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V-GUARD®

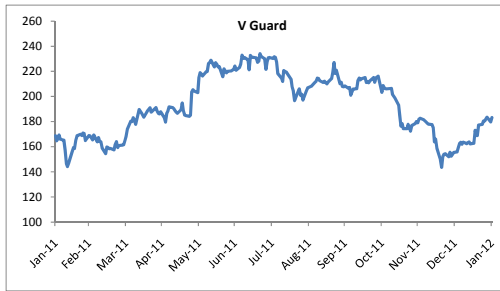
The name you can trust

V Guard Ltd

Recommendation	BUY
CMP	Rs. 183
Target Price	Rs.231
Sector	Consumer Durable

Stock Details	
BSE Code	532953
NSE Code	VGUARD
Bloomberg Code	VGRD IN
Market Cap (Rs cr)	546
Free Float (%)	32.7%
52- wk HI/Lo (Rs)	241/139
Avg. volume BSE (Quarterly)	7595
Face Value (Rs)	10.0
Dividend (FY 11)	35%
Shares o/s (Cr)	2.99

Relative Performance	1Mth	3Mth	1Yr
V Guard	17.9%	-9.9%	8.5%
Sensex	11.2%	-2.9%	-6.2%



Shareholding Pattern		31 st Dec 2011
Promoters Holding		67.3%
Institutional (Incl. FII)		10.6%
Corporate Bodies		2.1%
Public & others		20.0%

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Company Overview

V Guard Industries Ltd. was set up by Mr. Kochouseph Chittilappily and commenced its operations in 1977. It is a leading player in electrical and electromechanical products viz. wires, cables, stabilizers, geysers, etc., with dominance in Tier 2, 3, and 4 cities in southern India.

Investment Rationale

✍ **Sustainable growth drivers infused by the growth in rising electrification, urbanization and increase in nuclear families:** The economy bouncing back, urbanization, changing social structure - increasing number of nuclear families, rising electrification will act as a catalyst for the increase in demand for the products that V Guard deals in. Over the last five years, revenues have grown at a CAGR of 30% and we expect similar growth to continue going forward.

✍ **Extensive Distribution Network:** We believe that electrical market is highly fragmented with stiff competition from regional and national players. V Guard has created a widest distribution network with over 9500 retailers, 208 dealers and 353 service centers spread across all states in India except North East and Jammu & Kashmir. As a result of this aggressive strategy, the company was able to create a dominant position in South India and is slowly and steadily gaining market share in other parts of India as well.

✍ **Geographical expansion other than Southern market:** The Company has a dominant presence in South India contributing 78% to the total revenue and rest 22% coming from North India in FY11. The northern market contributed ~160 crores of revenues in FY11, which is a steep improvement from the FY10 level. We expect the contribution from ROI (Rest of India) to be Rs. 227 crores in FY12E which is an upside by 40% from FY11, as V Guard increases its dealer network to tap into the untapped northern market. We expect southern business to grow by 30% and ROI to grow by 40%, thus resulting into an overall growth of 31.9% in the company's top-line in FY12E.

✍ **Aggressive Brand investments & promotions:** Over the last five years, V Guard has spent aggressively on advertisement and sales promotion and was able to build a strong equity and brand recall in the minds of consumers. The company is using Pull and Push strategy to penetrate into the northern market. We expect management to spend ~5% of its total revenue for the advertisement and promotions.

Valuation & Recommendation

At CMP of Rs. 183, the stock is trading at a PE of 12.6x in FY12E and 9.5x in FY13E whereas on EV/EBITDA it is trading at 8.2x and 5.0x in FY12E and FY13E respectively. **We recommend to "BUY" the stock with a target price of Rs. 231 per share (PE of 12x in FY13E), an upside of 26% for a long term view.**

Year Consolidated	Net Sales (Rscr)	Growth (%)	EBITDA (Rscr)	Margin (%)	PAT (Rscr)	Margin (%)	EPS (Rs)	PE (x)	ROE (%)
FY10	454.1	43%	51.8	11.1%	25.5	5.6%	8.5	21.4	23.8%
FY11	726.3	60%	74.8	10.0%	42.7	5.9%	14.3	12.8	25.0%
FY12E	958.1	32%	85.6	8.8%	43.3	4.5%	14.5	12.6	22.8%
FY13E	1216.4	27%	112.2	9.1%	57.6	4.7%	19.3	9.5	25.9%

Investment Rationale

Sustainable growth drivers infused by the growth in rising electrification, urbanization and rise in nuclear families:

