

January 31, 2019

The Manager Listing Department, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001	The Manager Listing Department, National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra-East, Mumbai- 400 051
Ref:- Scrip Code: 532953	Ref:- Symbol: VGUARD

Sub: - Presentation on Financial Results of the Company for the Quarter ended on December 31, 2018 – reg.

Dear Sir / Madam,

Pursuant to Regulation 30 read with point 15 of Para A of Part A of Schedule III and Regulation 46 (2)(o) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we hereby submit the Earnings Presentation on Unaudited Standalone Financial Results of the Company for the quarter ended December 31, 2018.

Kindly take the information on record.

Thanking You,

For V-Guard Industries Limited



Jayasree K
Company Secretary



Encl: As above

V-Guard Industries

Q3 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 Q3 FY19, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

“Revenue growth during Q3 FY19 came in at 12% YoY, driven by Water Heater, Stabilizer, Fan and Digital UPS segments. The new product categories of Switchgears, Modular Switches and Kitchen Appliances also continue to witness strong traction. We have seen some recovery in demand in the south markets which delivered growth of 9.2% YoY this quarter, the highest growth rate seen in the last seven quarters. Non-south markets continue to witness strong traction and grew 18% YoY. Non-south markets contributed to 37.2% from 35.5% a year ago. We continue to invest in growing our presence further and envisage 50% contribution from this business over the next 4-5 years.

A&P spends were at 5.5% for the quarter. The new brand identity along with the transformation initiatives that we have undertaken in the past few years have enabled us to increase penetration and brand recall, making us more relevant and impactful as a consumer oriented organisation that is catering to the evolving needs of consumers across the country.

Volatility in commodity prices and exchange rate impacted our margins during the quarter. We expect this to be a temporary phase and expect margin trajectory to improve going into the next quarter on the back of strengthening currency and planned pricing actions. We expect EBITDA margins of ~9% for full year FY19. Our prudent approach and focus on profitable and sustainable growth has resulted in strong cash flow generation to the tune of Rs. 160 crore in 9M FY19.

To conclude, this has been a quarter of business recovery after the flood impact last quarter. In 9M FY19, we have now delivered overall growth of ~12.5% on GST-adjusted basis. We further expect to see acceleration in our sales velocity going into the peak summer season in Q4. Over the past couple of years, we have been transforming and revamping our strategies to strengthen the brand, improve processes and expand the product portfolio to achieve higher growth. We will continue to invest in the business and drive innovation across every facet of the organization to meet the dynamic requirements of our discerning consumers.”

Key Highlights – Q3 FY2019



Revenue growth of 12.2% YoY in Q3 FY19

- Reported growth of 12.2% YoY to Rs. 594.3 crore
- Recovery seen in South markets with revenue growth of 9.2%, highest seen in the last seven quarters
- Non-South markets sustain momentum with 18% YoY growth in Q3 FY19; Non-South contribution at 37.2% of sales (35.5% in Q3 FY18)
- Revenues were driven by Stabilizer, Digital UPS, Water Heater and Fan segments
- Like-to-like growth in 9M FY19 at 12.5%
- Q4 FY19 to see acceleration in sales velocity going into the peak summer season

Gross profit up 5.0% YoY to Rs 178.4 crore

- Gross margins were up 40 bps QoQ but lower by 200 bps YoY at 30.0%
- Margins impacted by volatility in commodity prices and depreciation of the rupee

EBITDA declined 5.1% YoY, PAT by 5.8%

- Ad/promotional spends at 5.5% of sales in Q3 FY19 as compared to 5.7% in Q3 FY18
- EBITDA margins at 8.3% in Q3 FY19 as compared to 9.8% in Q3 FY18

Sharp 7 day YoY improvement in working capital cycle

- Working capital cycle improves to 55 days in Q3 FY19 as compared to 62 days in Q3 FY18 and 59 days in Q2 FY19
- Strong cash generation continues, CFO up 113% to Rs. 160 crore in 9M FY19 as compared to Rs. 75 crore in 9M FY18
- Net cash of Rs. 203 crore on balance sheet as on 31st December 2018

