

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



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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 30th September 2019, up by Rs. 79 crore YoY.

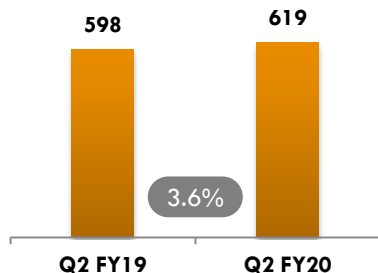
P&L Snapshot

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%

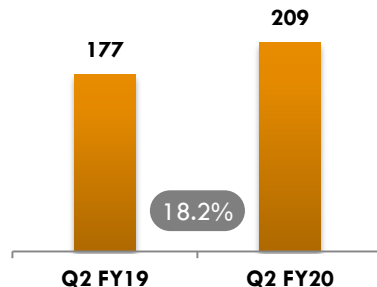
Note: Adopted Ind-AS 116 (Leases) from April 1, 2019. The impact on Profit Before Tax is not material.

Financial Highlights (Q2 FY20 vs Q2 FY19)

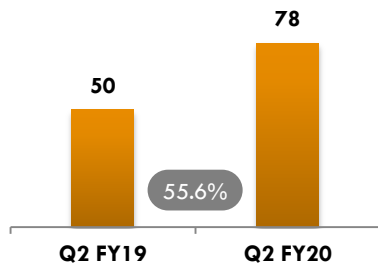
Total Income (Rs. crore)



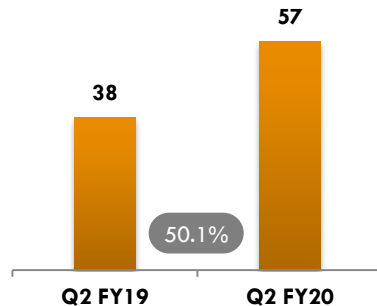
Gross Profit



EBITDA (Rs. crore)



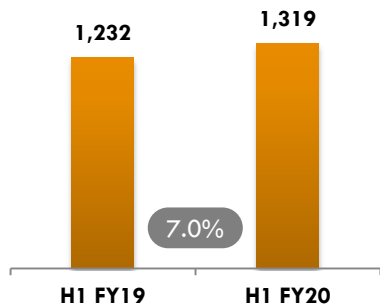
PAT (Rs. crore)



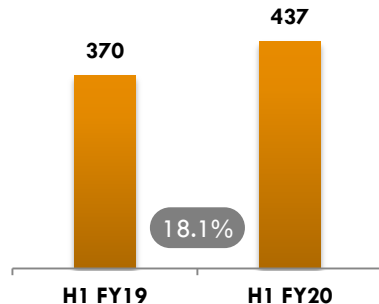
Key ratios (%)	Q2 FY20	Q2 FY19
Gross Margin	33.8%	29.6%
EBITDA Margin (excl other income)	12.5%	8.3%
Net Margin	9.3%	6.4%
Ad Exp (incl. promotions)/Total Revenues	4.4%	4.6%
Employee Cost/ Total Operating Income	7.3%	8.5%
Other Expenditure/ Total Operating Income	14.0%	12.8%
Tax rate	25.3%	20.5%
Diluted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

Financial Highlights (H1 FY20 vs H1 FY19)

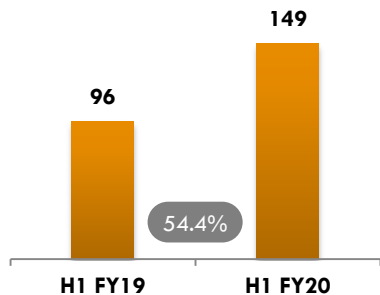
Total Income (Rs. crore)



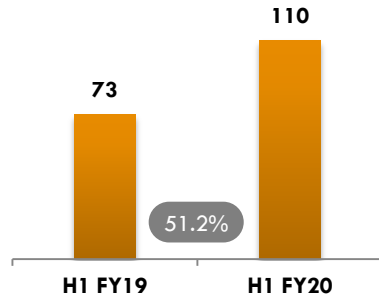
Gross Profit



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

Segment-wise Breakup – Q2 FY20 vs Q2 FY19



Segment Revenue	Q2 FY20 (Rs. Cr)	Contribution (%)	Q2 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	167.6	27.1%	161.4	27.0%	3.8%
Electricals	276.8	44.7%	254.1	42.5%	8.9%
Consumer Durables	175.0	28.3%	182.1	30.5%	-3.9%
Grand Total	619.3	100.0%	597.6	100.0%	3.6%

