



V-Guard Industries

Q3 & 9M FY2015 Earnings Presentation

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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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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 28 branches nationwide
- Network of over 510 distributors, 4,932 channel partners and ~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 37% and 32% between FY09-FY14
- Significant expansion in return ratios over the last five years; ROE at 22% and ROCE at 25.3% for FY2014

Managing Director's Message



Commenting on the performance for Q3 FY2015, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

“Revenue growth of 12% this quarter has been subdued on the back of continued weakness in consumer sentiment with footfalls not improving and construction demand yet to pick up.

Our largest segment, house-wiring cables, was impacted by the significant reduction seen in copper prices this quarter, leading to lower realizations. Stabilizer and Digital UPS sales continued to be strong, up 23% and 30% respectively.

Gross margins were slightly higher despite the copper inventory write down. However, we saw a dip in EBITDA margins this quarter as we continued to spend aggressively on advertising and promotions which were higher by 130 bps YoY at 4.9% of sales. Further, we undertook investments in various BTL activities which will help scale up operations going forward. Our non-South contribution increased to 32% of sales from 30% a year ago.

As a company, we are very cautious on how we do business in this environment and are focused on quality of revenues and cash flows. We have seen a 4 days improvement in our working capital cycle led by better inventory and debtor management. This has led to strong cash flow generation, which was utilized to substantially bring down debt during the quarter.

To conclude, the on ground scenario continues to be soft with channel health still to improve. We believe we can still achieve our top line guidance of 20% growth but scale down our margin expectation to ~8% in FY15.”

Key Highlights – Q3 FY2015

Revenue growth of 12% YoY to Rs. 395 crore

- Led by 22% YoY growth in the electronics segment
- Non-South markets grew 17% YoY

Gross profit up 13% YoY to Rs. 107 crore

- Gross margin expands 30 bps YoY to 27.2%

EBITDA margins at 5.8%, down 280 bps YoY

- Ad expenditure to sales at 4.9% vs 3.6% in Q3 FY14, up 130 bps
- Investments in various BTL activities

Working capital cycle improves 4 days QoQ to 78 days

- Debtor days at 41, 3 days improvement QoQ
- Inventory days at 81, 7 days improvement QoQ

Strong cash generation used to repay debt

- Cash from operations strong at Rs. 36.4 crore during Q3 FY15
- Utilized to repay debt to the tune of Rs. 29.6 crore
- D/E at 0.3x as on 31 Dec 2014

Healthy return ratios

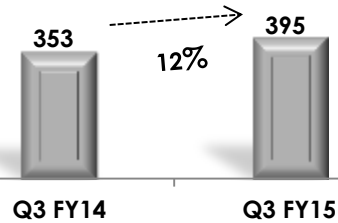
- ROE and ROCE of 19.1% and 24.7% respectively (TTM)

Guidance for FY15

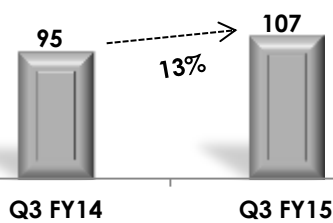
- Top line growth of 20% YoY driven by stabilizer, electric water heater and inverter segments
- EBITDA margins to be ~8%

Financial Highlights (Q3 FY2015)

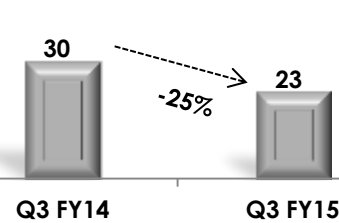
Total Income (Rs. crore)



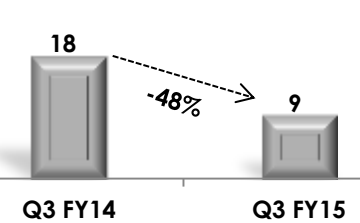
Gross Profit



EBITDA (Rs. crore)



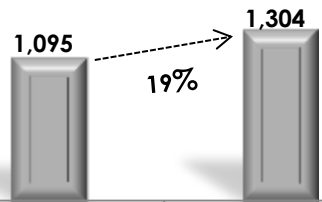
PAT (Rs. crore)



Key ratios (%)	Q3 FY15	Q3 FY14
Gross Margin	27.2%	26.9%
EBITDA Margin	5.8%	8.6%
Net Margin	2.3%	5.0%
Ad Expenditure (incl. promotions)/Total Revenues	4.9%	3.6%
Staff Cost/ Total Operating Income	6.9%	5.8%
Other Expenditure/ Total Operating Income	7.6%	7.0%
Tax rate	32.1%	19.5%
EPS (Rs.)	3.05	5.87