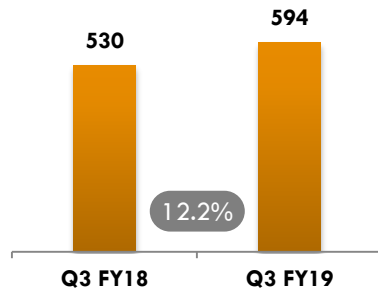
Strong return ratios

- Strong return ratios maintained with ROE and ROCE of 16.0% and 18.6% respectively (TTM basis) at the end of Q3 FY19

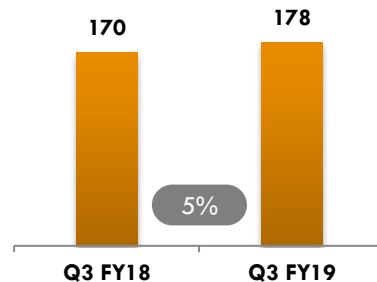
Financial Highlights (Q3 FY19 vs Q3 FY18)



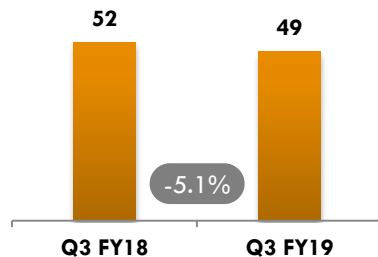
Total Income (Rs. crore)



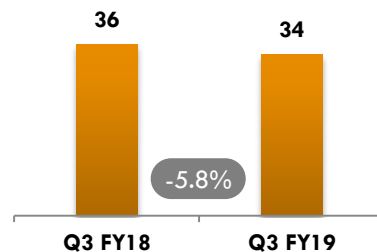
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



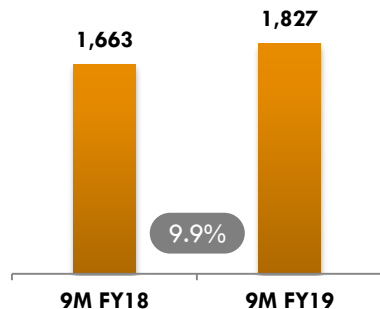
Key ratios (%)	Q3 FY19	Q3 FY18
Gross Margin	30.0%	32.1%
EBITDA Margin	8.3%	9.8%
Net Margin	5.7%	6.8%
Ad Expenditure (incl. promotions)/Total Revenues	5.5%	5.7%
Employee Cost/ Total Operating Income	8.3%	8.1%
Other Expenditure/ Total Operating Income	14.2%	14.6%
Tax rate	22.0%	23.4%
Diluted EPS (Rs.)	0.78	0.82

Financial Highlights (9M FY19 vs 9M FY18)

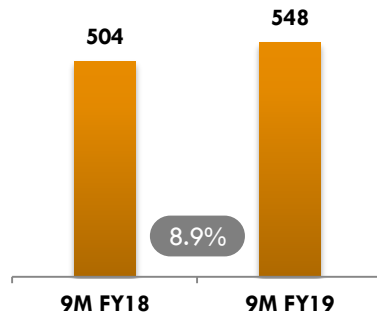


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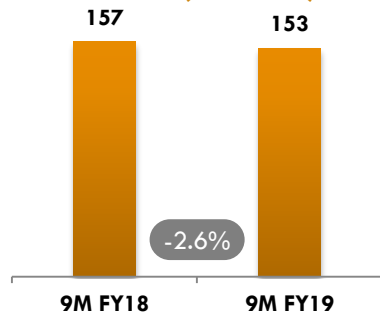
Total Income (Rs. crore)



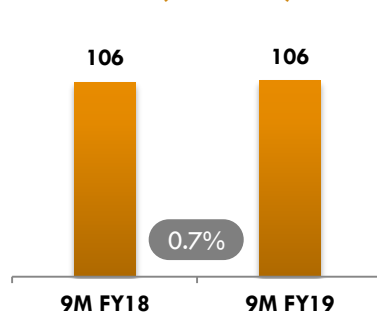
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	9M FY19	9M FY18
Gross Margin	30.0%	30.3%
EBITDA Margin	8.4%	9.4%
Net Margin	5.8%	6.3%
Ad Expenditure (incl. promotions)/Total Revenues	5.5%	5.3%
Employee Cost/ Total Operating Income	8.2%	7.7%
Other Expenditure/ Total Operating Income	14.1%	13.6%
Tax rate	21.5%	25.4%
Diluted EPS (Rs.)	2.45	2.43

