

## V-Guard Industries Ltd.

Result as per our estimates

May 17, 2013

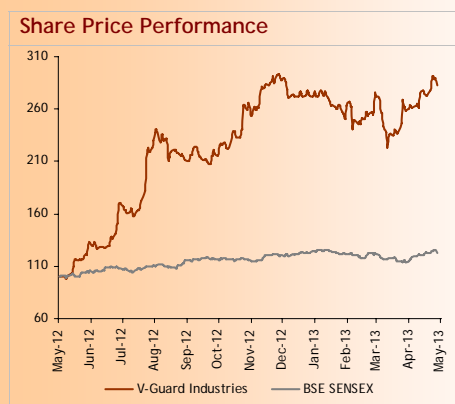
CMP (₹)	Target (₹)
485	601
Potential Upside	Absolute Rating
23%	BUY

<b>Market Info</b> (as on May 17, 2013)	
BSE Sensex	20,286
Nifty S&P	6,187

<b>Stock Detail</b>	
BSE Group	B
BSE Code	532953
NSE Code	VGUARD
Bloomberg Code	VGRD IN
Market Cap (₹bn)	14.48
Free Float (%)	35%
52wk Hi/Lo	590 / 180
Avg. Daily Volume (NSE)	133672
Face Value / Div. per share (₹)	10.00 / 3.50
Shares Outstanding (mn)	29.8

<b>Shareholding Pattern (in %)</b>			
Promoters	FII	DII	Others
66.29	12.71	3.75	18.25

<b>Financial Snapshot</b> (₹mn)				
Y/E Mar	FY12A	FY13UA	FY14E	FY15E
Net Sales	9,936	13,602	16,659	19,925
EBITDA	935	1,099	1,583	1,893
PAT	508	629	879	1,077
EPS	17.0	20.4	29.4	36.1
ROCE (%)	26%	27%	33%	32%
ROE (%)	27%	26%	30%	28%
P/E	29.4	24.6	17.0	13.9
EV/EBITDA	17.1	14.6	10.3	8.3



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
VGuard (%)	0.1	0.4	4.1	164.2
SENSEX (%)	8.0	3.8	10.6	26.3

Source: Company data, Institutional Research

### Q4FY13 Result Highlights

For the quarter ended March 2013, V-Guard reported a top line of ₹3,787 mn, compared to ₹2,734 mn in 4QFY12, marking a YoY growth of 39%. Revenue growth was the result of growth in two major divisions of the company viz. Electronics (stabilizers, UPS and inverters) and Electrical/Electro Mechanical (cables & wires, water heaters etc), which grew by 38% and 39% YoY respectively. As expected, the sales in non south market grew by around 75% and its core south market sales grew by 30% during the quarter.

However, EBITDA margins for the quarter were significantly lower to 5.3% (down 680 bps YoY) due to higher advertising spends and inventory write-down due to fall in copper prices. Advertising expenses for the quarter stood at ₹136 mn as compared to ₹30 mn in 4QFY12. There was a one-off expense in the quarter of ₹30 mn on account of shifting the solar water heater factory from Coimbatore to Perundurai. Another hit in EBITDA margin was on account of an increase in the freight costs which could not be passed on to the consumer due to severe price cuts given the sharp correction in copper prices. Interest expense for the quarter were up by 43% YoY to ₹63 mn and after giving effect depreciation and taxes, the company's PAT stood at ₹89mn (down 53% YoY). On the positive side, the company has informed that it has already undertaken price increases in 1QFY14, as demand has started picking up given onset of summer season.

### Quarterly Result Snapshot

Y/E Mar ₹ mn	Q4FY13	Q4FY12	Y-o-Y Chg	Q3FY13	Q-o-Q Chg
Net Sales	3,787.17	2,733.79	39%	3,490.42	9%
EBITDA	199.49	330.34	(40)%	257.11	(22)%
PAT	89.38	191.68	(53)%	153.52	(42)%
EPS	2.99	6.42	(53)%	5.14	(42)%
<b>Margin Profile</b>			<b>Y-o-Y Chg</b>	<b>Q-o-Q Chg</b>	
EBITDA Margin %	5.27%	12.08%	(680)bps	7.37%	(210)bps
PAT Margin %	2.36%	7.01%	(465)bps	4.40%	(204)bps

Source: Company data, Institutional Research

## V-Guard Industries Ltd.

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## Quarterly Financial table

