



V-Guard Industries

Q1 FY2015 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.

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 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 415 distributors, 4,561 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 Q1 FY2015, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"We have started the year on a strong note with a topline growth of 17% YoY on a high base last year. The growth was driven by stabilizer, fan and inverter segments on the back of a strong summer season.

We have recorded strong growth of 31% in the non-South markets where we continue to gain market share across product categories. The non-South markets contributed 35% to the topline as compared to 31% a year ago. This is driven by our continuous investments in increasing our pan-India visibility through aggressive ad spends and promotions. We intend to maintain ad spends at 3.5-4% of revenues in FY15 as well.

Cash generated from operations was strong at Rs. 33 crore driven by tight inventory control and improved debtor management, which was utilized to further reduce debt to the tune of Rs. 26 crore during the quarter.

Given the strong summer season and late arrival of the monsoon, we expect our growth trajectory to pick up in the coming quarters and are confident of achieving a top line growth of 20% at EBITDA margins of 8.5-9% in FY15."

Key Highlights – Q1 FY2015

Revenue growth of 17% YoY to Rs. 478 crore

- Non-South markets grew by 31% YoY and accounted for 35% of total sales

Gross profit up 18% YoY to Rs. 124 crore

- Gross margin expands 20 bps YoY to 26%

EBITDA margins expand 70 bps YoY to 8.6%

- Ad expenditure to sales at 4.6% vs. 5.3% in Q1 FY14

PBT growth of 35% YoY to Rs. 32 crore

- Tax rate at 30.5% vs. 25.5% in Q1 FY14 with reduction in tax exemption at certain plants
- EPS of Rs. 7.46 in Q1 FY15 vs. Rs. 5.91 in Q1 FY14

Working capital cycle improves 6 days QoQ

- Cash conversion cycle at 70 days in Q1 FY15
- Inventory down by 4 days QoQ

Strong cash generation continues

- Cash from operations at Rs. 33.3 crore
- Debt reduction of Rs. 26 crore during the quarter

Healthy return ratios

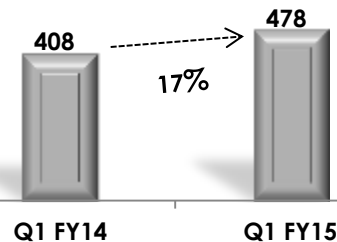
- ROE and ROCE of 22% and 28% respectively

Guidance for FY15 - unchanged

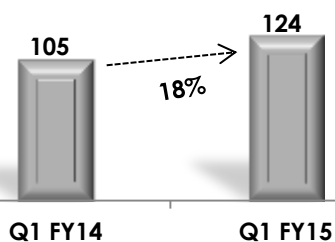
- Top line growth of 20% YoY driven by stabilizer, house-wiring and inverter segments
- EBITDA margins to be between 8.5-9% on the back of operating leverage

Financial Highlights (Q1 FY2015)

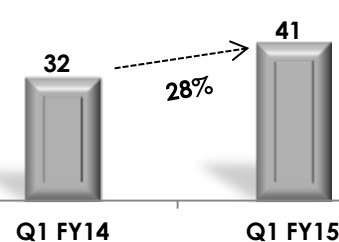
Total Income (Rs. crore)



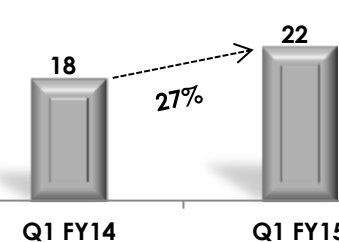
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	Q1 FY15	Q1 FY14
Gross Margin	26.0%	25.8%
EBITDA Margin	8.6%	7.9%
Net Margin	4.7%	4.3%
Ad Expenditure (incl. promotions)/Total Revenues	4.6%	5.3%
Staff Cost/ Total Operating Income	5.3%	5.3%
Other Expenditure/ Total Operating Income	5.3%	5.4%
EPS (Rs.)	7.46	5.91

Financial Highlights – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	30 June 2014	31 March 2014	30 June 2013
Net worth	340.4	318.4	279.2
Total debt	82.5	108.4	114.9
o Working capital	44.4	68.2	76.9
o Term loan	38.1	40.2	38.0
Acceptances	69.3	101.3	62.0
Fixed Assets	166.0	169.7	161.1