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. cr)	31 Dec 2018	30 Sept 2018	31 Dec 2017
Net worth	837.5	799.7	716.3
Gross debt	10.0	10.0	3.3
Current Investments	157.1	158.9	104.1
Cash and cash equivalents	55.8	6.2	4.1
Net Cash Position (Rs. crore)	202.9	155.2	104.9
Fixed Assets	218.4	211.5	204.4

Balance Sheet Snapshot (Rs. cr)	31 Dec 2018	30 Sept 2018	31 Dec 2017
Debtor (days)	46	53	51
Inventory (days)	72	68	67
Creditor (days)	64	62	57
Working Capital Turnover (days)	55	59	62
RoE* (%)	16.0%	17.0%	20.2%
RoCE* (%)	18.6%	20.1%	26.0%

*Calculations are on a trailing twelve month basis

Segment-wise Breakup of Revenues – Q3 FY19 vs Q3 FY18



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Products	Q3 FY19 (Rs. Cr)	Contribution (%)	Q3 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	152.5	26%	129.9	25%	17.4%
Electricals	257.9	43%	249.9	47%	3.2%
Consumer Durables	183.8	31%	149.9	28%	22.6%
Grand Total	594.3	100%	529.7	100%	12.2%

Products	Q3 FY19 (Rs. Cr)	Contribution (%)	Q3 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Stabilizers	97.1	16%	82.8	16%	17%
UPS (Digital + Standalone)	55.4	9%	47.1	9%	18%
Pumps	64.1	11%	63.1	12%	2%
Wires	173.9	29%	174.0	33%	0%
Water Heaters (Electric + Solar)	114.3	19%	97.9	18%	17%
Fans	49.1	8%	39.9	8%	23%
Kitchen Appliances	17.7	3%	12.2	2%	45%
Switchgears & Modular Switches	19.8	3%	12.8	2%	55%
Air Coolers	2.7	0%	0.0	0%	
GRAND TOTAL	594.2	100.0%	529.7	100.0%	12%

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 – 9M FY19 vs 9M FY18



Products	9M FY19 (Rs. Cr)	Contribution (%)	9M FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	554.4	30%	521.5	31%	6.3%
Electricals	773.4	42%	722.5	43%	7.0%
Consumer Durables	498.9	27%	418.7	25%	19.2%
Grand Total	1,826.7	100%	1,662.7	100%	9.9%

Products	9M FY19 (Rs. Cr)	Contribution (%)	9M FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
Stabilizers	324.6	17.8%	322.7	19.4%	0.6%
UPS (Digital + Standalone)	229.8	12.6%	198.8	12.0%	15.6%
Pumps	187.0	10.2%	188.2	11.3%	-0.6%
Wires	528.7	28.9%	498.8	30.0%	6.0%
Water Heaters (Electric + Solar)	274.7	15.0%	240.8	14.5%	14.1%
Fans	157.1	8.6%	133.6	8.0%	17.6%
Kitchen Appliances	61.4	3.4%	44.3	2.7%	38.7%
Switchgears & Modular Switches	57.6	3.2%	35.5	2.1%	62.2%
Air Coolers	5.7	0.3%		0.0%	0.0%
GRAND TOTAL	1,826.7	100.0%	1,662.7	100.0%	9.9%

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	Q3 FY19 (Rs. Cr)	Contribution (%)	Q3 FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	373.0	62.8%	341.7	64.5%	9.2%
Non-South	221.2	37.2%	188.1	35.5%	17.6%
Total Revenue	594.2	100%	529.7	100%	12.2%

Region	9M FY19 (Rs. Cr)	Contribution (%)	9M FY18 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	1,112.1	61%	1,062.7	64%	4.7%
Non-South	714.6	39%	600.0	36%	19.1%
Total Revenue	1,826.7	100%	1,662.7	100%	9.9%

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 will be focused on successfully executing the objectives of 'Udaan Phase-II' as well as seeing through the successful pan-India implementation of salesforce.com.
- 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. Further, the Board has approved raising of funds up to an aggregate of Rs. 500 crore through debt or equity or a combination of both.



