

# V-Guard Industries

Q4 FY2019 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 Q4 & FY19, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

*“We have delivered a growth of 12% (GST-adjusted), EBITDA growth of 20% and PAT growth of 24% for full year FY19, despite the challenges faced during the quarter in terms of unfavourable weather conditions, floods in Kerala during Onam and volatility in commodity and currency. The growth was driven by Water Heater, Fan and Wires segments. Our emerging product categories of Switchgears, Modular Switches, Kitchen Appliances and Air Coolers continue to witness strong traction and have contributed Rs 180 crore to the top-line. Modular Switches were launched in some of the non-South markets while Air Coolers were rolled out to more South and non-South markets in Q4 FY19.*

*Non-south markets continue to make steady progress recording a growth of 15.3% in FY19 and contributing 39% of the total revenue as compared to 37% a year ago. Growth in non-South markets in Q4 was impacted by the delayed onset of summer. We continue to invest in growing our presence further and envisage 50% contribution from this business over the next 4-5 years. South markets saw a strong recovery in second half of the year, recording a robust growth of over 16% in Q4.*

*Overall growth in Q4 came in at 12.3% driven by Wires, Modular Switches, Switchgears and Kitchen Appliances segments. During the quarter, we were able to land some pricing actions to bring margins back on track to 11.5% in Q4, resulting in our highest ever quarterly PAT of Rs. 59 crore, up 115%.*

*Our prudent approach and focus on profitable and sustainable growth has resulted in strong cash flow generation to the tune of Rs. 152 crore in FY19. The Board has recommended dividend of Rs 0.80 per equity share for FY19. We continue to invest towards enhancing organisational capabilities and improving our competitiveness in the market. Efforts on innovation, R&D and product development will continue to be made in order to roll out differentiated offerings and drive profitable and sustainable growth. Further, our strong balance sheet provides a platform to pursue inorganic opportunities, if a favourable opportunity comes our way.”*

# Key Highlights – Q4 & FY19



## Revenue growth of 12.3% YoY in Q4 FY19

- Q4 revenue up 12.3% YoY to Rs. 740 crore
- Strong recovery in South markets with revenue growth of 16.3%
- Non-South markets grew 6.3% YoY impacted by the delayed onset of summer in Q4 FY19
- Q4 revenues were driven by Wires, Modular Switches & Switch gear and Kitchen appliances segments
- Full year growth for FY19 stood at around 12% (GST adjusted)

## EBITDA up 106.1% YoY, PAT by 114.8% in Q4 FY19

- Ad/promotional spends at 4.6% of sales in Q4 FY19 as compared to 9.7% in Q4 FY18 on the back of the brand rejuvenation exercise launched last Q4
- EBITDA margins at 11.5% in Q4 FY19 as compared to 6.3% in Q4 FY18
- Q4 PAT of Rs. 59 crore, up 114.8%; Full year PAT at Rs. 166 crore, up 24.4%

## Balance sheet continues to be strong

- Strong cash generation continues, CFO at Rs. 152 crore in FY19 as compared to Rs. 55 crore in FY18
- Strong return ratios maintained with ROE and ROCE of 18.4% and 21.3% respectively (TTM basis) at the end of Q4 FY19
- Net cash of Rs. 157 crore on balance sheet as on 31<sup>st</sup> March 2019
- Board of Directors has recommended a final Dividend of Rs 0.80 per equity share for FY19

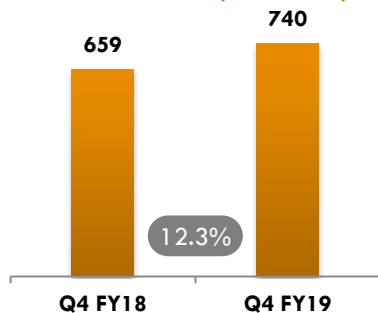
## Fund Raising

- Board of Directors has approved the proposal of raising of funds by way of issue of secured or unsecured redeemable non-convertible debentures, in one or more tranches on private placement basis, within the existing approved limit of borrowings of Rs.750 crore
- To pursue inorganic opportunities that support long term growth objectives

