

November 06, 2019

The Manager Listing Department, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001	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
Ref:- Scrip Code: 532953	Ref:- Symbol: VGUARD

Dear Sir / Madam,

Pursuant to Regulation 30 read with point 15 of Para A of Part A of Schedule III and Regulation 46 {2}(o) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we hereby submit the Earnings Presentation on Unaudited Financial Results of the Company for the quarter ended September 30, 2019.

Kindly take the information on record.

Thanking You,

For V-Guard Industries Limited



Jayasree K  
Company Secretary

Encl: as above



# V-Guard Industries

Q2 FY20 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 Q2 FY20, Mr. Mithun Chittilappilly, Managing Director – V-Guard Industries Limited said,** "The second quarter saw significant weakness in consumer demand, tight liquidity conditions and reduced discretionary spending, which impacted our overall top-line performance – especially in South markets that saw another year of seasonal weakness due to the floods. Despite prevailing challenges, some categories such as stabilizers, wires and pumps performed well. Pricing actions taken over the preceding quarters and focus on premiumization of the portfolio have enabled us to expand gross margin by more than 400 basis points.

We have also benefited from the increasing contribution from in-house manufacturing, stable currency and benign commodity prices. In addition, initiatives focused on cost-effectiveness have limited the increase in operating expenses even as we continue to invest in systems, processes and capabilities to create a future-ready organization capable of fully aligning with the evolving aspirations of the consumer. As a consequence, while top-line growth was subdued, EBITDA margin expanded from 8.3% to 10.9% (after adjusting the benefit from write back of ESOP expenses pertaining to preceding period) and profit after tax increased by 50% to Rs. 57.3 crore. We saw margin expansion across all our key product categories.

Working capital management remains strong, return ratios continue to expand in tight market conditions and the balance sheet remains debt free. We have been prudent with credit to the channel with the objective improving discipline in distributor behaviour. Channel inventories remain under control and we are confident that any improvement in macroeconomic conditions will improve demand in the channel. "

# Key Highlights – Q2 FY20



## Revenue growth of 3.6% YoY in Q2 FY20

- Q2 FY20 revenue up 3.6% YoY to Rs. 619.3 crore in prevailing weak consumer demand conditions.
- Stabilisers, wires and pumps had good growth during the quarter.
- Non-South market revenues grew 7.5%, while South markets grew 1.5%, partly due to floods and extreme weather conditions.
- Non-South markets' contribution increased to 37.0% of the net revenue in Q2 FY20 from 35.7% in Q2 FY19.
- Pricing actions and focus on premiumization of portfolio have been key focus areas

## EBITDA up 57.1% YoY, PAT by 50.1% in Q2 FY20

- Gross margins expand more than 400 bps YoY to 33.8%
- EBITDA margins (excl other income) at 12.5% in Q2 FY20 as compared to 8.3% in Q2 FY19.
- EBITDA margins at 10.8% in Q2 FY20 after adjusting for write back of ESOP expenses pertaining to preceding period.
- Ad/promotional spends lower at 4.4% of sales in Q2 FY20 as compared to 4.6% in Q2 FY19.
- Q2 FY20 PAT of Rs. 57.3 crore, up 50.1%; PAT margin at 9.3% in Q2 FY20 as against 6.4% in Q2 FY19.

## Strong cash flow generation; balance sheet continues to be robust

- Strong cash generation continues, CFO at Rs. 151 crore in H1 FY20 as compared to Rs. 125 crore in H1 FY19.
- Working capital cycle improves from 59 days to 58 days YoY.
- Strong return ratios maintained with ROE and ROCE of 21.0% and 25.4% respectively (TTM basis) at the end of Q2 FY20.
- Net cash of Rs.234.6 crore on balance sheet as on 30<sup>th</sup> September 2019, up by Rs. 79 crore YoY.

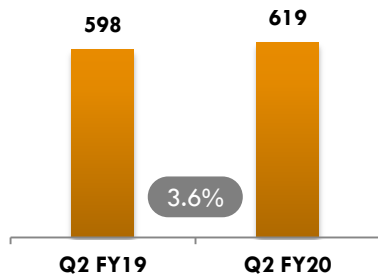
# P&L Snapshot

P&L Statement Particulars	Q2 FY20 (Rs. Cr)	Q2 FY19 (Rs. Cr)	Change %	Q1 FY 20 (Rs. Cr)	H1 FY 20 (Rs. Cr)	H1 FY 19 (Rs. Cr)	Change %
Net Revenue	619.31	597.58	3.6%	699.39	1,318.70	1,232.47	7.0%
COGS	410.16	420.56	-2.5%	471.71	881.86	862.48	2.2%
Gross Margin	33.8%	29.6%	4.1%	32.6%	33.1%	30.0%	3.1%
EBITDA (excluding other income)	77.57	49.85	55.6%	71.12	148.69	96.32	54.4%
as a % to NR	12.5%	8.3%	4.2%	10.2%	11.3%	7.8%	3.5%
Other Income (including finance income)	6.91	3.92	76.3%	6.45	13.35	7.14	86.9%
EBITDA after other income	84.48	53.77	57.1%	77.57	162.04	103.47	56.6%
as a % to NR	13.6%	9.0%	4.6%	11.1%	12.3%	8.4%	3.9%
PBT	76.72	48.04	59.7%	69.77	146.49	92.26	58.8%
as a % to NR	12.4%	8.0%	4.3%	10.0%	11.1%	7.5%	3.6%
PAT	57.32	38.18	50.1%	52.45	109.77	72.58	51.2%
as a % to NR	9.3%	6.4%	2.9%	7.5%	8.3%	5.9%	2.4%

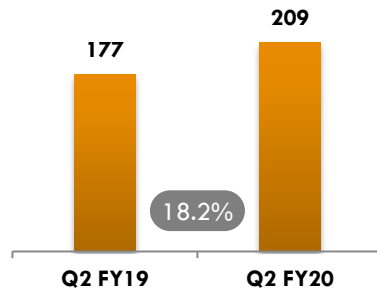
Note: Adopted Ind-AS 116 (Leases) from April 1, 2019. The impact on Profit Before Tax is not material.

