



V-Guard Industries

Q1 FY2016 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 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 564 distributors, 5,422 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 26% and 16% between FY11-15
- ROE at 19% and ROCE at 26% for FY2015

Managing Director's Message



Commenting on the performance for Q1 FY16, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"We have started the year on a steady note delivering a topline growth of 5% YoY and bottom line growth of 13% YoY in Q1 FY16. Non-South markets recorded growth of 16% YoY on a high base last year. Non-South now accounts for 38% of revenues from 35% a year ago and we continue to spend aggressively in these markets on advertising and promotions, at 4.9% of sales in Q1 FY16.

The growth was broad based across our segments, led by water heaters, which saw a robust 32% expansion in revenues. This has been driven by the success of our premium variant, Pebble, which has been well accepted and we continue to get repeat orders. We are also working on one more premium range of water heaters and expect to launch it before the end of the financial year. We have seen 9% YoY growth in the wires segment, our largest product category. Stabilizer sales were steady, recording 8% YoY while we continue to see an improved performance from the fan segment. Digital UPS sales were impacted this quarter since there were no major power cuts in the Southern states.

Operationally, we have seen a 190 bps YoY increase in our gross margins driven by better inventory management and the benefit of current commodity price trends. We have generated strong cash flow from operations which was utilized to significantly reduce debt resulting in interest cost savings and enhanced profitability.

This has been a steady start to the year. The on ground scenario continues to be sluggish and uncertain. We expect the growth trajectory to pick up in the second half of the year and re-iterate our expectations of a 15% topline growth for FY16 with margins between 8-8.5%."

Key Highlights – Q1 FY2016

Revenue growth of 5% YoY/13% QoQ to Rs. 499 crore

- Non-south markets grew 16% YoY on a high base in Q1 FY15
- Water heaters segment grew 32% YoY

Gross margin expands 190 bps YoY / 210 bps QoQ to 27.9%

- Gross profit up 12% YoY to Rs. 139 crore

EBITDA margins at 9%, up 40 bps YoY / 70 bps QoQ

- EBITDA growth of 9.6% YoY to Rs. 45 crore
- Ad expenditure to sales at 4.9% vs 4.6% in Q1 FY15

Working capital at 75 days in Q1 FY16

- Debtor days stable at 51 days; inventory days improve by 8 days YoY
- Decline in creditor days based on conscious decision to limit bill discounting given strong cash generation and lower inventory levels

Strong cash generation

- Cash from operations strong at Rs. 22 crore during Q1 FY16
- Utilized to further bring down debt by Rs. 15.2 crore
- D/E at 0.13 as on 30 June 2015 as compared to 0.24x as on 30 June 2014

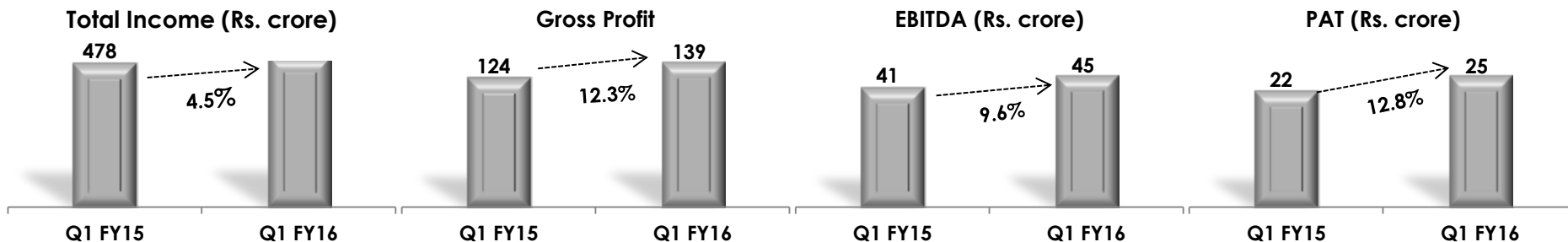
Healthy return ratios

- ROE and ROCE of 18% and 26% respectively (TTM)

Guidance for FY16 maintained

- Top line growth of 15% YoY with better performance in wires, pumps and UPS segments
- EBITDA margins expected to expand to 8-8.5%

Financial Highlights (Q1 FY2016 vs Q1 FY2015)



Key ratios (%)	Q1 FY16	Q1 FY15
Gross Margin	27.9%	26.0%
EBITDA Margin	9.0%	8.6%
Net Margin	5.0%	4.7%
Ad Expenditure (incl. promotions)/Total Revenues	4.9%	4.6%
Staff Cost/ Total Operating Income	6.0%	5.3%
Other Expenditure/ Total Operating Income	5.9%	5.3%
Tax rate	32.4%	30.3%
EPS (Rs.)	8.39	7.46

