



V-Guard Industries

Q2 FY2015 Earnings Presentation

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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.

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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 467 distributors, 4,645 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 Q2 FY2015, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"We have delivered a strong performance this quarter with a top line growth of 29% YoY and PAT growth of 32% YoY bolstered by good response in the Onam season. With the coal shortage issues and power cuts resuming, especially in South India, the digital UPS and stabilizer segments recorded stellar growth.

Other segments like house-wiring cables, electric water heaters and fans also performed well. We have launched our new brand of water heaters, 'Pebble', on a pan-India basis in Q2 and have received a phenomenal response.

We continue to gain prominence in the non-South markets and have recorded a robust growth of 47% YoY. We have been able to expand our revenue base in non-South to 33% as compared to 28% a year ago through our aggressive investments in advertisements and promotions over the past few years. After a few subdued quarters, the South markets also witnessed a strong growth of 21% YoY.

We have seen an increase in the working capital during the quarter led by the increase in inventory leading up to the winter season. We expect this to normalize from now till the end of the year.

To conclude, our performance in the first half this year has been good. We re-iterate our top line guidance of 20% growth at EBITDA margins of 8.5-9% in FY15."

Key Highlights – Q2 FY2015

Revenue growth of 29% YoY to Rs. 431 crore

- Non-South markets grew by 47% YoY and accounted for 33% of total sales

Gross profit up 31% YoY to Rs. 121 crore

- Gross margin expands 50 bps YoY to 28.1%

EBITDA margins expand 10 bps YoY to 8.5%

- Ad expenditure to sales was flat at 3.3% in Q2 FY14

PBT growth of 35% YoY to Rs. 28 crore

- Tax rate at 30.7% vs. 29.4% in Q2 FY14
- EPS of Rs. 6.42 in Q2 FY15 vs. Rs. 4.85 in Q2 FY14

Working capital cycle at 82 days

- Increase in inventory on account of stocking up of products leading up to the winter season
- 6 day QoQ improvement in debtor days

Healthy return ratios

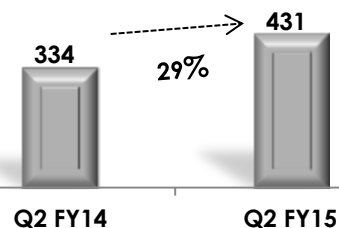
- ROE and ROCE of 22.1% and 25.4% respectively

Guidance for FY15 - unchanged

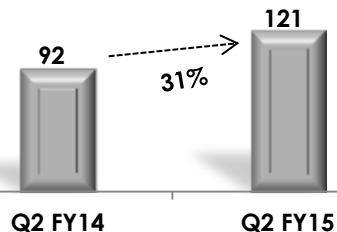
- Top line growth of 20% YoY driven by stabilizer, house-wiring and inverter segments
- EBITDA margins to be between 8.5-9% on the back of operating leverage

Financial Highlights (Q2 FY2015)

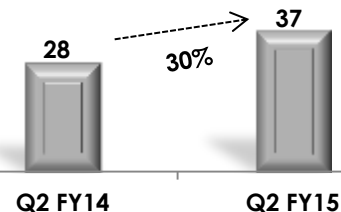
Total Income (Rs. crore)



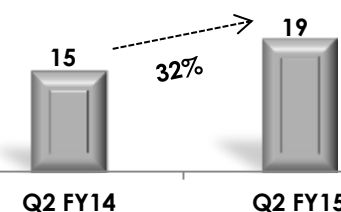
Gross Profit



EBITDA (Rs. crore)

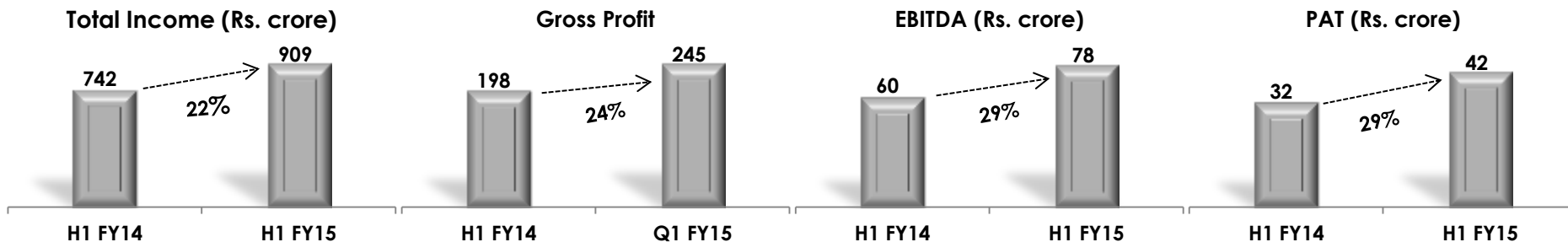


PAT (Rs. crore)