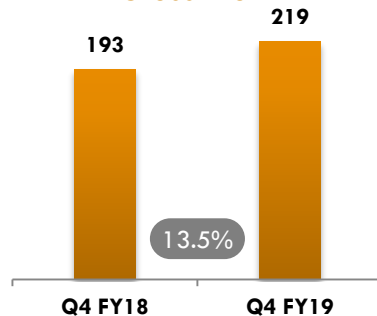
# Financial Highlights (Q4 FY19 vs Q4 FY18)



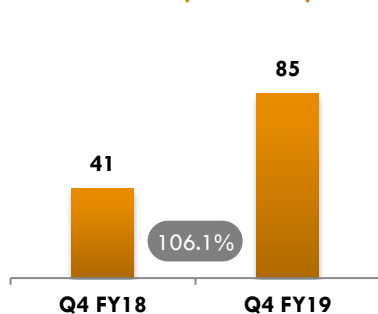
**Total Income (Rs. crore)**



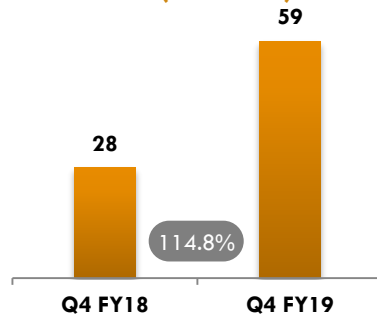
**Gross Profit**



**EBITDA (Rs. crore)**



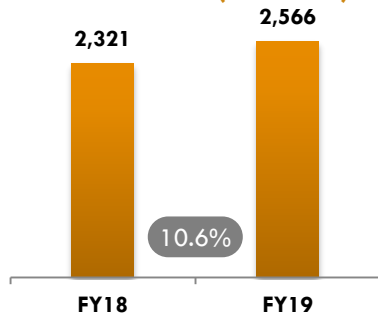
**PAT (Rs. crore)**



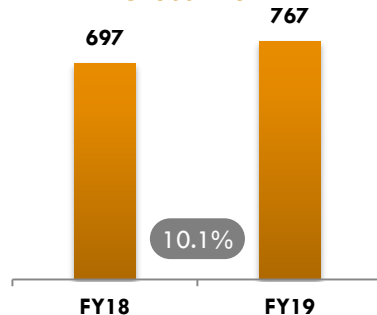
Key ratios (%)	Q4 FY19	Q4 FY18
Gross Margin	29.6%	29.3%
EBITDA Margin	11.5%	6.3%
Net Margin	8.0%	4.2%
Ad Exp (incl. promotions)/Total Revenues	4.6%	9.7%
Employee Cost/ Total Operating Income	7.1%	6.4%
Other Expenditure/ Total Operating Income	11.9%	17.1%
Tax rate	25.1%	22.9%
Diluted EPS (Rs.)	1.37	0.64

# Financial Highlights (FY19 vs FY18)

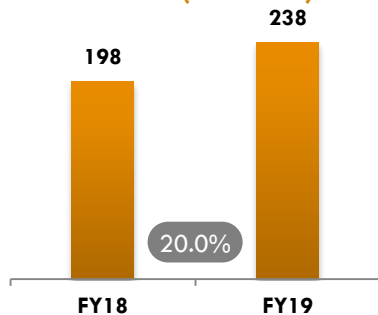
**Total Income (Rs. crore)**



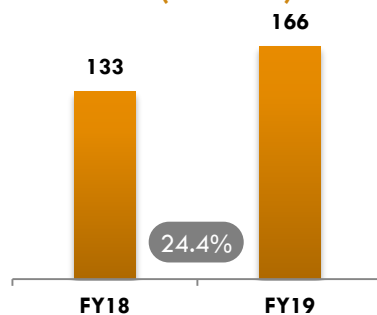
**Gross Profit**



**EBITDA (Rs. crore)**



**PAT (Rs. crore)**



Key ratios (%)	FY19	FY18
Gross Margin	29.9%	30.0%
EBITDA Margin	9.3%	8.5%
Net Margin	6.4%	5.7%
Ad Exp (incl. promotions)/Total Revenues	5.2%	6.6%
Employee Cost/ Total Operating Income	7.9%	7.3%
Other Expenditure/ Total Operating Income	13.5%	14.6%
Tax rate	22.9%	24.9%
Diluted EPS (Rs.)	3.82	3.08

