

V-Guard Industries

Q4 FY2014 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.

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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 407 distributors, 4,344 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 Q4 FY2014, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

“In a challenging consumer spending environment, we have delivered a growth of 12% in top line and bottom line this year. After two subdued quarters, we have seen a slight pickup in demand with the onset of summer in Q4 in some of our key product categories like stabilizers, house wiring cables, pumps and fans.

Our investments in increasing pan-India visibility have continued supported by ad spends to the tune of 3.9% of revenues for FY14. This has translated into market share gains in the non-South geographies which have recorded a growth of 34% in FY14 and now account for 30% of total revenues. We intend to maintain ad spends at 3.5-4% of revenues in FY15 as well.

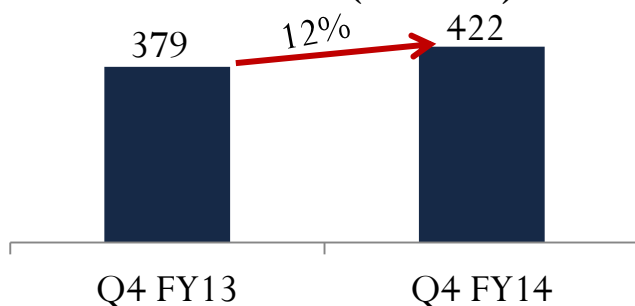
We believe our growth trajectory has bottomed out and expect to see some acceleration going forward, given the strong outlook for summer season and lower base effect. Accordingly, we expect top line growth of 20% at EBITDA margins of 8.5-9% in FY15.”

Key Highlights – Q4 FY14

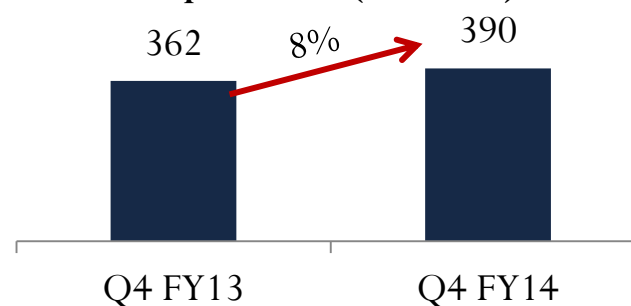
- **Revenues growth of 11.5% in Q4 FY14 to Rs. 422 crore**
 - Non-South markets grew by 31% YoY and accounted for 29% of total sales in Q4 FY14
- **EBITDA margins expand 330 bps YoY to 8.7% in Q4 FY14**
 - Ad expenditure to sales at 3.4% in Q4 FY14 vs. 6.3% in Q4 FY13 as planned
- **PAT growth of 129% YoY in Q4 FY14 to Rs. 20.5 crore**
 - EPS of Rs. 6.85 in Q4 FY14 vs. Rs. 2.99 in Q4 FY13
- **Working capital cycle by 8 days to 76 days in FY14**
 - Inventory days improve by 8 days to 82 days
 - Debtor days improve by 2 days to 51 days
- **Strong cash generation in FY14**
 - Cash from operations at Rs. 111 crore in FY14 as compared to Rs. 14.5 crore for full year FY13
- **Dividend**
 - Recommended a final dividend of Rs. 4.50/share amounting to a payout of 22.4% (including DDT) for FY14
- **Guidance for FY15**
 - Top line growth of 20% YoY driven by pumps and inverters segments
 - EBITDA margins to be between 8.5-9% on the back of operating leverage and softening of raw material prices

Financial Highlights (Q4 FY2014)

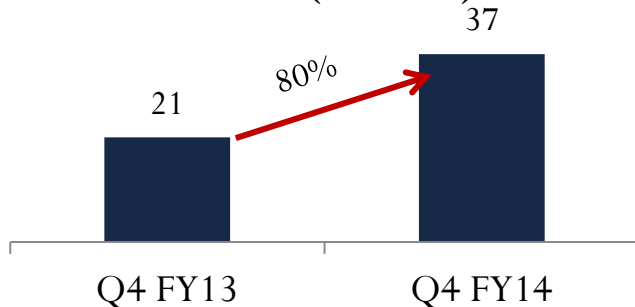
Total Income (Rs. crore)