Segment Result	Q2 FY20 (Rs. Cr)	Margin (%)	Q2 FY19 (Rs. Cr)	Margin (%)	YoY growth (%)
Electronics	28.4	16.9%	20.3	12.6%	39.9%
Electricals	28.1	10.2%	15.4	6.1%	82.0%
Consumer Durables	18.5	10.6%	11.5	6.3%	60.7%
Grand Total	75.0	12.1%	47.2	7.9%	58.7%

Electronics – Stabilizers, UPS, Solar Inverter; Electricals – Wires, Pumps, Switchgears, Modular Switches; Consumer Durables – Fans, Water Heaters, Kitchen Appliances, Air Coolers

Segment-wise Breakup – H1 FY20 vs H1 FY19



Segment Revenue	H1 FY20 (Rs. Cr)	Contribution (%)	H1 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
Electronics	450.4	34.2%	401.9	32.6%	12.1%
Electricals	539.9	40.9%	515.5	41.8%	4.7%
Consumer Durables	328.4	24.9%	315.1	25.6%	4.2%
Grand Total	1318.7	100.0%	1232.5	100.0%	7.0%

Segment EBIT	H1 FY20 (Rs. Cr)	Margin (%)	H1FY19 (Rs. Cr)	Margin (%)	YoY growth (%)
Electronics	78.0	17.3%	42.6	10.6%	82.9%
Electricals	41.3	7.6%	33.7	6.5%	22.3%
Consumer Durables	25.1	7.6%	15.3	4.9%	63.6%
Grand Total	144.3	10.9%	91.7	7.4%	57.4%

Electronics – Stabilizers, UPS, Solar Inverter; Electricals – Wires, Pumps, Switchgears, Modular Switches; Consumer Durables – Fans, Water Heaters, Kitchen Appliances, Air Coolers

Geographical Breakup of Revenues

Region	Q2 FY20 (Rs. Cr)	Contribution (%)	Q2 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	390.3	63.0%	384.5	64.3%	1.5%
Non-South	229.0	37.0%	213.1	35.7%	7.5%
Total Revenue	619.3	100%	597.6	100%	3.6%

Region	H1 FY20 (Rs. Cr)	Contribution (%)	H1 FY19 (Rs. Cr)	Contribution (%)	YoY growth (%)
South	770.1	58.4%	739.1	60.0%	4.2%
Non-South	548.6	41.6%	493.4	40.0%	11.2%
Total Revenue	1,318.7	100.0%	1,232.5	100.0%	7.0%

Business Outlook



- The Company is confident of achieving a topline growth of 15% over the longer term driven by expansion into non-South markets and introduction of new product categories.
- The Company continues to undertake business strengthening initiatives and putting in place best in class processes and systems to future-proof the organization, including enhancing capabilities in new product development, quality control and salesforce automation.
- The Company envisages adding 3,000-5,000 retailers across the country every year over the next five years with higher addition in the non-South region.
- Going forward, the Company shall continue to build upon its competitive positioning in the consumer electricals, electronics and durables industry. The Company will maintain its thrust on advertising and promotions to increase its brand visibility and penetration in the non-South markets under its new brand identity reflecting the company's transformation into a leading multi-product, pan-India player in the Consumer Electricals space.
- Two-thirds of the Company's distribution network has already been established in the non-South region. This provides significant potential for revenue growth and operating leverage to expand on existing investments. The Company envisages the non-South markets to contribute to 50% over the next five years.
- Efforts on innovation, R&D and product development will continue to be made in order to roll out differentiated offerings in a competitive industry. The Company has products that are connected, controlled and M2M capable and is bringing capabilities like machine learning as well. The Company is also building in auto diagnostics into devices, working on a digital strategy that includes looking at the predictive maintenance in plants, using Artificial Intelligence. In addition, the Company is focusing on Six Sigma, TPM, lean manufacturing, etc at our nine plants in India. The manufacturing execution system (MES) acts as an enabler for Industry 4.0, providing real-time factory data.
- The cash positive balance sheet enables the pursuit of inorganic opportunities, subject to valuations. The focus is on companies having product range synergy with V-Guard, providing manufacturing capabilities or strong regional players where V-Guard can expand its geographic footprint.



Annexure

Company Overview



Comprehensive portfolio catering to the mass consumption market

- **Electronics** – Stabilizers, UPS, Solar Inverter; **Electricals** – Wires, Pumps, Switchgears, Modular Switches; **Consumer Durables** – Fans, Water Heaters, Kitchen Appliances, Air Coolers
- Household consumption market will continue to grow at a significant pace going forward

Invested in a strong distribution network

- Spread over 31 branches nationwide
- Network of 40,000+ 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 ~58% of its products from a range of vendors
- Tie-ups with SSIs/self-help groups spread across southern India
- 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