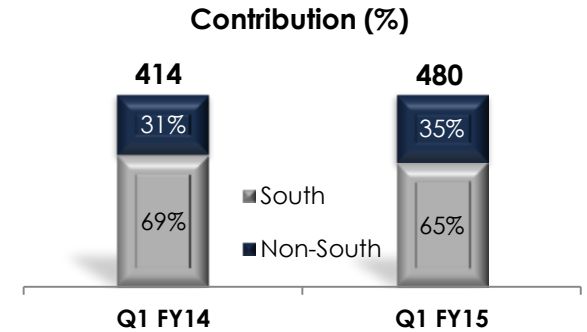
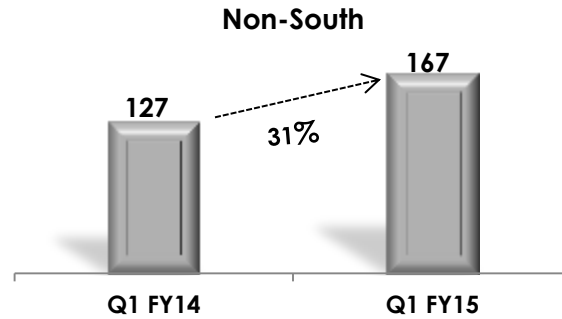
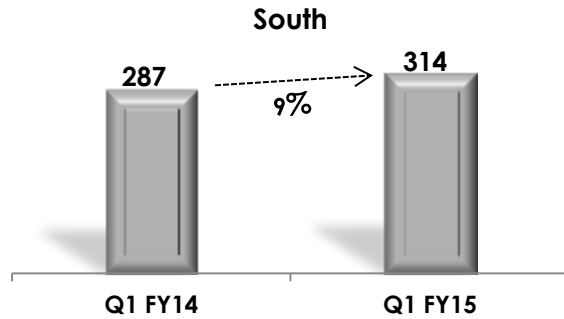
Key Ratios	30 June 2014	31 March 2014	30 June 2013
Inventory (days)	78	82	73
Debtor (days)	50	51	44
Creditor (days)	57	57	50
Working Capital Turnover (days)	70	76	67
RoE (%)	22%	22%	22%
RoCE (%)	28%	25%	24%
Gross Debt / Equity (x)	0.2	0.3	0.4

Please note all calculations are based on a TTM basis

Segment-wise Breakup of Revenues – Q1 FY15 vs Q1 FY14

Products	Q1 FY2015 (Rs. cr.)	Contribution (%)	Q1 FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	111.0	23.2%	90.2	22.1%	23.1%
Standalone UPS	6.9	1.5%	11.5	2.8%	-39.6%
Digital UPS	75.5	15.8%	63.3	15.5%	19.1%
Electronics Segment Total	193.4	40.5%	165.1	40.4%	17.2%
Pumps	49.7	10.4%	55.6	13.6%	-10.7%
House wiring cable	126.5	26.5%	106.1	26.0%	19.2%
LT cable	15.1	3.2%	15.6	3.8%	-3.6%
Electric water heater	28.0	5.9%	19.8	4.9%	41.2%
Fan	44.3	9.3%	31.9	7.8%	39.0%
Other Products	11.1	2.3%	6.1	1.5%	83.0%
Electricals Segment Total	274.7	57.5%	235.2	57.6%	16.8%
Solar water heater	9.6	2.0%	7.9	1.9%	20.9%
Others Segment Total	9.6	2.0%	7.9	1.9%	20.9%
GRAND TOTAL	477.7	100.0%	408.2	100.0%	11.60%

Geographical Breakup of Gross Revenues



Outlook

Industry Drivers

- Strong demand from housing construction activity and increased penetration in Tier 2, 3 and 4 cities
- Easy access to credit and a rising middle class population with increasing disposable income

Distribution Network

- To increase more retailers below existing distributors going forward
- Increasing revenue per distributor, providing significant scope for expansion on existing investments