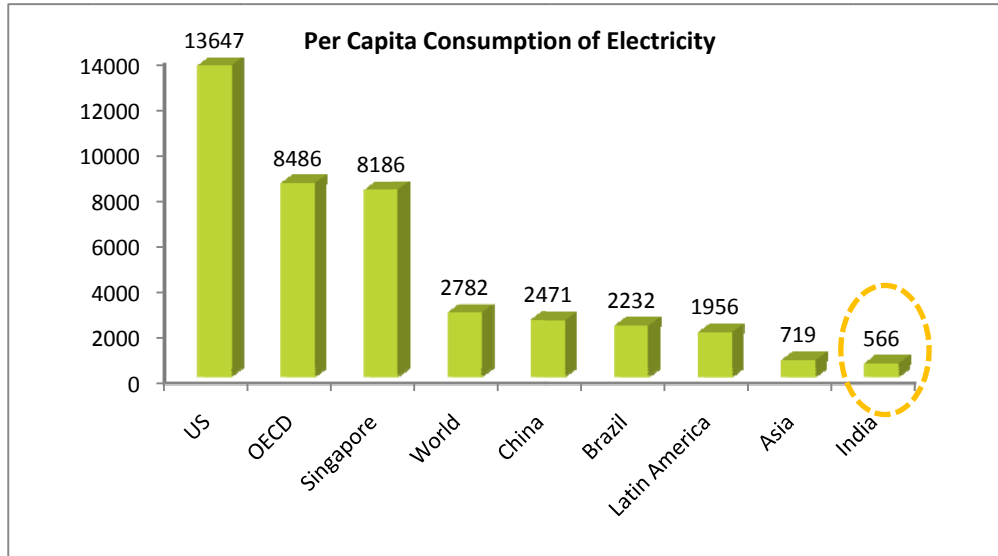
V Guard is a leading manufacturer of consumer electrical goods in southern market which is spreading its wings in other parts of India. The consumer electrical goods industry is leveraged to growth in housing in India. We expect spending on housing to remain strong due to increase in urbanization, job creation in industries, changing social structure - increasing number of nuclear families and rising electrification. Over the last five years, V Guards' revenues have grown at a CAGR of 30% and we expect similar growth to continue going forward. V Guard ranks number 1 in Stabilizer and is trying to create its market in other product categories with further aggressive branding strategy makes it well-positioned to benefit from rising demand.

Reason for the robust growth outlook for consumer durables in India.

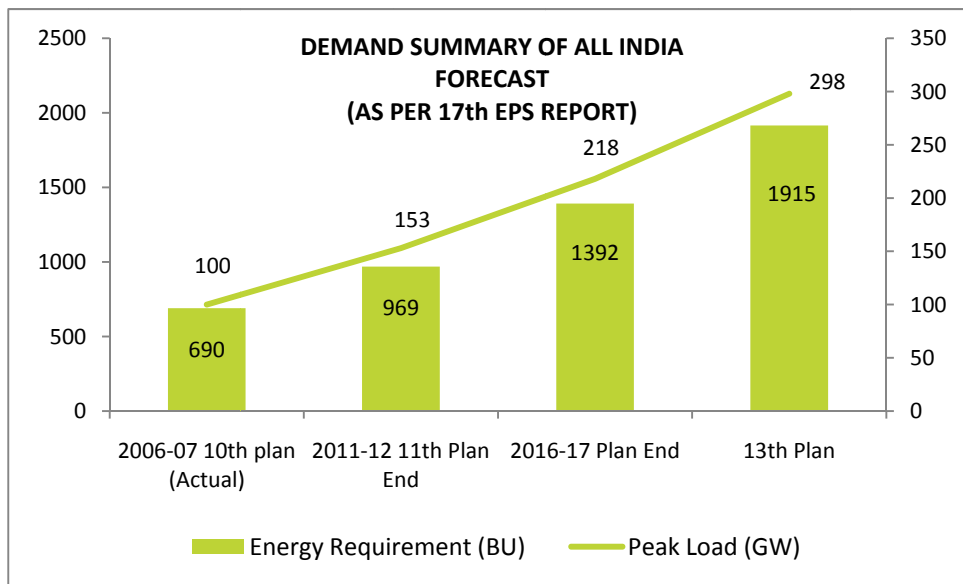
- ❖ According to the report of the Technical Group on Estimation of Housing Shortage, an estimated shortage of 26.53 million houses during the Eleventh Five Year Plan (2007-12) provides a big investment opportunity.
- ❖ The market for consumer durables is estimated at Rs. 300 billion and is expected to reach Rs. 500 billion by 2015. The urban consumer durables market is growing at an annual rate of 9% to 12%, the rural durables market is growing at 30 per cent annually.
- ❖ Rising Electrification and a shift to energy efficient lighting will increase the demand for cables & wires and switchgears.
- ❖ India is a power deficient country with a per capita consumption of electricity of 566KW as compared to global average of 2782KW. With the improvement in per capita power availability and consumption demand for electrical and consumer durable goods will increase.



