

V-Guard Industries

Q3 & 9M FY2013 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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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, 2500 channel partners and 13,000 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 and cable 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 20% 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 38% and 37% between FY08-FY12
- Significant expansion in return ratios over the last four years; ROE at 24% and ROCE at 21% for FY2012

Managing Director's Message



Commenting on the performance for Q3 & 9M FY2013, Mr. Mithun Chittilappilly, Managing Director - V-Guard Industries Limited said,

"We have reported another strong performance this quarter with topline growth of 42% driven by broad-based growth across our Electronics and Electricals product categories. Non-south expansion continues at a faster rate contributing to 23% of the total turnover, while we consolidate our stronghold in the South market.

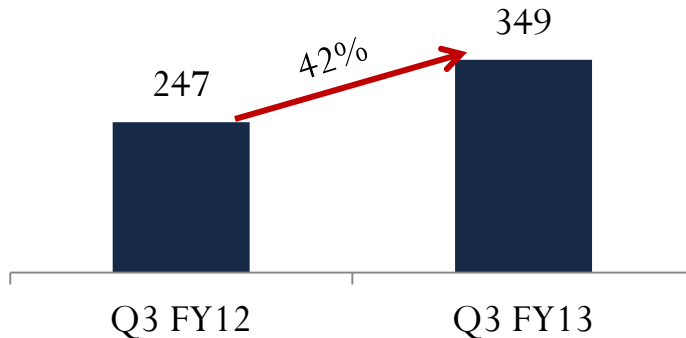
In line with our commitment at the beginning of the year, we have continued to make significant investments in market visibility and brand building resulting in increased advertisement expenditure. This quarter, in order to reap the benefit of festive demand, we stepped up the momentum of advertising spend. The total ad expenditure for the year will be at 3.5-4% of the total revenues.

Switchgears and induction cooktops which were launched recently have received a good response and we will be launching them in other markets in a phased manner. The Company also intends to launch Mixer Grinders during the first quarter of the next fiscal year.

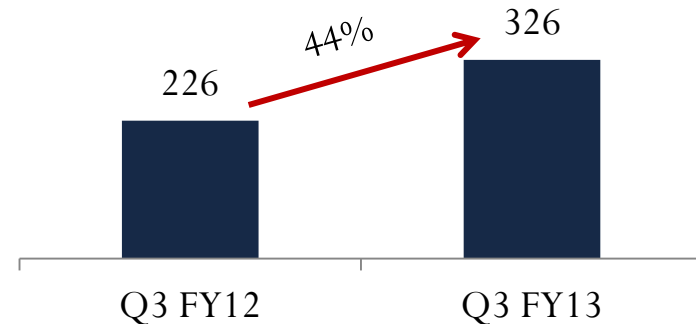
Given the strong performance reported thus far we are confident of achieving our topline expectations of over 35% growth for FY2013 at stable margins of 9.5-10%. The outlook going forward is extremely robust as we derive the benefit of the continuing power deficit in South India as well as the boom in the residential market there. Further, we will obtain operating leverage from our investments made in the non-South branches as they gain scale."

Financial Highlights (Q3 FY2013)

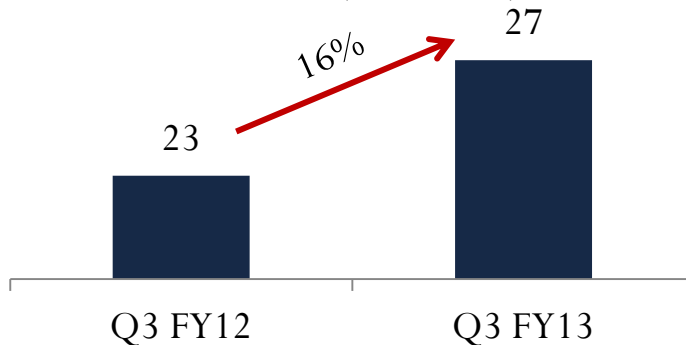
Total Income (Rs. crore)