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
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	"

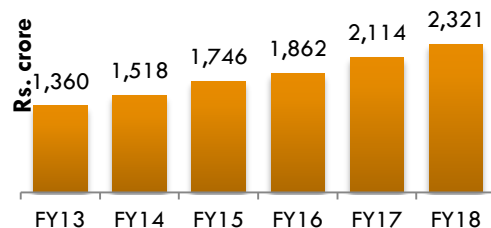
Outsourcing Objectives

- 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

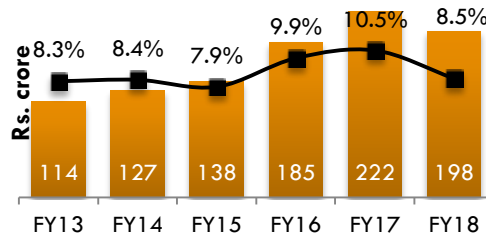
Financial Highlights (FY13-18)



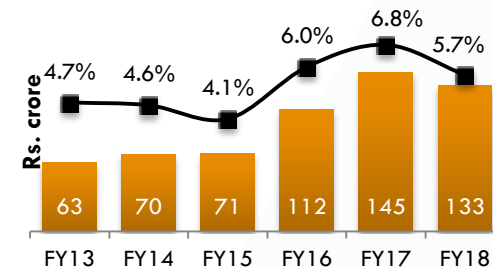
Revenue



EBITDA and EBITDA Margins

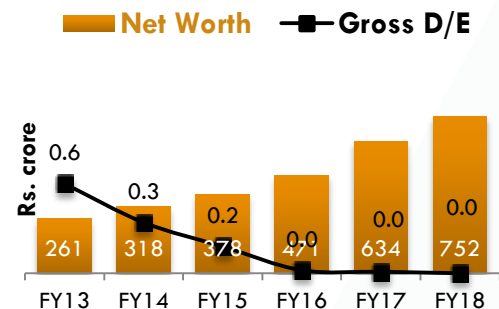
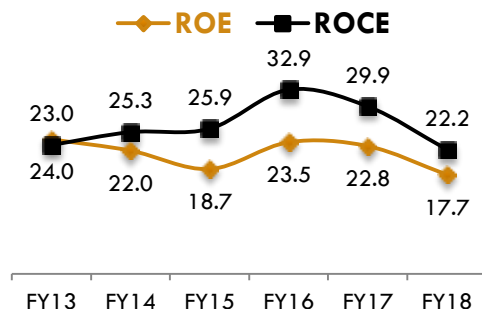


PAT and PAT Margins



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.



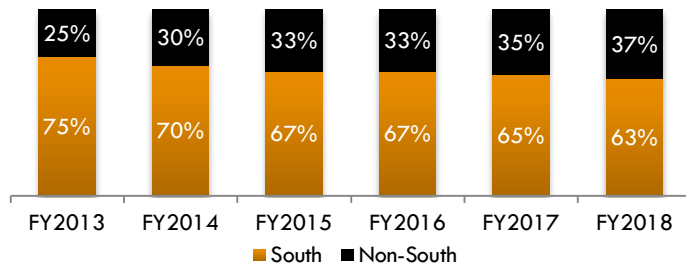
Note 3: V-Guard adopted Ind-AS framework starting FY18. Numbers for FY17 have been reinstated in compliance with Ind-AS to draw meaningful comparison. Prior period numbers are in IGAAP and not comparable.

