



V-Guard Industries

Q4 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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Managing Director's Message



Commenting on the performance for Q4 FY16, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"We have delivered a robust performance this quarter, recording sales growth of 16% YoY with strong improvement in margins resulting in profit of Rs. 42 crore, by far the highest in V-Guard's corporate history. This was on the back of rapid growth in stabilizers and fans, both linked to an early setting in of the summer season. We also saw positive momentum in solar water heaters and pumps.

EBITDA margins expanded by almost 500 bps to 12.8% due to greater contribution from our higher margin products in Q4. Advertising and promotions increased to 3.8% of revenues compared to 3.0% in Q4 last year. We have maintained our pricing overall, and reduced discounts in non-South markets, even as some of our key raw material remained subdued.

We delivered topline growth of ~7% in FY16 with lower realizations in the cables and wires segment. Gross margins expanded by over 300 bps to 29.5%, driven by better product mix and lower discounts in the non-South markets. To further enhance our brand recall, we spent Rs. 80 crore on advertising and promotions during FY16, or 4.3% of sales. We have maintained a prudent outlook to the business, focusing on quality of growth and closely monitoring working capital across the distribution channel. As a consequence, cash flow from operations remained robust and we are now virtually a debt-free company.

We have been consolidating our overall presence in a weak spending environment. We are now the third largest player in electric water heaters, second largest in water heaters including solar and the largest national player in solar water heaters. We have recently launched a new range of stabilizers for inverter ACs which are extremely well-received in the market and will help us maintain our nationwide leadership in the segment. We are a top-5 player in branded house wiring cables and single phase pumps. We also have 7% share of the south Indian fans market. These are significant achievements from our perspective and in line with the objective of creating a strong nationwide consumer brand.

In FY17, while our focus will be on strengthening nationwide presence, we remain cautious in a spending environment that is still to pick up significant momentum. We expect to deliver topline growth of ~15% in FY17 with margins of over 10%."

Key Highlights – Q4 FY2016

Revenue growth of 16.2% YoY at Rs. 513.3 crore

- Highest ever sales recorded in a quarter
- Strong pick up with onset of early summer
- Excluding Wires & Cables, revenue growth at 24% YoY in Q4 FY16

Gross margin expands 490 bps YoY to 30.7%

- Gross profit up 38.5% YoY and 22.5% QoQ to Rs. 158 crore
- Led by lower input costs, inventory management and spreading of fixed overheads over strong sales growth

EBITDA margins at 12.8%, up 450 bps YoY, 400 bps QoQ

- EBITDA growth of 78% YoY and 80% QoQ to Rs. 66 crore, despite higher ad expenditure
- Ad expenditure to sales at 3.8% vs 3.0% in Q4 FY15

PAT growth of 109% YoY and 95% QoQ to Rs. 42 crore

- Highest ever quarterly profit recorded
- PAT margin improves 360 bps YoY and 300 bps QoQ to 8.2%
- Led by better EBITDA margins and reduced finance costs

Working capital cycle stable at 70 days

- Inventory days improve by 17 days YoY to 57 days
- Creditor days at 42 days
- Conscious decision to limit bill discounting given strong cash generation and lower inventory levels

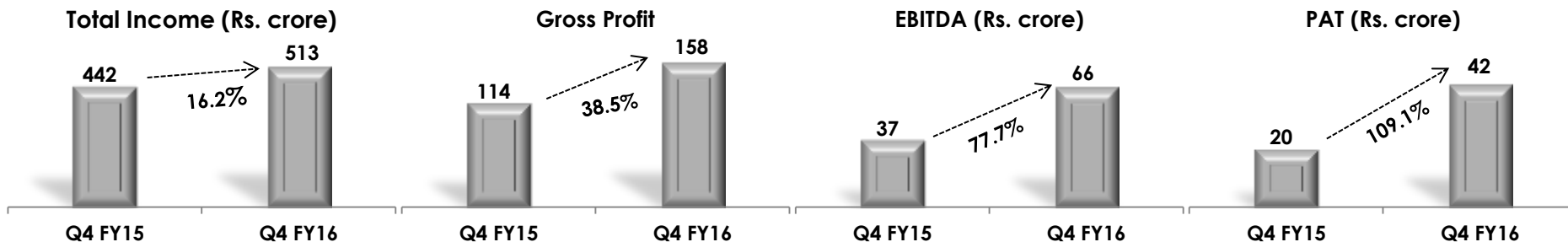
Strong return ratios

- ROE and ROCE of 23.5% and 32.9% respectively (TTM)