Financial Highlights (9M FY2015)

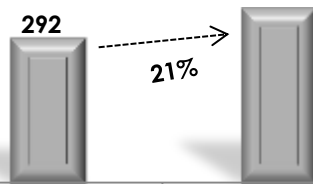
Total Income (Rs. crore)



9M FY14

9M FY15

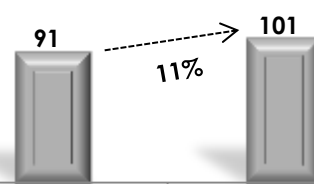
Gross Profit



9M FY14

9M FY15

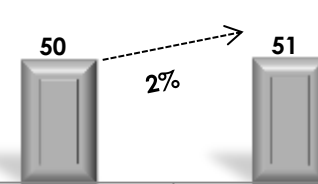
EBITDA (Rs. crore)



9M FY14

9M FY15

PAT (Rs. crore)



9M FY14

9M FY15

Key ratios (%)

Gross Margin

9M FY15

27.0%

9M FY14

26.7%

EBITDA Margin

7.7%

8.3%

Net Margin

3.9%

4.3%

Ad Expenditure (incl. promotions)/Total Revenues

4.3%

4.1%

Staff Cost/ Total Operating Income

6.2%

5.9%

Other Expenditure/ Total Operating Income

6.8%

6.5%

Tax rate

30.8%

24.7%

EPS (Rs.)

16.8

16.6

Financial Highlights – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	31 December 2014	30 September 2014	31 December 2013
Net worth	371.7	360.4	312.9
Total debt	99.5	129.1	117.7
o Working capital	66.1	93.2	77.1
o Term loan	33.5	35.9	40.6
Acceptances	73.1	71.6	84.5
Fixed Assets	163.9	165.8	167.3

Key Ratios	31 December 2014	30 September 2014	31 December 2013
Inventory (days)	81	88	86
Debtor (days)	41	44	44
Creditor (days)	44	51	53
Working Capital Turnover (days)	78	82	76
RoE (%)	19%	22%	19%
RoCE (%)	25%	25%	22%
Gross Debt / Equity (x)	0.3	0.4	0.4

Please note all calculations are based on a TTM basis

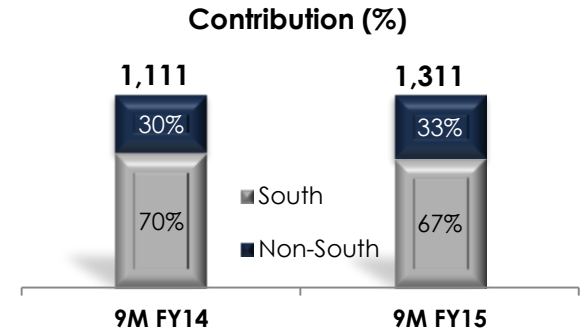
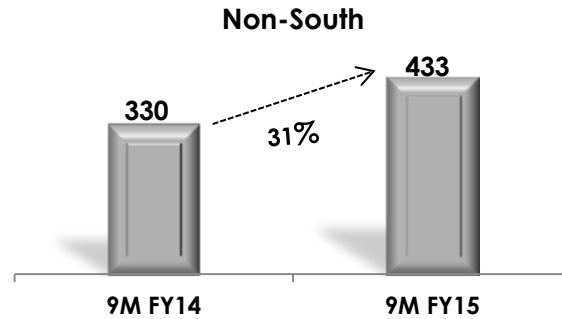
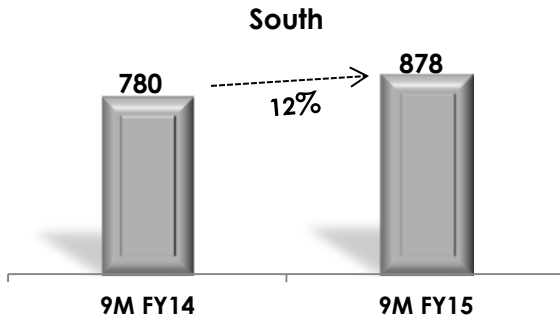
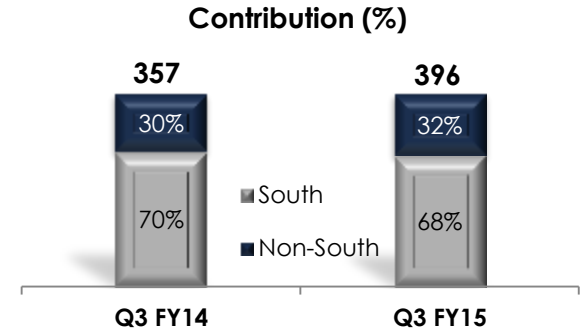
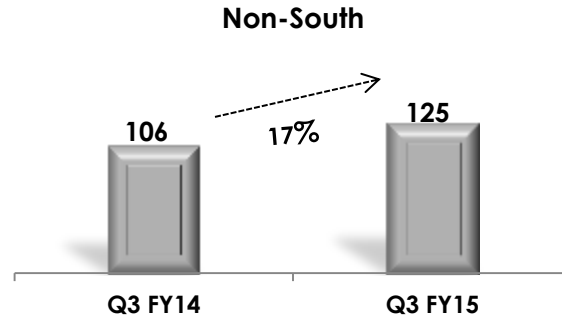
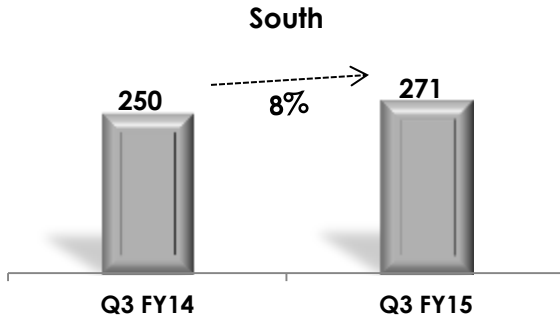
Segment-wise Breakup of Revenues – 9M FY15 vs 9M FY14

