

V-GUARD INDUSTRIES LIMITED

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May 22, 2017

The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 Scrip Code: 532953	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 Scrip Code: VGUARD
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Dear Sir / Madam,

Sub: Analyst Meet Presentation

Ref:- Intimation letter dated May 18, 2017 on analyst meet

With reference to the above, we attach herewith the presentation made at the Analysts Meet on Company's performance for the quarter and financial year ended March 31, 2017 and the way forward.

The presentation is also available on the website of the Company at www.vguard.in

This is for your information and records.

Thanking you

For V-Guard Industries Ltd.

Jayasree K

Encl: as above





V-Guard Industries

Q4 & FY2017 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 FY17, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,

"We have delivered a good performance in FY17 with top line growth of 15.5% YoY and net profit growth of 36% YoY, despite the setback on account of demonetisation and other factors in Q3. The growth was broad-based across all our product categories. The various supply chain initiatives undertaken resulted in a robust operational performance with expansion in our gross margins as well as EBITDA margins during the year. Net profit grew 36% YoY to Rs. 152 crore in FY17.

We spent Rs. 95 crore or 4.4% of sales in FY17 on advertising and promotion activities to increase our pan-India visibility. Non-south markets recorded a robust growth of 21% YoY in FY17 as we continued to increase our penetration and garner market share. Non-south markets now account for 35% of the total revenue and offer significant growth potential and operational leverage.

Coming to the performance for the fourth quarter, we delivered a revenue growth of 21.4% YoY on the back of a strong summer. Stabilizers, Digital UPS, Pumps and Wires segments contributed to the growth. Non-south markets witness a robust growth of 31% YoY while South markets grew 17% YoY. Margins were impacted mainly on account of the sharp rise in raw material prices and investments in infrastructure and initiatives aimed at future growth.

To conclude, this has been yet another good year for us. This is our 40th year of business and we remain extremely confident of our future prospects. We will continue to grow on the same prudent principles that have governed us thus far and stay attuned to the changing consumer preferences. We will continue to grow our distribution in the non-South by adding retailers under existing distributors, and also use online platforms like 'salesforce.com' for more effective sales & distribution. Further, GST rollout along with other measures such as restrictions on cash handling will accelerate the shift from unorganized players to strong brands of repute like V-Guard. We expect to maintain a 15% CAGR growth over the next few years and also continue to scout for inorganic growth opportunities for related products and geographies at favourable valuations."



Key Highlights – Q4 FY2017

Strong revenue growth of 21.4% YoY at Rs. 623 crore

- Broad-based growth across all categories driven by stabilizer, Digital UPS, Pumps and Wires segments with the onset of a strong summer season
- Non-south markets recorded robust growth of 31% YoY while South markets grew 17% YoY

Gross profit grew 14% YoY to Rs. 179 crore

- Margins impacted by the sharp rise in raw material prices during the quarter

EBITDA at Rs. 63 crore, down 4.5% YoY; PAT at Rs. 42 crore

- EBITDA margins at 10%, down 270 bps YoY / up 90 bps QoQ
- Investments in infrastructure and initiatives aimed at future growth impacted margins
- EPS at Rs. 0.99/share

Dividend

- Recommended a final dividend of Rs. 0.70 per share

Working capital cycle improve by 2 days YoY in Q4 FY17

- Working capital cycle at 68 days in Q4 FY17 vs 70 days in Q4 FY16
- Led by 12 day YoY improvement in creditor days to 54 days despite challenging economic environment

Strong return ratios

- ROE and ROCE of 24% and 31% respectively (TTM)

Robust cash generation

- CFO at Rs. 121 crore in FY17
- D/E at 0.01x as on 31st March 2017 as compared to 0.02x as on 31st March 2016

Business Updates

Acquisition

- Approved proposal of taking majority stake in the equity of GUTS Electro-Mech Ltd.
- Hyderabad based company engaged in the manufacture and marketing of various kinds of domestic switch gears and circuit breakers