Strong cash generation

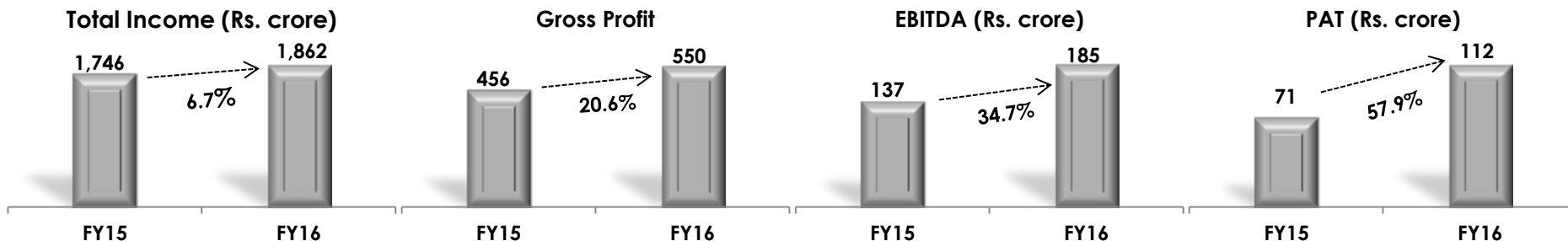
- CFO strong at Rs. 32 crore during Q4 FY16; Rs. 134 crore in full year FY16
- D/E at 0.02 as on 31 Mar 2016 as compared to 0.18x as on 31 Mar 2015

Financial Highlights (Q4 FY2016 vs Q4 FY2015)



Key ratios (%)	Q4 FY16	Q4 FY15
Gross Margin	30.7%	25.8%
EBITDA Margin	12.8%	8.3%
Net Margin	8.2%	4.5%
Ad Expenditure (incl. promotions)/Total Revenues	3.8%	3.0%
Staff Cost/ Total Operating Income	5.5%	5.4%
Other Expenditure/ Total Operating Income	6.7%	7.4%
Tax rate	30.6%	28.8%
EPS (Rs.)	13.97	6.70

Financial Highlights (FY2016 vs FY2015)



Key ratios (%)	FY16	FY15
Gross Margin	29.5%	26.1%
EBITDA Margin	9.9%	7.9%
Net Margin	6.0%	4.1%
Ad Expenditure (incl. promotions)/Total Revenues	4.3%	4.0%
Staff Cost/ Total Operating Income	6.0%	5.4%
Other Expenditure/ Total Operating Income	7.4%	6.9%
Tax rate	30.6%	30.3%
EPS (Rs.)	37.22	23.66

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. crore)	31 March 2016	31 December 2015	31 March 2015
Net worth	476.2	450.8	377.7
Total debt	10.4	23.8	67.7
○ Working capital	1.5	0.2	36.7
○ Term loan	8.9	23.6	31.0
Acceptances	4.0	7.9	96.9

Key Ratios	31 March 2016	31 December 2015	31 March 2015
Debtor (days)	55	47	51
Inventory (days)	57	66	74
Creditor (days)	42	44	55
Working Capital Turnover (days)	70	68	70
RoE (%)	23%	20%	19%
RoCE (%)	33%	28%	26%
Gross Debt / Equity (x)	0.02	0.05	0.18