Advertising Expenditure

- 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

- Target to reduce cash conversion cycle by 5 days every year through vendor financing and bill discounting initiatives
- Increased pricing power in non-South markets, will help to improve debtor days

Financial Performance

- Expectations of 20% growth through expansion in non-South markets
- Growth to be driven by Electric Water Heater, Pump, Digital UPS, Stabilizer and House-Wiring Cables
- EBITDA margins to inch upwards between 8.5-9% in FY15

Annexure

Production Model



PVC Cable Factory



LT Cable Factory



Solar Water Heater Factory



Stabilizer Manufacturing Units

Product	No. of Units	Location
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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	Perundhurai

Outsourced production facilities

Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Elec. Water Heater	7	"

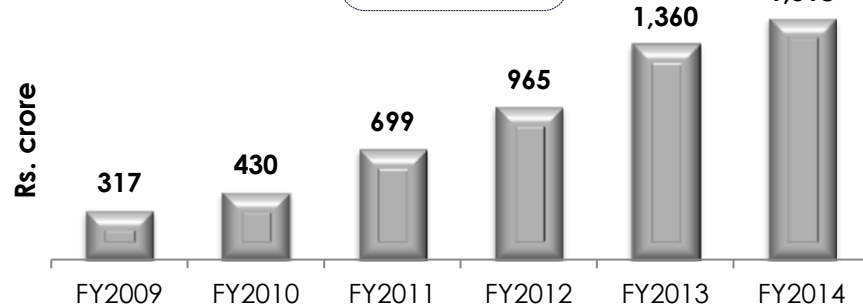
Outsourcing Objectives

- Asset light model outsourcing ~60% 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, helps derive excise benefit
- Blended manufacturing policy helps optimize capex and working capital requirements