For the year 2010



Source: International Energy Agency & Nirmal Bang Research



Source: Central Electricity Authority & Nirmal Bang Research

V Guard Ltd

Extensive investment in distribution network

We believe that electrical market is highly fragmented with stiff competition from regional and national players. V Guard has created a wide distribution network with over 9500 retailers, 208 distributors and 353 service centers spread across all states in India except North East and Jammu & Kashmir.

In India, the dealer plays a vital role in the sales pitch of consumer products which is highly fragmented by nature. To cash in on the strong dealer and customer relationship (most of the buys are influenced by dealers' advice and suggestions), V Guard is planning to increase the channel partners, by adding more distributors, direct dealers and suppliers for outsourced products. As a result of this aggressive strategy, the company is enjoying the dominant position in Southern market and will be able to penetrate in Northern market where it has to compete with already established players.

V Guard has been increasing its total distributor network by CAGR of 21.4% and direct dealer by CAGR of 163.1% from FY08 to FY12E. We believe as the company has been able to build a wide distribution network along with a strong brand, it will be able to market its product portfolio. Also, this will enable it to tackle the unorganized markets in a better way. We believe the company is at an inflection point and is poised for growth, due to entry into markets beyond its traditional area, where the demand is high.

V Guard's Distribution Network

Zone	FY08		FY09		FY10		FY11		FY12E	
	Distributor	Direct Dealer	Distributor	Direct Dealer	Distributor	Direct Dealer	Distributor	Direct Dealer	Distributor	Direct Dealer
South	78	53	90	265	100	610	103	1508	110	1700
Growth %			15%	400%	11%	130%	3%	147%	7%	13%
North	8	0	21	103	37	157	57	170	70	200
Growth %			163%	NA	76%	52%	54%	8%	23%	18%
East	10	5	12	43	16	186	24	387	35	510
Growth %			20%	760%	33%	333%	50%	108%	46%	32%
West	16	9	26	83	24	303	24	623	28	800
Growth %			63%	822%	-8%	265%	0%	106%	17%	28%
Total	112	67	149	494	177	1256	208	2688	243	3210
ROI (excluding South)	34	14	59	229	77	646	105	1180	133	1510
Growth %			74%	1536%	31%	182%	36%	83%	27%	28%

Source: Company & Nirmal Bang Research

Geographical Expansion other than Southern market

The Company has a dominant presence in South India contributing 78% to the total revenue and balance 22% coming from Rest of India (ROI) in FY11. The northern market contributed 162 crores of revenues in FY11, which is a 128% jump from the FY10 level. We expect the contribution from ROI to be Rs. 227 crores in FY12E, which is 40% increase over FY11 as V Guard increases its dealer network to tap into the ROI market.

The company is planning to replicate its business model in ROI to leverage its brands and to further reduce the risk arising from geographical concentration. V Guard is faring well in territories like the National Capital Region, Punjab, Rajasthan and Uttar Pradesh, with encouraging results in Maharashtra and Orissa. The West Bengal and Gujarat markets are yet to pick up. The management has prioritized cash breakeven improvement in operational profitability at all locations.

The reason for V Guard to venture into the non-south market is because the growth of its traditional products like stabilizers, water heaters, and pumps has reached a near maturity level in the south. So the company has adopted a broad strategy of introducing newer products like fans, UPS, LT cables, wires, solar water heaters in the south Indian market and carrying its traditional products to the non-south market. Once the base for the traditional products gets established in the non-south market, it will launch newer products over there. Thus, the focus is clearly on growth of newer products in the south market and traditional products in the non-south market. Moreover, traditional products will continue to grow in the south market at a steady pace.

Over the years, the company has made a strong distribution channel in the southern region and the company strives to do the same in ROI. If we see in FY12E, the number of increase in distribution channel in south India has become stagnated as compared to ROI. This shows that the company is making strenuous efforts to make its presence in ROI as a strong distribution channel and reach plus strong brand equity helps the company in garnering market share. If we see the distribution network chart (previous page), distributor and direct dealer will grow by 27% and 28% respectively in ROI as against growth in South India by 7% and 13%. Thus, we expect a strong brand equity and extensive distribution network will help V Guard roll out its consumer durables products and gain strong foothold going forward in ROI market.

Zone – Wise Revenue Contribution:

Year	South Zone	North Zone
FY08	95%	5%
FY09	91%	9%
FY10	85%	15%
FY11	78%	22%
FY12E	76%	24%
FY13E	70%	30%

Source: Company & Nirmal Bang Research

V Guard Ltd

Aggressive Brand Investments & Promotions

Over the last five years, V Guard has spent aggressively on advertisement and sales promotion and was able to build a strong equity and brand recall in the minds of consumers. The company is using Pull and Push strategy to penetrate into the northern market. We expect management to spend ~5% of its total revenue for the advertisement and promotions in FY12E and FY13E.