Please note all calculations are based on a TTM basis

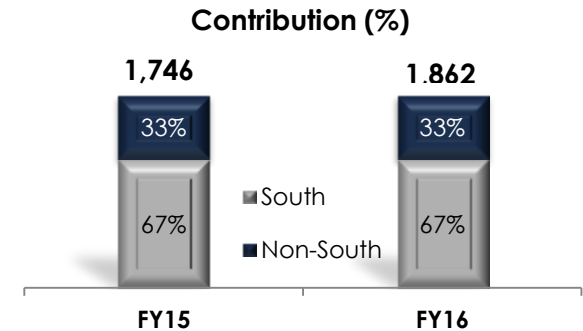
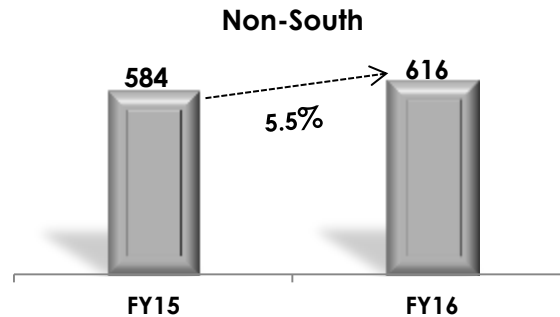
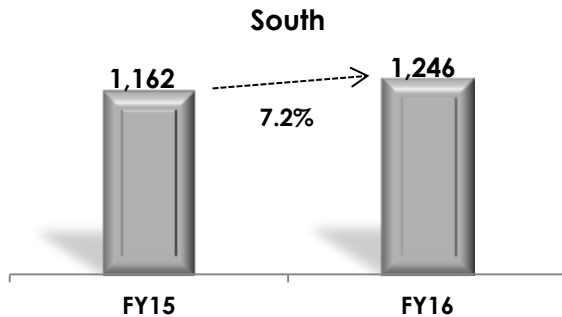
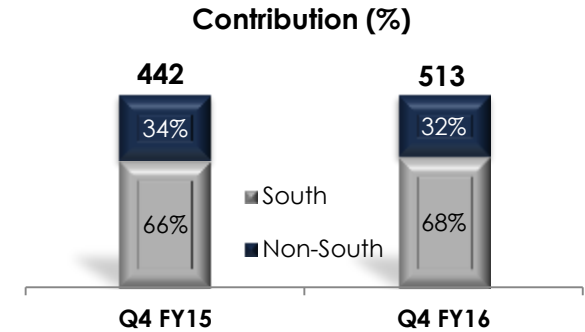
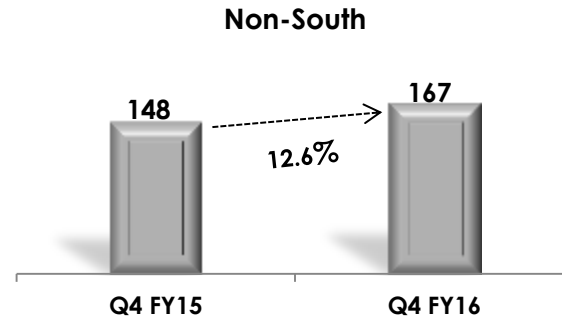
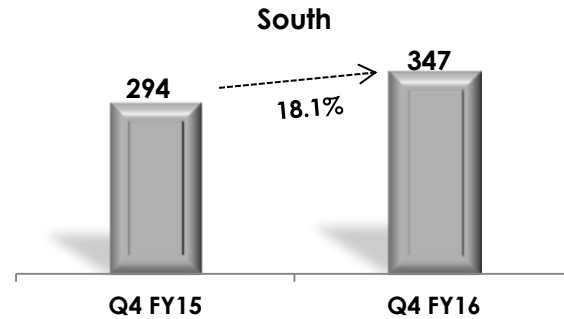
Segment-wise Breakup of Revenues – Q4 FY16 vs Q4 FY15

Products	Q4 FY2016 (Rs. cr.)	Contribution (%)	Q4 FY2015 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	100.1	19.5%	79.5	18.0%	25.9%
UPS (Digital + Standalone)	54.4	10.6%	51.3	11.6%	6.1%
Electronics Segment Total	154.6	30.1%	130.9	30%	18.1%
Pumps	74.1	14.4%	61.9	14.0%	19.8%
Cables & Wires (PVC + LT)	154.6	30.1%	152.3	34.5%	1.5%
Water Heaters (Electric + Solar)	40.4	7.9%	31.7	7.2%	27.6%
Fan	72.0	14.0%	49.4	11.2%	45.7%
Electricals Segment Total	341.2	66.5%	295.3	67%	15.5%
Kitchen Appliances (Induction Cooktops + Mixers)	7.8	1.5%	9.2	2.1%	-15.9%
Switchgears	9.8	1.9%	6.2	1.4%	58.4%
New Products Total	17.6	3.4%	15.4	3%	14.0%
GRAND TOTAL	513.3	100.0%	441.6	100%	16.2%

Segment-wise Breakup of Revenues – FY16 vs FY15

Products	FY2016 (Rs. cr.)	Contribution (%)	FY2015 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	369.1	19.8%	326.8	18.7%	13.0%
UPS (Digital + Standalone)	193.6	10.4%	222.1	12.7%	-12.8%
Electronics Segment Total	562.7	30.2%	548.9	31%	2.5%
Pumps	210.0	11.3%	189.0	10.8%	11.1%
Cables & Wires (PVC + LT)	588.6	31.6%	583.7	33.4%	0.8%
Water Heaters (Electric + Solar)	255.4	13.7%	228.0	13.1%	12.0%
Fan	176.7	9.5%	137.5	7.9%	28.5%
Electricals Segment Total	1,230.7	66.1%	1,138.1	65%	8.1%
Kitchen Appliances (Induction Cooktops + Mixers)	35.8	1.9%	36.9	2.1%	-2.9%
Switchgears	33.0	1.8%	22.1	1.3%	49.6%
New Products Total	68.8	3.7%	58.9	3%	16.8%
GRAND TOTAL	1,862.3	100.0%	1,745.9	100%	6.7%