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. crore)	30 June 2015	31 March 2015	30 June 2014
Net worth	403.6	377.7	340.4
Total debt	52.5	67.7	82.5
○ Working capital	24.0	36.7	44.4
○ Term loan	28.5	31.0	38.1
Acceptances	33.5	96.9	69.3

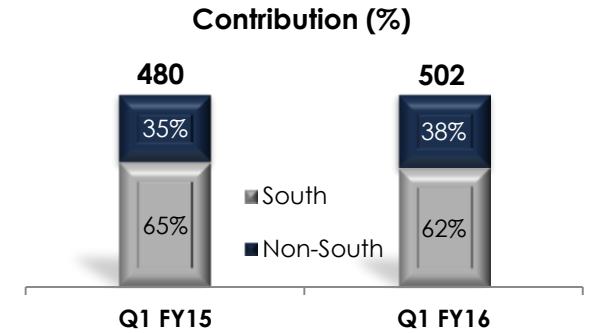
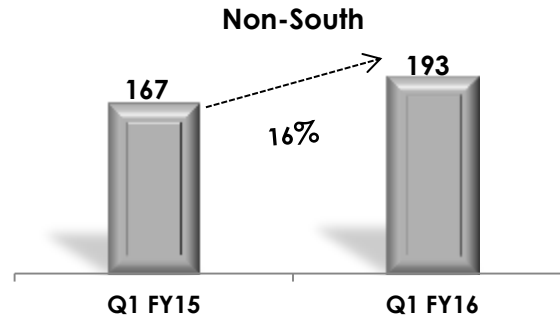
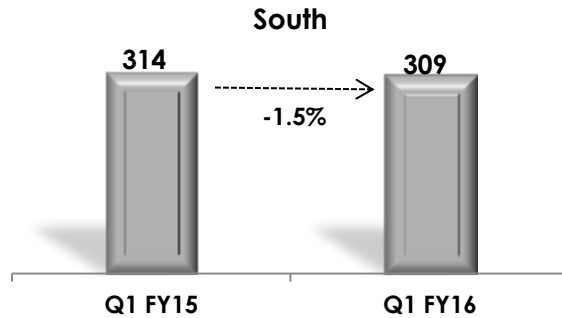
Key Ratios	30 June 2015	31 March 2015	30 June 2014
Debtor (days)	51	51	50
Inventory (days)	70	74	78
Creditor (days)	45	55	57
Working Capital Turnover (days)	75	70	70
RoE (%)	18%	19%	22%
RoCE (%)	26%	26%	28%
Gross Debt / Equity (x)	0.1	0.2	0.2

Please note all calculations are based on a TTM basis

Segment-wise Breakup of Revenues – Q1 FY16 vs Q1 FY15

Products	Q1 FY2016 (Rs. cr.)	Contribution (%)	Q1 FY2015 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	119.7	24%	111.0	23.2%	7.8%
UPS (Digital + Standalone)	59.7	12%	82.5	17.3%	-27.6%
Electronics Segment Total	179.4	36%	193.5	41%	-7.3%
Pumps	51.3	10%	49.7	10.4%	3.2%
Cables & Wires (PVC + LT)	154.5	31%	141.6	29.6%	9.1%
Water Heaters (Electric + Solar)	49.6	10%	37.6	7.9%	32.1%
Fan	50.1	10%	44.3	9.3%	13.1%
Electricals Segment Total	305.5	61%	273.1	57%	11.9%
Kitchen Appliances (Induction Cooktops + Mixers)	7.3	1%	3.9	0.8%	86.5%
Switchgears	7.1	1%	7.2	1.5%	-0.6%
New Products Total	14.4	3%	11.1	2%	30.1%
GRAND TOTAL	499.3	100%	477.7	100%	4.5%

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 FY2016

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 15% growth through expansion in non-South markets
- Growth to be driven by Electric Water Heater, Wires, Stabilizers and Pumps segments
- EBITDA margins to be between 8-8.5% in FY16

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	"

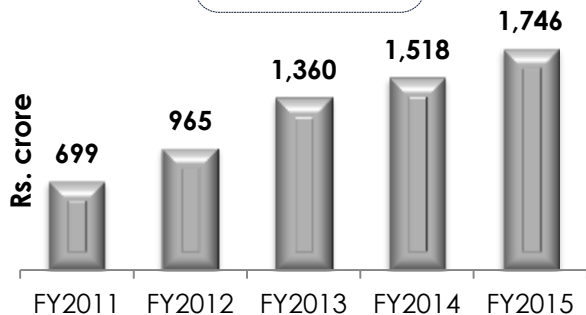
Outsourcing Objectives

- 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

Financial Highlights (FY11-15)