# Financial Highlights – Balance Sheet Perspective



Balance Sheet Snapshot (Rs. cr)	31 Mar 2019	31 Dec 2018	31 Mar 2018
Net worth	899.7	837.5	751.6
Gross debt	10.0	10.0	2.4
Current Investments	83.1	157.1	75.2
Cash and cash equivalents	84.3	55.8	4.7
Net Cash Position (Rs. crore)	157.4	202.9	77.5
Fixed Assets	221.2	218.4	208.1

Balance Sheet Snapshot (Rs. cr)	31 Mar 2019	31 Dec 2018	31 Mar 2018
Debtor (days)	66	46	70
Inventory (days)	75	72	70
Creditor (days)	72	64	74
Working Capital Turnover (days)	69	55	66
RoE* (%)	18.4%	16.0%	17.7%
RoCE* (%)	21.3%	18.6%	22.2%

\*Calculations are on a **trailing twelve month basis**



# Segment-wise Breakup of Revenues – Q4 FY19 vs Q4 FY18



Products	Q4 FY19 (Rs. Cr)	Contribution (%)	Q4 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	205.5	28%	207.7	32%	-1.1%
Electricals	355.2	48%	294.6	45%	20.6%
Consumer Durables	179.0	24%	156.3	24%	14.5%
<b>Grand Total</b>	<b>739.7</b>	<b>100%</b>	<b>658.6</b>	<b>100%</b>	<b>12.3%</b>

Products	Q4 FY19 (Rs. Cr)	Contribution (%)	Q4 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Stabilizers	123.9	17%	120.5	18%	2.9%
UPS (Digital + Standalone)	81.5	11%	87.2	13%	-6.5%
Pumps	88.2	12%	87.2	13%	1.1%
Wires	236.9	32%	189.8	29%	24.8%
Water Heaters (Electric + Solar)	49.7	7%	43.7	7%	13.8%
Fans	102.4	14%	94.8	14%	8.0%
Kitchen Appliances	20.0	3%	14.1	2%	41.7%
Switchgears & Modular Switches	30.1	4%	17.5	3%	72.2%
Air Coolers	6.9	1%	3.7	1%	87%
<b>GRAND TOTAL</b>	<b>739.7</b>	<b>100.0%</b>	<b>658.5</b>	<b>100.0%</b>	<b>12%</b>

Electronics – Stabilizers, UPS, Solar Inverter; Electricals – Wires, Pumps, Switchgears, Modular Switches; Consumer Durables – Fans, Water Heaters, Kitchen Appliances, Air Coolers

# Segment-wise Breakup of Revenues – FY19 vs FY18



Products	FY19 (Rs. Cr)	Contribution (%)	FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	759.9	30%	729.2	31%	4.2%
Electricals	1128.6	44%	1017.1	44%	11.0%
Consumer Durables	677.9	26%	575.0	25%	17.9%
<b>Grand Total</b>	<b>2,566.4</b>	<b>100%</b>	<b>2,321.3</b>	<b>100%</b>	<b>10.6%</b>

Products	FY19 (Rs. Cr)	Contribution (%)	FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Stabilizers	448.5	17%	443.2	19%	1.2%
UPS (Digital + Standalone)	311.4	12%	286.0	12%	8.9%
Pumps	275.2	11%	275.4	12%	-0.1%
Wires	765.6	30%	688.6	30%	11.2%
Water Heaters (Electric + Solar)	324.5	13%	284.5	12%	14.0%
Fans	259.5	10%	228.4	10%	13.6%
Kitchen Appliances	81.4	3%	58.4	3%	39.4%
Switchgears & Modular Switches	87.8	3%	53.1	2%	65.3%
Air Coolers	12.6	0%	3.7	0%	240.8%
<b>GRAND TOTAL</b>	<b>2,566.4</b>	<b>100.0%</b>	<b>2,321.3</b>	<b>100.0%</b>	<b>10.6%</b>

Electronics – Stabilizers, UPS, Solar Inverter; Electricals – Wires, Pumps, Switchgears, Modular Switches; Consumer Durables – Fans, Water Heaters, Kitchen Appliances, Air Coolers

Note 1: Consequent to the introduction of GST w.e.f. July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. Unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. The YoY growth calculations appearing in this section, are not strictly comparable with prior periods.