Geographical Breakup of 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 FY2017

Working Capital Efficiencies

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

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 29 branches nationwide
- Network of over 624 distributors, 5,562 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 22% and 23% between FY11-16
- ROE at 23.5% and ROCE at 32.9% for FY2016

Production Model



PVC Cable Factory



LT Cable Factory



Solar Water Heater Factory



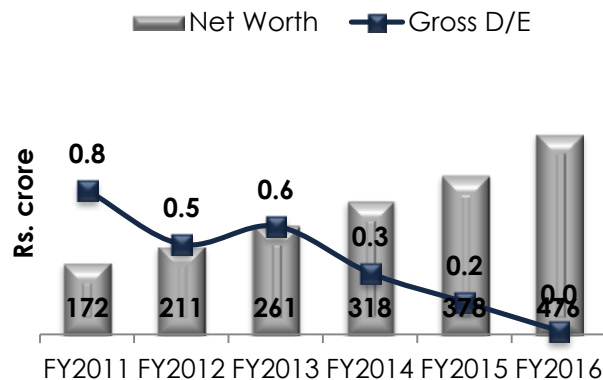
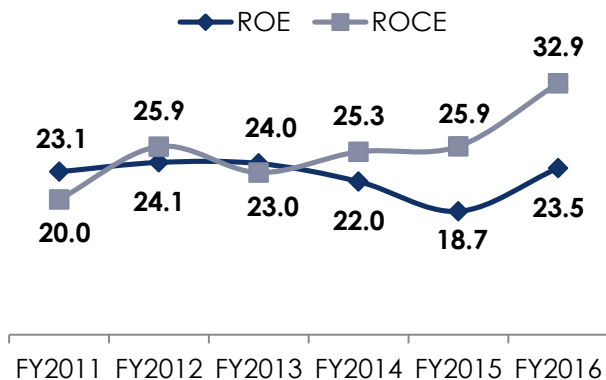
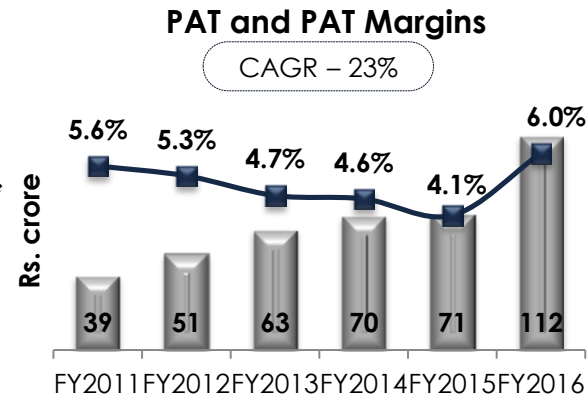
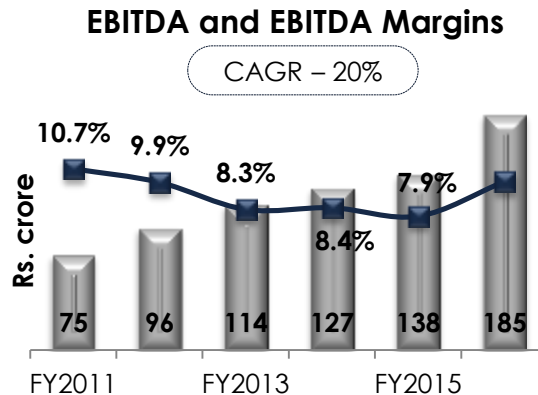
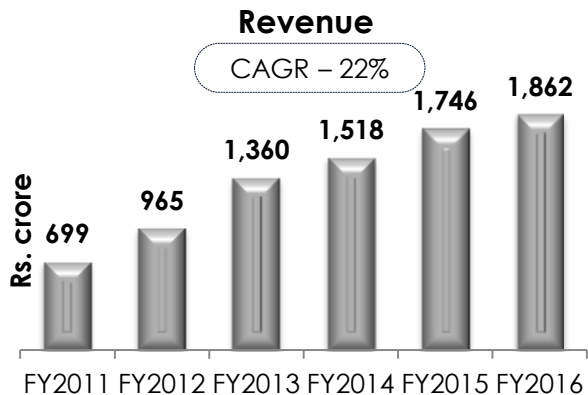
Stabilizer Manufacturing Units

Product	No. of Units	Location
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
Stabilizers	1	Sikkim
Outsourced production facilities		
Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Elec. Water Heater	7	"