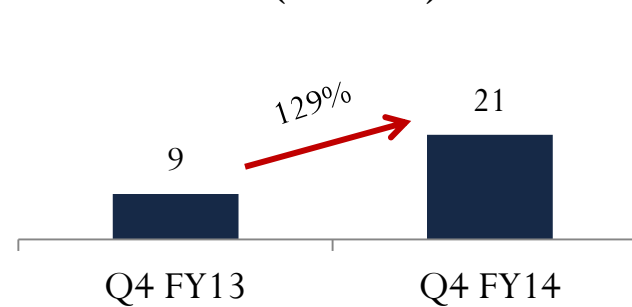
Expenditure (Rs. crore)



EBITDA (Rs. crore)



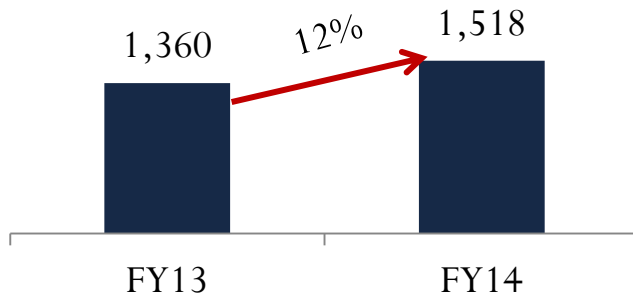
PAT (Rs. crore)



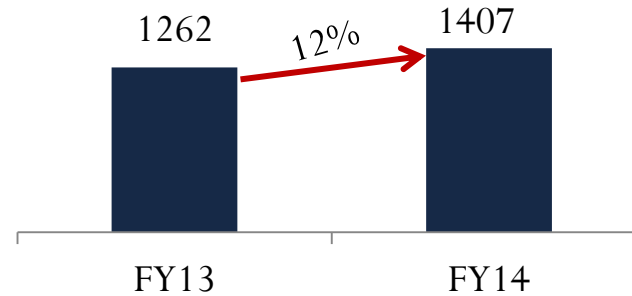
Key ratios (%)	Q4 FY14	Q4 FY13
EBITDA Margin	8.7%	5.4%
Net Margin	4.8%	2.4%
Gross Margin	24.5%	24.6%
Ad Expenditure (incl. promotions)/Total Revenues	3.4%	6.3%
Staff Cost/ Total Operating Income	4.9%	4.8%
Other Expenditure/ Total Operating Income	5.8%	6.0%
EPS (Rs.)	6.86	2.99

Financial Highlights (FY2014)

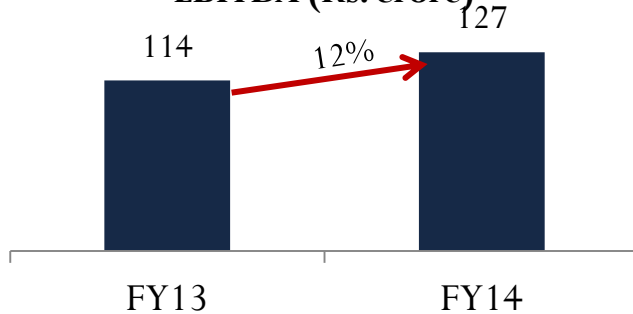
Total Income (Rs. crore)



