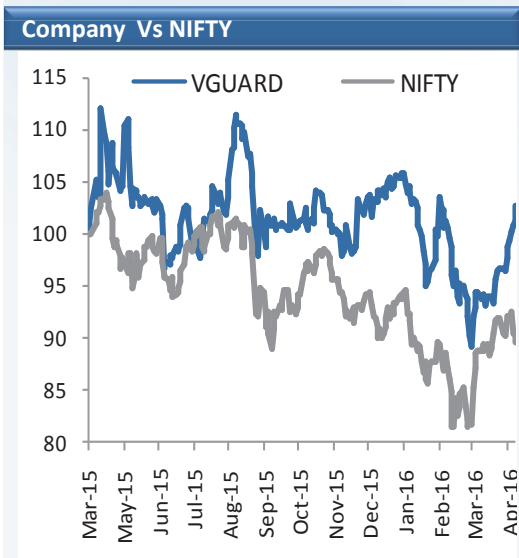


Result Update	
CMP	1607
Target Price	1570
Previous Target Price	
Upside	-2%
Change from Previous	-

Market Data	
BSE Code	532953
NSE Symbol	VGUARD
52wk Range H/L	1186/786
Mkt Capital (Rs Cr)	3,571
Av. Volume	10640
Nifty	7736

Stock Performance			
	1Month	3 Month	1Year
Absolute	9.2	-3.2	0.2
Rel.to Nifty	0.2	-12.9	-11.1

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoter	65.67	65.7	65.85
Public	34.33	34.3	34.15
Others	--	--	--
Total	100	100	100



V-Guard Industries Ltd: Maintains growth momentum

1QFY17 has been a solid start to the year. Through company's sustained investments in people, products and processes, they are putting in place a solid foundation for sustainable long term growth. Company will increase our thrust on advertising and brand building, especially in the non-south markets to gain market share. Company will continue to invest judiciously, expanding their distribution network and furthering their channel relationships.

The 1st quarter has been exceptionally well for the company. Company improved the topline as compared to the corresponding quarter of the previous year. This quarter witnessed the launch of most ambitious product, i.e. the IOT-enabled Water heater, the first of its kind by any company in India. Company will continue to focus on strengthening and consolidating their position in non-south market.

1QFY17_Performance Highlights:

Net Revenue from operations for the First Quarter, was Rs. 573 cr ; an increase of 15% over corresponding period of fast financial year (Rs 499 cr) broad-based growth across product categories led by stabilizers segment (+22% YoY), UPS segment (+25% YoY), pumps segment (+32% YoY) and Fans segment (+20% YoY). Profit After Tax for the Quarter, was Rs. 43 cr ; showing an increase of 70% over corresponding period of last financial year (Rs. 25 cr). ROE and ROCE of 25.1% and 34.6% respectively (TTM). Owing to better market conditions, products like Stabilizers, Pumps and Fan done extremely well during the quarter under review. The company's supply chain transformation initiative delivered substantial cost savings resulting from improvements in planning and procurement processes and reduction in working capital.

Outlook and Valuation

Company is giving constructive outlook going forward. As per the management 2nd and 3rd quarter of FY17 will be good while 4th quarter will give muted growth. During this quarter company launched, IOT-enabled water heater, first of its kind by any company in India and going to launch gas stoves in Q2 FY17, another addition to the kitchen appliance category. Company will increase their thrust on advertising and brand building, especially in the non-south markets to gain market share. Due to above mentioned reason we have positive view on this stock ,But as price of stock went up sharply so we wait for correction and recommend "BUY on Dips" at target price of Rs 1570.

Financials	FY13	FY14	FY15	FY16	FY17E
Sales(Cr)	1360	1518	1746	1837	2006
EBITDA	110	123	133	178	222
Net Profit	63	70	71	112	147
EBIDTA%	8.1%	8.1%	7.6%	9.7%	11.1%
P/E	0.0	0.0	0.0	0.1	0.1

(Source: Company/Eastwind)

Product wise segmental performance:

Products(Cr)	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Stabilizers	77	50	52	58	90	54	55	67	111	68	68	80	120	72	76	100	146
UPS (Digital + Standalone)	49	53	51	69	75	30	29	50	83	54	35	51	60	48	34	54	75
Electronics Segment	126	103	103	127	165	85	85	116	194	122	103	131	179	120	110	155	220
Pumps	46	43	49	68	56	34	41	72	50	40	37	62	51	41	43	74	68
Cables & Wires (PVC + LT)	99	109	117	121	122	137	129	158	142	156	133	152	155	149	131	155	154
Water Heaters (Electric + Solar)	19	29	46	16	20	42	58	25	38	72	86	32	50	74	91	40	52
Fan	23	15	14	28	32	15	16	39	44	21	23	49	50	29	26	72	60
Electricals Segment	189	204	235	241	235	241	254	294	273	290	280	295	306	293	291	424	494