Key Development

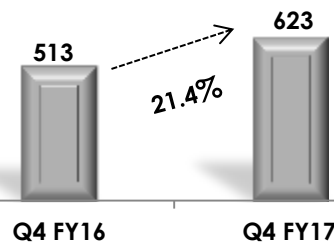
- Second phase of expansion of House Wiring Cable plant at Chavadi, Coimbatore will commence commercial production in May, 2017
 - Total Capacity of House wiring cable at Chavadi and Kasipur units will get increased to 8.7 lakhs coils per month
 - The project was completed at a cost of Rs.12 crore

New Launches

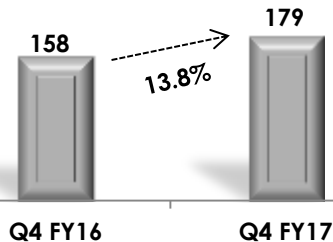
- Smart series inverters were launched, controlled by intuitive smart phone app
- Can also be configured to run iron box and other heavy appliances

Financial Highlights (Q4 FY17 vs Q4 FY16)

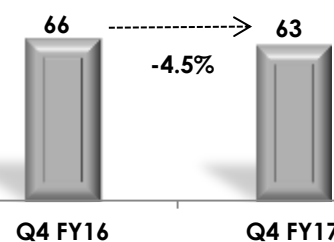
Total Income (Rs. crore)



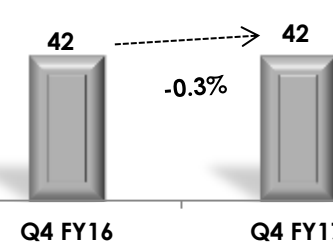
Gross Profit



EBITDA (Rs. crore)



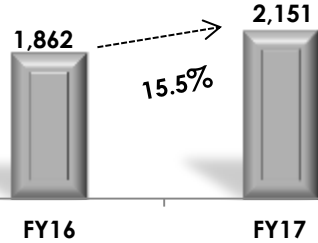
PAT (Rs. crore)



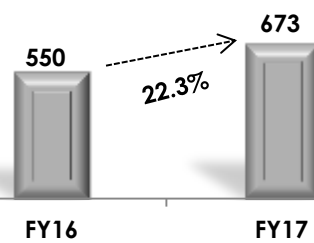
Key ratios (%)	Q4 FY17	Q4 FY16
Gross Margin	28.8%	30.7%
EBITDA Margin	10.0%	12.8%
Net Margin	6.7%	8.2%
Ad Expenditure (incl. promotions)/Total Revenues	2.7%	3.8%
Staff Cost/ Total Operating Income	6.4%	5.5%
Other Expenditure/ Total Operating Income	12.9%	12.8%
Tax rate	27.7%	30.6%
EPS (Rs.)	0.99	1.00

Financial Highlights (FY17 vs FY16)

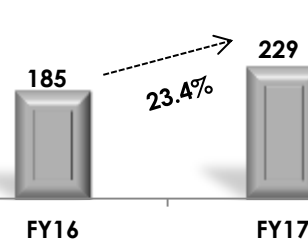
Total Income (Rs. crore)



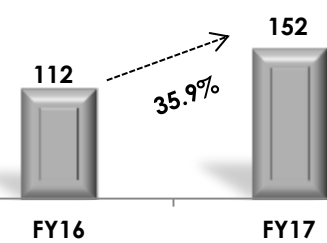
Gross Profit



EBITDA (Rs. crore)



PAT (Rs. crore)



Key ratios (%)	FY17	FY16
Gross Margin	31.3%	29.5%
EBITDA Margin	10.6%	9.9%
Net Margin	7.1%	6.0%
Ad Expenditure (incl. promotions)/Total Revenues	4.4%	4.3%
Staff Cost/ Total Operating Income	6.4%	6.0%
Other Expenditure/ Total Operating Income	14.9%	14.0%
Tax rate	27.8%	30.6%
EPS (Rs.)	3.59	2.66

Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. crore)	31 March 2017	31 December 2016	31 March 2016
Net worth	637.1	588.8	470.8
Gross debt	5.9	6.5	10.4
Current Investments	88.9	136.9	19.4
Cash and cash equivalents	15.7	4.5	7.6
Fixed Assets	178.8	167.4	161.1

