

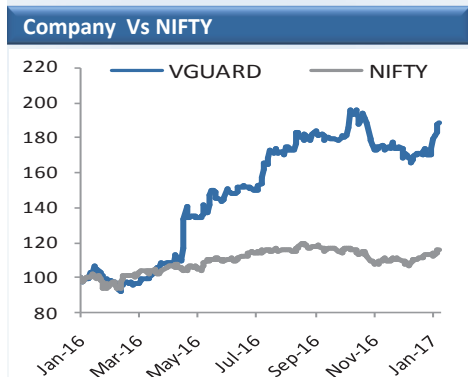
V-GUARD Industries Ltd.

Result Update	
CMP	205
Target Price	206
Previous Target Price	
Upside	0%
Change from Previous	-

Market Data	
BSE Code	532953
NSE Symbol	VGUARD
52wk Range H/L	226/78.66
Mkt Capital (Rs Cr)	6,218
Av. Volume('000)	750
Nifty	8554

Stock Performance			
	1Month	1Year	YTD
Absolute	20.9	121.7	11.3
Rel.to Nifty	15.3	107.1	11.6

Share Holding Pattern-%			
	3QFY17	2QFY17	1QFY17
Promoter	65.4	65.5	65.7
Public	34.6	34.5	34.3
Others	--	--	--
Total	100.0	100.0	100.0



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3QFY17_Performance Highlights:

Net Revenue from operations for the Third Quarter, ending December 31, 2016-17 fiscal, was Rs.460cr; an increase of 10.40% over corresponding period of last financial year (Rs.416cr). Profit after Tax for the Quarter, ending December 31, 2016-17 fiscal, was Rs. 28cr; showing an increase of 30% over corresponding period of last financial year (Rs. 21cr). Pumps have driven growth for the quarter under review along with Fans and Solar Water Heaters.

3QFY17 Concall Highlights:

- In FY18 management expects 15% growth and 13-15% growth in next couple of years.
- Tax rate for Q4FY17 will same as Q3FY17 i.e. 25% and for FY18 it will be around 25-26%.
- South market was affected by demonetization specially Kerala. As per the management thing are coming back to normal in Q4FY17.
- Total capex for Sikkim expansion plant is Rs 40cr for manufacturing Stabilizer and Electric water heater and both are expected to commence in March 2017.
- Tax benefit in Himachal Pradesh plant will be till 2019 and in Sikkim plant will be for 8 years.
- There is some price hike in Q3FY17 and management expects Fan, Pump and Stabilizer price will increase by 3-7% and price of wire will be increase by 7-8% in coming quarters.

Outlook and Valuation

Demonetization had some impact on some product segment and sales growth of some of the products had come down from earlier quarters. Sales in Tamil Nadu Region were affected due to the socioeconomic situation prevalent in the State and because of cyclone affecting many parts of Chennai and suburban areas. But as per the management the business outlook remains positive considering upcoming summer season. We have positive view on this stock in long term but considering demonetization impact and high valuation we maintain "NEUTRAL" rating on this stock.

	Rs in Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales(Cr)	1360	1518	1746	1837	2047
EBITDA	110	123	133	178	225
Net Profit	63	70	71	112	169
EBIDTA%	8.1%	8.1%	7.6%	9.7%	11.0%
PAT %	4.6%	4.6%	4.1%	6.1%	8.3%

Narnolia Securities Ltd

Please refer to the Disclaimers at the end of this Report

Product wise segmental performance:

Products	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Stabilizers	55	67	111	68	68	80	120	72	76	100	146	82	83
UPS (Digital + Standalone)	29	50	83	54	35	51	60	48	34	54	75	55	35
Electronics Segment	85	116	194	122	103	131	179	120	110	155	220	137	119
Pumps	41	72	50	40	37	62	51	41	43	74	68	50	60
Cables & Wires (PVC + LT)	129	158	142	156	133	152	155	149	131	155	154	154	138
Water Heaters (Electric + Solar)	58	25	38	72	86	32	50	74	91	40	52	92	96
Fan	16	39	44	21	23	49	50	29	26	72	60	34	30
Electricals Segment	254	294	273	290	280	295	306	293	291	341	334	329	324
Kitchen Appliances		7	4	15	6	9	7	13	8	8	9	19	8
Switchgears		5	7	5	7	6	7	8	8	10	10	10	9
New products	12	11	20	12	15	14	21	16	18	19	19	29	17

Key developments:

