

July 24, 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 June 30, 2019 – 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 Financial Results of the Company for the quarter ended June 30, 2019.

Kindly take the information on record.

Thanking You,

For V-Guard Industries Limited



Jayasree K
Company Secretary

Encl: As above



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V-Guard Industries

Q1 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 Q1 FY20, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said, *“We have made a steady start to the year with a top line growth of over 10% and PAT growth of 52% in Q1 FY20. We are making good progress in the non-South markets, which delivered 14% growth. We plan to extend our new products into some non-South markets during the year, which contributed 46% to revenues compared to 44% a year ago. South markets recorded a steady growth of 7.1% during the quarter.*

The Electronics and Consumer Durables segments performed well during the quarter under review, recording strong growth and margin expansion. The Electricals segment was impacted by de-stocking of wires by the trade on account of the volatility in copper prices. Despite this, we have been able to drive gross margins expansion of 220 bps YoY to 32.6% while EBITDA margins stood at 11.1% in Q1 FY20 as compared to 7.8% in Q1 FY19. Ad/promotional spends stood at 4.7% of sales in Q1 FY20 as compared to 6.4% in Q1 FY19 which had some spillover from the brand rejuvenation exercise launched Q4 FY18.

Another key highlight of the quarter has been the working capital efficiency we have been able to drive which has resulted in robust cash flows to the tune of Rs. 183 crore, higher by 137% as compared to Rs. 77 crore in Q1 FY19. Our prudent approach and focus on profitable and sustainable growth has resulted in an 11-day improvement in our working capital cycle, which further strengthened our balance sheet with net cash of Rs. 325 crore.

Overall, we are happy with the progress we are making in our new categories and new markets. As part of our transformational future-led journey, we are also moving towards becoming a deeper product capability driven organisation, with innovation, quality and cost efficiency as key levers of competitiveness. Our enhanced manufacturing strength and brand visibility will also help further scale up our business proposition and consumer connect. Sustained and focused expansion into the non-South markets, backed by continued investment in enhancing our organisational capabilities, will further improve our competitive edge.”

Key Highlights – Q1 FY20



Revenue growth of 10.2% YoY in Q1 FY20

- Q1 FY20 revenue up 10.2% YoY to Rs. 699 crore
- Led by robust growth of 14% in non-South markets with the extended summer season
- Non-South markets accounted for 46% of the net revenue in Q1 FY20 against 44% in Q1 FY19
- Electronics and Consumer Durables segments drove the growth during Q1 FY20 while Electricals Segment was impacted by trade destocking of wires category caused by downward trend in copper prices

EBITDA up 56.1% YoY, PAT by 52.5% in Q1 FY20

- Gross margins expand 220 bps YoY to 32.6%
- EBITDA margins at 11.1% in Q1 FY20 as compared to 7.8% in Q1 FY19
- Ad/promotional spends lower at 4.7% of sales in Q1 FY20 as compared to 6.4% in Q1 FY19; base year had higher spends based on some spillover from the brand rejuvenation exercise launched Q4 FY18
- Q1 FY20 PAT of Rs. 53 crore, up 52.5%; PAT margin at 7.5% in Q1 FY20 as against 5.4% in Q1 FY19

Strong cash flow generation; Balance sheet continues to be strong

- Strong cash generation continues, CFO at Rs. 183 crore at the end of Q1 FY19 as compared to Rs. 77 crore in Q1 FY19
- Working capital cycle improves by 11 days YoY to 51 days
- Strong return ratios maintained with ROE and ROCE of 19.2% and 22.9% respectively (TTM basis) at the end of Q1 FY20
- Net cash of Rs.325 crore on balance sheet as on 30th June 2019

P&L Snapshot



P&L Statement	Q1 FY20	Q1 FY19	Change	Q4 FY 19	FY 19	FY 18	Change
Particulars	(Rs. Cr)	(Rs. Cr)	%	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)	%
Net Revenue	699.39	634.89	10.2%	739.69	2,566.44	2,321.27	10.6%
COGS	471.71	441.92	6.7%	471.71	1,799.18	1,624.65	10.7%
Gross Margin	32.6%	30.4%	2.2%	36.2%	29.9%	30.0%	-0.1%
EBITDA (excluding other income)	71.12	46.47	53.0%	78.15	219.42	186.96	17.4%
as a % of Net Revenue	10.2%	7.3%	2.8%	10.6%	8.5%	8.1%	0.5%
Other Income (including finance income)	6.45	3.23	99.9%	6.76	18.25	11.11	64.2%
EBITDA after other income	77.57	49.70	56.1%	84.90	237.68	198.07	20.0%
as a % of Net Revenue	11.1%	7.8%	3.3%	11.5%	9.3%	8.5%	0.7%
PBT	69.77	44.22	57.8%	79.13	214.58	177.30	21.0%
as a % of Net Revenue	10.0%	7.0%	3.0%	10.7%	8.4%	7.6%	0.7%
PAT	52.45	34.40	52.5%	59.24	165.52	133.11	24.3%
as a % of Net Revenue	7.5%	5.4%	2.1%	8.0%	6.4%	5.7%	0.7%

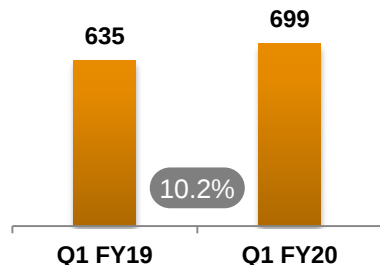
Note: Adopted Ind-AS 116 (Leases) from April 1, 2019. The impact on Profit Before Tax is not material.