Key ratios (%)	Q2 FY15	Q2 FY14
Gross Margin	28.1%	27.6%
EBITDA Margin	8.5%	8.4%
Net Margin	4.4%	4.3%
Ad Expenditure (incl. promotions)/Total Revenues	3.3%	3.3%
Staff Cost/ Total Operating Income	6.4%	6.6%
Other Expenditure/ Total Operating Income	7.8%	7.4%
EPS (Rs.)	6.42	4.85

Financial Highlights (H1 FY2015)



Key ratios (%)	H1 FY15	H1 FY14
Gross Margin	27.0%	26.6%
EBITDA Margin	8.6%	8.1%
Net Margin	4.6%	4.3%
Ad Expenditure (incl. promotions)/Total Revenues	4.0%	4.4%
Staff Cost/ Total Operating Income	5.8%	5.9%
Other Expenditure/ Total Operating Income	6.4%	6.3%
EPS (Rs.)	13.9	10.8

Financial Highlights – B/S Perspective

Balance Sheet Snapshot (Rs. crore)	30 September 2014	30 June 2014	30 September 2013
Net worth	360.4	340.4	294.5
Total debt	129.1	82.5	107.7
o Working capital	93.2	44.4	71.4
o Term loan	35.9	38.1	36.3
Acceptances	71.6	69.3	80.3
Fixed Assets	165.8	166.0	164.0

Key Ratios	30 September 2014	30 June 2014	30 September 2013
Inventory (days)	88	78	81
Debtor (days)	44	50	40
Creditor (days)	51	57	52
Working Capital Turnover (days)	82	70	69
RoE (%)	22%	22%	19%
RoCE (%)	25%	28%	22%
Gross Debt / Equity (x)	0.4	0.2	0.4

Please note all calculations are based on a TTM basis

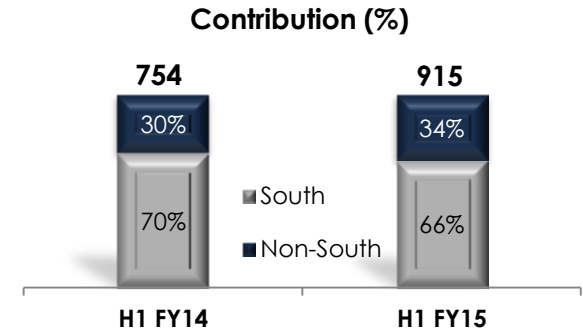
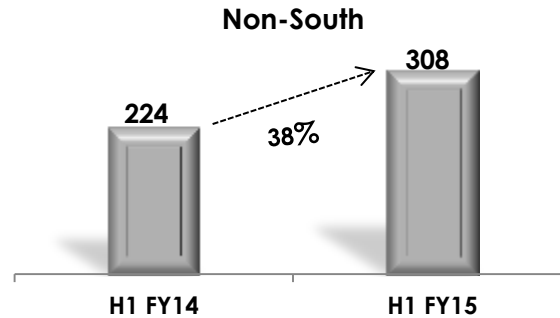
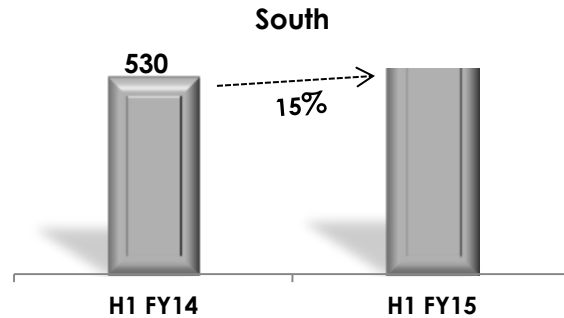
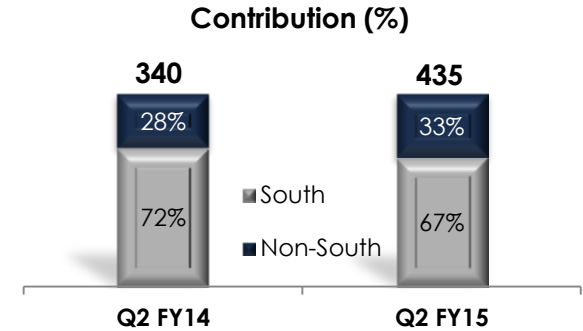
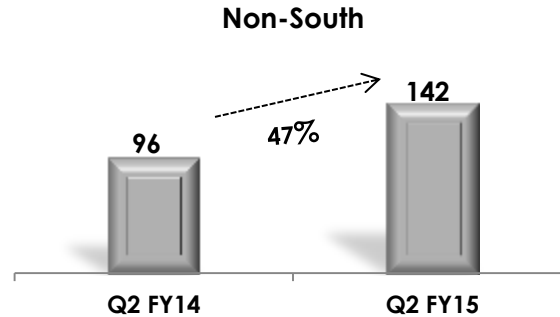
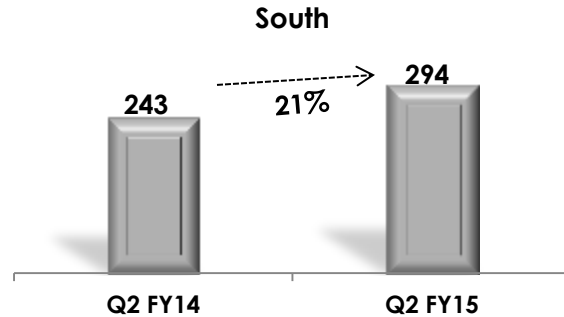
Segment-wise Breakup of Revenues – Q2 FY15 vs Q2 FY14

