

V-Guard Industries

Q4 FY2013 Earnings Presentation



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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 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 xx% and xx% between FY09-FY13
- Significant expansion in return ratios over the last four years; ROE at 24% and ROCE at 27% for FY2013

Managing Director's Message



Commenting on the performance for FY2013, Mr. Mithun Chittilappilly, Managing Director - V-Guard Industries Limited said,

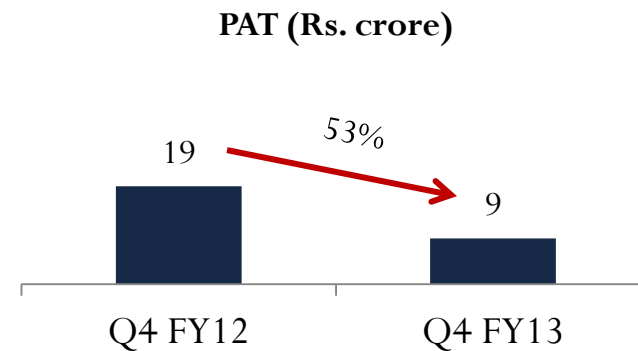
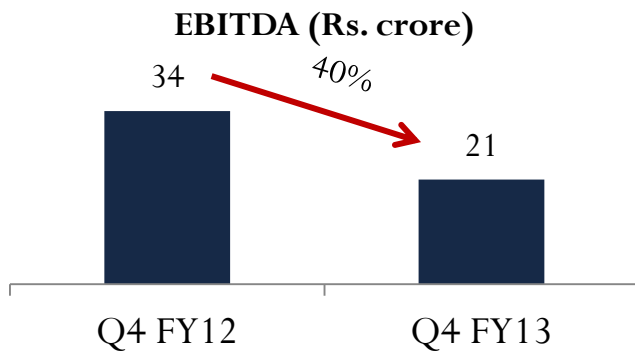
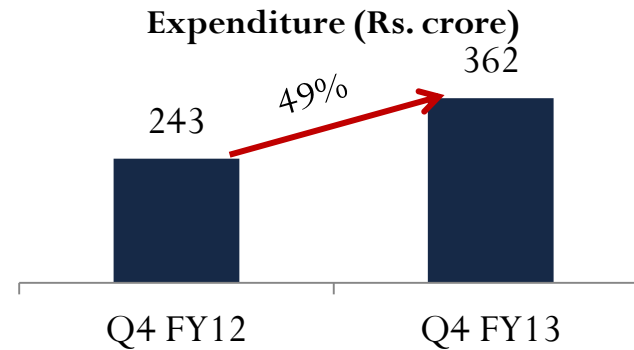
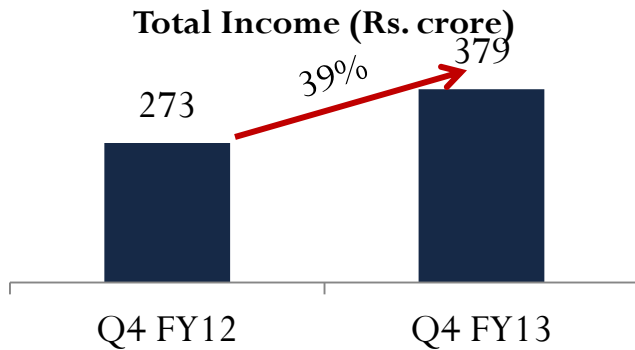
"This has been another good year for the Company recording sales growth of 41% YoY while PAT grew 24% in FY13. The growth has been broad-based across segments and driven by our expansion into the non-South markets which grew 58% in FY13 and now contribute 25% to total revenues from 5% in FY08.

With a vision to become a formidable pan-India player we continue to make disproportionate investments in non-South markets in terms of advertising and promotions. The total ad spend for FY13 stood at 4% of sales. We will continue to spend between 3.5-4% of our revenues in advertising and brand promotion initiatives going forward. We believe that this will increase our penetration and pricing power in the non-South markets.

We adopt a systematic approach for the launch of new products, introducing them only in our stronghold home market before extending to other States. Switchgears and induction cooktops which were launched this year have received a good response and already contribute Rs. 27 crore to revenues. We will be introducing them in other Southern markets in a phased manner in FY14. In Q1, we have already launched mixer grinders, our second addition to the home appliance category, leveraging the existing distribution and marketing setup for induction cookers.