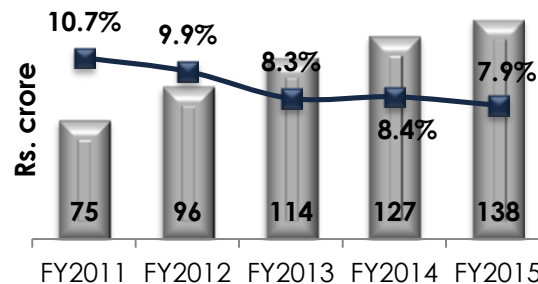
Revenue

CAGR – 26%



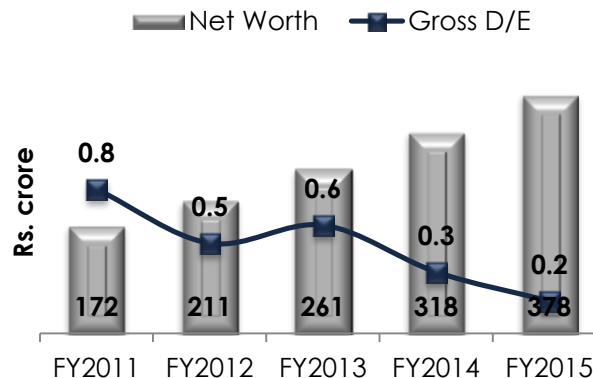
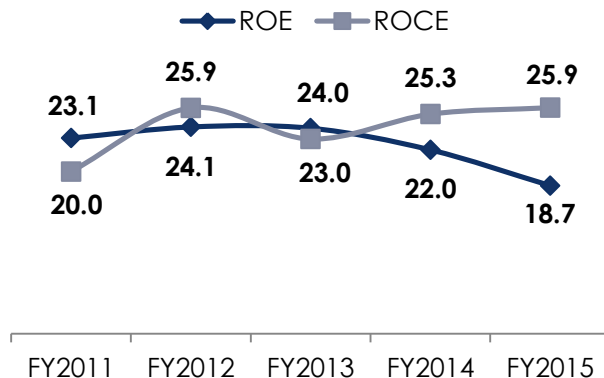
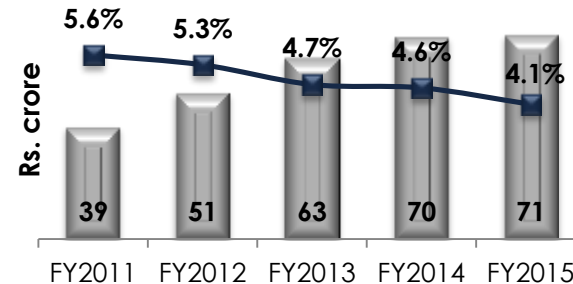
EBITDA and EBITDA Margins

CAGR – 16%



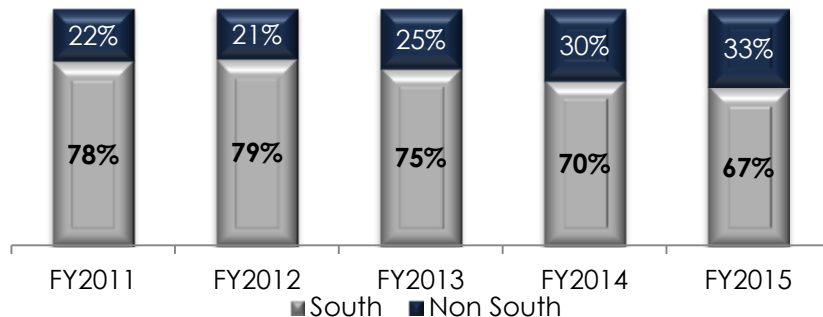
PAT and PAT Margins

CAGR – 16%

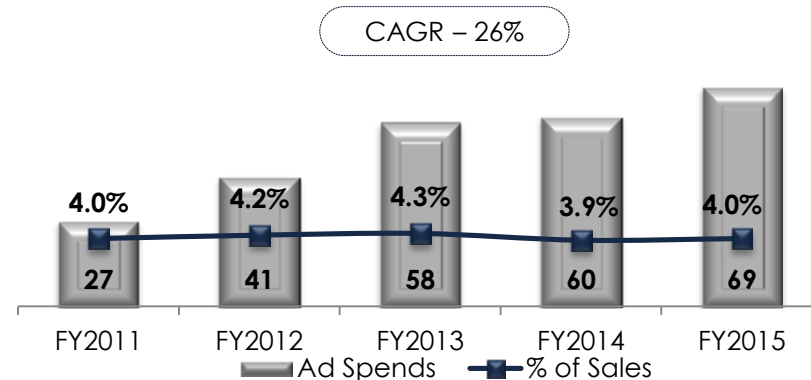


Operational Highlights (FY11-15)