Products	Q2 FY2015 (Rs. cr.)	Contribution (%)	Q2 FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	67.9	15.7%	54.3	16.2%	25.1%
Standalone UPS	8.1	1.9%	11.0	3.3%	-26.4%
Digital UPS	45.5	10.5%	19.4	5.8%	134.4%
Electronics Segment Total	121.4	28.2%	84.6	25.3%	43.4%
Pumps	40.1	9.3%	33.8	10.1%	18.6%
House wiring cable	140.2	32.5%	117.2	35.1%	19.6%
LT cable	16.1	3.7%	19.8	5.9%	-18.7%
Electric water heater	60.4	14.0%	42.2	12.6%	43.1%
Fan	21.0	4.9%	15.4	4.6%	36.6%
Other Products	20.1	4.7%	12.6	3.8%	59.1%
Electricals Segment Total	297.9	69.1%	241.0	72.1%	23.6%
Solar water heater	12.0	2.8%	8.4	2.5%	42.3%
Others Segment Total	12.0	2.8%	8.4	2.5%	42.3%
GRAND TOTAL	431.3	100.0%	334.1	100.0%	29.1%

Segment-wise Breakup of Revenues – H1 FY15 vs H1 FY14

Products	H1 FY2015 (Rs. cr.)	Contribution (%)	H1 FY2014 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	178.9	19.7%	144.5	19.5%	23.8%
Standalone UPS	15.0	1.7%	22.5	3.0%	-33.2%
Digital UPS	120.9	13.3%	82.7	11.1%	46.2%
Electronics Segment Total	314.9	34.6%	249.7	33.6%	26.1%
Pumps	89.8	9.9%	89.4	12.0%	0.4%
House wiring cable	266.7	29.3%	223.4	30.1%	19.4%
LT cable	31.2	3.4%	35.4	4.8%	-12.0%
Electric water heater	88.5	9.7%	62.1	8.4%	42.5%
Fan	65.3	7.2%	47.2	6.4%	38.2%
Other Products	31.2	3.4%	18.7	2.5%	66.9%
Electricals Segment Total	572.6	63.0%	476.2	64.2%	20.2%
Solar water heater	21.5	2.4%	16.3	2.2%	31.9%
Others Segment Total	21.5	2.4%	16.3	2.2%	31.9%
GRAND TOTAL	908.9	100.0%	742.2	100.0%	11.6%

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 FY2015

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 20% growth through expansion in non-South markets
- Growth to be driven by Electric Water Heater, Pump, Digital UPS, Stabilizer and House-Wiring Cables
- EBITDA margins to inch upwards between 8.5-9% in FY15



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	"

