

V-Guard Industries

Q2 & H1 FY2013 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** launches include Solar Water Heaters, Induction cooktops, Switchgears

Strong distribution network

- Spread over 28 branches across India
- Network of over 230 distributors, 2500 channel partners and 13,000 retailers across the country

Strong Brand Equity

- Strong established player in South India
- Aggressive ad spends and sales promotions have created a strong equity and brand recall
- Quickly gaining recognition on a country-wide basis

Expanding towards a pan India presence

- Significant investments committed towards aggressive expansion in non-South markets
- Doubling house-wiring and cable factory and setting up second manufacturing unit for solar water heaters

Mix of in-house and outsourcing production model provides flexibility

- Asset light model outsourcing ~60% its products
- 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 ~20% market share
- Last four years have seen market share gains 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 38% and 37% between FY08-FY12
- Return ratios in the upper quartile of the industry; ROE at 24% and ROCE at 21% for FY2012

Financial Highlights

H1 FY2013 Highlights vs. H1 FY2012 (Y-o-Y)

- Total Income up 42% at Rs. 632.46 crore as compared to Rs. 444.57 crore in H1 FY2012
- EBITDA up 71% at Rs. 65.92 crore as compared to Rs. 38.61 crore in H1 FY2012
- PBT up 99% at Rs. 51.48 crore as compared to Rs. 25.92 crore in H1 FY2012
- PAT up 101% at Rs. 38.63 crore as compared to Rs. 19.18 crore in H1 FY2012
- EPS at Rs. 12.94 per share as compared to Rs. 6.43 per share in H1 FY2012

Q2 FY2013 Highlights vs. Q2 FY2012 (Y-o-Y)

- Total Income up 48% at Rs. 313.47 crore as compared to Rs. 211.48 crore in Q2 FY2012
- EBITDA up 101% at Rs. 31.12 crore from Rs. 15.45 crore in Q2 FY2012
- PBT up 169% at Rs. 23.91 crore as compared to Rs. 8.88 crore in Q2 FY2012
- PAT up 163% at Rs. 17.97 crore as compared to Rs. 6.84 crore in Q2 FY2012
- EPS at Rs. 6.02 per share as compared to Rs. 2.29 per share in Q2 FY2012

Managing Director's Message



Commenting on the performance for Q2FY2013, Mr. Mithun Chittilappilly, Managing Director - V-Guard Industries Limited said,

"We are delighted to report another robust performance this quarter with our topline growing 48% and bottom line growing 163%. The growth has been broad-based and we continue to gain market share across our product segments as well as geographies.

Our expansion into the non-South markets continues which now account for 23% of our total turnover. We are focused to aggressively expand our presence in the non-South region and to fulfill this commitment have made significant investments with a growing network of distributors in the non-South markets. We will look at launching our complete range of products in these geographies and enhancing our team strength which will enable us to further penetrate these markets. With view of increasing our visibility and brand equity on a pan-India basis we will look to step up our investments in advertising and marketing over the next two quarters.

We are expanding manufacturing capacities of Solar water heaters to 90,000 units per annum to cater to the rapidly rising demand and are also looking to launch induction cooktops in Karnataka after the success in the Kerala market.

Going into H2 we see a robust demand for all our product offerings which will translate into market share gains, and makes us confident of achieving our expectations of 30% growth in topline for FY2013."

Segment-wise Breakup of Revenues

Segment	Products	Q2 FY2013	Contribution (%)	Q2 FY2012	YoY growth (%)
Electronics	Stabilizers	50.34	16%	42.07	20%
	Standalone UPS	15.08	5%	11.89	27%
	Digital UPS	37.42	12%	10.53	255%
	Segment Total	102.85	33%	64.49	59%
Electricals	Pumps	43.11	14%	27.94	54%
	House wiring cable	88.99	28%	63.65	40%
	LT cable	19.96	6%	13.25	51%
	Electric water heater	29.20	9%	25.63	14%
	Fan	14.98	5%	9.67	55%
	Other Products	7.53	-	-	-
	Segment Total	203.77	65%	140.15	45%
Others	Solar water heater	6.86	2%	6.62	4%
	Others	0.00	0%	0.23	-100%
	Segment Total	6.86	2%	6.84	0%
	GRAND TOTAL	313.47	100%	211.48	48%

