

V-Guard Industries

Q4 FY20 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 FY20, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said, "Collateral impact from the nationwide lockdown in the last few days of the financial year had a significantly adverse impact on our fourth quarter revenues. Typically, the second half of March tends to be big, due to pre-build of summer products at the trade and also due to closing of annual schemes & incentives. This year, the timing of the lockdown resulted in V-Guard not being able to capture these revenues. We estimate that the company's topline has been impacted to the extent of Rs. 250 crore with EBITDA compression of about Rs. 70 crore. As a consequence, during Q4, we have reported lower revenues and contraction in EBITDA margins.

Even before the lockdown, FY20 had been a slow year for growth, based on weak consumer demand, tight liquidity and reduced discretionary spending. In the first nine months of the year, revenue had increased by 6.5%, in the framework of prevailing market conditions, which is much lower than V-Guard's historical growth trend. Despite that, our disciplined pricing actions and focus on premiumization of the portfolio has enabled us to expand gross margins. We have also derived the benefit of greater contribution from in-house manufacturing, stable currency and benign commodity prices. We have re-invested some of these gains in systems, processes and capabilities required to create a stronger, future-ready organization.

At V-Guard, we continue to launch new products with focus on quality and technology. We are also leveraging existing investments in brand, marketing and distribution to diversify the portfolio. In addition, we are balancing the revenue profile by growing non-South markets – contribution from non-South exceeded 40% of the business for the first time in FY20, which is an important milestone for us.

Currently, while the lockdown situation has eased to some extent in select markets, we expect the effect of the pandemic to last for a few months before the situation reverts to normal. During this period, consumer demand for discretionary items is expected to remain subdued. However, beyond this extraordinary phase, we expect our strong brand, innovation-driven products and solid business fundamentals to further strengthen our market position nationwide."

Key Highlights – Q4 FY20



Revenue lower by 27.5% YoY in Q4 FY20

- Q4 FY20 revenue declined by 27.5% YoY to Rs. 537 crore
 - Non-South market revenues declined by 21.2% while South markets were lower by 31.2%
 - Non-South markets' contribution increased to 40.5% of the net revenue in Q4 FY20 compared to 37.3% in Q4 FY19
 - Pricing actions and focus on premiumization of portfolio have been key focus areas
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EBITDA and PAT decline based on lower business volumes

- Gross margins expand 370 bps YoY to 33.3%
 - EBITDA margins (excl other income) at 8.4% as compared to 10.6%, due to decline in business volumes
 - Ad/promotional spends lower at 3.7% of revenue sales in Q4 FY20 as compared to 4.6% in Q4 FY19
 - Q4 FY20 PAT of Rs. 32.5 crore, down 45.1%; PAT margin at 6.1% as against 8.0% in Q4 FY19
 - FY20 PAT up 11.9% to Rs. 185.2 crore based on strong margin expansion during the year
-

Strong cash flow generation; robust balance sheet

- CFO at Rs. 139.38 crore in FY20 as compared to Rs. 153.41 crore in FY19.
- Strong return ratios maintained with ROE and ROCE of 18.6% and 22.5 % respectively (TTM basis) at the end of Q4 FY20.
- Net cash of Rs. 138 crore on balance sheet as on 31st March 2020, despite significantly higher inventory resulting from the lockdown