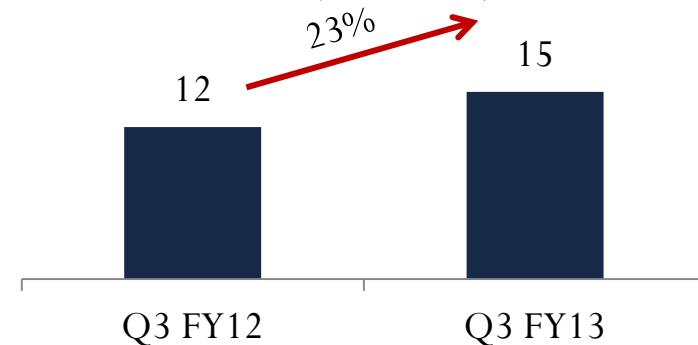
Expenditure (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs. crore)

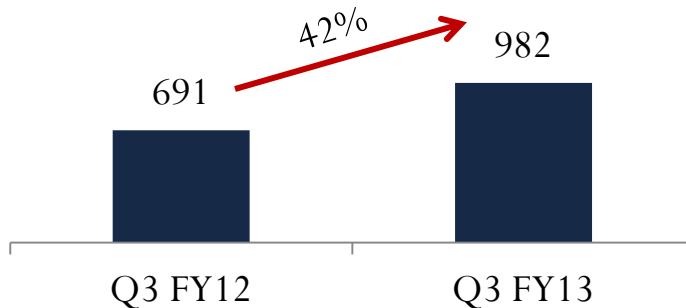


- Planned increase in ad expenditure this quarter at 4.5% of revenues versus 4.1% in Q3 FY12 to capture festive demand
- Expansion of warehousing facilities/sales offices and accelerated investments in new product development led to margins dipping to 7.8% from 9.5% in Q3 FY12
- EPS for Q3 FY13 stood at Rs. 5.14 as compared to Rs. 4.17 in Q3 FY12

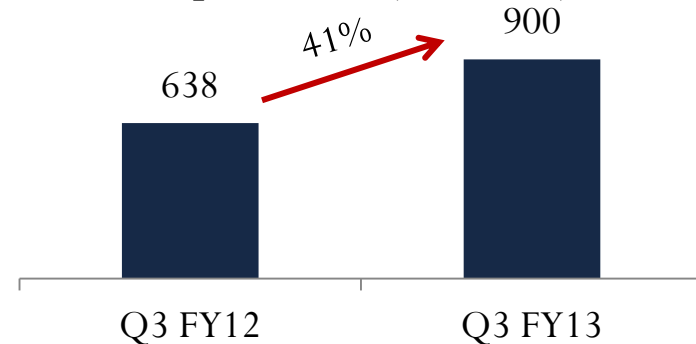


Financial Highlights (9M FY2013)

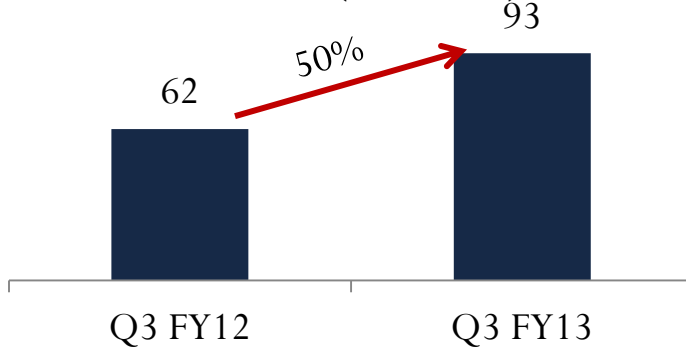
Total Income (Rs. crore)



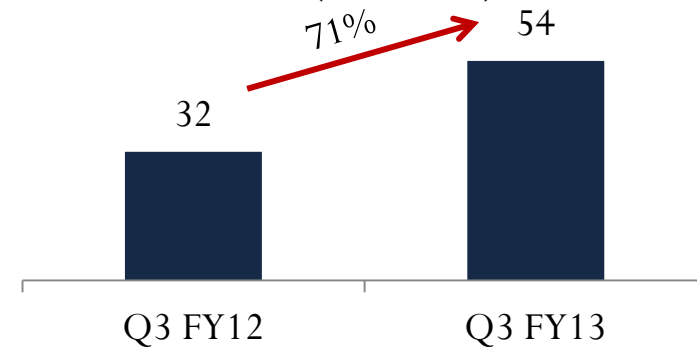
Expenditure (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs. crore)



- Ad expenditure stood at 3.5% of total revenues; to be maintained at 3.5-4% for FY13
- Tight cost control measures adopted by the Company contributed to margin expansion to 9.5% from 9% last year; to be maintained at 9.5-10% for FY13
- EPS for 9M FY13 stood at Rs. 18.08 as compared to Rs. 10.6 in 9M FY12



