



V-Guard Industries

Q4 FY2015 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.

Table of Contents

Company Overview

MD's Message

Financial Highlights

Segment-wise/Geographical Breakup of Revenues

Outlook

Annexure

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 536 distributors, 5,194 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 FY2015, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"FY15 turned out to be a mixed bag year. Consumer spending picked up in the first half owing to the formation of a stable, majority government. The sentiment in the second half was impacted on account of largely unchanged ground realities with rural incomes under pressure and construction activity not picking-up.

In the light of the macro challenges and weak channel health, we have operated in a prudent manner with our focus on quality of revenue. We generated strong cash flows from operations of Rs. 84 crore during the year driven by better inventory and debtor management, which was utilized to substantially bring down debt and maintain a robust debt-equity ratio of 0.2x.

We delivered a topline growth of 15% in FY15 led by strong growth in the water heaters, stabilizers, digital UPS and fans segments. The new kitchen appliance category also received a strong response. Gross margins were higher 60 bps in FY15, despite the significant impact of copper inventory write down, driven by better product mix and lower discounts in the non-South markets. To enhance our brand recall in the non-South markets, we continued to spend aggressively on advertising and promotions which stood at 4% of sales. Non-South markets account for 33% of revenues from 30% a year ago.

Further, in order to improve the quality of our customer service and prepare for the next level of growth, we invested in a franchise-based after-sales service system, upgraded the IT infrastructure and also setup a unified third-party call center. We expect that these investments will yield benefits going into the next financial year.

In FY16, we will look to strengthen our presence in the non-South markets and increase the revenue per distributor. We remain cautious of the way we operate in this environment but remain prepared to capitalize on any positive turnaround. We expect to sustain a topline growth of 15% in FY16 with margins between 8-8.5%."

Key Highlights – Q4 FY2015

Revenue growth of 4.5% YoY to Rs. 442 crore

- Wire segment revenues impacted due to lower realizations on account of soft commodity prices
- Key markets for pumps segment impacted by local issues

Gross profit up 11% YoY to Rs. 114 crore

- Gross margin expands 160 bps YoY to 25.8%

EBITDA margins at 8.3%, down 40 bps YoY

- Investments in franchise-based after-sales service system, IT infrastructure and unified call centre during the year to yield benefits going into FY16
- Ad expenditure to sales at 3.0% vs 3.4% in Q4 FY14

Working capital improves 7 days QoQ/6 days YoY to 70 days

- Debtor days stable at 51 days YoY
- Inventory days at 74, 8 days improvement YoY

Strong cash generation used to repay debt

- Cash from operations strong at Rs. 40 crore during Q4 FY15 and Rs. 84 crore in FY15
- Utilized to repay debt to the tune of Rs. 31.7 crore in Q4 FY15
- D/E at 0.2x as on 31 Mar 2015

Healthy return ratios

- ROE and ROCE of 19% and 26% respectively (TTM)

Dividend

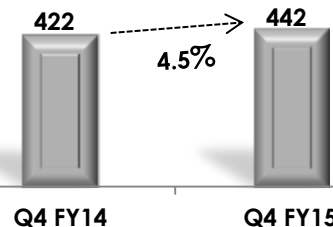
- Recommended a final dividend of Rs. 4.50 per equity share amounting to a payout of 22% of net profits for FY15 (including dividend distribution tax)

Guidance for FY16

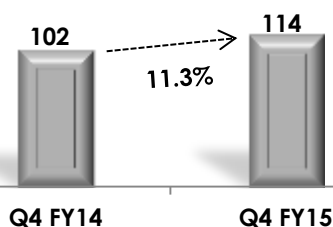
- Top line growth of 15% YoY with better performance in wires and pumps segments
- EBITDA margins expected to expand to 8-8.5%

Financial Highlights (Q4 FY2015)

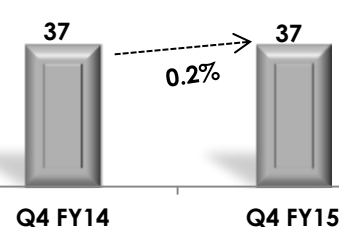
Total Income (Rs. crore)



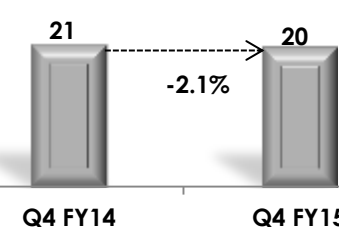
Gross Profit



EBITDA (Rs. crore)



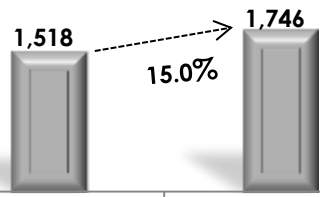
PAT (Rs. crore)