	Q4FY13	Q4FY12		FY13	FY12	
Gross Income						
Less: Excise Duty						
<b>Net Sales</b>	<b>3,714.29</b>	<b>2,723.56</b>	<b>36%</b>	<b>13,485.65</b>	<b>9,575.63</b>	<b>41%</b>
Other Operating Income	72.87	10.24	612%	116.49	70.67	65%
Total Operating Income	3,787.17	2,733.79	39%	13,602.15	9,646.30	41%
<b>Operating expenses:</b>						
Raw Material Consumed	1,043.76	707.12	48%	4,132.44	2,873.77	44%
(Inc.)/Dec. in stock in trade	(268.14)	(86.84)	209%	(844.87)	(125.80)	572%
Employee costs	182.43	162.44	12%	701.01	517.94	35%
Purchase of traded goods	2,081.33	1,338.85	55%	6,840.83	4,271.13	60%
Other expenses	322.94	165.06	96%	804.50	618.82	30%
Selling & Other expenses	225.36	116.84	93%	868.88	555.07	57%
<b>Total operating expenses</b>	<b>3,587.68</b>	<b>2,403.46</b>	<b>49%</b>	<b>12,502.79</b>	<b>8,710.92</b>	<b>44%</b>
<b>Operating income</b>	<b>199.49</b>	<b>330.34</b>	<b>(40)%</b>	<b>1,099.35</b>	<b>935.38</b>	<b>18%</b>
Other Income	5.18	8.50	(39)%	36.22	23.52	54%
<b>PBIDT</b>	<b>204.67</b>	<b>338.84</b>	<b>(40)%</b>	<b>1,135.58</b>	<b>958.90</b>	<b>18%</b>
Interest	62.60	43.75	43%	199.71	170.25	17%
<b>PBDT</b>	<b>142.07</b>	<b>295.09</b>	<b>(52)%</b>	<b>935.87</b>	<b>788.65</b>	<b>19%</b>
Depreciation	28.76	26.72	8%	114.11	96.94	18%
<b>PBT</b>	<b>113.31</b>	<b>268.37</b>	<b>(58)%</b>	<b>821.76</b>	<b>691.71</b>	<b>19%</b>
Provision for taxes	23.93	76.69	(69)%	192.61	183.70	5%
	-	-				
<b>PAT</b>	<b>89.38</b>	<b>191.68</b>	<b>(53)%</b>	<b>629.15</b>	<b>508.01</b>	<b>24%</b>
EO (stock revaluation)	-	-		-	-	
Reported PAT	89.38	191.68	(53)%	629.15	508.01	24%
<b>Margins</b>						
OPMs	5.3%	12.1%		8.1%	9.7%	
PBIDTM	5.4%	12.4%		8.3%	9.9%	
PBT	3.0%	9.8%		6.0%	7.2%	
PAT	2.4%	7.0%		4.6%	5.3%	
Tax Rate	21%	29%		23%	27%	
<b>EPS</b>	<b>2.99</b>	<b>6.42</b>		<b>21.08</b>	<b>17.02</b>	
Reported EPS	2.99	6.42		21.08	17.02	
CEPS	3.96	7.32		24.90	20.27	
No of shares issued	29.85	29.85		29.85	29.85	