Segment-wise Breakup of Revenues

Segment	Products	Q3 FY2013	Contribution (%)	Q3 FY2012	Contribution (%)	YoY growth (%)
Electronics	Stabilizers	52.08	15%	42.83	12%	22%
	Standalone UPS	10.73	3%	10.78	3%	0%
	Digital UPS	40.63	12%	16.58	5%	145%
	Segment Total	103.45	29.6%	70.19	28.5%	47%
Electricals	Pumps	48.51	14%	35.58	10%	36%
	House wiring cable	99.54	29%	73.28	21%	36%
	LT cable	17.71	5%	13.38	4%	32%
	Electric water heater	46.37	13%	30.22	9%	53%
	Fan	13.85	4%	10.71	3%	29%
	Other Products	8.89	3%	3.53	1%	152%
	Segment Total	234.87	67.3%	166.69	67.6%	41%
Others	Solar water heater	10.73	3%	9.79	3%	10%
	Segment Total	10.73	3.1%	9.80	4.0%	10%
	GRAND TOTAL	349.05	100%	246.68	100%	42%

Geographical Breakup of Revenues

Region	Q3 FY2013 (Rs. cr.)	Contribution (%)	Q3 FY2012 (Rs. cr.)	Contribution (%)	YoY growth (%)
South	271.38	77%	193.88	78%	40%
Non South	83.25	23%	56.03	22%	49%
Total	354.62	100%	249.91	100%	42%

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 FY2013

Working capital efficiencies

- Vendor financing to lower the cash conversion cycle, resulting in significant improvement in working capital
- Target is to reduce it by 20 days each year over the next couple of years

Robust financial performance to continue

- Topline growth of 35% expected in FY2013
- EBITDA margins to remain in the 9.5-10% band in FY2013

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 21% of total revenues in FY12. 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, 2500 channel partners and 13,000 retailers across the country.

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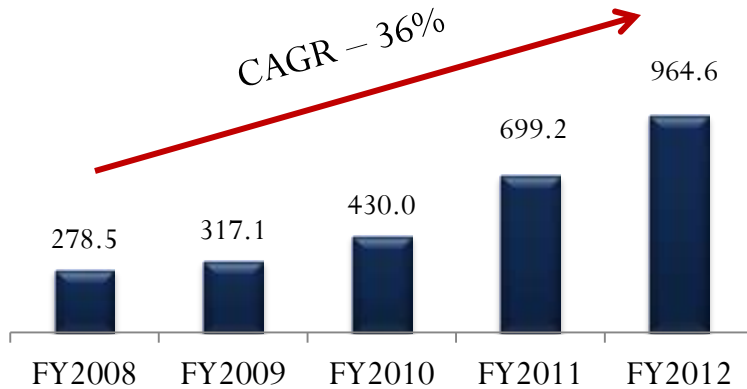
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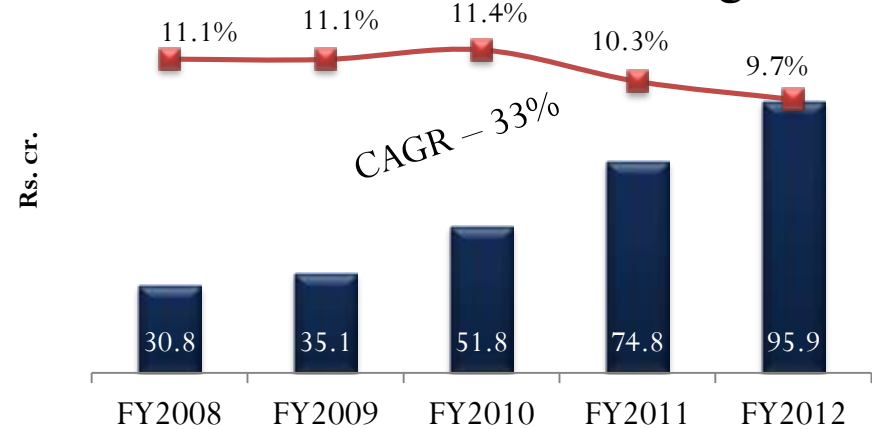
Email: shiv@cdr-india.com / varun@cdr-india.com