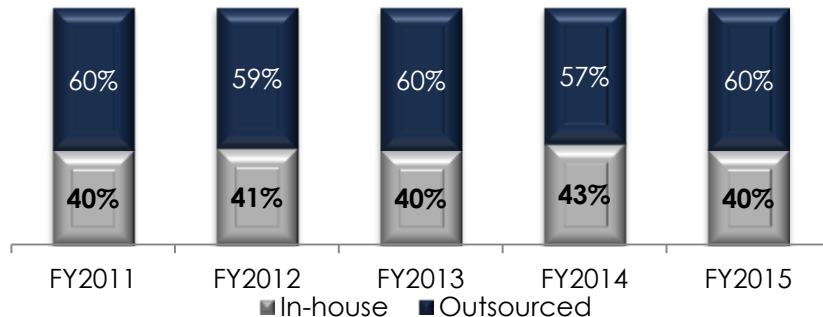
Expanding Geographic Presence



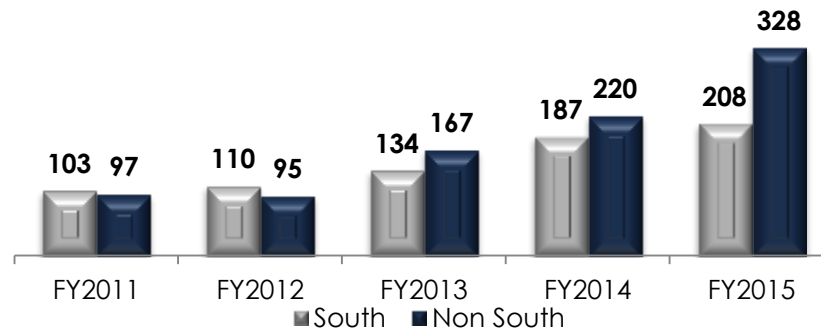
Ad Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



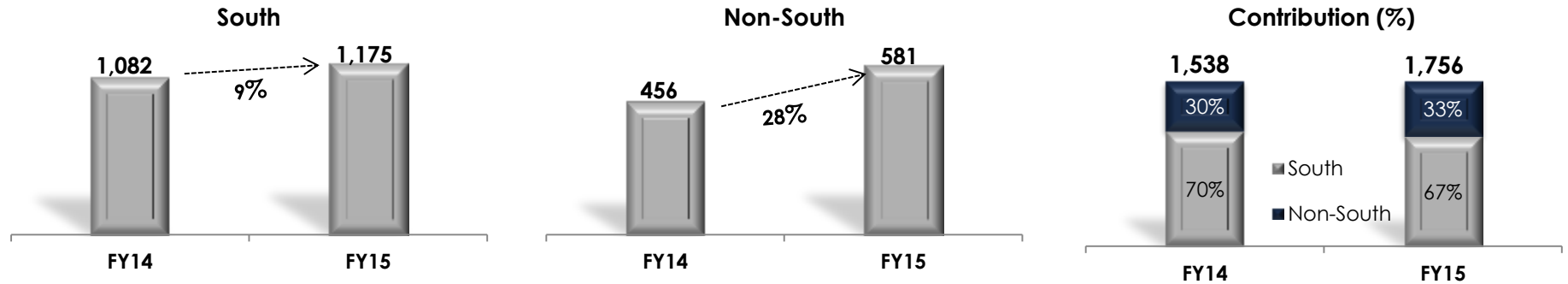
Strong Growth in Dealer Network



Segment-wise Breakup of Revenues – FY15 vs FY14

Products	FY2015 (Rs. cr.)	Contribution (%)	FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	326.8	19%	266.4	17.6%	22.7%
UPS (Digital + Standalone)	222.1	13%	184.0	12.1%	20.7%
Electronics Segment Total	548.9	31%	450.4	30%	21.9%
Pumps	189.0	11%	202.2	13.3%	-6.5%
Cables & Wires (PVC + LT)	583.7	33%	546.5	31%	6.8%
Water Heaters (Electric + Solar)	228.0	13%	175.1	11.5%	30.2%
Fan	137.5	8%	102.4	6.7%	34.3%
Electricals Segment Total	1,138.1	65%	1,026.2	67.6%	10.9%
Kitchen Appliances (Induction Cooktops + Mixers)	36.9	2%	25.0	1.6%	47.7%
Switchgears	22.1	1%	16.0	1.1%	37.8%
New Products Total	58.9	3%	41.0	3%	43.8%
GRAND TOTAL	1,745.9	100%	1,517.6	100%	15.0%

Geographic Breakup of Revenues – FY15 vs FY14



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 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 28 branches, 564 distributors, 5,422 channel partners and ~25,000+ retailers across the country.

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THANK YOU