# Financial Highlights (Q2 FY20 vs Q2 FY19)

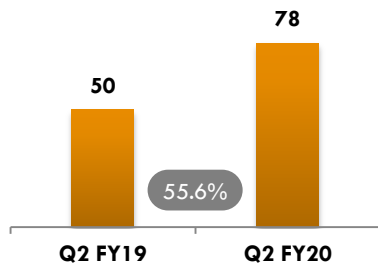
**Total Income (Rs. crore)**



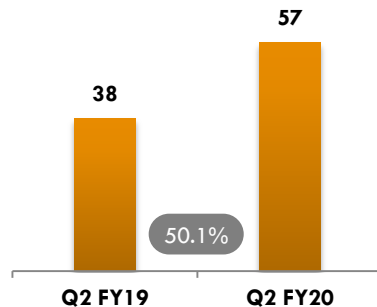
**Gross Profit**



**EBITDA (Rs. crore)**



**PAT (Rs. crore)**

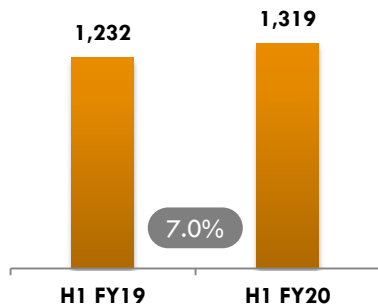


Key ratios (%)	Q2 FY20	Q2 FY19
Gross Margin	33.8%	29.6%
EBITDA Margin (excl other income)	12.5%	8.3%
Net Margin	9.3%	6.4%
Ad Exp (incl. promotions)/Total Revenues	4.4%	4.6%
Employee Cost/ Total Operating Income	7.3%	8.5%
Other Expenditure/ Total Operating Income	14.0%	12.8%
Tax rate	25.3%	20.5%
Diluted EPS (Rs.)	1.32	0.88

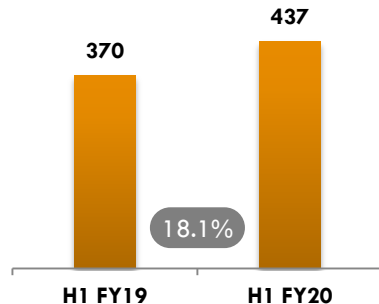


# Financial Highlights (H1 FY20 vs H1 FY19)

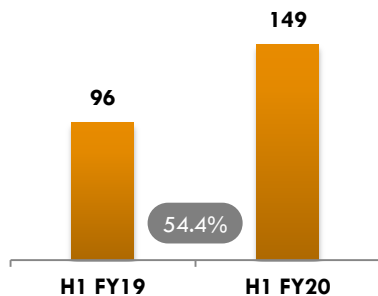
**Total Income (Rs. crore)**



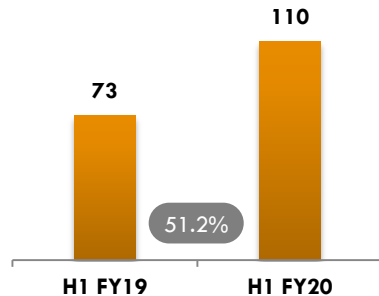
**Gross Profit**



**EBITDA (Rs. crore)**



**PAT (Rs. crore)**



Key ratios (%)	H1 FY20	H1 FY19
Gross Margin	33.1%	30.0%
EBITDA Margin (excl other income)	11.3%	7.8%
Net Margin	8.3%	5.9%
Ad Exp (incl. promotions)/Total Revenues	4.5%	5.5%
Employee Cost/ Total Operating Income	8.0%	8.1%
Other Expenditure/ Total Operating Income	13.9%	14.1%
Tax rate	25.1%	21.3%
Diluted EPS (Rs.)	2.53	1.68

# Financial Highlights – Balance Sheet Perspective

Balance Sheet Snapshot (Rs. cr)	30 Sept 2019	30 June 2019	30 Sept 2018
Net worth	963.05	955.2	799.7
Gross debt	10.0	10.0	10.0
Current Investments	160.4	166.6	158.9
Cash and cash equivalents	84.2	168.0	6.2
Net Cash Position (Rs. crore)	234.6	324.6	155.2
Fixed Assets	283.9	268.6	211.5

Note: Increase in Fixed Assets to the tune of Rs 29.2 crore on account of adopted Ind-AS 116 from April 1, 2019.

Balance Sheet Snapshot (Rs. cr)	30 Sept 2019	30 June 2019	30 Sept 2018
Debtor (days)	52	56	53
Inventory (days)	72	61	68
Creditor (days)	67	65	62
Working Capital Turnover (days)	58	51	59
RoE* (%)	21.0%	19.2%	17.0%
RoCE* (%)	25.4%	22.9%	20.1%

\*Calculations are on a trailing twelve month basis