# Geographical Breakup of Revenues

Region	Q4 FY19 (Rs. Cr)	Contribution (%)	Q4 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	464.0	63%	399.1	61%	16.3%
Non-South	275.7	37%	259.5	39%	6.3%
<b>Total Revenue</b>	<b>739.7</b>	<b>100%</b>	<b>658.6</b>	<b>100%</b>	<b>12.3%</b>

Region	FY19 (Rs. Cr)	Contribution (%)	FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	1,576.1	61%	1,462.8	63%	7.7%
Non-South	990.3	39%	858.8	37%	15.3%
<b>Total Revenue</b>	<b>2,566.4</b>	<b>100%</b>	<b>2,321.6</b>	<b>100%</b>	<b>10.5%</b>

# Business Outlook



- The Company is confident of achieving a topline growth of 15% over the next few years driven by expansion into non-South markets and introduction of new product categories.
- We continue to undertake business strengthening initiatives and putting in place best in class processes and systems to future-proof the organization. We are focused on putting in place best-in-class processes and systems to future-proof the organization, including enhancing capabilities in new product development, quality control and salesforce automation.
- The Company envisages adding 3,000-5,000 retailers across the country every year over the next five years with higher addition in the non-South region.
- Going forward, the Company shall continue to build upon its competitive positioning in the consumer electricals, electronics and durables industry. The Company will maintain its thrust on advertising and promotions to increase its brand visibility and penetration in the non-South markets under its new brand identity reflecting the company's transformation into a leading multi-product, pan-India player in the Consumer Electricals space.
- Two-thirds of the Company's distribution network has already been established in the non-South region. This provides significant potential for revenue growth and operating leverage to expand on existing investments. The Company envisages the non-South markets to contribute to 50% over the next five years.
- Efforts on innovation, R&D and product development will continue to be made in order to roll out differentiated offerings in a competitive industry. We have products that are connected, controlled and M2M capable and are bringing capabilities like machine learning as well. We are also building in auto diagnostics into devices. We are also working on a digital strategy for the company that includes looking at the predictive maintenance in plants, using Artificial Intelligence. We are focusing on Six Sigma, TPM, lean manufacturing, etc at our 10 plants in India. The manufacturing execution system (MES) acts as an enabler for Industry 4.0, providing real-time factory data.
- The cash positive balance sheet enables us to pursue inorganic opportunities, if valuations favour. We are looking at companies having product range synergy with V-Guard, providing manufacturing capabilities or strong regional players where V-Guard can expand its geographic footprint.



# Annexure

# Company Overview



## **Comprehensive portfolio catering to the mass consumption market**

- **Electronics** – Stabilizers, UPS, Solar Inverter; **Electricals** – Wires, Pumps, Switchgears, Modular Switches; **Consumer Durables** – Fans, Water Heaters, Kitchen Appliances, Air Coolers
- Household consumption market will continue to grow at a significant pace going forward

## **Invested in a strong distribution network**

- Spread over 30 branches nationwide
- Network of 30,000+ 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 ~58% of its products from a range of vendors
- Tie-ups with SSIs/self-help groups spread across southern India
- 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

# Production Model



**PVC Wires Factory**



**Solar Water Heater Factory**



**Stabilizer Manufacturing Units**

Product	No. of Units	Location
<b>Own Manufacturing Facilities</b>		
PVC Wiring Cables	2	Coimbatore, Kashipur
Pumps & Motors	1	Coimbatore
Fans	1	Himachal Pradesh
Water Heater	2	Himachal Pradesh, Sikkim
Solar Water Heaters	1	Perundurai
Stabilizers	2	Sikkim
<b>Outsourced production facilities</b>		
Stabilizers	57	Across India
Pumps	18	“
Fans	11	“
UPS	9	“

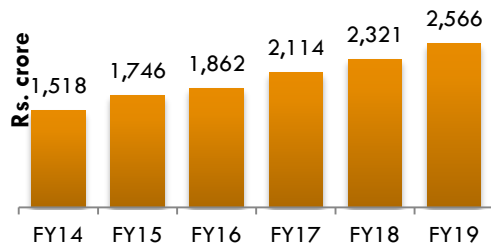
## Outsourcing Objectives

- Asset light model outsourcing ~58% 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
- Blended manufacturing policy helps optimize capex and working capital requirements