Key ratios (%)	Q4 FY15	Q4 FY14
Gross Margin	25.8%	24.2%
EBITDA Margin	8.3%	8.7%
Net Margin	4.5%	4.8%
Ad Expenditure (incl. promotions)/Total Revenues	3.0%	3.4%
Staff Cost/ Total Operating Income	6.3%	5.0%
Other Expenditure/ Total Operating Income	6.4%	5.4%
Tax rate	28.8%	27.6%
EPS (Rs.)	6.70	6.86

Financial Highlights (FY2015)

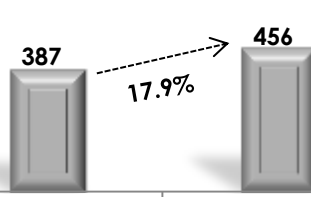
Total Income (Rs. crore)



FY14

FY15

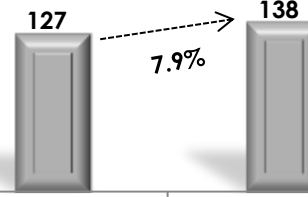
Gross Profit



FY14

FY15

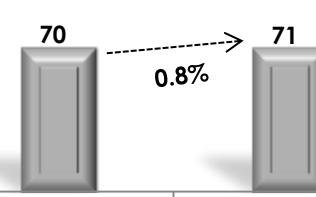
EBITDA (Rs. crore)



FY14

FY15

PAT (Rs. crore)



FY14

FY15

Key ratios (%)

FY15

FY14

Gross Margin

26.1%

25.5%

EBITDA Margin

7.9%

8.4%

Net Margin

4.1%

4.6%

Ad Expenditure (incl. promotions)/Total Revenues

4.0%

3.9%

Staff Cost/ Total Operating Income

6.3%

5.7%

Other Expenditure/ Total Operating Income

6.0%

5.6%

Tax rate

30.3%

25.6%

EPS (Rs.)

23.66

23.5

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. crore)	31 March 2015	31 December 2014	31 March 2014
Net worth	377.7	371.7	319.0
Total debt	67.7	99.5	108.4
o Working capital	36.7	66.1	77.4
o Term loan	31.0	33.5	31.0
Acceptances	96.9	73.1	101.3
Fixed Assets	163.6	163.9	169.7

Key Ratios	31 March 2015	31 December 2014	31 March 2014
Inventory (days)	74	81	82
Debtor (days)	51	41	51
Creditor (days)	55	44	57
Working Capital Turnover (days)	70	77	76
RoE (%)	19%	19%	22%
RoCE (%)	26%	25%	26%
Gross Debt / Equity (x)	0.2	0.3	0.3