Key Ratios	31 March 2017	31 December 2016	31 March 2016
Debtor (days)	54	41	55
Inventory (days)	68	69	57
Creditor (days)	54	48	42
Working Capital Turnover (days)	68	62	70
RoE (%)	24%	26%	24%
RoCE (%)	31%	34%	33%
Gross Debt / Equity (x)	0.01	0.01	0.02

Please note all calculations are based on a TTM basis

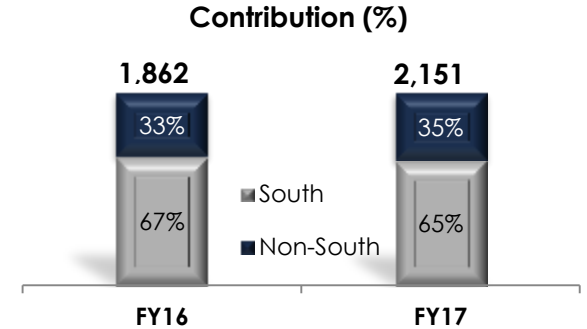
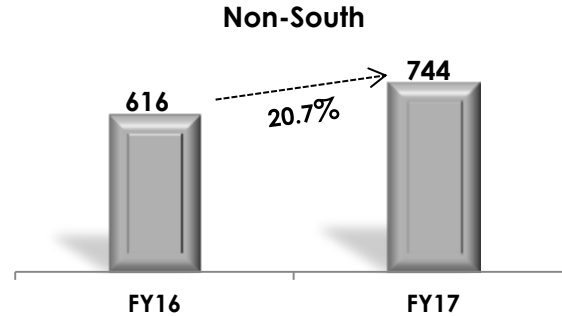
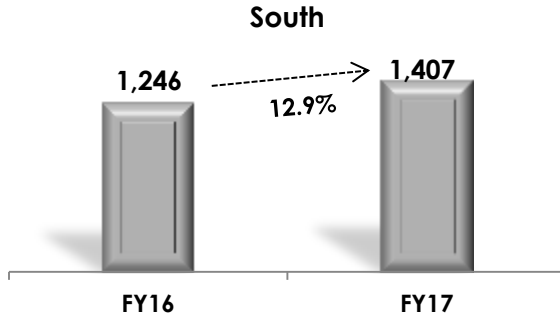
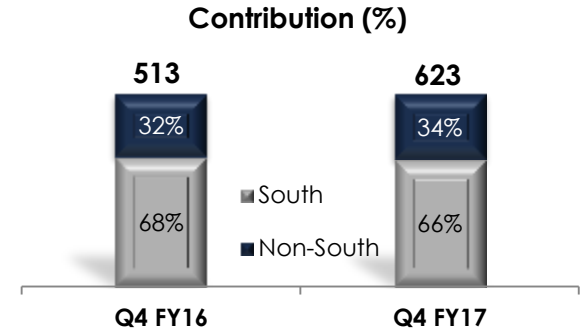
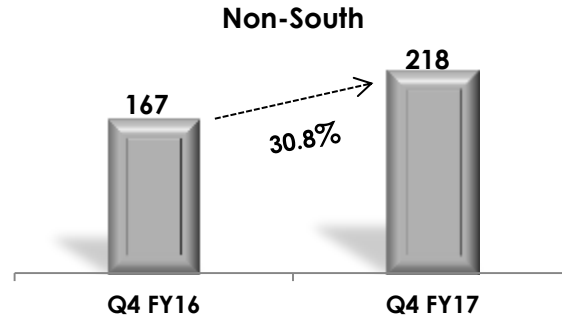
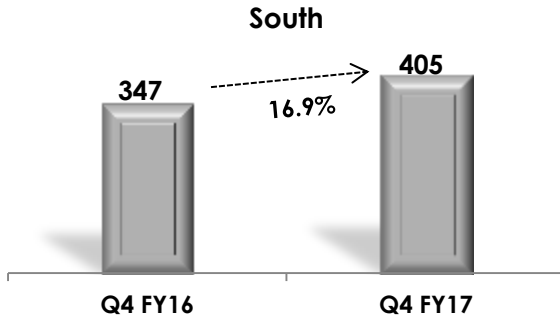
Segment-wise Breakup of Revenues – Q4 FY17 vs Q4 FY16