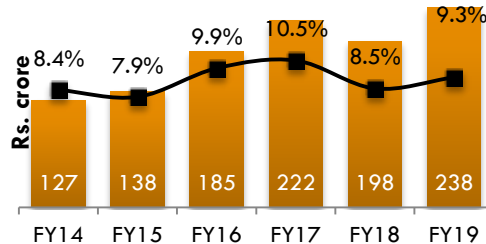
# Financial Highlights (FY14-19)



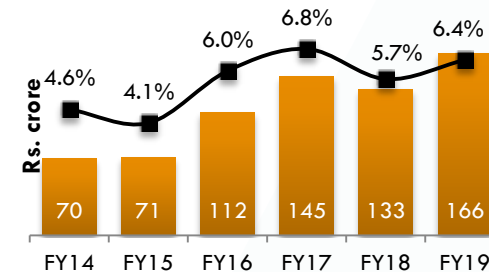
### Revenue



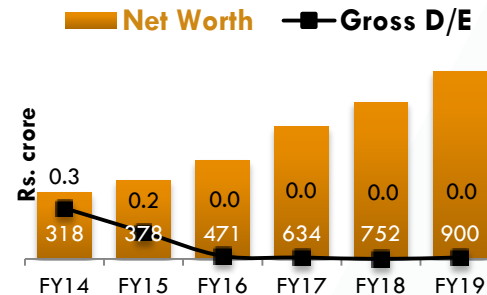
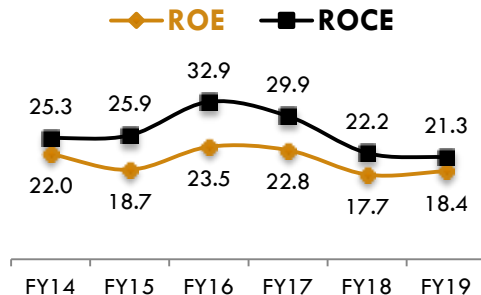
### EBITDA and EBITDA Margins



### PAT and PAT Margins



**Note 1:** Please note that consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. Hence, the revenue and growth calculations for FY18, are not strictly comparable with FY17 and prior periods. **Note 2:** V-Guard underwent brand rejuvenation in Q4 FY18 where significant investments (Rs. 45 crore ATL spends) were made resulting in lower EBITDA and PAT for FY18.



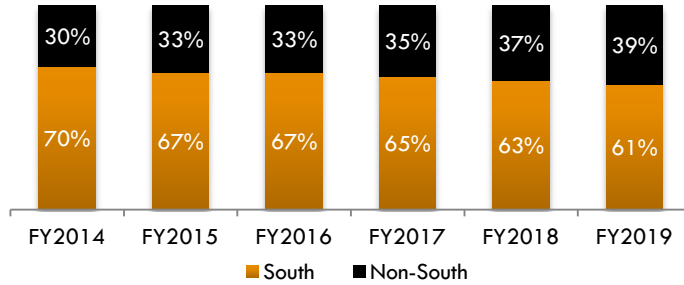
**Note 3:** V-Guard adopted Ind-AS framework starting FY18. Numbers for FY17 have been reinstated in compliance with Ind-AS to draw meaningful comparison. Prior period numbers are in IGAAP and not comparable.



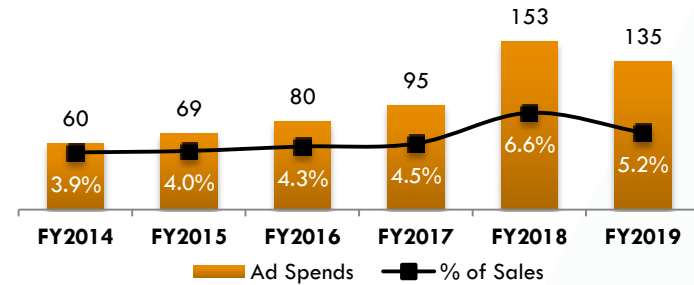
# Operational Highlights (FY14-19)