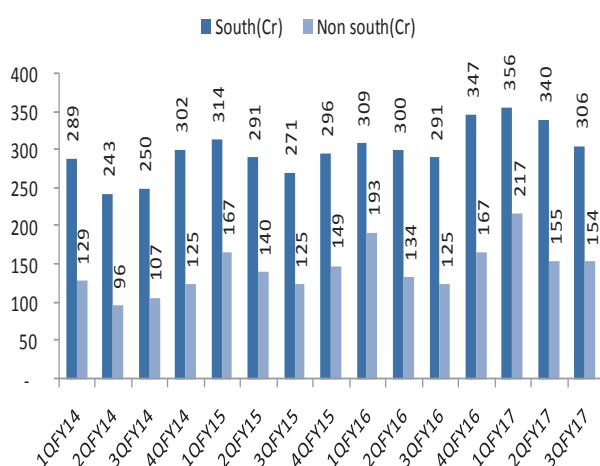
♦ A new manufacturing unit at Sikkim is being setup with an investment outlay of Rs 12.50cr (excluding land and building) with built up area of 60,000 sq. ft. for increasing the capacity of Stabilizer and the unit is expected to commence commercial production in March, 2017.

♦ Manufacturing unit for Electric water heater at Sikkim with an investment of Rs 25cr (excluding land) with built up area of 80000 sq. ft. is being set up and would commence commercial production in March, 2017.

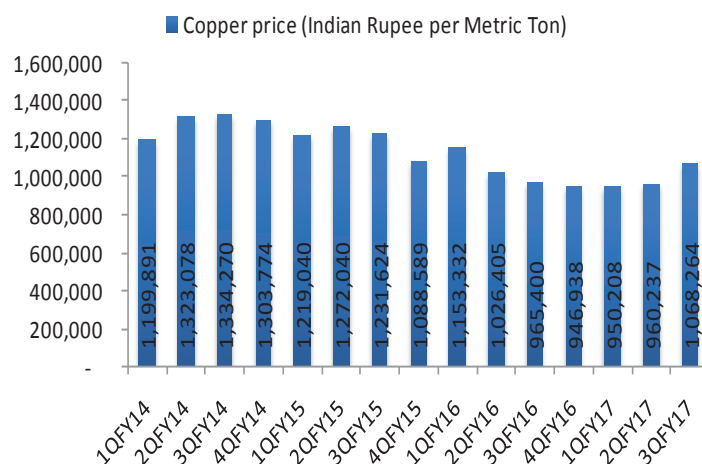
Backward Integration:

- Set up in-house PVC compounding unit at Chavadi, Coimbatore.
- Unit expected to commence commercial production from August, 2016

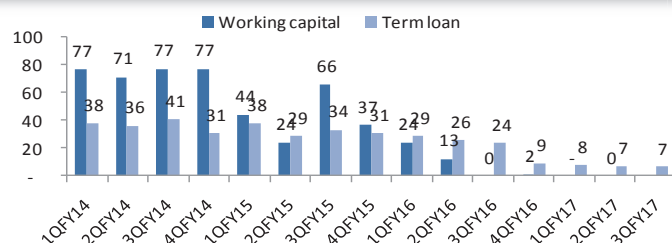
Geography wise performance



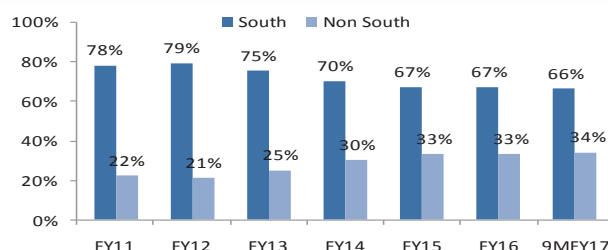
Copper Prices:



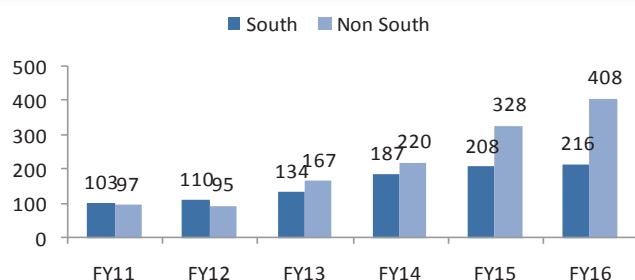
Total Debt(Cr):



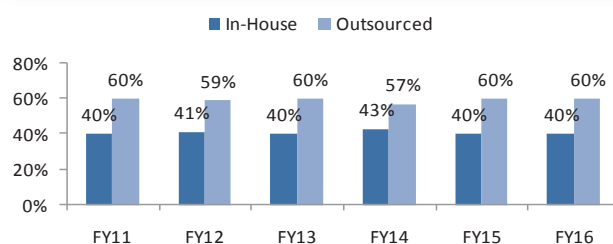
Expanding Geographic Presence



Strong growth in distributor Network(Nos):