Production Model



PVC Wires Factory



**Solar Water Heater
Factory**



Stabilizer Manufacturing Units

Product	No. of Units	Location
Own Manufacturing Facilities		
PVC Wiring Cables	2	Coimbatore, Kashipur
Pumps & Motors	1	Coimbatore
Fans	1	Himachal Pradesh
Water Heater	2	Himachal Pradesh, Sikkim
Solar Water Heaters	1	Perundurai
Stabilizers	2	Sikkim
Outsourced production facilities		
Stabilizers	57	Across India
Pumps	18	“
Fans	11	“
UPS	9	“

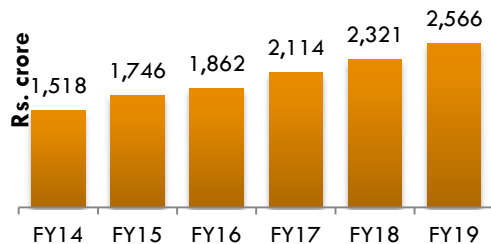
Outsourcing Objectives

- Asset light model outsourcing ~58% 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
- Blended manufacturing policy helps optimize capex and working capital requirements

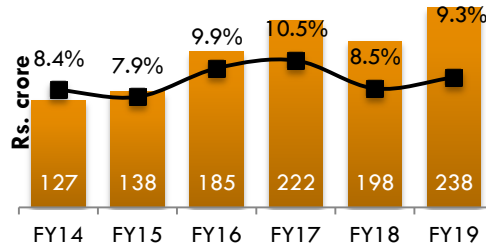
Financial Highlights (FY14-19)



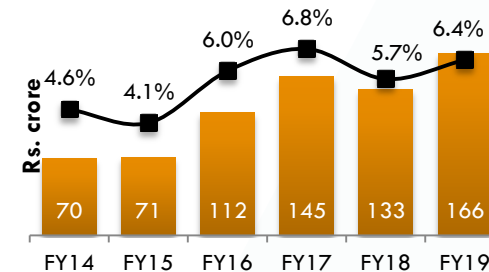
Revenue



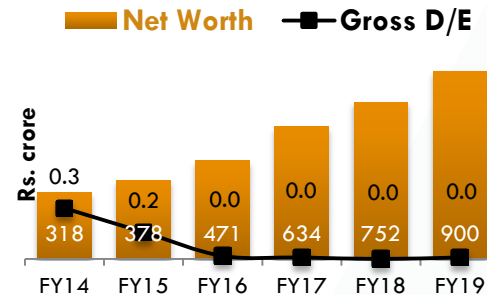
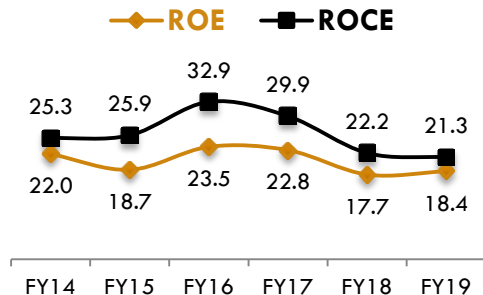
EBITDA and EBITDA Margins



PAT and PAT Margins



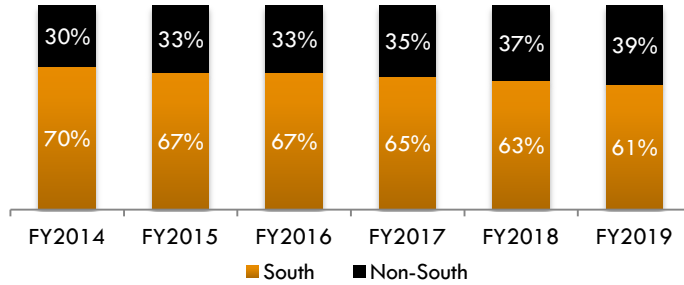
Note 1: Please note that consequent to the introduction of Goods and Service Tax (GST) with effect from July 01, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. Hence, the revenue and growth calculations from FY18 onwards, are not strictly comparable with prior periods. **Note 2:** V-Guard underwent brand rejuvenation in Q4 FY18 where significant investments (Rs. 45 crore ATL spends) were made resulting in lower EBITDA & PAT for FY18.



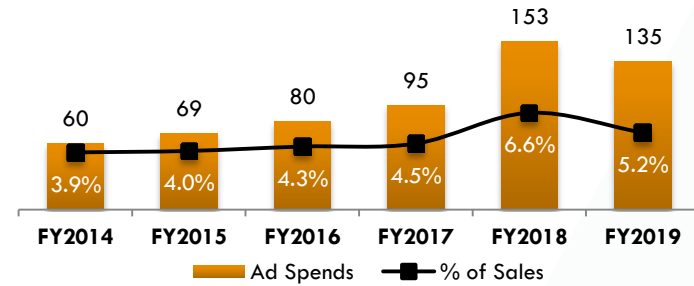
Note 3: V-Guard adopted Ind-AS framework starting FY18. Numbers for FY17 have been reinstated in compliance with Ind-AS to draw meaningful comparison. Prior period numbers are in IGAAP and not comparable.