V Guard is aggressively creating its brand in Northern India and has opened three showrooms in Bhubhaneshwar, Raipur and Gurgaon. These showrooms will be used for display purpose. The showroom will improve visibility of V Guard brand and widening distribution reach in the northern market.

V Guard is also looking to launch new product lines and is examining four-five options. The management has hinted at kitchen appliances, with a low stock keeping unit (SKU). Management expects to launch its switchgear (market size ~Rs.14bn) in near term in Kerala market and by Q1FY13 in other south Indian states. The company is also on the verge of launching new products like induction cook pots in Q4FY12 (market size ~Rs. 8bn) and mixer-grinders in Q1FY13 (market size ~Rs.15bn).

We believe that with the help of ongoing investment in brand building, V Guard will find no difficulty in national roll out of its new products.

9MFY12 Financial Analysis

In Q1FY12, V Guard, recorded its highest ever quarterly revenue, driven by higher sales in the non-south region, and a whopping growth in the sale of products like cables, pumps, digital uninterrupted power supply (DUPS) and fans. The non-south region, which recorded a revenue growth of 54%, accounted for 26% of the sales in the quarter led by a pervasive growth in north zone. Although the strong performance was shadowed by the lumpy IPL advertising cost during the quarter; we expect that the company will reap long-term benefits from such brand visibility initiatives.

In Q2FY12, V-Guard posted revenue growth of ~38% YoY, led by increased turnover from cables, solar and electrical water heaters, stabilizers, DUPS etc. Revenue growth was led by robust performance across all product categories except fans. Fan sales were lower as the summer was weak. V-Guard reported an operating margin decline of ~380 bps YoY to ~7%. The operating margin declined due to increase in advertisement expense (Rs. 10 crores as against Rs. 6.9 crores YoY), higher discounts given to push sales of fans, pumps and DUPS where the demand has been low due to weaker summer, higher rainfall and lesser power cuts. The operating margin was further impacted by one-off advertisement expenditure in IPL of Rs. 3.5 crores accounted in Q2FY12, and also the decline in margins of solar water heaters.

The operating margin was further squeezed due to the decline in the copper prices which has forced the management to discount their products which were made of higher copper price. During September month, the management had to write down the inventory, had to provide discounts on products with higher copper price. This has resulted into the decline in the operating margin to the tune of 7% in Q2FY12 as compared to 11% in Q2FY11.

V Guard Ltd

Solar Water Heater margins were impacted as the prices were reduced by competitors due to the capital subsidy provided by the government. V Guard is now eligible for the capital subsidy and expects it to trickle from Q1FY13E.

V Guard plans to offer channel financing scheme to its channel partners for working capital management and has tied up with Axis Bank and Yes Bank with initial portfolio of Rs. 20 crores. Management plans to increase this portfolio to Rs. 30 crores by March 2012. We believe that rising interest rates pose a challenge for the bottom-line of the company in the near term and we can see higher interest outflow in the next 2-3 quarters; which will gradually get mitigated once the channel financing will take place in the system. For better inventory management, company is implementing SAP and expects it to go live by May 2012.

In Q3FY12, V-Guard posted a handsome revenue growth of ~45% YoY, led by increased turnover from Wires (46.87% YoY), Pump (57.09% YoY), Water Heater (34.26% YoY) and Stabilizers (28% YoY). The company had followed the suit of other established brands and had taken a price increase to the tune of 3%-8% depending upon the product category. The festive season also supported the price increase taken by the company. The operating margin improved by 190bps on QoQ basis due to the fall in copper prices. According to the management the company has liquidated the higher copper price inventory in Q2FY12. The operating margin was down by 50bps on YoY basis as the profitability in the water heater has come down to ~7% in Q3FY12 from ~9% in Q3FY11.

The company reported an increase of PAT by 45.6% YoY to Rs. 12.45 crores in Q3FY12 and up by 82.1% on QoQ basis. The PAT margin was reportedly flat at 4.8% on YoY basis though it improved by 170bps on QoQ basis.