In-house Manufacturing Vs. Outsourcing



Investment Arguments:

- Company's Non- South market is growing fast so management is expecting 15% growth in FY17 and on a long run company is expecting ~50% sales in the next 3-4 years.
- Company's new manufacturing plant sikkim is having income tax & Excise duty exemption for next 8 years. And having the potential to generate sales of 100 Cr per annum after a year.
- Strong construction demand driven by Government ambitious target of housing for all by 2022 will require 111 million housing units, and will lead to increased demand for electrical goods.
- The solar water heater segment is expected grow at a healthy rate going forward as technological advancements have brought down initial capital costs and considerably reduced the payback period.
- Increasing market share across all product lines-Leadership position in its flagship product, voltage stabilizers, with over 51% market share.
- Company will be expanding to the north markets and expand their range in the Kitchen and home appliances range to cater to a wider audience.

About the Company:

V-Guard Industries Limited is an India-based consumer electrical and electronics company. The company is engaged in manufacturing, trading and selling a range of products, including voltage stabilizers, polyvinyl chloride (PVC), cables, pumps and motors, electric water heaters, digital uninterruptible power supply (UPS), fans, ups, solar water heaters, switchgears and induction cooktops. It operates in three segments: Electronic Products, Electrical / Electro Mechanical Products and Others. Its manufacturing facilities are located at K.G. Chavady, Coimbatore, Tamil Nadu; at Kashipur, Utharakhand; at Kala Amb, Himachal Pradesh and at SIPCOT Industrial growth center, Perundurai, Tamil Nadu.

Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Revenue	1518	1746	1837	2047	EPS	23	24	37	56
Other Income	5	4	7	11	Book Value	107	126	156	205
Total Revenue	1522	1750	1845	2058	DPS	8	10	15	10
COGS	1131	1290	1312	1390	Payout (incl. Div. Tax.)	32%	41%	41%	17%
GPM	1	1	1	1	Valuation(x)				
Other Expenses	178	213	236	303	P/E	20	39	23	21
EBITDA	123	133	178	225	Price / Book Value	4	7	5	6
EBITDA Margin (%)	8%	8%	10%	11%	Dividend Yield (%)	1.6%	1.1%	1.8%	0.8%
Depreciation	12	15	15	17	Profitability Ratios				
EBIT	111	118	163	208	RoE	22%	19%	24%	27%
Interest	21	21	9	2	RoCE	32%	29%	34%	34%
PBT	94	101	161	217	Turnover Ratios				
Tax	24	31	49	48	Asset Turnover (x)	2	2	3	2
Tax Rate (%)	26%	30%	31%	22%	Debtors (No. of Days)	51	51	55	58
Reported PAT	70	71	112	169	Inventory (No. of Days)	82	74	57	70
Dividend Paid	23	29	46	29	Creditors (No. of Days)	42	40	30	28
No. of Shares	3	3	3	3	Net Debt/Equity (x)	0	0	0	0

BALANCE SHEET					CASH FLOW STATEMENT				
	FY14	FY15	FY16	FY17E		FY14	FY15	FY16	FY17E
Share Capital	30	30	30	30	OP/(Loss) before Tax	94	101	161	217
Reserves	289	348	441	587	Depreciation	12	15	15	17
Net Worth	318	378	471	617	Direct Taxes Paid	(19)	(31)	(50)	(48)
Long term Debt	31	21	6	0	OP before WC changes	132	140	192	236
Short term Debt	68	37	2	2	CF from Op. Activity	111	88	131	79
Deferred Tax	10	9	7	7	CAPEX	(33)	(12)	(15)	(45)
Total Capital Employed	349	399	476	617	CF from Inv. Activity	(28)	(15)	(32)	(45)
Net Fixed Assets	170	164	161	189	Repayment of LTB	(8)	(9)	(22)	0
Capital WIP	3	1	0	0	Interest Paid	(24)	(21)	(7)	(2)
Debtors	212	244	279	325	Divd Paid (incl Tax)	(12)	(16)	(16)	(29)
Cash & Bank Balances	3	2	8	11	CF from Fin. Activity	(93)	(74)	(94)	(37)
Trade payables	175	193	151	157	Inc/(Dec) in Cash	(10)	(1)	5	(2)
Total Provisions	35	44	40	41	Add: Opening Balance	12	2	2	8
Net Current Assets	261	281	322	436	Closing Balance	2	2	7	5
Total Assets	679	725	717	858					