Products	9M FY2015 (Rs. cr.)	Contribution (%)	9M FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	247.3	19.0%	199.9	18.3%	23.7%
Standalone UPS	19.3	1.5%	28.1	2.6%	-31.3%
Digital UPS	151.4	11.6%	106.2	9.7%	42.5%
Electronics Segment Total	418.0	32.0%	334.3	30.5%	25.0%
Pumps	127.1	9.7%	130.2	11.9%	-2.4%
House wiring cable	387.7	29.7%	335.6	30.6%	15.5%
LT cable	43.6	3.3%	52.6	4.8%	-17.0%
Electric water heater	158.6	12.2%	120.3	11.0%	31.9%
Fan	88.1	6.8%	63.3	5.8%	39.0%
Other Products	43.5	3.3%	28.5	2.6%	52.4%
Electricals Segment Total	848.7	65.1%	730.5	66.7%	16.2%
Solar water heater	37.7	2.9%	30.3	2.8%	24.3%
Others Segment Total	37.7	2.9%	30.3	2.8%	24.3%
GRAND TOTAL	1,304.3	100.0%	1,095.1	100.0%	11.60%

Segment-wise Breakup of Revenues – Q3 FY15 vs Q3 FY14

Products	Q3 FY2015 (Rs. cr.)	Contribution (%)	Q3 FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	68.4	17%	55.4	15.7%	23.3%
Standalone UPS	4.3	1%	5.7	1.6%	-23.9%
Digital UPS	30.5	8%	23.5	6.7%	29.7%
Electronics Segment Total	103.1	26%	84.6	24.0%	21.9%
Pumps	37.3	9%	40.8	11.6%	-8.5%
House wiring cable	121.0	31%	112.2	31.8%	7.8%
LT cable	12.4	3%	17.1	4.9%	-27.4%
Electric water heater	70.2	18%	58.2	16.5%	20.6%
Fan	22.8	6%	16.1	4.6%	41.6%
Other Products	12.3	3%	9.9	2.8%	24.8%
Electricals Segment Total	276.1	70%	254.3	72.1%	8.6%
Solar water heater	16.1	4%	14.0	4.0%	15.4%
Others Segment Total	16.1	4%	14.0	4.0%	15.4%
GRAND TOTAL	395.4	100%	352.9	100.0%	12.0%

Geographical Breakup of Gross 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
- Advertising spends to be to the tune of 3.5-4% for FY2015

Working capital efficiencies

- Target to reduce cash conversion cycle by 5 days every year through vendor financing and bill discounting initiatives
- Increased pricing power in non-South markets, will help to improve debtor days

Financial Performance

- Expectations of 20% growth through expansion in non-South markets
- Growth to be driven by Electric Water Heater, Pump, Digital UPS, Stabilizer and House-Wiring Cables
- EBITDA margins to be ~8% in FY15