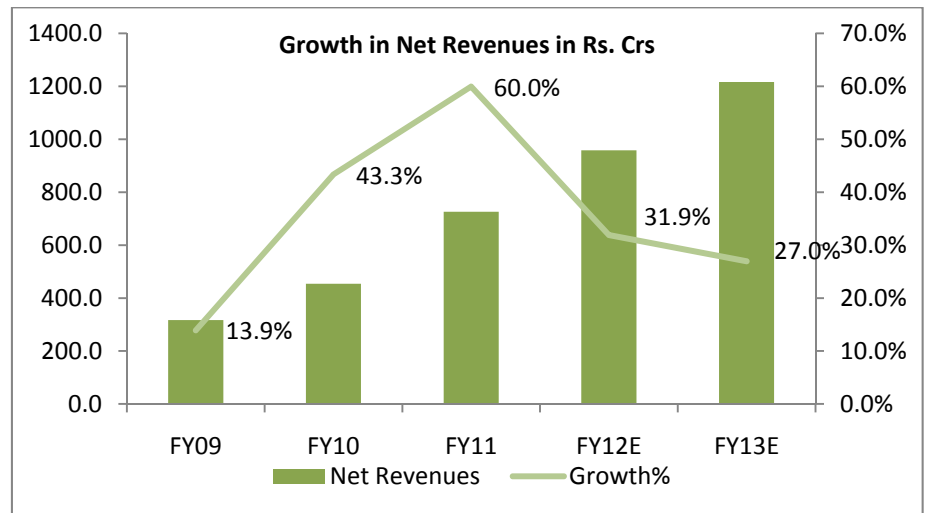
Financial Analysis

We continue to be positive on the growth prospects of the company and the space in which it operates. We are of the view that the company will relatively have a better Q4FY12E on account of cooling off in metal prices and extensive price hike to the tune of 3% to 8% on various products. We feel that the company will be able to post better result for the FY13E on account of improved demand in consumer durable segment; improvement in overall economic condition, cooling of inflation will result into the high disposable income which will boost the demand going forward.

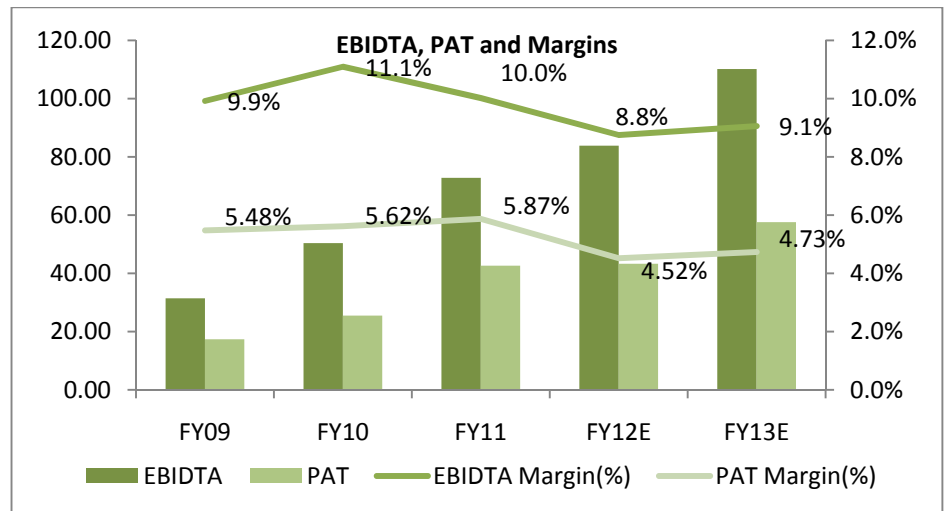
The Q2FY12 was a bad quarter for all the consumer companies as the company was not able to pass on the increase in the rise in metal prices to consumers and increase in discounts resulted due to price cuts by the competitors. But, the company has posted a better result in Q3FY12 where they were able to take price hike and sales volume has increased in almost all the segments, gives us confidence that the company is well on track and will be able to post good result in the coming quarters.

V Guard Ltd

We believe that sales will pick up over the next 12 months as the penetration level increases in Northern India. We expect net sales to be Rs. 958 crores in FY12E and Rs. 1216.4 crores in FY13E. Sales from the south Indian market should grow by 30% and sales from the ROI market should grow by 40% during FY13. We expect Net Sales to clog at a CAGR of 29.4% and PAT of 16.2% from FY11 to FY13E. We estimate V Guard to register an operating margin of 8.8% in FY12E and 9.1% in FY13E. We are positive that V Guard will be able to repeat the success story of southern market in ROI.