We are confident on continuing our growth momentum as we move into the next financial year and expect to deliver a topline growth of 25% at margins of 9-9.5% in FY14. The key drivers for growth will be from the stabilizers, inverters and wires segments, where we continue to see strong demand. The incremental growth on existing investments will help us gain operating leverage and generate strong cash flows which we are re-investing in expanding our visibility to drive our long term growth prospects."

Financial Highlights (Q4 FY2013)



Financial Highlights (Q4 FY2013)

Key ratios (%)	Q4 FY13	Q4 FY12
EBITDA Margin	5.4%	12.4%
Net Margin	2.4%	7.0%
COGS/ Total Operating Income	75.4%	71.7%
Ad Expenditure/Total Revenues	6.3%	2.3%
Staff Cost/ Total Operating Income	4.8%	5.9%
Other Expenditure/ Total Operating Income	10.5%	10.3%
EPS (Rs.)	2.99	6.42

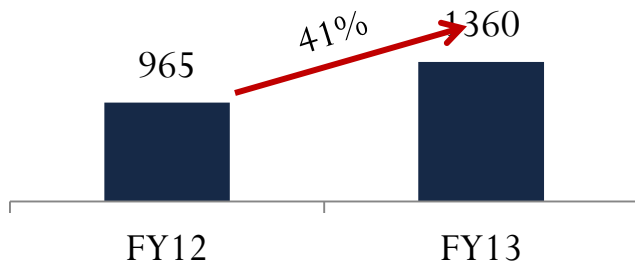
Quarter-specific events impacting margins in Q4 FY2013

1. Increased advertisement expenses (impact of 360 bps).
2. Inventory write-downs due to weak copper prices and additional discount in PVC wires (impact of 106 bps).
3. Scrapping of old spares, cleanups and other one-offs related to the consolidation on solar water heater facilities at Perunthurai (impact of 80 bps).
4. Increased inward freight expenses (impact of 80 bps).
5. Additional discounts in Inverters and Stabilizers segments that have enabled inventory liquidation (impact of 80 bps).

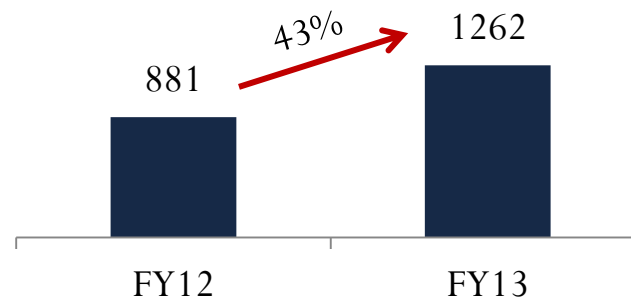


Financial Highlights (FY2013) – P&L Perspective

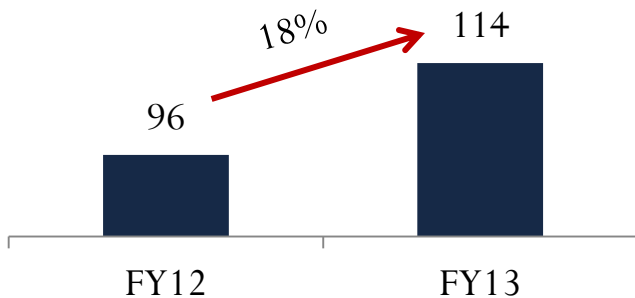
Total Income (Rs. crore)



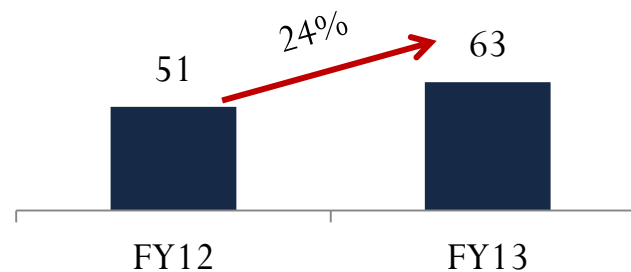
Expenditure (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	FY13	FY12
EBITDA Margin	8.3%	9.9%
Net Margin	4.6%	5.3%
COGS/ Total Operating Income	74.5%	72.8%
Ad Expenditure/Total Revenues	4.3%	4.0%
Staff Cost/ Total Operating Income	5.2%	5.4%
Other Expenditure/ Total Operating Income	10.1%	10.7%
EPS (Rs.)	21.08	17.02