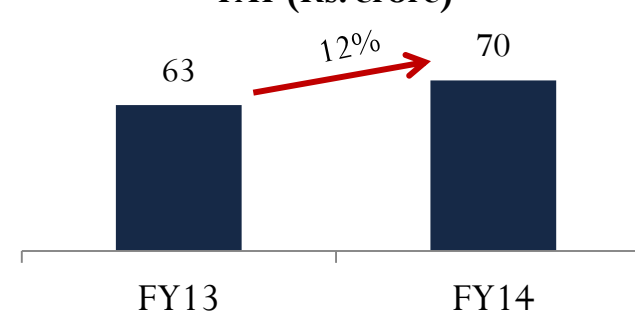
Expenditure (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	FY14	FY13
EBITDA Margin	8.4%	8.3%
Net Margin	4.6%	4.6%
Gross Margin	26.1%	25.5%
Ad Expenditure (incl. promotions)/Total Revenues	3.9%	4.3%
Staff Cost/ Total Operating Income	5.6%	5.2%
Other Expenditure/ Total Operating Income	6.3%	5.9%
EPS (Rs.)	23.47	21.08

Financial Highlights – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	31 March 2014	31 December 2013	31 March 2013
Net worth	318.4	312.9	261.3
Total debt	108.4	117.7	165.4
○ Working capital	77.4	77.1	133.4
○ Term loan	31.0	40.6	32.0
Acceptances	101.3	84.5	94.9
Fixed Assets	169.7	167.3	146.9

Key Ratios	31 March 2014	31 March 2013
Inventory (days)	82	90
Debtor (days)	51	53
Creditor (days)	57	59
Working Capital Turnover (days)	76	84
RoE (%)	22%	24%
RoCE (%)	25%	23%
Debt/Equity (x)	0.3	0.6

Please note all calculations are based on a TTM basis

Segment-wise Breakup of Revenues – Q4 FY14 vs Q4 FY13

Segment	Products	Q4 FY2014 (Rs. cr.)	Contribution (%)	Q4 FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
Electronics	Stabilizers	66.5	15.7%	57.9	15.3%	14.8%
	Standalone UPS	8.2	1.9%	11.5	3.0%	-29.3%
	Digital UPS	41.5	9.8%	57.7	15.2%	-28.0%
	Segment Total	116.1	27.5%	127.1	33.6%	-8.6%
Electricals	Pumps	72.0	17.0%	67.6	17.8%	6.5%
	House wiring cable	140.1	33.2%	104.9	27.7%	33.5%
	LT cable	18.3	4.3%	16.4	4.3%	11.7%
	Electric water heater	15.5	3.7%	16.1	4.2%	-3.7%
	Fan	39.0	9.2%	28.1	7.4%	38.7%
	Other Products	12.4	2.9%	8.2	2.2%	52.1%
	Segment Total	297.3	70.4%	241.3	63.7%	23.2%
Others	Solar water heater	9.0	2.1%	10.3	2.7%	-12.8%
	Segment Total	9.0	2.1%	10.3	2.7%	-12.8%
	GRAND TOTAL	422.4	100.0%	378.7	100.0%	11.5%

Segment-wise Breakup of Revenues –FY14 vs. FY13

Segment	Products	FY2014 (Rs. cr.)	Contribution (%)	FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
Electronics	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%
	Segment Total	450.4	29.7%	459.4	33.8%	-1.9%
Electricals	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%
	Segment Total	1027.8	67.7%	868.4	63.8%	18.4%
Others	Solar water heater	39.3	2.6%	32.5	2.4%	21.1%
	Segment Total	39.3	2.6%	32.5	2.4%	21.1%
	GRAND TOTAL	1517.6	100.0%	1360.2	100.0%	11.6%

Geographical Breakup of Gross Revenues

Region	Q4 FY2014 (Rs. cr.)	Contribution (%)	Q4 FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	301.6	71%	287.7	75%	5%
Non-South	125.1	29%	95.7	25%	31%
Total Gross	426.7	100%	383.5	100%	11%

Region	FY2014 (Rs. cr.)	Contribution (%)	FY2013 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	1081.50	70%	1041.75	75%	4%
Non-South	456.00	30%	340.05	25%	34%
Total	1,537.5	100%	1,381.8	100%	11%

Outlook

Strong demand outlook

- Household consumption expected to grow at a significant pace over the next five years
- Expansion of construction activity 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 FY2015

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

- Expectations of 20% growth in topline at margins of 8.5-9% for FY15
- 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

THANK YOU