Geographical Breakup of Revenues

Region	Q2 FY2013 (Rs. cr.)	Contribution (%)	Q2 FY2012 (Rs. cr.)	YoY growth (%)
South	247.19	77%	171.34	44%
Non South	71.79	23%	43.09	67%

Performance Analysis (Q2 FY13 vs. Q2 FY12)

Total Income

- Q2 FY2013 revenues at Rs. 313.47 crore marked a growth of 48% as compared to Rs. 211.48 crore in Q2 FY2012 led by
 - 59% growth in Electronics and 45% growth in Electricals segment
 - 44% growth in South markets and 67% growth in non-South markets
 - Remarkable growth in sales of Digital UPS, single and three-phase Pumps, Wires and LT Cables

Expenditure

- Total operating expenditure for Q2 FY2013 stood at Rs. 286.39 crore, up 44% compared to Rs. 198.75 crore in the corresponding period last year
 - Ad expenditure for H1 FY2013 stood at Rs. 18.25 crore or 3% of revenues
 - Ad expenditure to increase in H2 FY2013 to capture stronger demand during the festive season; expected to be at 3.5-4% of revenues for the full year

Performance Analysis (Q2 FY13 vs. Q2 FY12)

EBITDA

- Operating profits for Q2 FY2013 stood at Rs. 31.12 crore representing a growth of 101% as compared to Rs. 15.45 crore in Q2 FY2012
 - Margins expanded from 7.3% to 9.9%
 - Tight cost control measures adopted by the Company contributed to margin expansion

Net Profit

- PAT for Q2 FY2013 stood at Rs. 17.97 crore, up 163% as compared to Rs. 6.84 crore for the corresponding quarter last year

Total Debt

- The total debt as on 30th September 2012 stood at Rs. 121.92 crore down from Rs. 131.19 crore as on 30th September 2011

Return on Equity

- ROE stood at 28.2% in the trailing twelve months to 30th September 2012

Outlook

Continued market share gains driven by sustained demand to drive profitable growth

- To capitalize on the exponential opportunities available in the household electrical appliances segment given strong consumer demand, rising disposable incomes and increasing number of middle income households having low penetration of household appliances
- Re-iterate a topline growth of over 30% for FY2013

Continued investments in advertising and marketing to enhance brand visibility and facilitate pan-India expansion

- Increased advertising expenditures planned for the next two quarters to capture festive demand
- Advertising spends to be to the tune of 3.5-4% for FY2013

To continue to aggressively expand presence in non-South markets

- Make significant investments towards enhancing dealer network
- Over time to launch complete range of products across these geographies

Improved working capital efficiency going forward

- Vendor financing to lower the cash conversion cycle and result in significant improvement in the working capital position

About V-Guard Industries

V-Guard Industries Limited (BSE:532953, NSE: VGUARD) is a Kochi based company, incepted in 1977 by Kochouseph 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 and Switchgears.

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 21% of total revenues in FY12. 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 230 distributors, 2500 channel partners and 13,000 retailers across the country.