Strong Financial Performance FY08-12

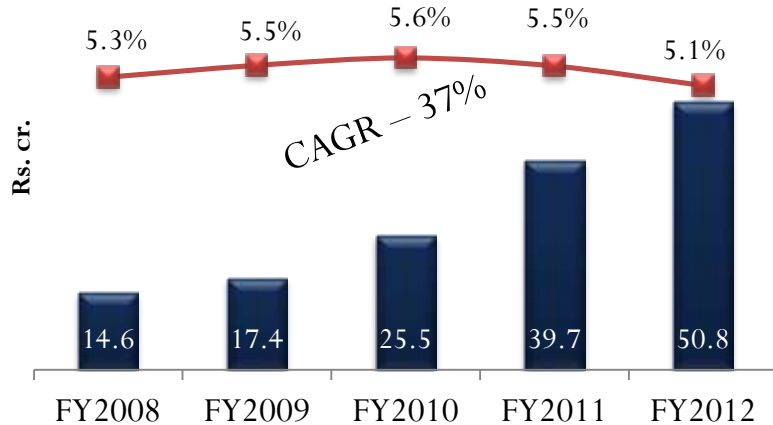
Revenues (Rs. cr.)



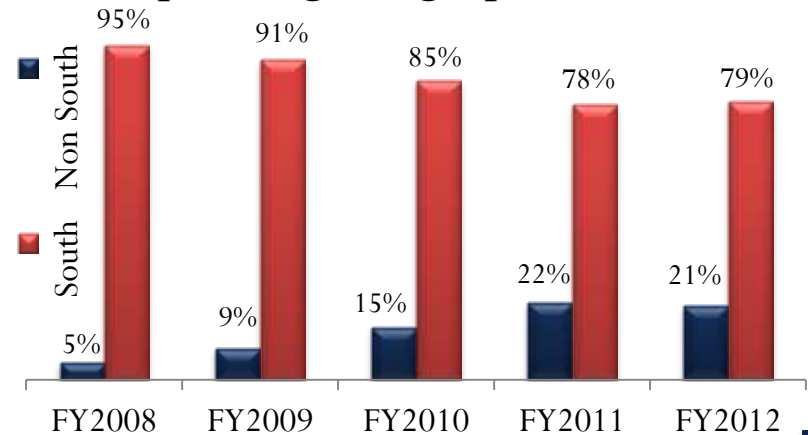
EBITDA and EBITDA Margins



PAT and PAT Margin

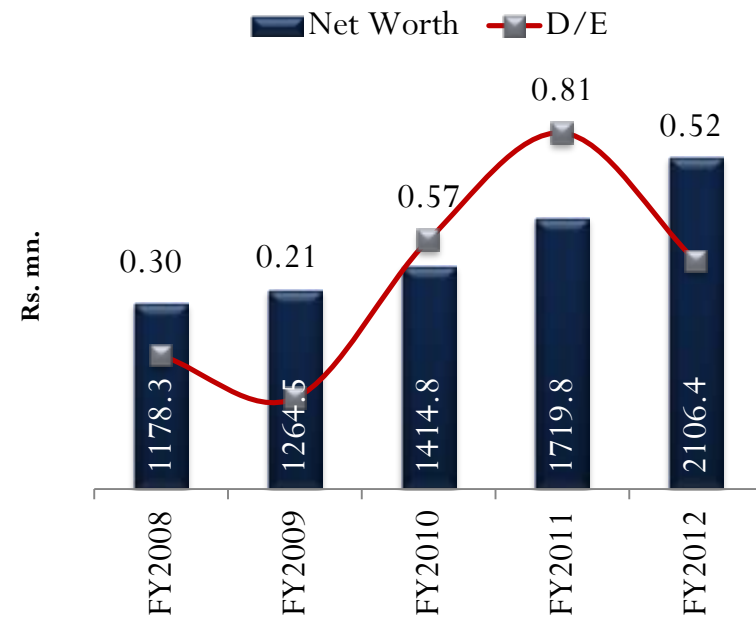
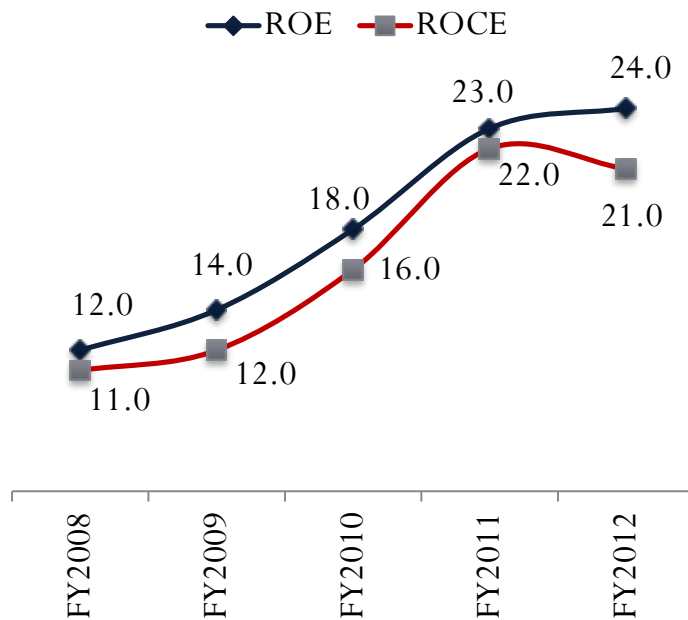