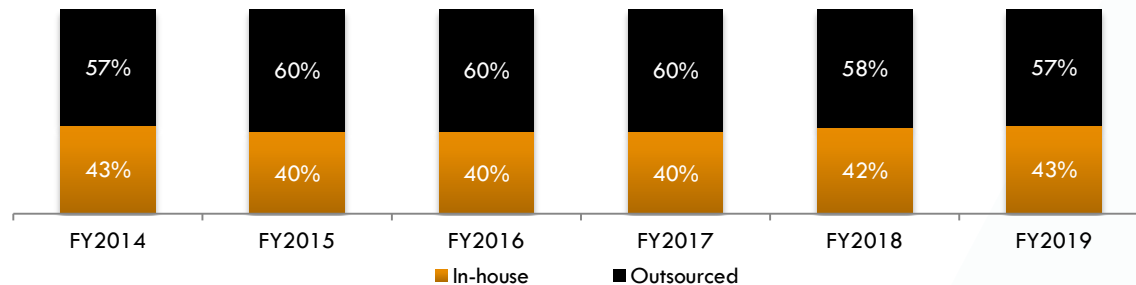
### Expanding Geographic Presence



### Ad & Promo Spends and as a % of Sales



### In-house Manufacturing vs. Outsourcing



# Market Size across Product Segments



Products		STABILIZERS	PVC WIRES	COOKTOPS	MOTOR PUMPS
Market Size (Rs. Crore)*	Organized	700.00	5,500.00	420.00 – 450.00	5,500.00
	Unorganized	550.00	4,000.00	180.00 – 200.00	5,000.00
	<b>Total</b>	<b>1,250.00</b>	<b>9,500.00</b>	<b>600.00 – 650.00</b>	<b>10,500.00</b>
Key Players		Micro tech, Livguard, Bluebird, Capri, Logicstat, Premier, Everest	Polycab, Havells, Finloex, RR Cables, Anchor	Prestige, Bajaj Electrials, TTK Prestige, Preethi, Butterfly	Crompton Greaves, Kirloskar, CRI, Texmo
Production Model		62% Outsourced	100% In-House	100% Outsourced	90% Outsourced
Distribution Channel Strategy		Consumer Durable stores, Electrical and Hardware Stores	Electrical and Hardware Stores	Consumer Durables / Kitchen Appliances stores	Electrical and hardware Stores, Pump and Pipe fittings Stores

\*Company estimates FY16

# Market Size across Product Segments



Products		WATER HEATERS	FANS	UPS	Digital UPS
Market Size (Rs. Crore)*	Organized	1,325.00	5,000.00	160.00	4,500.00
	Unorganized	700.00	1,500.00	240.00	750.00
	<b>Total</b>	<b>2,025.00</b>	<b>6,500.00</b>	<b>400.00</b>	<b>5,250.00</b>
Key Players		A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves, Usha	Crompton, Usha, Bajaj Electricals, Havells, Orient	Numeric, APC, Emerson	Microtek, Luminous, Su-Kam, Exide
Production Model		55% Outsourced	90% Outsourced	100% Outsourced	100% Outsourced
Distribution Channel Strategy		Consumer Durable stores, Electrical and Hardware Stores	Consumer Durable stores, Electrical and Hardware Stores	Consumer Durable stores	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores

\*Company estimates FY16

# Market Size across Product Segments



Products		SOLAR WATER HEATER	SWITCHGEAR	GAS STOVES	MIXER GRINDERS
Market Size (Rs. Crore)*	Organized	420.00	1,400.00	1,000.00	1,500.00
	Unorganized	180.00	600	1,000.00	1,000.00
	<b>Total</b>	<b>600.00</b>	<b>2,000.00^</b>	<b>2,000.00</b>	<b>2,500.00</b>
Key Players		Racold, Emmvee Solar, Sudarshan, Supreme	Havells, Legrand, L&T, ABB	Butterfly (glass top), Sun Flame (steel)	Preethi, Bajaj Electricals, Butterfly, Panasonic
Production Model		100% In-House	100% Outsourced	100% Outsourced	100% Outsourced
Distribution Channel Strategy		Direct Marketing Channel	Electrical stores	Consumer Durables / Kitchen Appliances stores	Consumer Durables / Kitchen Appliances stores

\*Company estimates FY16; ^The market size where V-Guard is present; total domestic switchgear market estimated at Rs. 4,000 crore

# 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 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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**THANK YOU**