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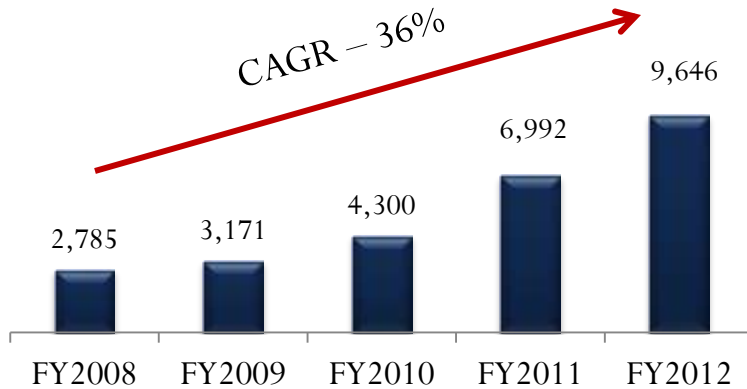
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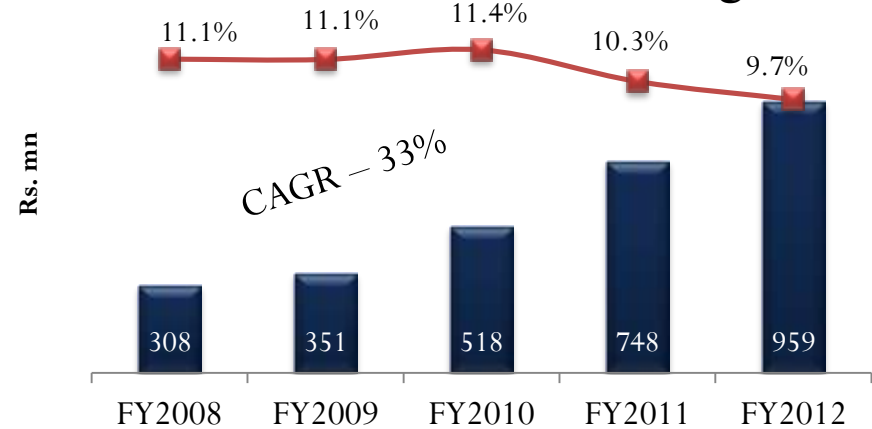
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Strong Financial Performance

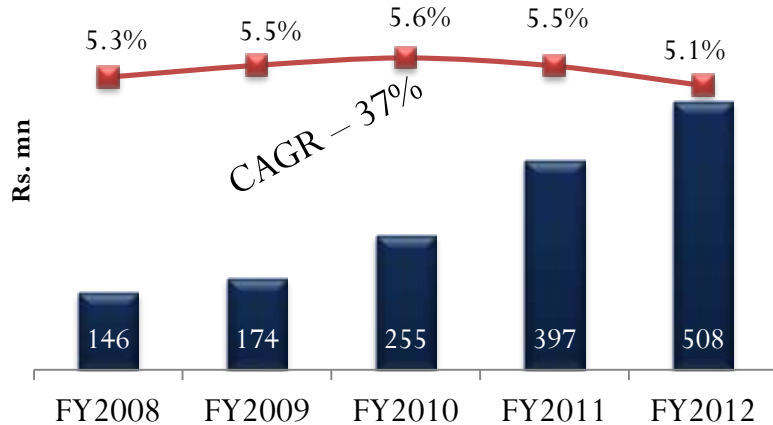
Revenues (Rs. mn)