P&L Snapshot

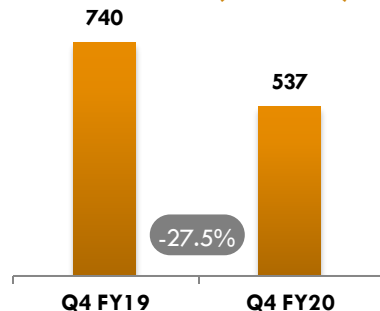


P&L Statement Particulars	Q4 FY20 (Rs. Cr)	Q4 FY19 (Rs. Cr)	Change %	Q3 FY20 (Rs. Cr)	FY 20 (Rs. Cr)	FY 19 (Rs. Cr)	Change %
Net Revenue	536.63	739.69	-27.5%	626.64	2,481.96	2,566.44	-3.3%
COGS	357.75	520.81	-31.3%	418.58	1,658.20	1,799.18	-7.8%
Gross Margin	33.3%	29.6%	3.7%	33.2%	33.2%	29.9%	3.3%
EBITDA (excluding other income)	45.16	78.15	-42.2%	59.42	253.27	219.42	15.4%
as a % to Net Revenue (NR)	8.4%	10.6%	-2.1%	9.5%	10.2%	8.5%	1.7%
Other Income (including finance income)	5.19	6.76	-23.2%	5.44	23.99	18.25	31.4%
EBITDA after other income	50.35	84.90	-40.7%	64.86	277.26	237.68	16.7%
as a % to NR	9.4%	11.5%	-2.1%	10.4%	11.2%	9.3%	1.9%
PBT	42.40	79.13	-46.4%	56.55	245.44	214.59	14.4%
as a % to NR	7.9%	10.7%	-2.8%	9.0%	9.9%	8.4%	1.5%
PAT	32.51	59.24	-45.1%	42.88	185.16	165.53	11.9%
as a % to NR	6.1%	8.0%	-2.0%	6.8%	7.5%	6.4%	1.0%

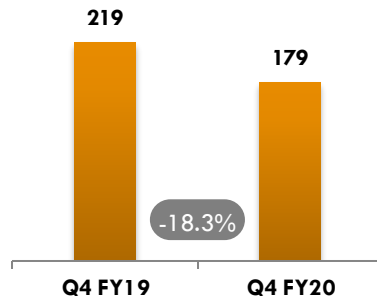
Note: Adopted Ind-AS 116 (Leases) from April 1, 2019. The impact on Profit Before Tax is not material.

Financial Highlights (Q4 FY20 vs. Q4 FY19)

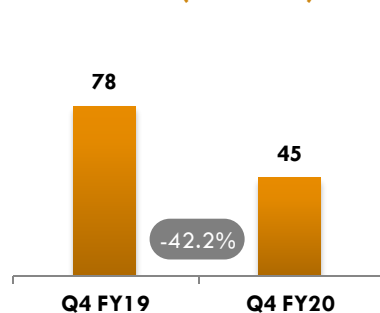
Total Income (Rs. crore)



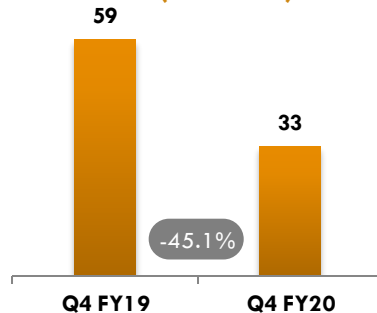
Gross Profit



EBITDA (Rs. crore)



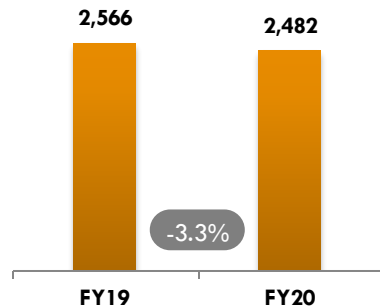
PAT (Rs. crore)



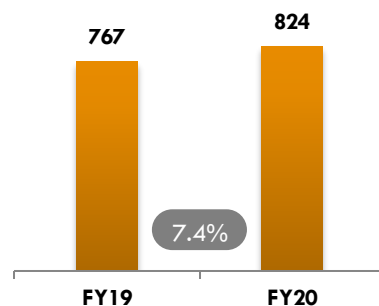
Key ratios (%)	Q4 FY20	Q4 FY19
Gross Margin	33.3%	29.6%
EBITDA Margin (excl. other income)	8.4%	10.6%
Net Margin	6.1%	8.0%
Ad Exp (incl. promotions)/Total Revenues	3.7%	4.6%
Employee Cost/ Total Operating Income	8.0%	7.1%
Other Expenditure/ Total Operating Income	16.9%	11.9%
Tax rate	23.3%	25.1%
Diluted EPS (Rs.)	0.75	1.37