Financial Highlights (Q1 FY20 vs Q1 FY19)

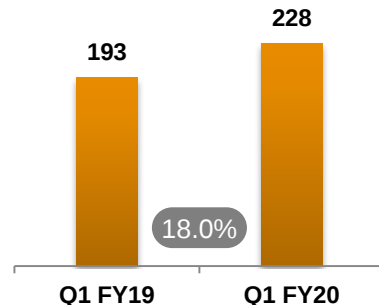


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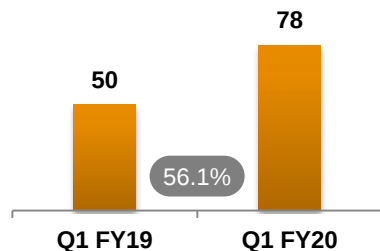
Total Income (Rs. crore)



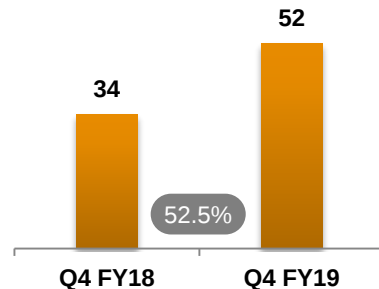
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	Q1 FY20	Q1 FY19
Gross Margin	32.6%	30.4%
EBITDA Margin (incl other income)	11.1%	7.8%
Net Margin	7.5%	5.4%
Ad Exp (incl. promotions)/Total Revenues	4.7%	6.4%
Employee Cost/ Total Operating Income	8.6%	7.8%
Other Expenditure/ Total Operating Income	13.8%	15.2%
Tax rate	24.8%	22.2%
Diluted EPS (Rs.)	1.21	0.79

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. cr)	30 June 2019	31 Mar 2019	30 June 2018
Net worth	955.2	899.7	791.6
Gross debt	10.0	10.0	11.6
Current Investments	166.6	83.1	145.2
Cash and cash equivalents	168.0	84.3	4.5
Net Cash Position (Rs. crore)	324.6	157.4	136.2
Fixed Assets	268.6	221.2	210.6

Note: Increase in Fixed Assets to the tune of Rs 29.2 crore on account of adopted Ind-AS 116 from April 1, 2019.

Balance Sheet Snapshot (Rs. cr)	30 June 2019	31 Mar 2019	30 June 2018
Debtor (days)	56	66	56
Inventory (days)	61	75	67
Creditor (days)	65	72	61
Working Capital Turnover (days)	51	69	62
RoE* (%)	19.2%	18.4%	18.2%
RoCE* (%)	22.9%	21.3%	22.5%

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

Segment-wise Breakup – Q1 FY20 vs Q1 FY19



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Segment Revenue	Q1 FY20 (Rs. Cr)	Contribution (%)	Q1 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	282.8	40%	240.5	38%	17.6%
Electricals	263.2	38%	261.4	41%	0.7%
Consumer Durables	153.4	22%	133.0	21%	15.3%
Grand Total	699.4	100%	634.9	100%	10.2%

Segment Result	Q1 FY20 (Rs. Cr)	Margin (%)	Q1 FY19 (Rs. Cr)	Margin (%)	YoY growth (%)
Electronics	49.6	17.5%	22.4	9.3%	122.0%
Electricals	13.2	5.0%	18.3	7.0%	-28.1%
Consumer Durables	6.6	4.3%	3.8	2.9%	72.3%
Grand Total	69.4	9.9%	44.5	7.0%	56.0%

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	Q1 FY20 (Rs. Cr)	Contribution (%)	Q1 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	379.8	54.3%	354.6	55.9%	7.1%
Non-South	319.6	45.7%	280.3	44.1%	14.0%
Total Revenue	699.4	100%	634.9	100%	10.2%

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 are focused on 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. 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 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 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.