Source: Company data, Institutional Research

## V-Guard Industries Ltd.

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Segment Wise Revenue	Q4FY13	Q4FY12		FY13	FY12	
<b>Net Segment Revenue</b>						
Electronics	1,271.23	918.21	38%	4,593.50	3,066.65	50%
Electrical/electro mechanical	2,412.59	1,731.60	39%	8,683.86	6,275.85	38%
Others	103.34	83.99	23%	324.78	303.81	7%
<b>Total</b>	<b>3,787.17</b>	<b>2,733.79</b>	<b>39%</b>	<b>13,602.15</b>	<b>9,646.30</b>	<b>41%</b>
Less: Inter segment revenue	-	-		-	-	
Income from operations	3,787.17	2,733.79	39%	13,602.15	9,646.30	41%
<b>Segment Results</b>						
Electronics	119.18	157.75	(24)%	535.38	484.13	11%
Electrical/electro mechanical	61.85	147.33	(58)%	493.69	380.87	30%
Others	(0.77)	3.47		13.53	17.84	(24)%
<b>Total</b>	<b>180.26</b>	<b>308.55</b>	<b>(42)%</b>	<b>1,042.61</b>	<b>882.84</b>	<b>18%</b>
<b>(Add)/Less:</b>						
Int	62.60	43.75	43%	199.71	170.25	17%
Other Unallocable Exp	4.36	(3.57)		21.15	20.88	1%
Exceptional Items	-	-		-	-	
<b>PBT</b>	<b>113.31</b>	<b>268.37</b>	<b>(58)%</b>	<b>821.76</b>	<b>691.71</b>	<b>19%</b>
<b>Capital Empl (Seg Assets- Seg liab)</b>						
Electronics	1,286.35	680.65	89%	1,286.35	680.65	89%
Electrical/electro mechanical	3,026.12	2,391.36	27%	3,026.12	2,391.36	27%
Others	330.93	209.79	58%	330.93	209.79	58%
Unallocated	(2,030.10)	(1,175.42)	73%	(2,030.10)	(1,175.42)	73%
<b>Total</b>	<b>2,613.31</b>	<b>2,106.38</b>	<b>24%</b>	<b>2,613.31</b>	<b>2,106.38</b>	<b>24%</b>

Source: Company data, Institutional Research

# V-Guard Industries Ltd.

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## Outlook & Valuation

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As expected, the company's contribution to revenue has improved from its non south market as compared to its incumbent southern market. In addition to that V-Guard has increased prices at around 5-6% in stabilizers and invertors, which will be reflected fully in Q2FY14. All in all we observe this result as completely at par with our estimates and even the development are taking place as per our mentions in the IC report. We maintain our FY14 and FY15 estimates and our **BUY** rating for the company with the target price of ₹601.

# V-Guard Industries Ltd.

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## Income Statement

Y/E Mar (₹mn)	FY11(A)	FY12(A)	FY13(UA)	FY14(E)	FY15(E)
Total net revenues	7,266	9,936	13,602	16,659	19,925
COGS	5,077	7,019	10,128	12,827	15,243
<b>Gross Profit</b>	<b>2,190</b>	<b>2,917</b>	<b>3,474</b>	<b>3,831</b>	<b>4,682</b>
Employee Cost	375	507	701	916	1,196
Selling & Admin Exp.	1,084	1,474	869	833	996
Other Expenditure	-	-	804	500	598
<b>EBITDA</b>	<b>730</b>	<b>935</b>	<b>1,099</b>	<b>1,583</b>	<b>1,893</b>
EBITDA Margin (%)	33.4	32.1	8.1	41.3	40.4
Depreciation	79	97	114	141	155
Other Income	17	24	36	25	27
Interest (Net)	113	170	200	211	227
<b>PBT</b>	<b>555</b>	<b>692</b>	<b>822</b>	<b>1,255</b>	<b>1,538</b>
PBT Margin (%)	7.6	7.0	6.0	7.5	7.7
Tax	165	184	193	377	461
Minority Interest	0	0	0	0	0
<b>Adjusted PAT</b>	<b>390</b>	<b>508</b>	<b>629</b>	<b>879</b>	<b>1,077</b>
Exceptional items	36	0	0	0	0
<b>Reported PAT</b>	<b>354</b>	<b>508</b>	<b>629</b>	<b>879</b>	<b>1,077</b>

## Key Ratio

Y/E Mar (₹mn)	FY12(P)	FY13(E)	FY14(E)	FY15(E)
<b>Per Share Ratios</b>				
Fully diluted E P S	17.0	20.4	29.4	36.1
Book Value	57.6	70.6	86.9	112.4
Per share FCFO	2.8	1.4	0.8	2.6
<b>Valuation Ratio</b>				
P/E	35.1	29.4	24.6	17.0
P/BV	7.1	5.8	4.5	3.5
EV/EBITDA	17.1	14.6	10.3	8.3
EV/Sales	1.6	1.2	1.0	0.8
Price/ FCFO per share	34.6	126.3	246.7	97.7
<b>Growth Ratios</b>				
Sales Growth	36.7	30.9	28.0	19.6
EBITDA Growth	28.1	18.2	43.1	19.6
Net Profit Growth	19.2	19.8	44.4	22.5
EPS Growth	19.2	19.8	44.4	22.5
<b>Common size Ratios</b>				
EBITDA Margin	7.7	7.0	8.2	8.4
PAT Margin	5.1	4.7	5.3	5.4
Employee Cost	5.1	5.0	5.5	6.0
S&G Expenses	14.9	14.8	6.4	5.0
<b>Return ratios</b>				
ROE	26.6	25.9	29.5	28.1
ROCE	25.9	27.4	32.8	32.3
<b>Turnover ratios (days)</b>				
Debtors ( Days)	54	53	52	51
Creditors ( Days)	47	50	48	46
Inventory (Days)	82	70	65	60
Net working capital	89	73	69	65
<b>Solvency Ratios</b>				
Total Debt/Equity	0.5	0.5	0.4	0.3
Interest coverage	4.9	5.3	6.8	7.7