Financial Highlights (FY20 vs. FY19)

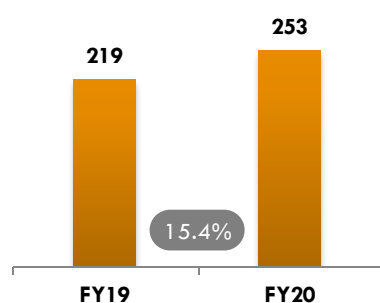
Total Income (Rs. crore)



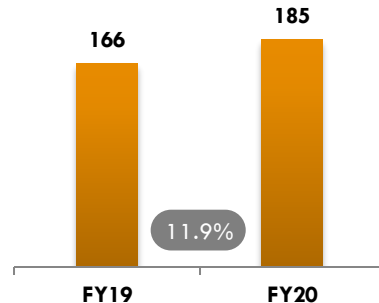
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	FY20	FY19
Gross Margin	33.2%	29.9%
EBITDA Margin (excl. other income)	10.2%	8.5%
Net Margin	7.5%	6.4%
Ad Exp (incl. promotions)/Total Revenues	4.5%	5.2%
Employee Cost/ Total Operating Income	8.3%	7.9%
Other Expenditure/ Total Operating Income	14.7%	13.5%
Tax rate	24.6%	22.9%
Diluted EPS (Rs.)	4.28	3.82

Financial Highlights – Balance Sheet Perspective



Balance Sheet Snapshot (Rs. cr)	31 March 2020	30 December 2019	31 March 2019
Net worth	993.8	1008.7	899.7
Gross debt	10.0	10.0	10.0
Current Investments	36.0	180.0	83.1
Cash and cash equivalents	111.5	153.3	84.3
Net Cash Position (Rs. crore)	137.5	323.3	157.4
Fixed Assets	334.4	313.4	221.2

Note: Increase in Fixed Assets to the tune of Rs 35.5 crore on account of adopted Ind-AS 116 from April 1, 2019.

Balance Sheet Snapshot (Rs. cr)	31 March 2020	30 December 2019	31 March 2019
Debtor (days)	47	52	66
Inventory (days)	105	67	75
Creditor (days)	66	61	72
Working Capital Turnover (days)	86	58	69
RoE* (%)	18.6%	21.0%	18.4%
RoCE* (%)	22.5%	25.5%	21.3%

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

Segment-wise Breakup – Q4 FY20 vs. Q4 FY19



Segment Revenue	Q4 FY20 (Rs. Cr)	Contribution (%)	Q4 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	150.3	28.0%	205.5	27.8%	-26.8%
Electricals	242.2	45.1%	355.2	48.0%	-31.8%
Consumer Durables	144.1	26.9%	179.0	24.2%	-19.5%
Grand Total	536.6	100.0%	739.7	100.0%	-27.5%

Segment Result	Q4 FY20 (Rs. Cr)	Margin (%)	Q4 FY19 (Rs. Cr)	Margin (%)	YoY growth (%)
Electronics	21.3	14.1%	30.3	14.8%	-29.9%
Electricals	19.2	7.9%	34.9	9.8%	-44.9%
Consumer Durables	3.5	2.5%	11.8	6.6%	-70.1%
Grand Total	44.0	8.2%	77.1	10.4%	-42.9%

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

Segment-wise Breakup – FY20 vs. FY19



Segment Revenue	FY20 (Rs. Cr)	Contribution (%)	FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	754.5	30.4%	759.9	29.6%	-0.7%
Electricals	1053.0	42.4%	1128.6	44.0%	-6.7%
Consumer Durables	674.5	27.2%	677.9	26.4%	-0.5%
Grand Total	2482.0	100.0%	2566.4	100.0%	-3.3%

Segment Result	FY20 (Rs. Cr)	Margin (%)	FY19 (Rs. Cr)	Margin (%)	YoY growth (%)
Electronics	123.7	16.4%	95.2	12.5%	29.9%
Electricals	81.3	7.7%	84.0	7.4%	-3.2%
Consumer Durables	39.9	5.9%	31.9	4.7%	25.1%
Grand Total	244.9	9.9%	211.2	8.2%	16.0%