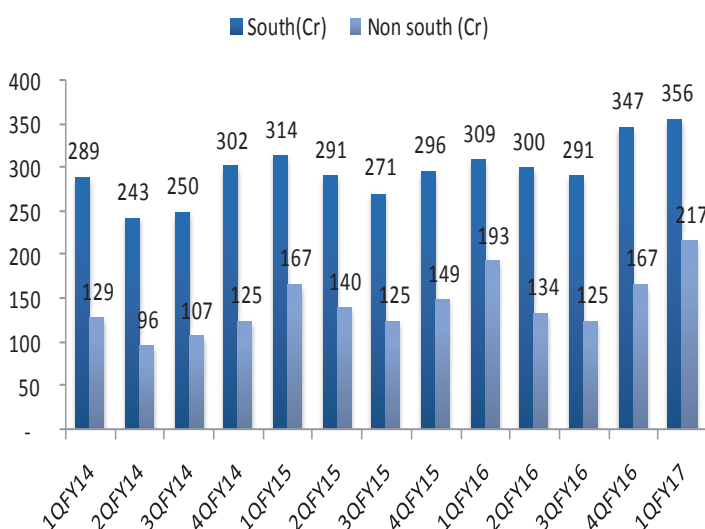
New Product Launches:

- Launched, IOT-enabled water heater, first of its kind by any company in India
- To launch gas stoves in Q2 FY17, another addition to the kitchen appliance category

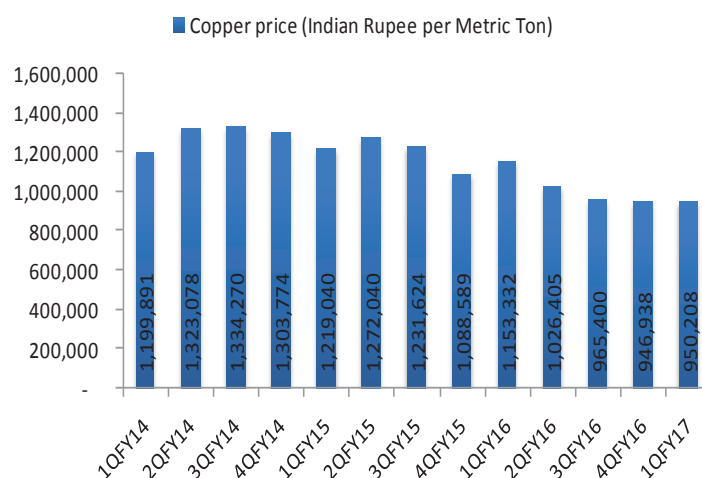
Backward Integration:

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

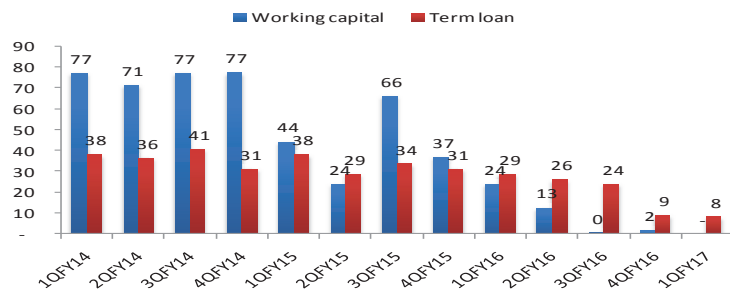
Geography wise performance



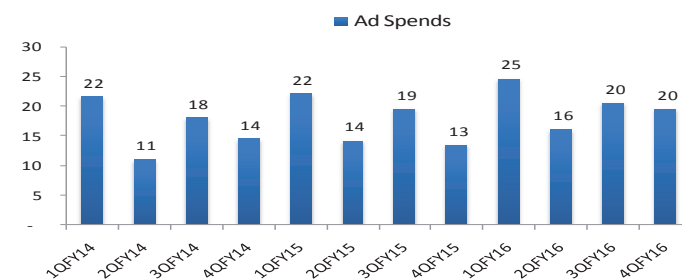
Copper Prices:



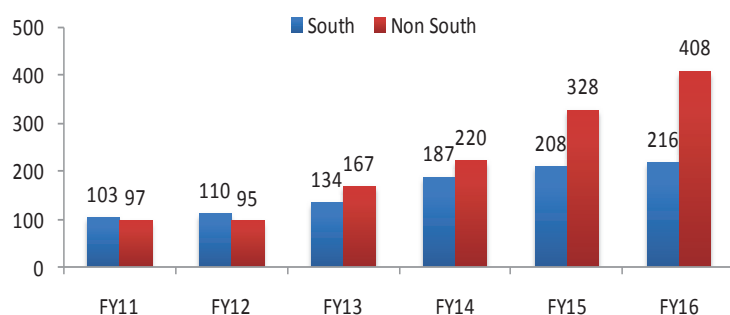
Total Debt(Cr):