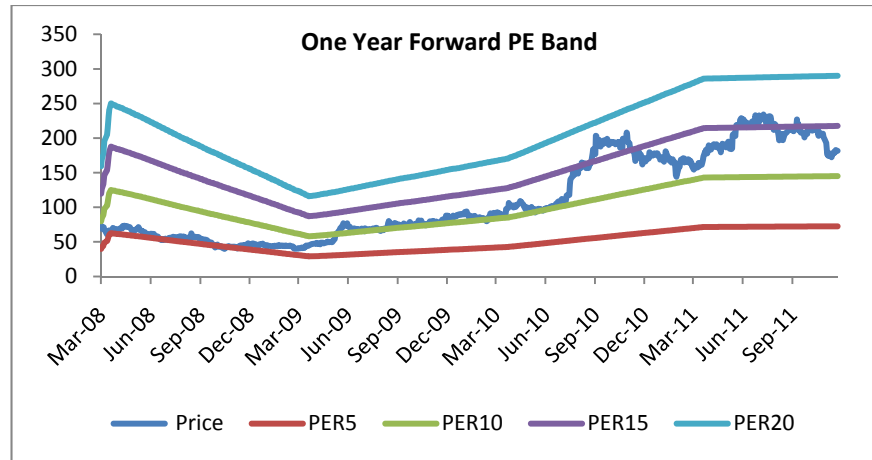
Source: Company & Nirmal Bang Research



Source: Company & Nirmal Bang Research

V Guard Ltd

Forward PE Band



Source: Company & Nirmal Bang Research

Peer Comparison

V Guard is present into the wide array of products. V Guard is an empirical play in the consumer electronics space where it enjoys the dominant presence in the southern market. We have tried to compare the company with Havells, Bajaj Electricals. V Guard is trading at P/E of 12.6x as compare to 16.4x that of Havells and 10.9x of Bajaj Electricals on FY12E. We believe that the growth in V Guard will continue to show strong earnings growth fuelled by the successful ramp-up of its operations and distribution network, the introduction of new products, an entry into the non-southern markets and the overall growth of the consumer durables industry with its diversified product portfolio. Although, we remain cautious due to the overall economic slowdown and the hike in key imported raw-material input due to the rupee depreciation. However, margins are likely to remain in steady state due to marginal pass through of cost and higher volume. We value V-Guard on 12x FY13 P/E multiple as compared to 15x FY13 P/E multiple for Havells as the later has benefit of high-end premium products with significant market share. We would also like to highlight that successful entry into ROI with its strong brand equity can lead to re-rating of the stock; however, we would access next couple of quarter’s performance before coming to this conclusion.

Companies	CMP	Sales		EBIDTA		EBIDTA %		PAT		PAT%		EPS		PE		EV/EBDITA		EV/Sales		ROCE	
		Rs.	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E
Havells*	480	6328	7124	640	751	10.1%	10.5%	366	448	5.8%	6.3%	29.4	35.9	16.4	13.4	10.1	8.5	1.1	0.9	31%	33%
Bajaj Electricals*	175	3235	3553	287	332	8.9%	9.4%	161	184	5.0%	5.2%	16.1	18.5	10.9	9.5	5.5	4.6	0.5	0.4	34%	33%
V Guard*	183	958	1216	84	110	8.8%	9.1%	43	58	4.5%	4.7%	14.5	19.3	12.6	9.5	8.2	5.0	0.7	0.5	23%	26%

Source: Company & Nirmal Bang Research *Stocks under Coverage

V Guard Ltd

Valuation & Recommendation

V Guard is a strong play in the southern space for the past 30 years. The company has moved into the northern space for the past couple of years and is vying a market share. We are also positive about its various marketing initiatives that are helping in brand building and easing its foray in the Non-south markets. We are confident with the company's business model and its ability to scale up its business in new products. Additionally, we feel that with the increase in traction in the new geographies and improving penetration of the distribution channel partners in the northern region will boost the profitability and financials of the company going forward.

We foresee stretching of the working capital cycle as the company leverages the cash flows from its existing operations to fund the expansion of its distribution network in the northern hinterland. To combat this, the company has gone for a channel financing which will reduce the interest cost going forward once the system is in place.

At CMP of Rs. 183, the stock is trading at a PE of 12.6x in FY12E and 9.5x in FY13E whereas on EV/EBITDA it is trading at 8.2x and 5.0x in FY12E and FY13E respectively. We are positive on the fact that V Guard will be able to replicate the same success story of southern market in other parts of India. We believe that V Guard is well – placed amongst its peers on the consumer electrical space in India, on the account of increasing penetration into Northern India, extensive distribution network and increased domestic consumption story.

We recommend to “BUY” the stock with a target price of Rs. 231 per share (PE of 12x in FY13E), an upside of 26% for a long term view. Our target price is based on 12x FY13E P/E.

Risks & Concerns

- For the past couple of years, V Guard is vying its market share in ROI. If the company is not able to garner any market share in ROI or if there is any de-growth or muted growth in ROI, will directly impact our earnings estimate.
- Any adverse increase in costs of key raw materials like copper and aluminum or price cuts due to stiff competition may also affect earnings.
- Entry of new global players like Schneider, etc will increase a competitive intensity. Any sharp decline in market share due to rise in competition or increase in advertisement expenses could adversely affect earnings.
- Any slowdown in economy may cause de-growth in real estate sector. That may impact business growth of V Guard and our earnings estimates.
- Existing players like Havells, Bajaj, etc is planning to foray into brown goods, leading to increase in local competition, which could result into the squeeze out of margins.

Company Background

V Guard Industries Ltd. was set up by Mr. Kochouseph Chittilappily and commenced its operations in 1977 as an SSI unit with manufacturing and marketing of voltage stabilizers under the brand name “V-Guard”. The company now has diversified into a multi-product company which now manufactures and markets Electronic Voltage Stabilizers, Monobloc, Jet, Submersible, Compressor pumps and Electric Motors, Insulated Electrical Cables (House Wiring, Industrial), Electric Storage & Instant Water Heaters, Solar Water Heaters, UPS, Electric Fans.