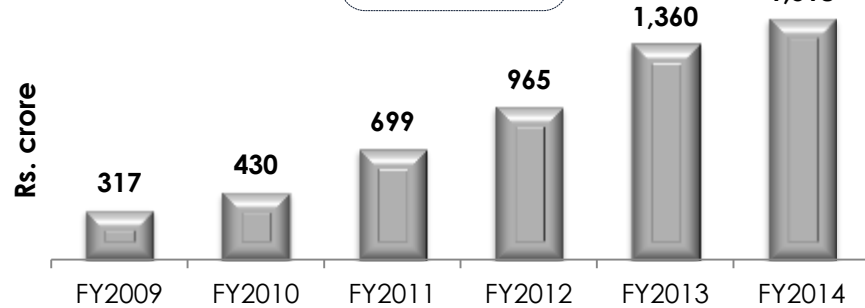
Outsourcing Objectives

- 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

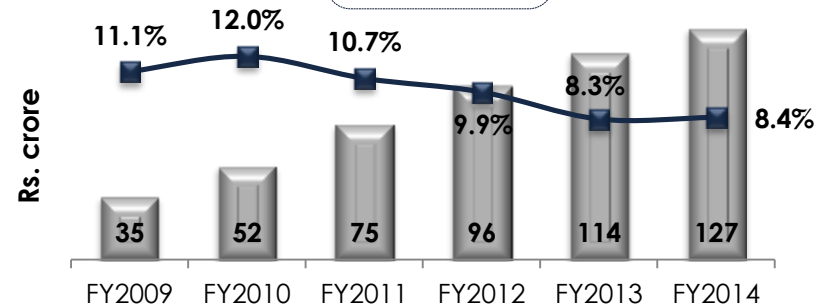
Revenue

CAGR – 37%



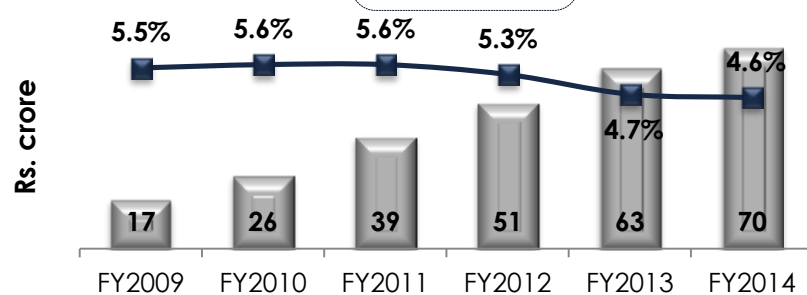
EBITDA and EBITDA Margins

CAGR – 29%

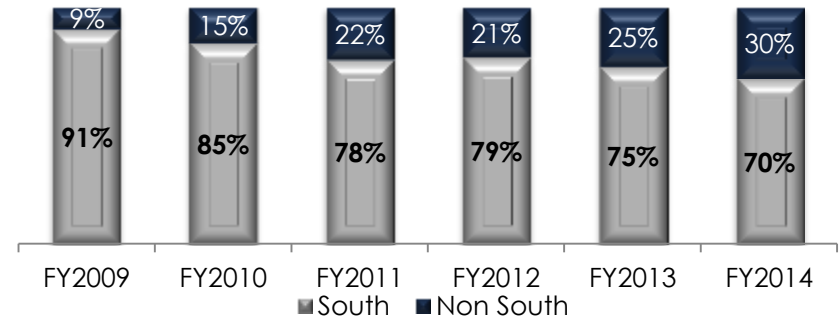


PAT and PAT Margins

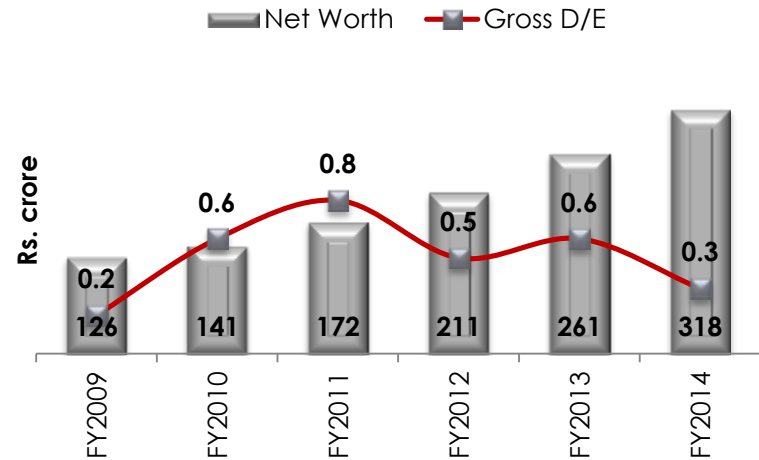
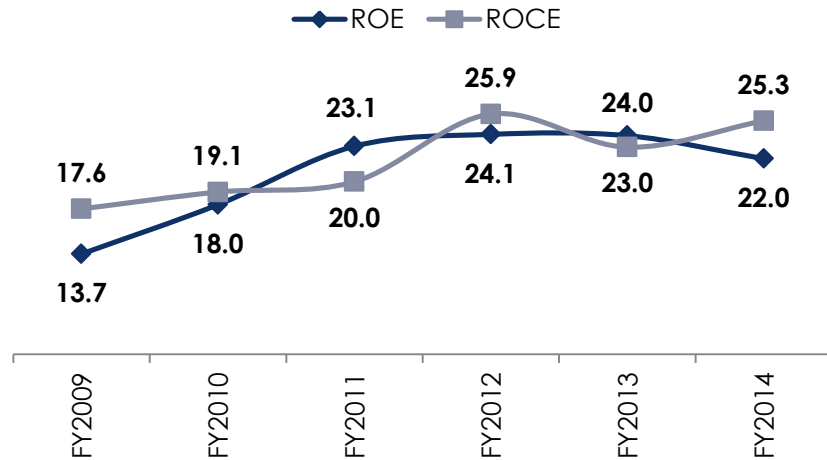
CAGR – 32%



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