Products	Q4 FY2017 (Rs. cr.)	Contribution (%)	Q4 FY2016 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	125.1	20.1%	100.1	19.5%	24.9%
UPS (Digital + Standalone)	70.4	11.3%	54.4	10.6%	29.3%
Electronics Segment Total	195.5	31%	154.6	30%	26.5%
Pumps	91.5	14.7%	74.1	14.4%	23.5%
Cables & Wires (PVC + LT)	187.7	30.1%	154.6	30.1%	21.4%
Water Heaters (Electric + Solar)	44.6	7.2%	40.4	7.9%	10.3%
Fan	82.3	13.2%	72.0	14.0%	14.3%
Electricals Segment Total	406.1	65%	341.2	66%	19.0%
Kitchen Appliances (Induction Cooktops + Mixers)	8.5	1.4%	7.8	1.5%	9.7%
Switchgears	13.2	2.1%	9.8	1.9%	34.5%
New Products Total	21.7	4%	17.6	3%	23.5%
GRAND TOTAL	623.3	100.0%	513.3	100%	21.4%

Segment-wise Breakup of Revenues – FY17 vs FY16

Products	FY2017 (Rs. cr.)	Contribution (%)	FY2016 (Rs. cr.)	Contribution (%)	YoY growth (%)
Stabilizers	436.2	20.3%	369.1	19.8%	18.2%
UPS (Digital + Standalone)	235.1	10.9%	193.6	10.4%	21.4%
Electronics Segment Total	671.3	31.2%	562.7	30%	19.3%
Pumps	268.5	12.5%	210.0	11.3%	27.9%
Cables & Wires (PVC + LT)	633.5	29.5%	588.6	31.6%	7.6%
Water Heaters (Electric + Solar)	284.3	13.2%	255.4	13.7%	11.3%
Fan	206.0	9.6%	176.7	9.5%	16.6%
Electricals Segment Total	1,392.4	64.7%	1,230.7	66%	13.1%
Kitchen Appliances (Induction Cooktops + Mixers)	44.5	2.1%	35.8	1.9%	24.3%
Switchgears	42.5	2.0%	33.0	1.8%	28.7%
New Products Total	87.0	4.0%	68.8	4%	26.4%
GRAND TOTAL	2,150.6	100.0%	1,862.3	100%	15.5%

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

Working Capital Efficiencies

- Target to reduce cash conversion cycle 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 30 branches nationwide
- Network of over 676 distributors, 5,975 channel partners and over 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 17% and 24% between FY12-17
- ROE at 23.8% and ROCE at 30.7% 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	Himachal Pradesh
Water Heater	2	Himachal Pradesh, Sikkim
Solar Water Heaters	1	Perundhurai
Stabilizers	2	Sikkim
Outsourced production facilities		
Stabilizers	63	Across India
Pump	20	"
Fan	6	"
UPS	12	"
Elec. Water Heater	7	"

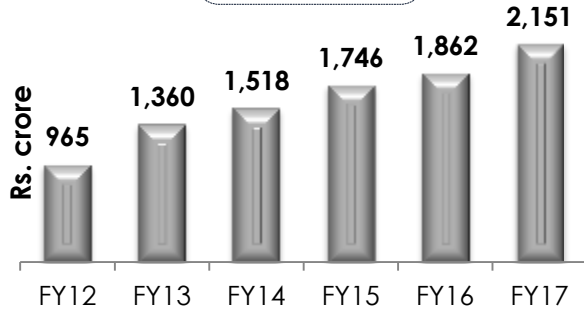
Outsourcing Objectives

- 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 (FY12-17)