Please note all calculations are based on a TTM basis

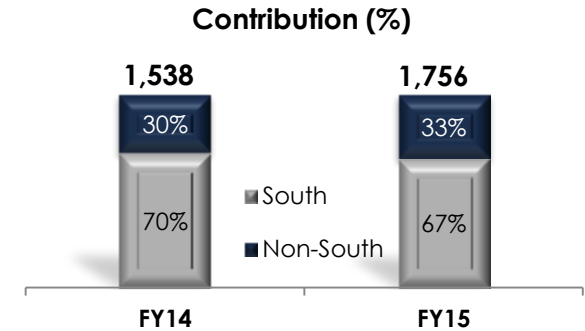
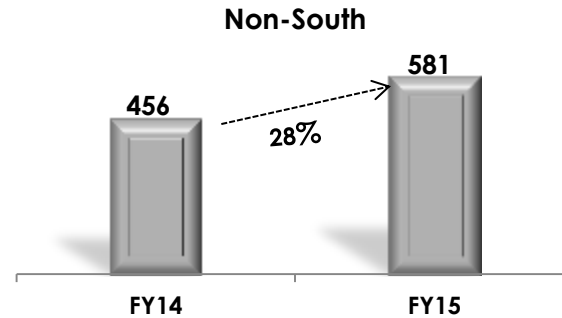
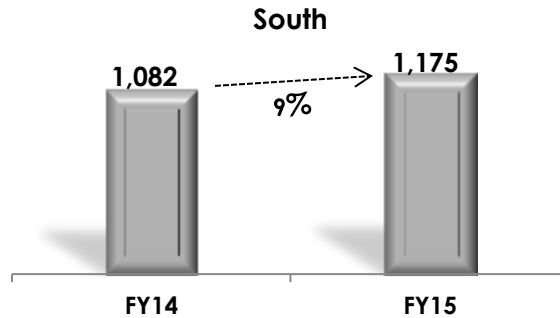
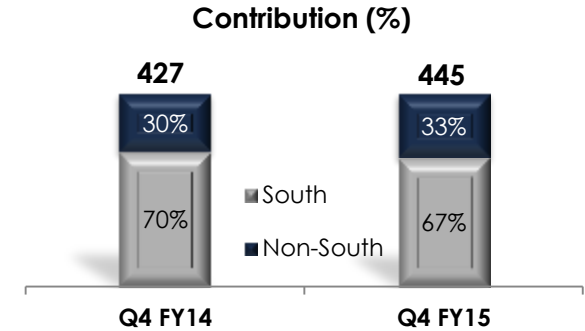
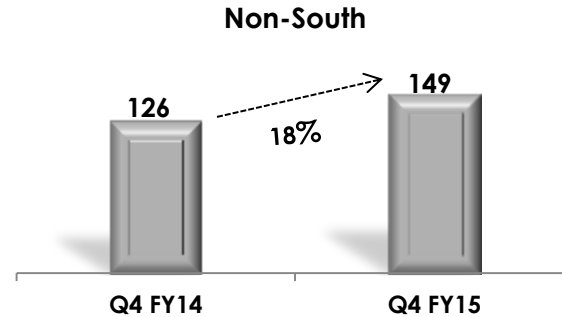
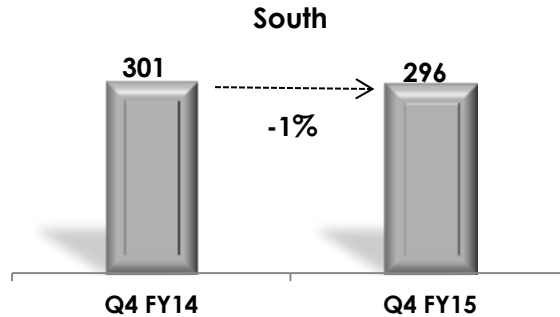
Segment-wise Breakup of Revenues – Q4 FY15 vs Q4 FY14

Products	Q4 FY2015 (Rs. cr.)	Contribution (%)	Q4 FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	79.5	18%	66.5	15.7%	19.6%
UPS (Digital + Standalone)	51.3	12%	49.6	11.8%	3.4%
Electronics Segment Total	130.9	30%	116.1	27%	12.7%
Pumps	61.9	14%	72.0	17.0%	-14.0%
Cables & Wires (PVC + LT)	152.3	34%	158.4	37.5%	-3.8%
Water Heaters (Electric + Solar)	31.7	7%	24.5	5.8%	29.4%
Fan	49.4	11%	39.0	9.2%	26.6%
Electricals Segment Total	295.3	67%	293.9	70%	0.5%
Kitchen Appliances (Induction Cooktops + Mixers)	9.2	2%	7.3	1.7%	26.1%
Switchgears	6.2	1%	5.1	1.2%	21.1%
New Products Total	15.4	3%	12.4	3%	24.1%
GRAND TOTAL	441.6	100%	422.4	100%	4.5%

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%

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, Digital UPS, Stabilizer with recovery in Wires 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	"