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

Geographical Breakup of Revenues

Region	Q4 FY20 (Rs. Cr)	Contribution (%)	Q4 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	319.4	59.5%	464.0	62.7%	-31.2%
Non-South	217.2	40.5%	275.7	37.3%	-21.2%
Total Revenue	536.6	100%	739.7	100%	-27.5%

Region	FY20 (Rs. Cr)	Contribution (%)	FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	1,477.6	59.5%	1,576.1	61.4%	-6.3%
Non-South	1,004.4	40.5%	990.3	38.6%	1.4%
Total Revenue	2,482.0	100.0%	2,566.4	100.0%	-3.3%

Business Outlook



- The Company is confident of achieving a topline growth of 15% over the longer term driven by expansion into non-South markets and introduction of new product categories.
- The Company continues to undertake business strengthening initiatives and 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. The Company has products that are connected, controlled and M2M capable and is bringing capabilities like machine learning as well. The Company is also building in auto diagnostics into devices, working on a digital strategy that includes looking at the predictive maintenance in plants, using Artificial Intelligence. In addition, the Company is focusing on Six Sigma, TPM, lean manufacturing, etc at our nine 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 the pursuit of inorganic opportunities, subject to valuations. The focus is on 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 31 branches nationwide
- Network of 40,000+ 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

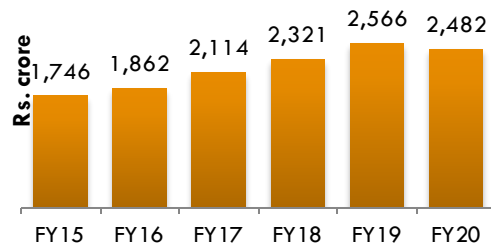
Product	No. of Units	Location
Own Manufacturing Facilities		
PVC Wiring Cables	2	Coimbatore, Kashipur
Pumps & Motors	1	Coimbatore
Fans	1	Himachal Pradesh
Water Heater	2	Himachal Pradesh, Sikkim
Solar Water Heaters	1	Perundurai
Stabilizers	2	Sikkim
Outsourced production facilities		
Stabilizers	57	Across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

Outsourcing Objectives

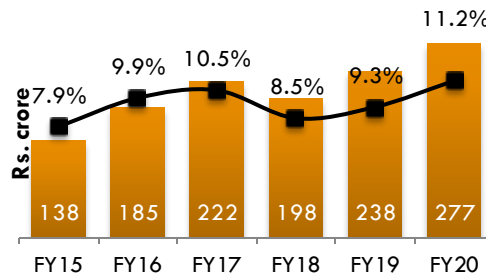
- Asset light model outsourcing ~58% products
- Complete control over supply chain ecosystem
- R&D support to vendors' technical teams
- Quality assurance official posted at vendors' production units to ensure maintenance of quality
- Owns all its designs and moulds
- Helps procure raw material for the 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 (FY15-20)

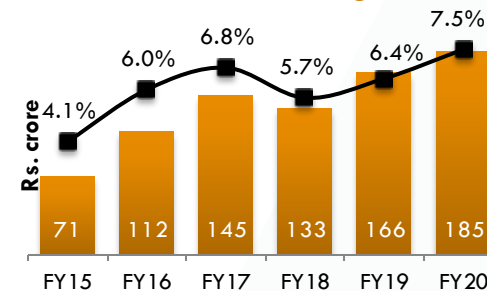
Revenue



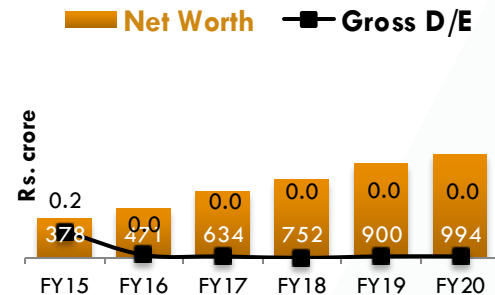
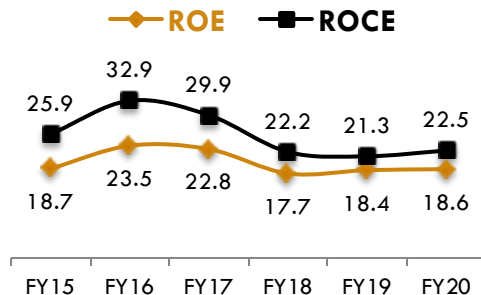
EBITDA and EBITDA Margins