Source: Company data, Institutional Research

## Balance Sheet

Y/E Mar (₹mn)	FY11(A)	FY12(P)	FY13(E)	FY14(E)	FY15(E)
Equity capital	298	298	298	298	298
Reserves & Surplus	1,421	1,808	2,296	3,055	4,012
Preference Capital	0	0	0	0	0
<b>Net worth</b>	<b>1,720</b>	<b>2,106</b>	<b>2,595</b>	<b>3,353</b>	<b>4,310</b>
Other long term liabilities	0	98	98	98	98
Deffed tax liability	61	43	43	43	43
Total debt	1,398	1,049	1,214	1,336	1,469
<b>Total Liabilities &amp; Equity</b>	<b>3,179</b>	<b>3,296</b>	<b>3,949</b>	<b>4,829</b>	<b>5,920</b>
Net block	1,138	1,230	1,616	1,724	1,719
Capital WIP	20	111	111	111	111
Total fixed assets	1,158	1,341	1,727	1,835	1,830
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
<b>Current Assets</b>	<b>2,892</b>	<b>3,365</b>	<b>4,098</b>	<b>5,221</b>	<b>6,607</b>
Inventories	1,424	1,574	1,834	2,373	2,604
Debtors	1,231	1,478	1,889	2,373	2,784
Cash & bank	71	34	18	18	673
Loans & advances	166	279	356	456	546
Other Current Assets	0	0	0	0	0
<b>Current Liab. &amp; Prov.</b>	<b>871</b>	<b>1,411</b>	<b>1,876</b>	<b>2,227</b>	<b>2,517</b>
Current Liabilities	708	1,166	1,631	1,983	2,273
Provisions	162	245	245	245	245
Net Working capital	2,021	1,955	2,223	2,994	4,090
Miscellaneous Exp	0	0	0	0	0
<b>Total Assets</b>	<b>3,179</b>	<b>3,296</b>	<b>3,949</b>	<b>4,829</b>	<b>5,920</b>

## Cash Flow

Y/E Mar (₹mn)	FY12(P)	FY13(E)	FY14(E)	FY15(E)
PBT	692	834	1,255	1,538
Add: Depreciation	97	115	141	155
Others	176	(31)	(25)	(27)
Change in working capital	30	(283)	(771)	(441)
Taxes paid	(157)	(225)	(377)	(461)
<b>CF from operations</b>	<b>837</b>	<b>409</b>	<b>224</b>	<b>764</b>
Change in fixed assets	(293)	(500)	(250)	(150)
Others	15	31	25	27
Change in investments	-	-	-	-
<b>CF from investing acti.</b>	<b>(277)</b>	<b>(469)</b>	<b>(225)</b>	<b>(123)</b>
Change in debt	(303)	165	121	134
Change in Equity capital	-	-	-	-
Dividend & dividend tax	(121)	(120)	(120)	(120)
Other Adjustments	(166)	-	-	-
<b>CF from financing acti.</b>	<b>(590)</b>	<b>45</b>	<b>1</b>	<b>13</b>
Change in cash	(30)	(15)	(0)	654
Opening cash	50	34	18	18
Closing cash*	34	18	18	673

## Du-Pont Analysis

(%)	FY11(A)	FY12(P)	FY13(E)	FY14(E)	FY15(E)
Net Profit Margin	4.9	5.1	4.6	5.3	5.4
Asset Turnover	2.3	3.0	3.4	3.4	3.4
Leverage	1.8	1.6	1.5	1.4	1.4
ROE	27	26	30	28	28

# V-Guard Industries Ltd.

May 17, 2013

## NOTES

GEPL CAPITAL Pvt Ltd

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### Analyst Certification

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Sector : Consumer Discretionary

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