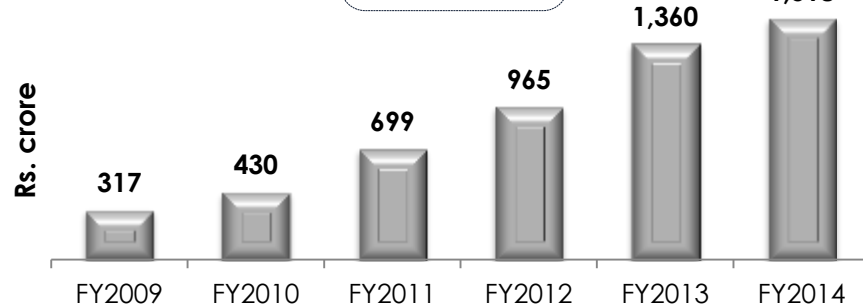
Outsourcing Objectives

- 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

Strong Financial Performance FY09-14

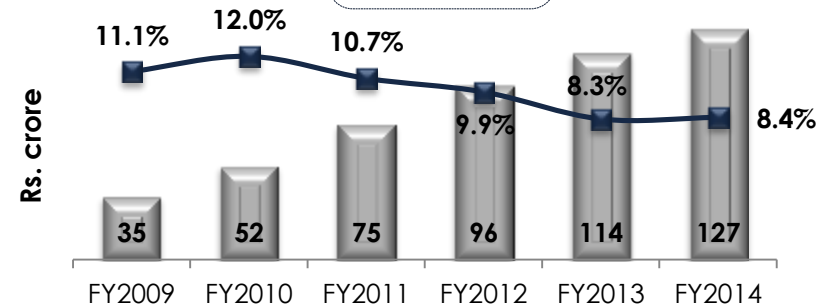
Revenue

CAGR – 37%



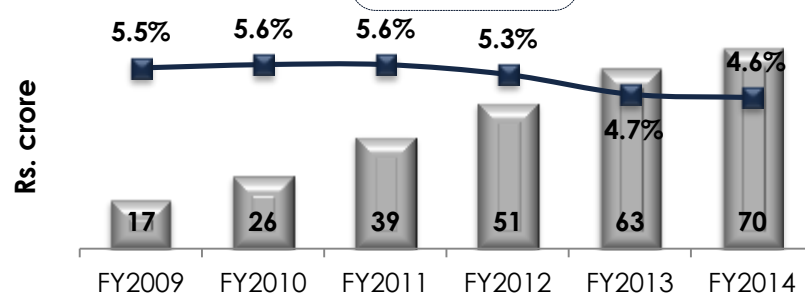
EBITDA and EBITDA Margins

CAGR – 29%

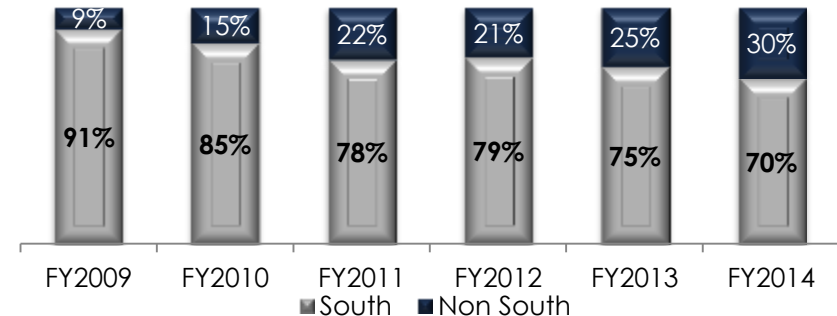


PAT and PAT Margins

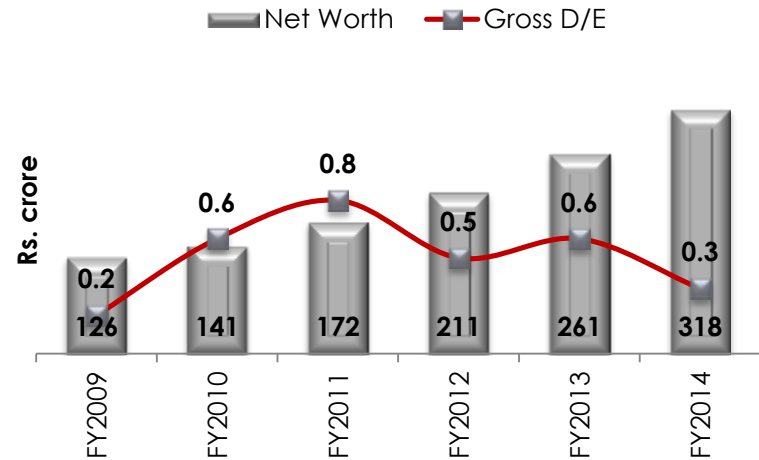
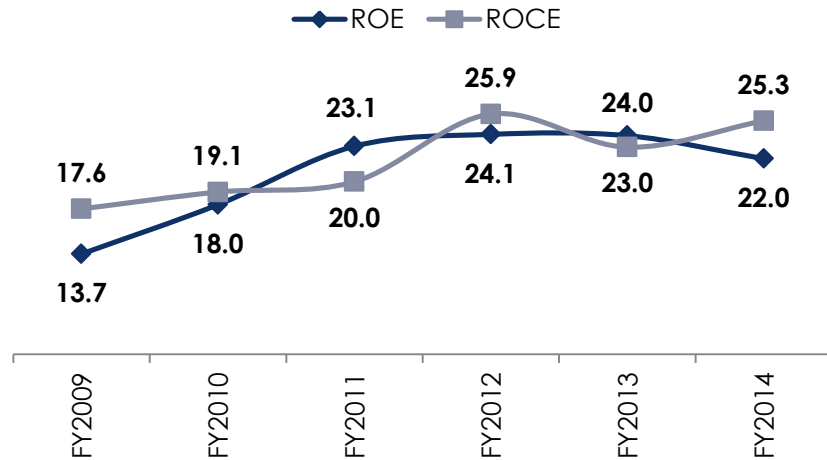
CAGR – 32%



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