Financial Highlights (FY2013) – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	31 March 2013	31 March 2012
Net worth	261.0	211.0
Total debt	165.4	101.4
○ Working capital	126.2	93.7
○ Term loan	39.2	7.7
Acceptances	94.9	32.8
Fixed Assets	151.5	130.6
Cash & Cash Equivalents	15.1	3.3

Key Ratios	FY13	FY12
Asset Turnover (x)	9.0	7.2
Inventory (days)	87	79
Debtor (days)	54	56
Creditor (days)	58	49
Working Capital Turnover (days)	83	87
RoE (%)	24.1	24.1
RoCE (%)	23.1	26.2
Debt/Equity (x)	0.63	0.52



Segment-wise Breakup of Revenues - Quarterly

Segment	Products	Q4 FY2013	Contribution (%)	Q4 FY2012	Contribution (%)	YoY growth (%)
Electronics	Stabilizers	57.9	15.3%	51.0	18.6%	13.6%
	Standalone UPS	11.5	3.0%	10.7	3.9%	8.2%
	Digital UPS	57.7	15.2%	30.5	11.2%	88.8%
	Segment Total	127.1	33.6%	92.2	33.7%	37.9%
Electricals	Pumps	67.6	17.8%	47.9	17.5%	41.2%
	House wiring cable	104.9	27.7%	75.2	27.5%	39.5%
	LT cable	16.4	4.3%	15.0	5.5%	9.0%
	Electric water heater	16.1	4.2%	12.0	4.4%	33.5%
	Fan	28.1	7.4%	22.7	8.3%	24.0%
	Other Products	8.2	2.2%	2.1	0.8%	280.0%
	Segment Total	241.3	63.7%	175.0	64.0%	37.9%
Others	Solar water heater	10.3	2.7%	6.2	2.3%	67.0%
	Others	-	-	-	-	-
	Segment Total	10.3	2.7%	6.2	2.3%	67.0%
	GRANDTOTAL	378.7	100.0%	273.4	100.0%	38.5%

Segment-wise Breakup of Revenues - Yearly

Segment	Products	FY2013	Contribution (%)	FY2012	Contribution (%)	YoY growth (%)
Electronics	Stabilizers	237.8	17.5%	192.5	20.0%	23.5%
	Standalone UPS	48.3	3.6%	41.9	4.3%	15.3%
	Digital UPS	173.3	12.7%	72.7	7.5%	138.4%
	Segment Total	459.4	33.8%	307.0	31.8%	49.6%
Electricals	Pumps	205.3	15.1%	146.7	15.2%	39.9%
	House wiring cable	373.5	27.5%	276.2	28.6%	35.2%
	LT cable	72.8	5.4%	58.0	6.0%	25.7%
	Electric water heater	110.3	8.1%	83.0	8.6%	32.9%
	Fan	79.7	5.9%	63.3	6.6%	25.8%
	Other Products	26.8	2.0%	4.4	0.5%	509.6%
	Segment Total	868.4	63.8%	631.7	65.5%	37.5%
Others	Solar water heater	32.5	2.4%	25.9	2.7%	25.3%
	Others	-	-	-	-	-
	Segment Total	32.5	2.4%	25.9	2.7%	25.3%
	GRANDTOTAL	1360.2	100.0%	964.6	100.0%	41.0%

Geographical Breakup of Gross Revenues

Region	Q4 FY2013 (Rs. cr.)	Contribution (%)	Q4 FY2012 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	287.7	75%	222.66	80%	29%
Non South	95.7	25%	54.20	20%	77%
Total	383.48	100%	276.86	100%	39%

Region	FY2013 (Rs. cr.)	Contribution (%)	FY2012 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	1,041.8	75%	762.54	78%	37%
Non South	340.1	25%	215.00	22%	58%
Total	1381.8	100%	977.5	100%	41%

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 branch in non-South markets is substantially lower than that in South markets, provides 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.