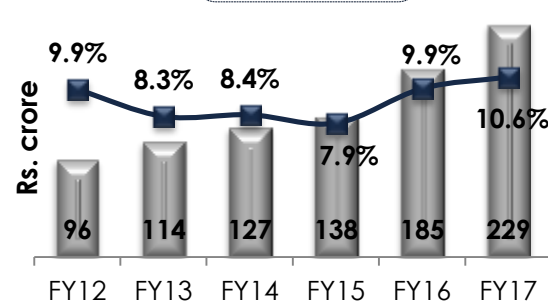
Revenue

CAGR – 17%



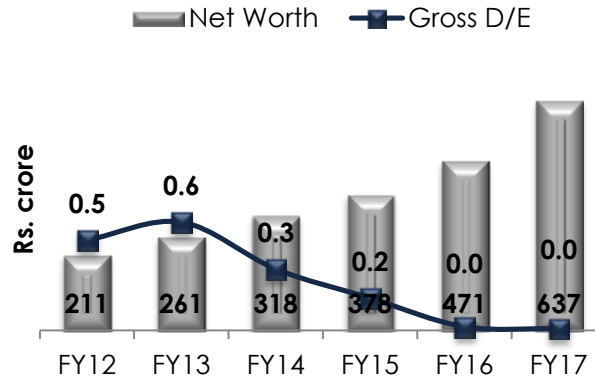
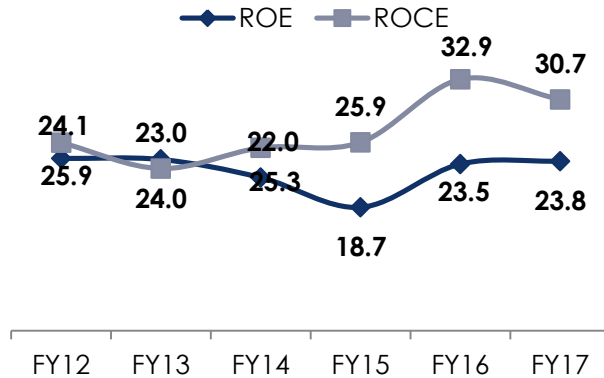
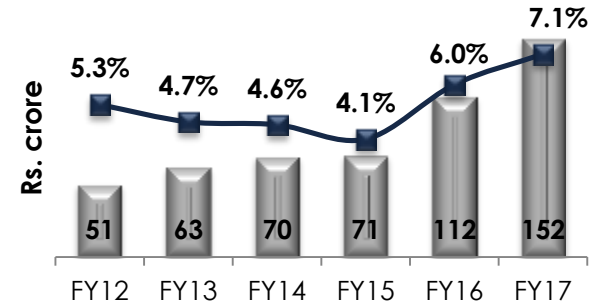
EBITDA and EBITDA Margins

CAGR – 20%



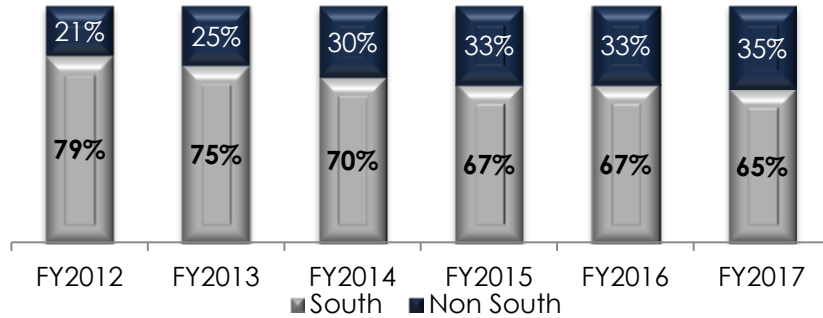
PAT and PAT Margins

CAGR – 24%

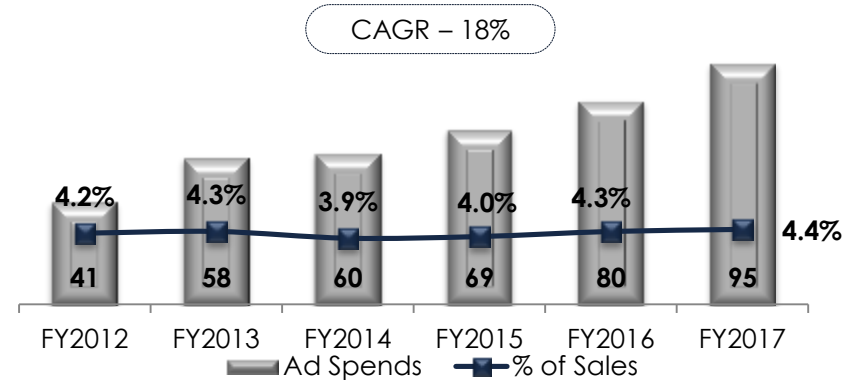


Operational Highlights (FY12-17)