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

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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

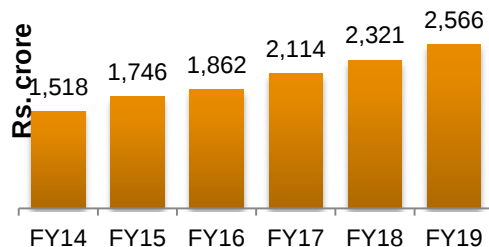
- Asset light model outsourcing ~58% products
- Complete control over supply chain ecosystem
- R&D support to vendors' technical teams
- Quality assurance official posted at vendors' production units to ensure maintenance of quality
- Owns all its designs and moulds
- Helps procure raw material for the 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 (FY14-19)

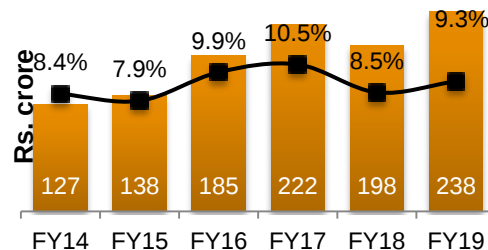


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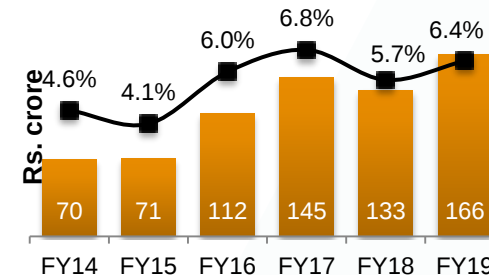
Revenue



EBITDA and EBITDA Margins

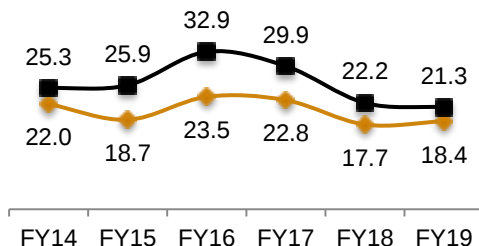


PAT and PAT Margins

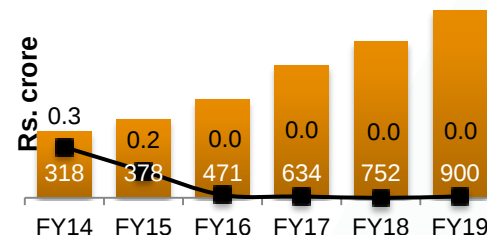


Note 1: Please note that consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike 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.

ROE ROCE



Net Worth Gross D/E



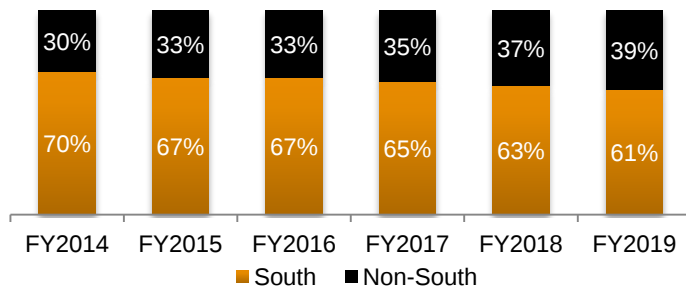
Note 3: V-Guard adopted Ind-AS framework starting FY18. Numbers for FY17 have been reinstated in compliance with Ind-AS to draw meaningful comparison. Prior period numbers are in IGAAP and not comparable.

Operational Highlights (FY14-19)

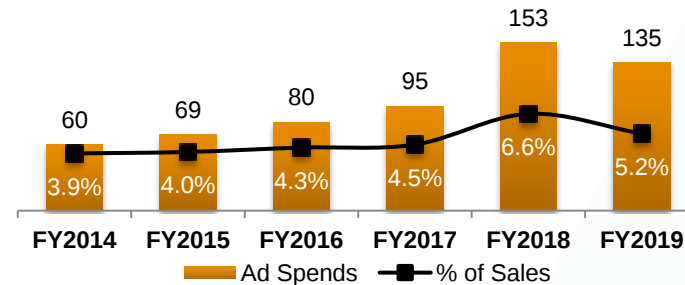


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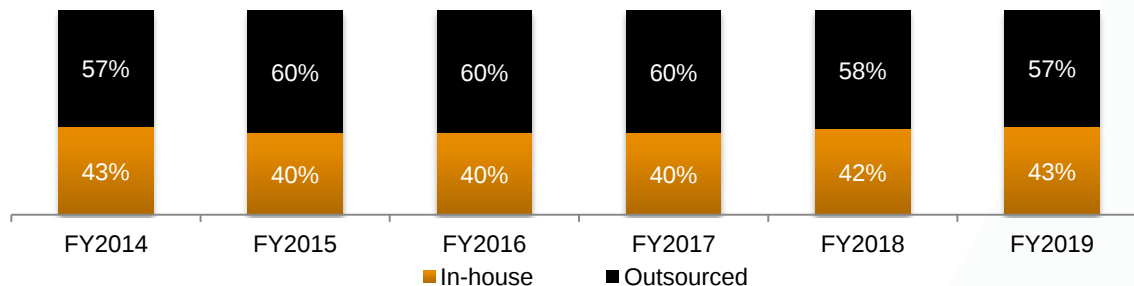
Expanding Geographic Presence



Ad & Promo Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



Market Size across Product Segments



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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



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Products		WATER HEATERS	FANS	UPS	Digital UPS
Market Size (De Central)*	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 / Decentralized*	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 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 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