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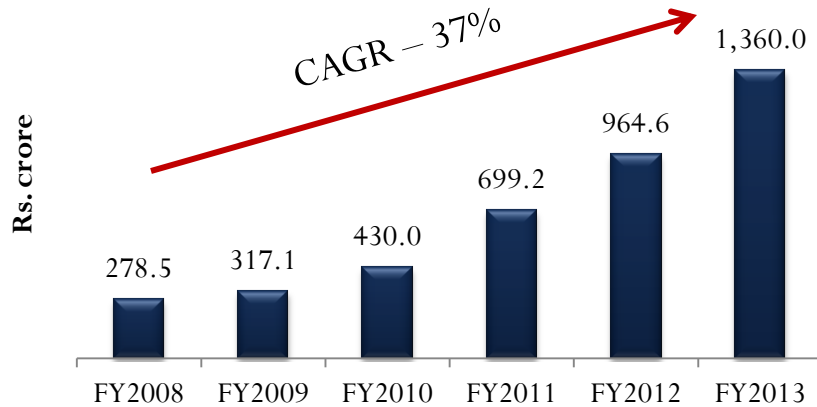
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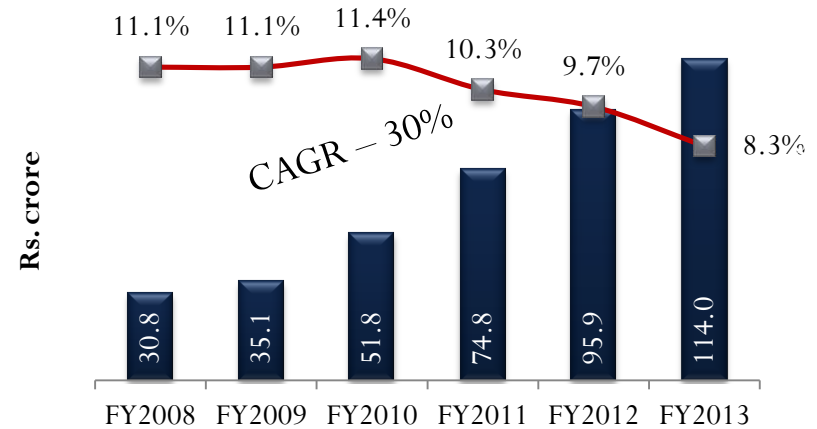
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Strong Financial Performance FY08-13