V Guard has created a widest distribution network with over 9500 retailers, around 208 dealers and 335 service centers spread across all states in India except North East and Jammu & Kashmir.

Production Facilities

Product	No. of Units	Locality
Own Manufacturing Facilities		
PVC Wiring Cables	2	Coimbatore, Kashipur
L T cables	1	Coimbatore
Pumps & Motors	1	Coimbatore
Fans & Water Heaters	1	Kala Amb (Himachal Pradesh)
Solar Water Heaters	1	Coimbatore
Outsourced Production Facilities		
Stabilizers	60	Across India
Pumps	11	Across India
Fan	6	Across India
UPS	12	Across India
Electric Water Heater	6	Across India

Source: Company & Nirmal Bang Research

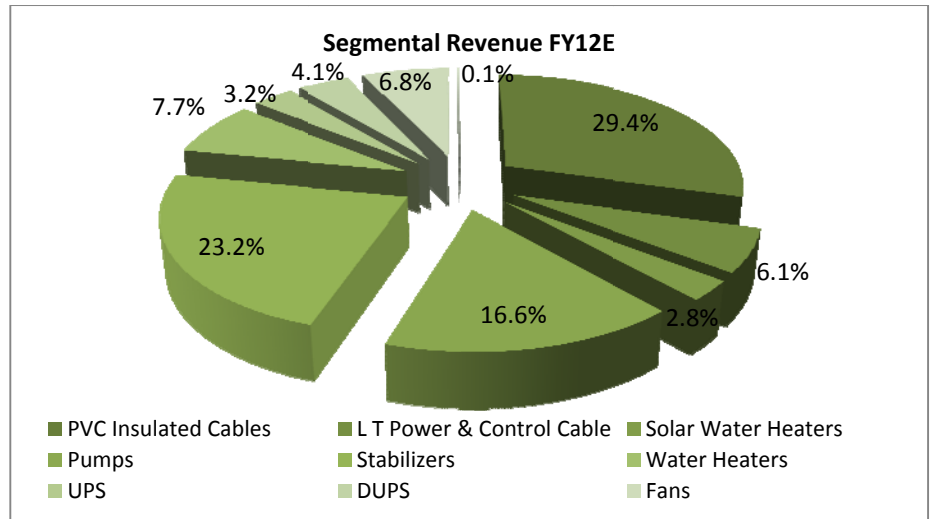
Diversified Product Portfolio

Below is an outlook on growth for V Guard’s key product segments:

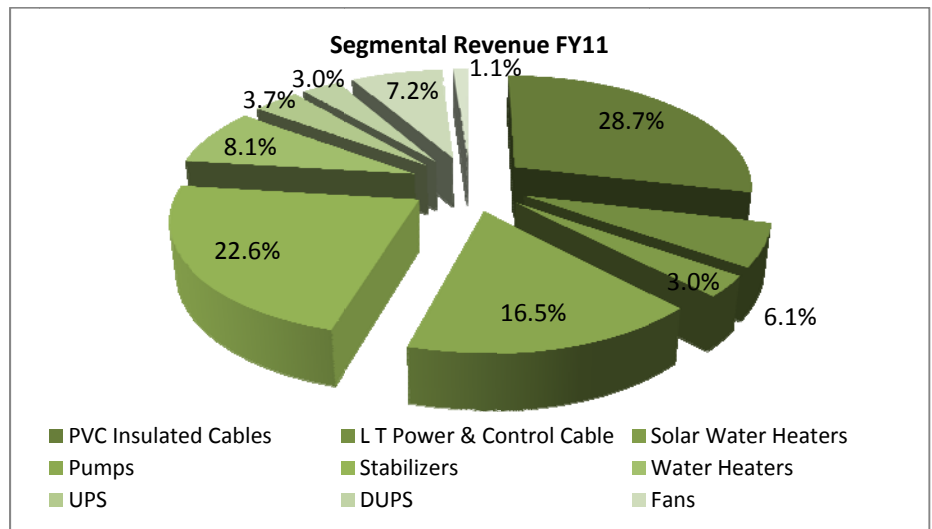
V Guard has a wide array of products which cater the requirements of consumer durable industry, agriculture and construction sectors of the country. V Guard outsources 70% of its product profile and the rest 30% are in – house manufactured while keeping a strong control in designs and quality. V Guard is a market leader in the stabilizer in the Southern market. 78% of its sales come from southern market concentrated in 4 Indian Southern States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.