Expanding Geographic Presence



Note – Profit and related figures are excluding exceptional items

Strong Financial Performance FY08-12



Broad-based Growth across Segments FY08-12

(Rs. crore)	Segment	FY2008	FY2012	CAGR (%)
Electronics	Stabilizers	93.72	200.96	21.0%
	Standalone UPS	16.87	42.08	25.7%
	Invertor & Digital UPS	-	72.69	-
	Segment Total	110.59	315.73	30.0%
Electricals	Pumps	56.09	151.87	28.3%
	House wiring cable	60.02	282.55	47.3%
	LT cable	1.0	58.19	176.2%
	Electric water heater	27.22	86.3	33.4%
	Fan	8.62	63.8	64.9%
	Segment Total	152.95	642.68	43.2%
Others	Solar water heater	12.57	25.95	19.9%
	Gas water heater + Windmill	2.01	9.28	46.6%
	Segment Total	14.58	35.23	24.7%
	TOTAL	278.12	993.64	37.5%

Market Share Across Product Segments FY12

Product	Market Size*	V-Guard Share	Key Players	Production Model	Distribution Channel Strategy
 STABILIZERS	Organized market – Rs. 1,000 crore Unorganized market – Rs. 1,100 crore	20% share of organized market	Bluebird, Capri, Logicstat, Premier, Everest	100% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	Rs. 7,000 crore	4 - 5%	Havells, Finloex	100% In-House	Electrical and Hardware Stores
 LT POWER CABLES	Rs. 6,000 crore	1.2%	Havells, Finloex	100% In-House	Electrical and hardware Stores, Direct Marketing Channel

*Company estimates

Market Share Across Product Segments FY12

Product	Market Size	V-Guard Share	Key Players	Production Model	Distribution Channel Strategy
 MOTOR PUMPS	Rs. 2,000 crore	8%	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 WATER HEATERS	Rs. 800 crore	10-12%	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves	90% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 FANS	Rs. 3,500 crore	-	Crompton, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates

Market Share Across Product Segments FY12

Product	Market Size	V-Guard Share	Key Players	Production Model	Distribution Channel Strategy
 UPS	Rs. 3,500 crore	1-2%	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 DIGITAL UPS	Rs. 5,500 crore	3 – 4%	Microtek, Luminous, Su-Kam	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	Rs. 300 crore	8-10%	Tata BP Solar	100% In-House	Direct Marketing Channel

**Company estimates*

New Product Launches



Induction Cooker



Switchgears & DBs

- Successful launch of new products in the Kerala market
- Induction cooktops launched in the Karnataka market this quarter
- Delivering gross margins of 35-40% in both these products
- Expecting revenues of Rs. 15 crore in each of these segments in FY2013
- Products to be extended into other Southern markets in a phased manner

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	Coimbatore & Perunthurai
Outsourced production facilities		
Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Electric Water Heater	7	"

Outsourcing Objectives

- Asset light model outsourcing ~60% products
- R&D support to vendors' technical teams
- Quality assurance official posted at vendors' production units to ensure maintenance of quality
- Tie-ups with SSIs/self-help groups across Southern India for flagship product, Stabilizers, help derive excise benefit
- Blended manufacturing policy helps optimize capex and working capital requirements

THANK YOU