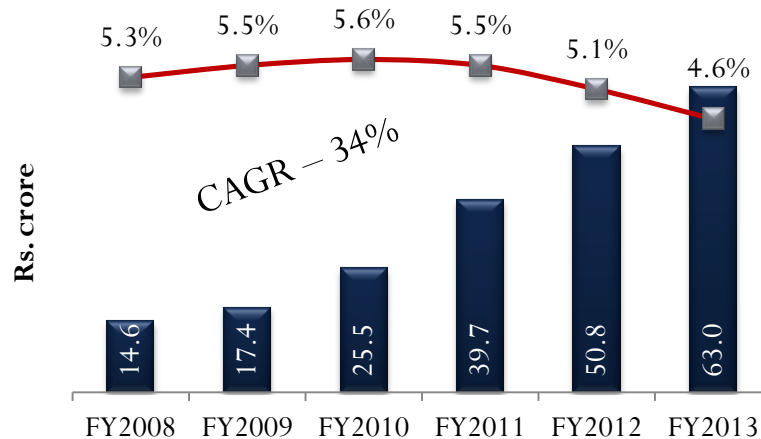
Revenue



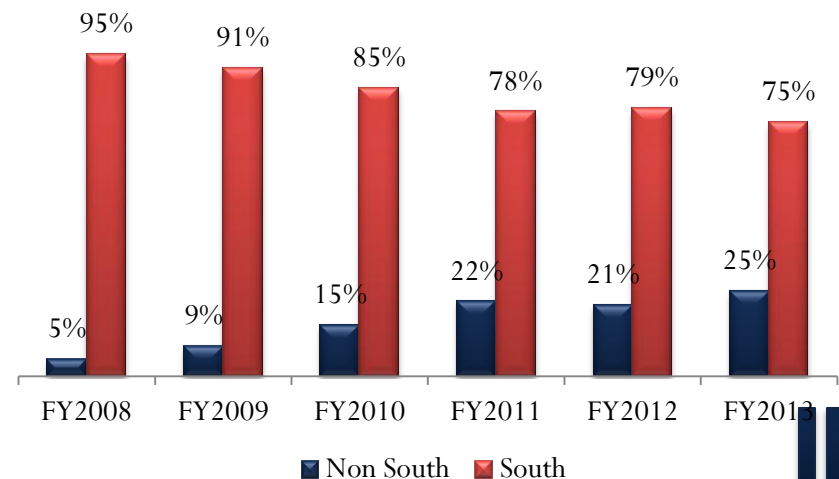
EBITDA and EBITDA Margins



PAT and PAT Margins



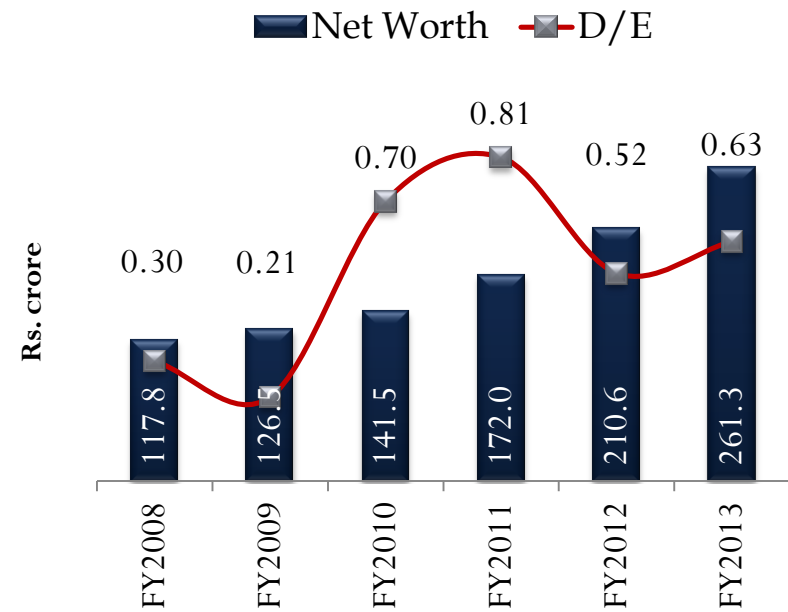
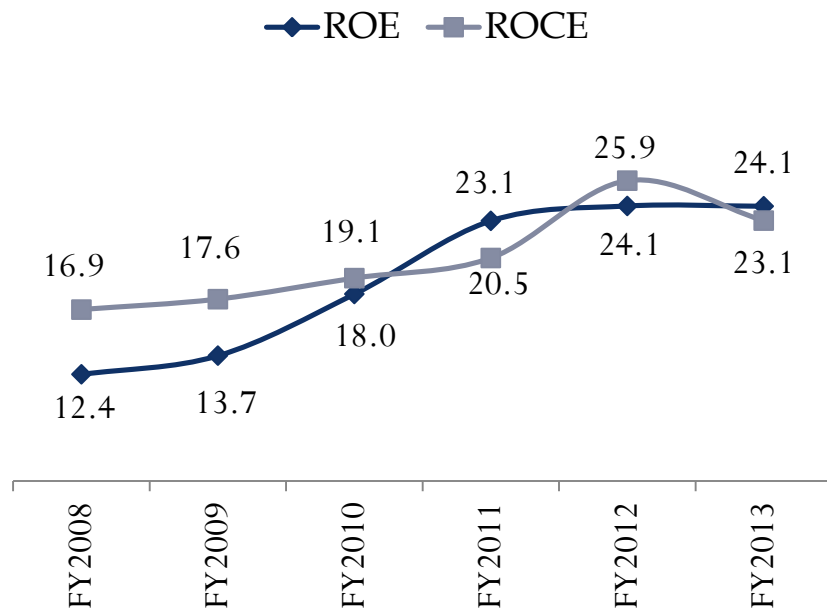
Expanding Geographic Presence



Note - Profit and related figures are excluding exceptional items

■ Non South ■ South




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%	NA
	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%
	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	51%	Bluebird, Capri, Logicstat, Premier, Everest	100% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	4000.00	3000.00	7000.00	7%	Havells, Finloex	100% In-House	Electrical and Hardware Stores
 LT POWER CABLES	4300.00	3000.00	7300.00	1%	Havells, Finloex	100% In-House	Electrical and hardware Stores, Direct Marketing Channel

*Company estimates based on FY12 data

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				
 MOTOR PUMPS	900.00	1100.00	2000.00	15%	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 WATER HEATERS	650.00	550.00	1200.00	12%	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves	90% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 FANS	3500.00	1500.00	5000.00	2%	Crompton, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates based on FY12 data

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	20%	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 Digital UPS	6500.00	1000.00	7500.00	1%	Microtek, Luminous, Su-Kam	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	425.00	225.00	650.00	6%	Tata BP Solar	100% In-House	Direct Marketing Channel

*Company estimates based on FY12 data

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 in Q1 FY14

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