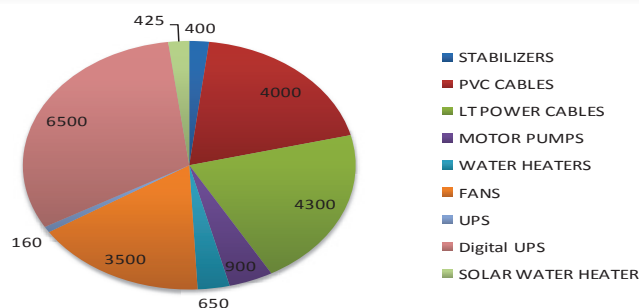
Quarterly Ad Spends (Cr):



Strong growth in distributor Network(Nos):



Organised Market Size of Products(Cr):



1QFY17 Concall Highlights:

- Expect Gross margin of 10%
- Expect online revenue will be 2-3% for FY17.
- As per the management there will be some organic growth in Switchgear and Kitchen appliances.
- Gas stove is going to launch in Q2FY17.
- Tax rate will be 31% for FY17.
- Inventory will increase in Q2 and Q3FY17 and reduce in Q4FY17.

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 10 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.

Financials Snap Shot

	INCOME STATEMENT			
	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	1518	1746	1837	2006
Other Income	5	4	7	8
Total Revenue	1522	1750	1845	2014
COGS	1131	1290	1312	1384
GPM	1	1	1	1
Other Expenses	178	213	236	275
EBITDA	123	133	178	222
EBITDA Margin (%)	8%	8%	10%	11%
Depreciation	12	15	15	17
EBIT	111	118	163	206
Interest	21	21	9	1
PBT	94	101	161	213
Tax	24	31	49	65
Tax Rate (%)	26%	30%	31%	31%
Reported PAT	70	71	112	147
Dividend Paid	23	29	46	29
No. of Shares	3	3	3	3

Source: Eastwind/Company

	RATIOS			
	FY14	FY15	FY16	FY17E
EPS	23.5	23.6	37.1	49.0
Book Value	106.7	126.0	156.5	195.7
DPS	7.6	9.8	15.2	9.8
Payout (incl. Div. Tax.)	32%	41%	41%	20%
Valuation(x)				
P/E	19.9	38.7	23.2	24.6
Price / Book Value	4.4	7.2	5.5	6.2
Dividend Yield (%)	1.63%	1.07%	1.77%	1%
Profitability Ratios				
RoE	22%	19%	24%	25%
RoCE	32%	29%	34%	35%
Turnover Ratios				
Asset Turnover (x)	2.2	2.4	2.6	2.4
Debtors (No. of Days)	51.0	51.0	55.5	55.0
Inventory (No. of Days)	81.5	73.8	56.9	70.7
Creditors (No. of Days)	42.2	40.4	30.0	25.0
Net Debt/Equity (x)	0.10	0.06	0.01	0.0

Source: Eastwind/Company

	BALANCE SHEET			
	FY14	FY15	FY16	FY17E
Share Capital	30	30	30	30
Reserves	289	348	441	559
Net Worth	318	378	471	589
Long term Debt	31	21	6	0
Short term Debt	68	37	2	2
Deferred Tax	10	9	7	7
Total Capital Employed	349	399	476	589
Net Fixed Assets	170	164	161	180
Capital WIP	3	1	0	0
Debtors	212	244	279	302
Cash & Bank Balances	3	2	8	3
Trade payables	175	193	151	137
Total Provisions	35	44	40	41
Net Current Assets	261	281	322	415
Total Assets	679	725	717	820

Source: Eastwind/Company

	CASH FLOW STATEMENT			
	FY14	FY15	FY16	FY17E
OP/(Loss) before Tax	94	101	161	213
Depreciation	12	15	15	17
Direct Taxes Paid	(19)	(31)	(50)	(65)
Operating profit before w	132	140	192	230
CF from Op. Activity	111	88	131	68
Capital expenditure on fix	(33)	(12)	(15)	(36)
CF from Inv. Activity	(28)	(15)	(32)	(36)
Repayment of Long Term	(8)	(9)	(22)	0
Interest Paid	(24)	(21)	(7)	(1)
Divd Paid (incl Tax)	(12)	(16)	(16)	(29)
CF from Fin. Activity	(93)	(74)	(94)	(36)
Inc/(Dec) in Cash	(10)	(1)	5	(4)
Add: Opening Balance	12	2	2	8
Closing Balance	2	2	7	3

Source: Eastwind/Company