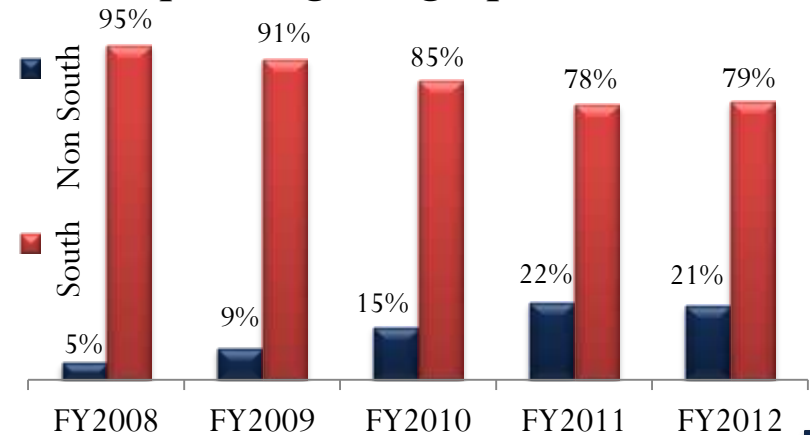
EBITDA and EBITDA Margins



PAT and PAT Margin

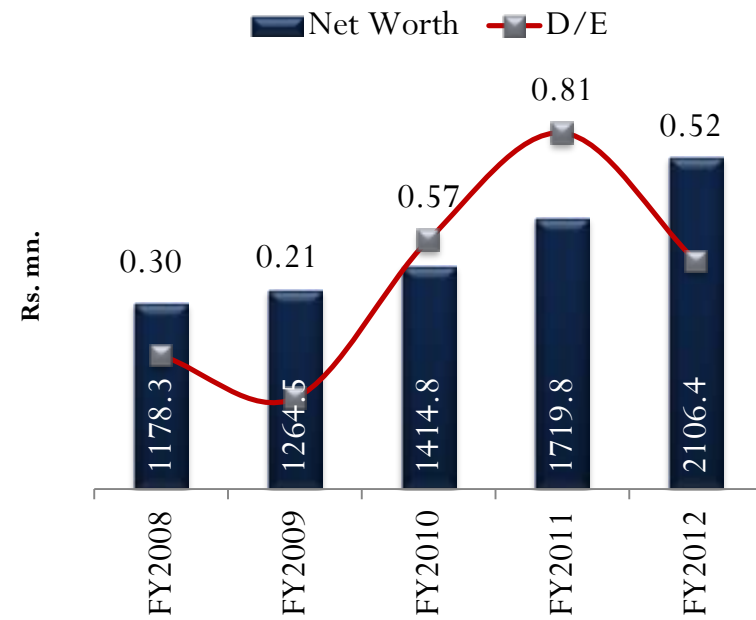
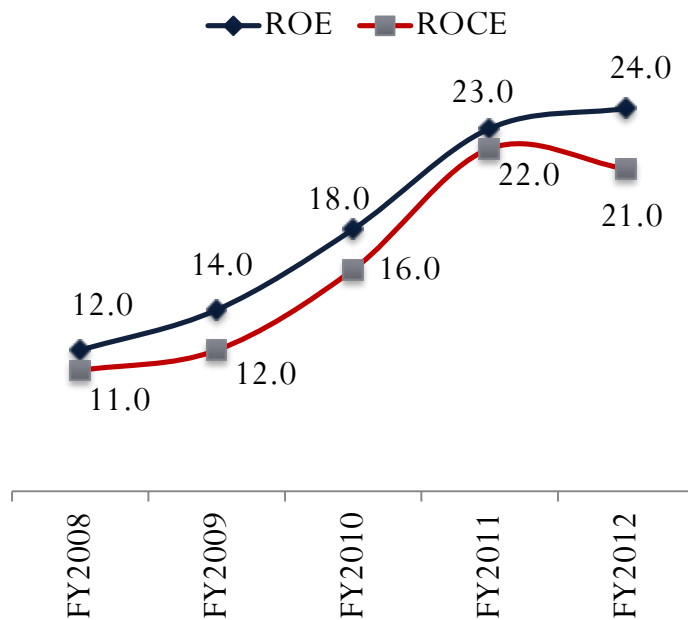


Expanding Geographic Presence



Note – Profit and related figures are excluding exceptional items

Strong Financial Performance



Broad-based Growth across Segments

(Rs. crore)	Segment	FY2008	FY2012	CAGR (%)
Electronics	Stabilizers	93.72	200.96	21.0%
	Standalone UPS	16.87	42.08	25.7%
	Inverter & Digital UPS	-	72.69	-
	Segment Total	110.59	315.73	30.0%
Electricals	Pumps	56.09	151.87	28.3%
	House wiring cable	60.02	282.55	47.3%
	LT cable	1.0	58.19	176.2%
	Electric water heater	27.22	86.3	33.4%
	Fan	8.62	63.8	64.9%
	Segment Total	152.95	642.68	43.2%
Others	Solar water heater	12.57	25.95	19.9%
	Gas water heater + Windmill	2.01	9.28	46.6%
	Segment Total	14.58	35.23	24.7%
	TOTAL	278.12	993.64	37.5%

THANK YOU