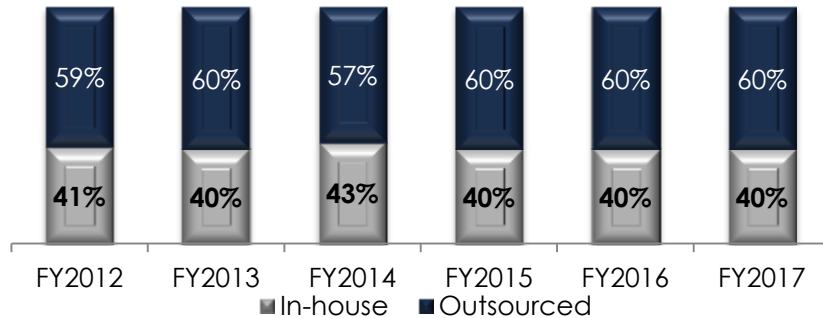
Expanding Geographic Presence



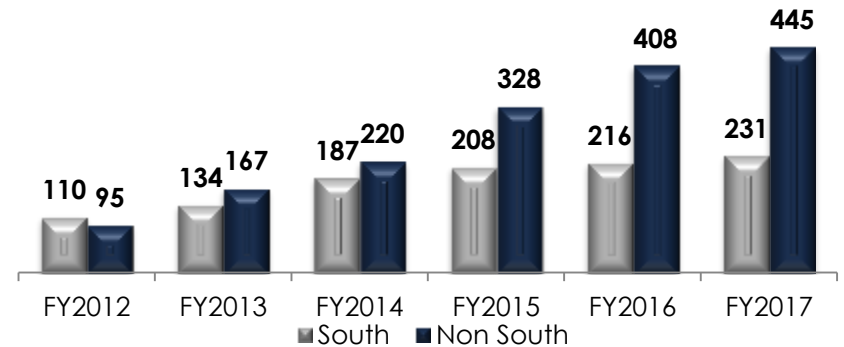
Ad Spends and as a % of Sales






In-house Manufacturing vs. Outsourcing



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	700.00	550.00	1,250.00	Micro tech, Livguard, Bluebird, Capri, Logicstat, Premier, Everest	90% Outsourced	Consumer Durable stores, Electrical and Hardware Stores
 PVC CABLES	5,500.00	4,000.00	9,500.00	Polycab, Havells, Finloex, RR Cables, Anchor	100% In-House	Electrical and Hardware Stores
 COOKTOP	400.00	250.00	650.00	Prestige, Bajaj, Preethi, Butterfly	100% In-House	Consumer Durables / Kitchen Appliances stores

*Company estimates FY16

Market Size across Product Segments

Product	Market Size (Rs. Crore)*			Key Players	Production Model	Distribution Channel Strategy
	Organized	Unorganized	Total			
 <p>MOTOR PUMPS</p>	5,000.00	5,000.00	10,000.00	Crompton Greaves, Kirloskar, CRI, Texmo	90% Outsourced	Electrical and hardware Stores, Pump and Pipe fittings Stores
 <p>WATER HEATERS</p>	1,325.00	700.00	2,025.00	A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves, Usha	55% Outsourced	Consumer Durable stores , Electrical and Hardware Stores
 <p>FANS</p>	5,000.00	1,500.00	6,500.00	Crompton, Usha, Bajaj Electricals, Havells, Orient	90 % Outsourced	Consumer Durable stores , Electrical and Hardware Stores

*Company estimates FY16

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	4,500.00	750.00	5,250.00	Microtek, Luminous, Su-Kam, Exide	Outsourced	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores
 SOLAR WATER HEATER	420.00	180.00	600.00	Racold, Emmvee Solar, Sudarshan, Supreme	100% In-House	Direct Marketing Channel

*Company estimates FY16

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.

For further information, please contact:

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THANK YOU

THANK YOU