Outsourcing Objectives

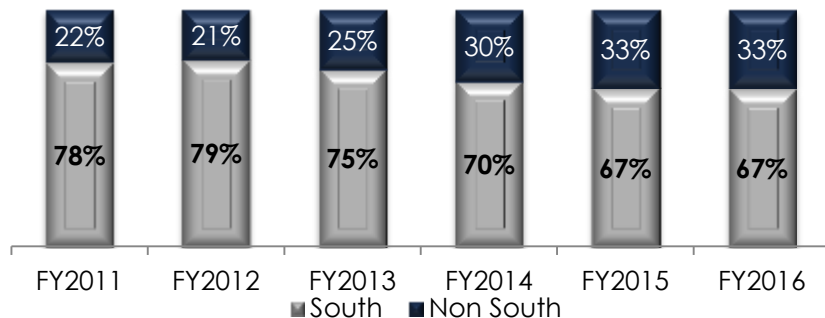
- Asset light model outsourcing ~60% products
- Complete control over supply chain ecosystem
- R&D support to vendors' technical teams
- Quality assurance official posted at vendors' production units to ensure maintenance of quality
- Owns all its designs and moulds
- Helps procure raw material for the 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 (FY11-16)

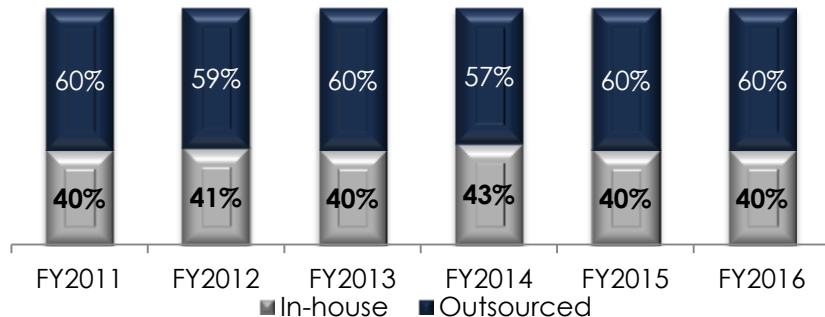


Operational Highlights (FY11-16)

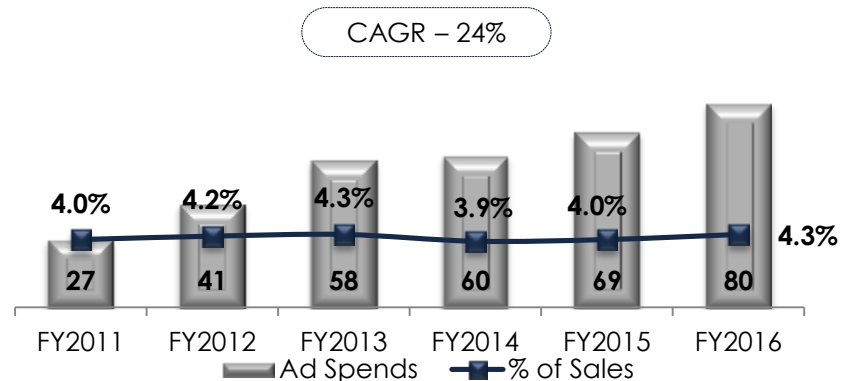
Expanding Geographic Presence



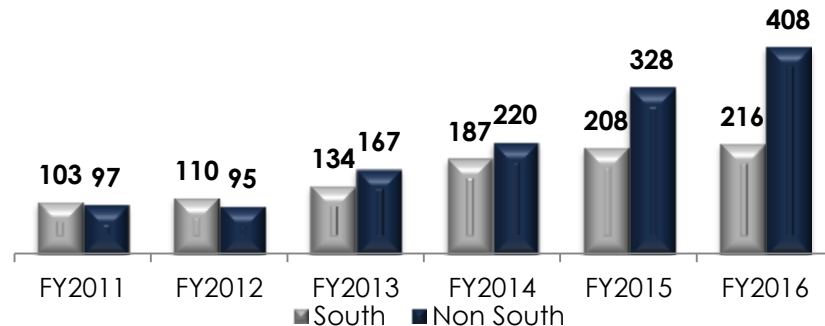
In-house Manufacturing vs. Outsourcing



Ad Spends and as a % of Sales



Strong Growth in Dealer Network



Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organized	Unorganized	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
	Organized	Unorganized	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
	Organized	Unorganized	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	Racold, Emmvee 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 29 branches, 624 distributors, 5,562 channel partners and ~25,000+ retailers across the country.

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THANK YOU