PAT and PAT Margins



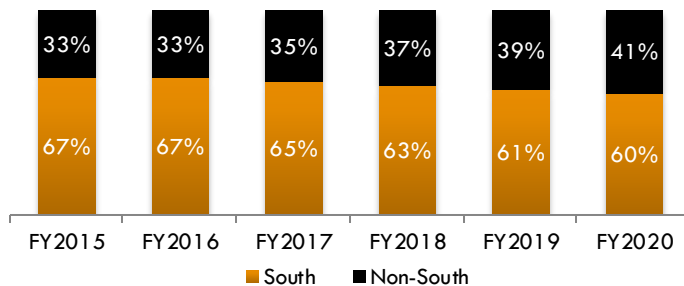
Note 1: Please note that consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. Hence, the revenue and growth calculations from FY18 onwards, are not strictly comparable with 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 & PAT for FY18.



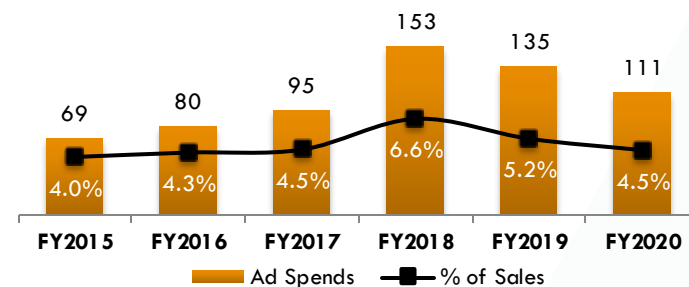
Note 3: V-Guard adopted Ind-AS framework starting FY18. Numbers for FY17 have been reinstated in compliance with Ind-AS to draw meaningful comparison. Prior period numbers are in IGAAP and not comparable.

Operational Highlights (FY15-20)

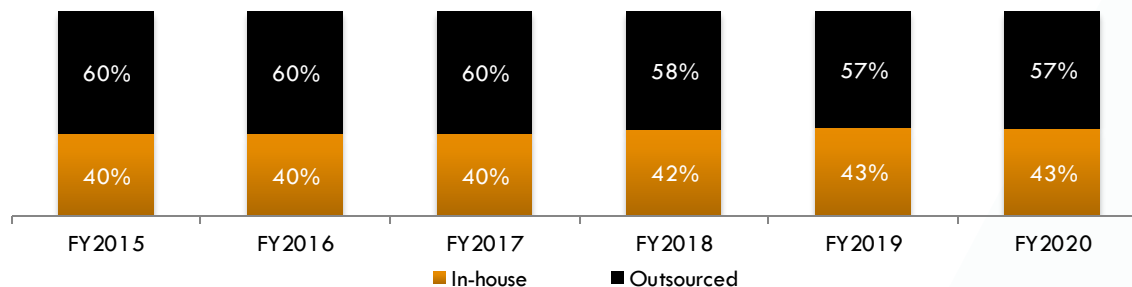
Expanding Geographic Presence



Ad & Promo Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



Market Size across Product Segments



19



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
	Total	1,250.00	9,500.00	600.00 – 650.00	10,500.00
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
	Total	2,025.00	6,500.00	400.00	5,250.00
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

Market Size across Product Segments



21



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
	Total	600.00	2,000.00^	2,000.00	2,500.00
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 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 cables, Electric water heaters, Fans, Solar water heaters and has also recently forayed into Induction cooktops, switchgears, modular switches, air coolers 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 39% of total revenues in FY19. 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 31 branches spread across ~40,000+ retailers across the country.



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THANK YOU