Operational Highlights (FY13-18)

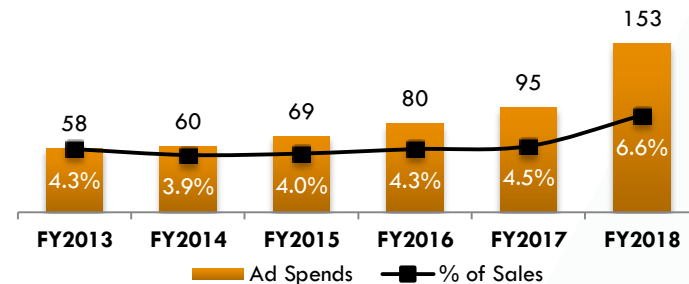


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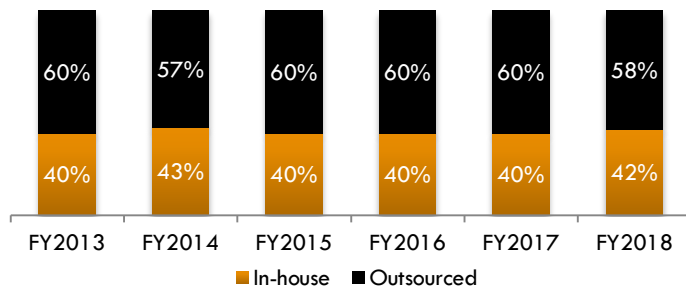
Expanding Geographic Presence



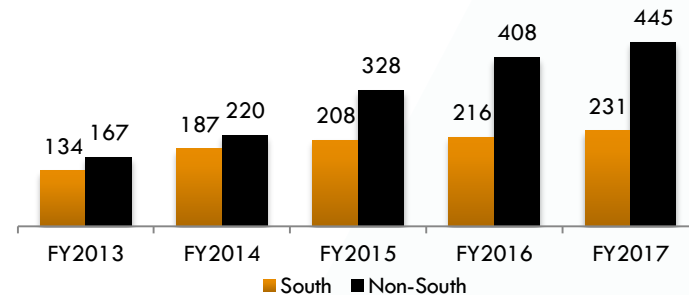
Ad & Promo Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



Strong Growth in Distributor Network



Segment-wise Breakup of Revenues – FY18 vs FY17



Products	FY18 (Rs. Cr)	Contribution (%)	FY17 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	729.2	31.4%	664.8	31.4%	9.7%
Electricals	1,017.1	43.8%	940.9	44.5%	8.1%
Consumer Durables	575.0	24.8%	508.5	24.0%	13.1%
Grand Total	2,321.3	100.0%	2,114.2	100.0%	9.8%

Products	FY18 (Rs. Cr)	Contribution (%)	FY17 (Rs. Cr)	Contribution (%)	YoY growth (%)
Stabilizers	443.2	19.1%	428.1	20.2%	3.5%
UPS (Digital + Standalone)	286.0	12.3%	236.7	11.2%	20.8%
Pumps	275.4	11.9%	261.8	12.4%	5.2%
Wires	688.6	29.7%	638.8	30.2%	7.8%
Water Heaters (Electric + Solar)	284.5	12.3%	265.0	12.5%	7.4%
Fans	228.4	9.8%	200.7	9.5%	13.8%
Kitchen Appliances	58.4	2.5%	42.8	2.0%	36.4%
Switchgears & Modular Switches	53.1	2.3%	40.3	1.9%	31.8%
Air coolers	3.7	0.2%	0.0	0.0%	0.0%
GRAND TOTAL	2,321.3	100.0%	2,114.2	100.0%	9.8%

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

Note 1: V-Guard adopted Ind-AS framework starting Q1 FY18. Comparable prior period numbers have been restated in compliance with Ind-AS.

Note 2: 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. Hence, the growth calculations appearing in this section, are not strictly comparable with prior periods.

Geographical Breakup of Revenues

Region	FY18 (Rs. Cr)	Contribution (%)	FY17 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	1,462.8	63%	1,385.5	66%	5.6%
Non-South	858.5	37%	728.7	34%	17.8%
Total Revenue	2,321.3	100%	2,114.2	100%	9.8%

Market Size across Product Segments



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STABILIZERS



PVC WIRES



COOKTOPS



MOTOR PUMPS

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		80% 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



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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

*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
	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 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.



For further information, please contact:

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THANK YOU