NA
	Segment Total	110.6	41.6%	459.4	33.8%	32.9%
Electricals	Pumps	56.1	21.1%	205.3	15.1%	29.6%
	House wiring cable	60.0	22.6%	373.5	27.5%	44.1%
	LT cable	1.0	0.4%	72.8	5.4%	135.8%
	Electric water heater	27.2	10.3%	110.3	8.1%	32.3%
	Fan	8.6	3.2%	79.7	5.9%	56.0%
	Other Products	0.0	0.0%	26.8	2.0%	#DIV/0!
	Segment Total	153.0	57.6%	868.4	63.8%	41.5%
Others	Solar water heater	2.0	0.8%	32.5	2.4%	74.5%
	Others	-	-	-	-	-
	Segment Total	2.0	0.8%	32.5	2.4%	74.5%
GRAND TOTAL		265.6	100.0%	1360.2	100.0%	38.6%

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			V-Guard Organized Market Share	Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total				
 STABILIZERS	400.00	800.00	1200.00	59%	Bluebird, Capri, Logicstat, Premier, Everest	100% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	4000.00	3000.00	7000.00	9%	Havells, Finloex	100% In-House	Electrical and Hardware Stores
 LT POWER CABLES	4300.00	3000.00	7300.00	2%	Havells, Finloex	100% In-House	Electrical and hardware Stores, Direct Marketing Channel

*Company estimates

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			V-Guard Organized Market Share	Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total				
 <p>MOTOR PUMPS</p>	900.00	1100.00	2000.00	23%	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 <p>WATER HEATERS</p>	650.00	550.00	1200.00	17%	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves	90% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 <p>FANS</p>	3500.00	1500.00	5000.00	2%	Crompton, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			V-Guard Organized Market Share	Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total				
 UPS	160.00	240.00	400.00	30%	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 Digital UPS	6500.00	1000.00	7500.00	3%	Microtek, Luminous, Su-Kam	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	425.00	225.00	650.00	8%	Tata BP Solar	100% In-House	Direct Marketing Channel

*Company estimates

New Product Launches



Induction Cooker



Switchgears & DBs

-
- Successful launch of new products in the Kerala market
 - Induction cooktops launched in the Karnataka market last quarter
 - Revenues of Rs. 15 crore from induction cooktops and Rs. 12 crore from switchgears in FY13
 - Delivering gross margins of 35-40% in both these products
 - Products to be extended into other Southern markets in a phased manner
 - Mixer grinders to be launched during Q2 FY14 in Kerala to capture demand during Onam

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	Perunthurai
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

THANK YOU