Annexure

Production Model



PVC Cable Factory



LT Cable Factory



Solar Water Heater Factory



Stabilizer Manufacturing Units

Product	No. of Units	Location
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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

Outsourced production facilities

Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Elec. Water Heater	7	"

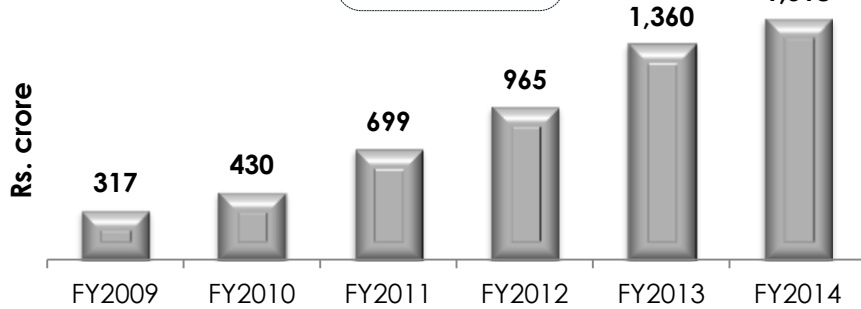
Outsourcing Objectives

- 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

Strong Financial Performance FY09-14

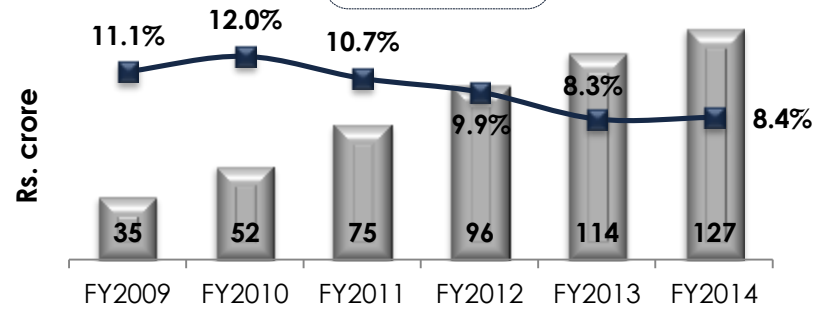
Revenue

CAGR – 37%



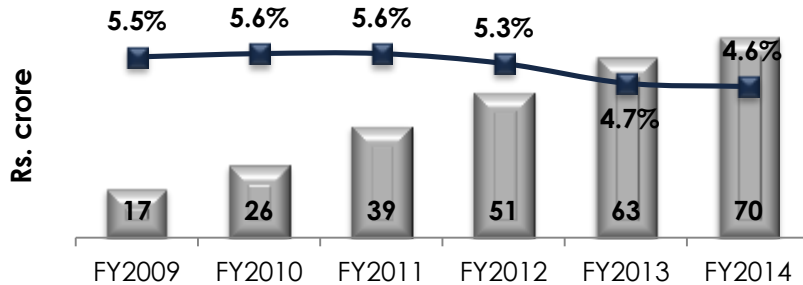
EBITDA and EBITDA Margins

CAGR – 29%

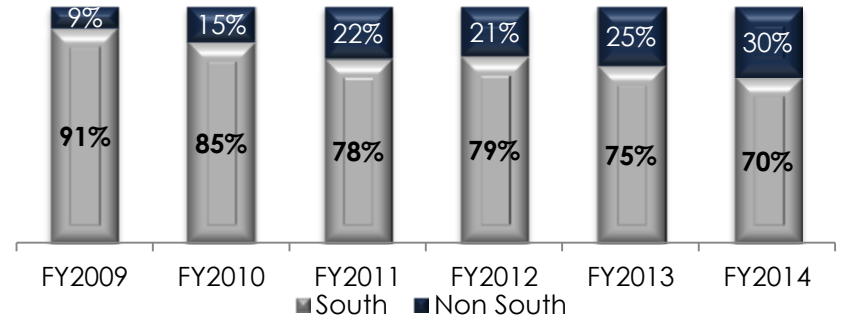


PAT and PAT Margins

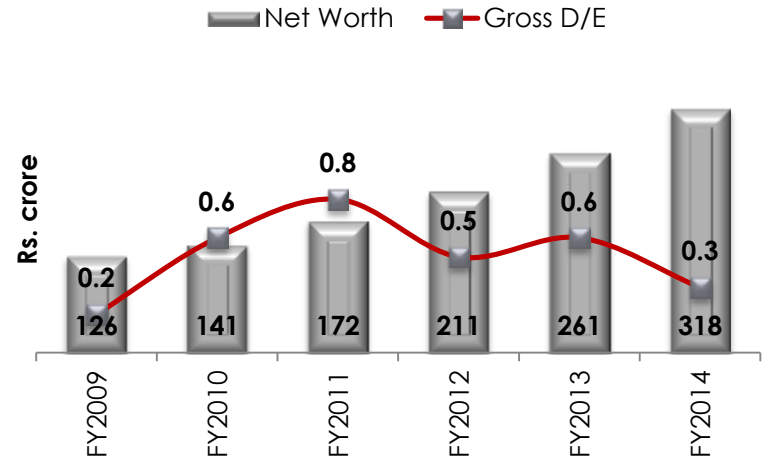
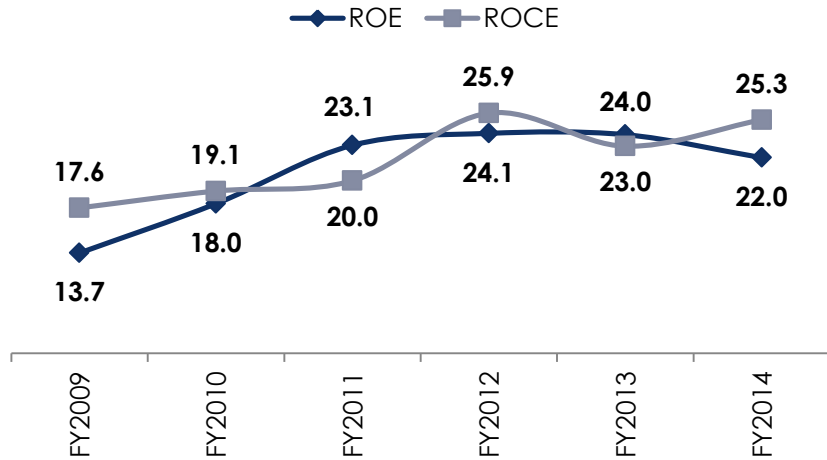
CAGR – 32%



Expanding Geographic Presence






Strong Financial Performance FY09-14



Segment-wise Breakup of Revenues –FY14 vs. FY13

Products	FY2014 (Rs. cr.)	Contribution (%)	FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	266.4	17.6%	237.8	17.5%	12.0%
Standalone UPS	36.3	2.4%	48.3	3.6%	-24.9%
Digital UPS	147.7	9.7%	173.3	12.7%	-14.7%
Electronics Segment Total	450.4	29.7%	459.4	33.8%	-1.9%
Pumps	202.2	13.3%	205.3	15.1%	-1.5%
House wiring cable	475.7	31.3%	373.5	27.5%	27.4%
LT cable	70.9	4.7%	72.8	5.4%	-2.7%
Electric water heater	135.8	8.9%	110.3	8.1%	23.0%
Fan	102.4	6.7%	79.7	5.9%	28.5%
Other Products	41.0	2.7%	26.8	2.0%	52.9%
Electricals Segment Total	1027.8	67.7%	868.4	63.8%	18.4%
Solar water heater	39.3	2.6%	32.5	2.4%	21.1%
Others Segment Total	39.3	2.6%	32.5	2.4%	21.1%
GRAND TOTAL	1517.6	100.0%	1360.2	100.0%	11.6%

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 STABILIZERS	400.00	800.00	1,200.00	Bluebird, Capri, Logicstat, Premier, Everest	100% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	4000.00	3000.00	7,000.00	Havells, Finloex	100% In-House	Electrical and Hardware Stores
 LT POWER CABLES	4300.00	3000.00	7,300.00	Havells, Finloex	100% In-House	Electrical and hardware Stores, Direct Marketing Channel

*Company estimates FY13

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 MOTOR PUMPS	900.00	1,100.00	2,000.00	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 WATER HEATERS	650.00	550.00	1,200.00	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves	90% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 FANS	3,500.00	1,500.00	5,000.00	Crompton, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates FY13

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 UPS	160.00	240.00	400.00	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 Digital UPS	6,500.00	1,000.00	7,500.00	Microtek, Luminous, Su-Kam	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	425.00	225.00	650.00	Tata BP Solar	100% In-House	Direct Marketing Channel

*Company estimates FY13

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 30% of total revenues in FY14. 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 407 distributors, 4,344 channel partners and ~25,000 retailers across the country.

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THANK YOU