Strong Financial Performance FY09-14

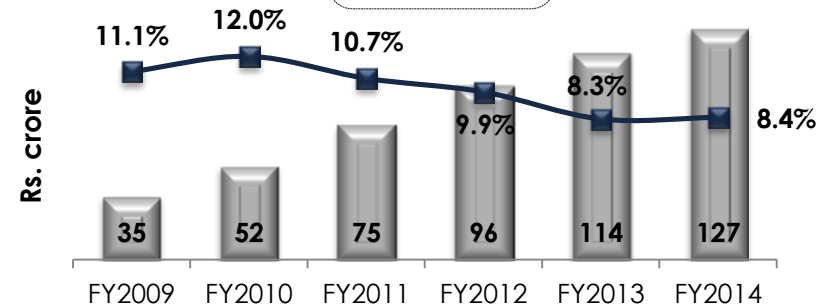
Revenue

CAGR – 37%



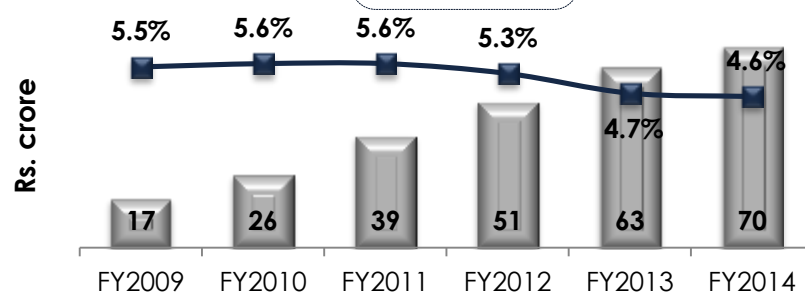
EBITDA and EBITDA Margins

CAGR – 29%

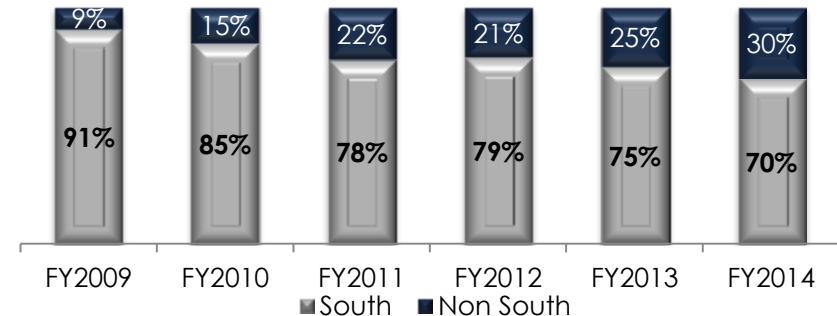


PAT and PAT Margins

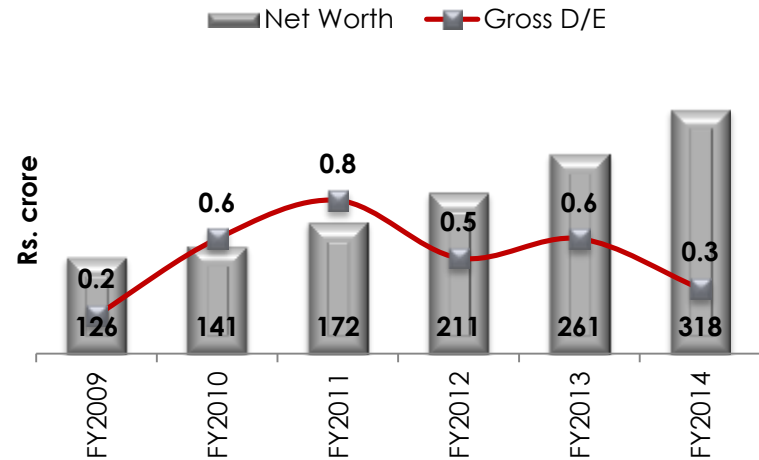
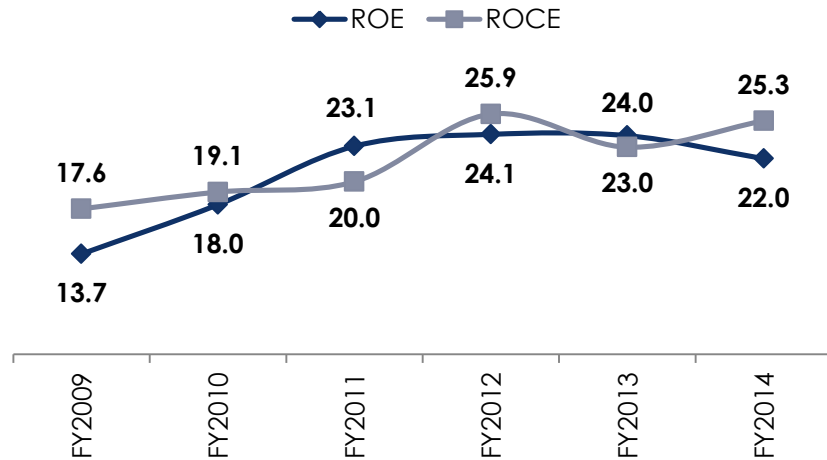
CAGR – 32%



Expanding Geographic Presence



Strong Financial Performance FY09-14



Segment-wise Breakup of Revenues –FY14 vs. FY13

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

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 STABILIZERS	400.00	800.00	1,200.00	Bluebird, Capri, Logicstat, Premier, Everest	100% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	4000.00	3000.00	7,000.00	Havells, Finloex	100% In-House	Electrical and Hardware Stores
 LT POWER CABLES	4300.00	3000.00	7,300.00	Havells, Finloex	100% In-House	Electrical and hardware Stores, Direct Marketing Channel

*Company estimates FY13

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 MOTOR PUMPS	900.00	1,100.00	2,000.00	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 WATER HEATERS	650.00	550.00	1,200.00	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves	90% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 FANS	3,500.00	1,500.00	5,000.00	Crompton, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates FY13

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organised	Unorganised	Total			
 UPS	160.00	240.00	400.00	Numeric, APC, Emerson	Outsourced	Consumer Durable stores
 Digital UPS	6,500.00	1,000.00	7,500.00	Microtek, Luminous, Su-Kam	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	425.00	225.00	650.00	Tata BP Solar	100% In-House	Direct Marketing Channel

*Company estimates FY13

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/LT 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 30% of total revenues in FY14. 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 407 distributors, 4,344 channel partners and ~25,000 retailers across the country.

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THANK YOU