Operational Highlights (FY14-19)

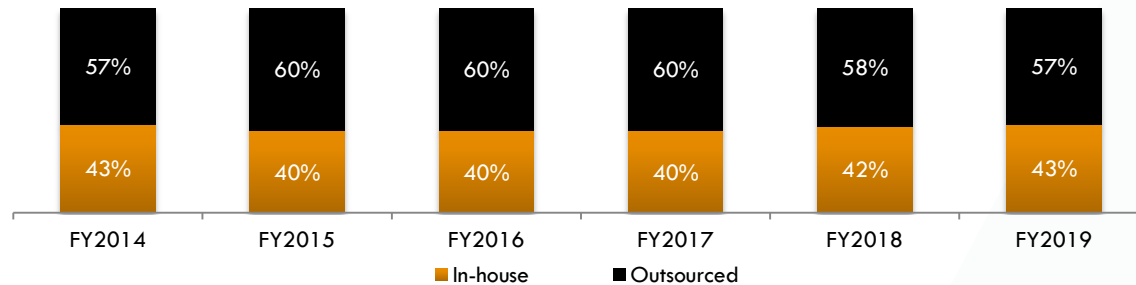
Expanding Geographic Presence



Ad & Promo Spends and as a % of Sales



In-house Manufacturing vs. Outsourcing



Market Size across Product Segments



Products		STABILIZERS	PVC WIRES	COOKTOPS	MOTOR PUMPS
Market Size (Rs. Crore)*	Organized	700.00	5,500.00	420.00 – 450.00	5,500.00
	Unorganized	550.00	4,000.00	180.00 – 200.00	5,000.00
	Total	1,250.00	9,500.00	600.00 – 650.00	10,500.00
Key Players		Micro tech, Livguard, Bluebird, Capri, Logicstat, Premier, Everest	Polycab, Havells, Finloex, RR Cables, Anchor	Prestige, Bajaj Electrials, TTK Prestige, Preethi, Butterfly	Crompton Greaves, Kirloskar, CRI, Texmo
Production Model		62% Outsourced	100% In-House	100% Outsourced	90% Outsourced
Distribution Channel Strategy		Consumer Durable stores, Electrical and Hardware Stores	Electrical and Hardware Stores	Consumer Durables / Kitchen Appliances stores	Electrical and hardware Stores, Pump and Pipe fittings Stores

*Company estimates FY16

Market Size across Product Segments



Products		WATER HEATERS	FANS	UPS	Digital UPS
Market Size (Rs. Crore)*	Organized	1,325.00	5,000.00	160.00	4,500.00
	Unorganized	700.00	1,500.00	240.00	750.00
	Total	2,025.00	6,500.00	400.00	5,250.00
Key Players		A.O. Smith, Racold, Bajaj, Venus, Crompton Greaves, Usha	Crompton, Usha, Bajaj Electricals, Havells, Orient	Numeric, APC, Emerson	Microtek, Luminous, Su-Kam, Exide
Production Model		55% Outsourced	90% Outsourced	100% Outsourced	100% Outsourced
Distribution Channel Strategy		Consumer Durable stores, Electrical and Hardware Stores	Consumer Durable stores, Electrical and Hardware Stores	Consumer Durable stores	Consumer Durable stores, Electrical and Hardware stores, Battery Retail stores

*Company estimates FY16

Market Size across Product Segments



Products		SOLAR WATER HEATER	SWITCHGEAR	GAS STOVES	MIXER GRINDERS
Market Size (Rs. Crore)*	Organized	420.00	1,400.00	1,000.00	1,500.00
	Unorganized	180.00	600	1,000.00	1,000.00
	Total	600.00	2,000.00^	2,000.00	2,500.00
Key Players		Racold, Emmvee Solar, Sudarshan, Supreme	Havells, Legrand, L&T, ABB	Butterfly (glass top), Sun Flame (steel)	Preethi, Bajaj Electricals, Butterfly, Panasonic
Production Model		100% In-House	100% Outsourced	100% Outsourced	100% Outsourced
Distribution Channel Strategy		Direct Marketing Channel	Electrical stores	Consumer Durables / Kitchen Appliances stores	Consumer Durables / Kitchen Appliances stores

*Company estimates FY16; ^The market size where V-Guard is present; total domestic switchgear market estimated at Rs. 4,000 crore

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 cables, Electric water heaters, Fans, Solar water heaters and has also recently forayed into Induction cooktops, switchgears, modular switches, air coolers 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 39% of total revenues in FY19. 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 31 branches spread across ~40,000+ retailers across the country.



For further information, please contact:

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THANK YOU