Segmental Revenue



Source: Company & Nirmal Bang Research



Source: Company & Nirmal Bang Research

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Stabilizer

V Guard is the leader in the stabilizer market of Rs. 21bn out of which Rs. 10bn amounts to an organized market. V Guard enjoys a 5.8% market share though it's a dominant name in the southern market. Keeline, Blue Bird, Premier, Logicstat are the other strong players in this segment. The company was able to maintain its market leadership by providing after sale service. This sets V guard apart from its competitors' as many of them have failed to provide after sale service resulting into the decline in their products' demand. The company enjoys a dominant position in stabilizers in the matured markets; this gives them a confidence to enter into the untapped market (northern region) where their product has been well accepted.

Lifestyle in India has changed drastically and many of the luxury products like refrigerator, LCD TV, AC, etc have become essential commodities and customers has an urge to own these products. These changes are seen in rural area and also Tier –II and Tier – III cities on the back of increase in disposable income, increase in urbanization, job creation in industries, changing social structure - increasing number of nuclear families.

PVC Insulated & L T Power & Control Cables

The cable business in India is highly fragmented, with unorganized player accounting for almost 23% of the market. The market size is Rs. 60bn and V Guard's share is 2.1%. Amongst the organized players, Havells, Finolex, Polycab are strong players. The major customers for the cable industry are the automotive, telecommunication and construction industries. Cable Industry has shown an overall growth rate of 12% mainly due to 14.54% growth in power cable segment and higher demand from industrial projects. V Guard has a cable wire factory at Coimbatore and Kashipur with a totaled installed capacity of 480000 coils per month. Wire and cables accounts for 30% of V Guard's revenues.

Pumps

Pumps play a dominant role in the sectors like agriculture, production of oil and natural gas, petroleum refining, petrochemicals, power generation, domestic and household utilities, etc, and contribute a major part in nation's economy. The industry size is Rs. 40 bn out of which 63% is organized and rest is unorganized. V Guard industry has 0.4% market share and Kirloskar Brothers, SB Pumps, M&P are the strong competitors in this segment. The company deals in domestic pumps and has ventured into three phase pumps which is meant for agriculture purposes and is not present in industrial pumps. The company has a capacity to produce 1500 units of pumps per month and the factory is located at Coimbatore. The company also provides after sale service and also gives live demonstration to villagers. The company enjoys 7% margin in domestic pumps and 7.5% margin in agriculture pumps.

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Fans

V Guard has entered into the electric fans in FY07 and currently has 30 models. The industry size is Rs. 35 bn of which organized market amounts to Rs. 22 bn. V Guard enjoys 1.3% market share. Crompton Greaves, Bajaj, Usha, Orient, Havells are some of the strong players in this segment. The company has set – up an installed capacity to produce 600000 fans per month at Kala Amb, Himachal Pradesh. V Guard has successfully launched fans in the northern market and is continuously churning out new high - end and economic models. The company enjoys 4 – 5% of operating margins.

Electric Water Heaters

The electric water heater has Rs. 8 bn of industry size of which V Guard has 4.6% market share. V-Guard water heaters was launched in 1996 and is available in 28 models with capacities ranging from 1, 6, 10, 15, 25, 35 and 50 litre in different shapes and sizes. V Guard has set – up an installed capacity of 450000 numbers of electric water heaters per annum at Kala Amb, Himachal Pradesh. The company has also ventured into Gas Water heater. Bajaj, Racold, Venus, Havells are the major competitors in this segment.

Solar Water Heaters

The company has set – up a manufacturing facility at Chavadi, Coimbatore for production of solar water heaters of different capacities at an installed capacity of 18000 units per annum. The industry size is Rs. 3bn. V Guard has a 5.5% market share and the main competitors are Tata BP Solar, Racold and Industrial.

Others

In addition to the above, VGIL also have products like UPS, DUPS in its product basket.

V Guard Ltd

V Guard Market Position in Different Segments:

Segment	Industry Size (Rs. bn)	Organized Market (Rs. bn)	Market Share	Key Competitors
Stabilizer	21	10	5.8%	Keeline, Blue Bird, Premier, Logicstat
Cables	60	45	2.1%	Havells, Finolex, Polycab
Pumps	40	25	0.4%	Kirloskar Brothers, KSB Pumps, M&P
Water Heater	8	NA	4.6%	Bajaj, Racold, Venus, Havells
Solar Water Heater	3 – 4	NA	5.5%	Tata BP Solar, Racold and Industrial
UPS	25	NA	0.9%	Numeric, APC, Emerson
Digital UPS / Inverter	40	NA	0.2%	Microtec, Sukam, Luminus
Fans	32	19	1.3%	Crompton Greaves, Bajaj, Usha, Havells, Orient

Source: Company & Nirmal Bang Research

V Guard Ltd

Financials

Profitability (Rs. In Cr)	FY10	FY11	FY12E	FY13E
Y/E - March				
Revenues - Net	454.1	726.3	958.1	1216.4
% change	43.3%	60.0%	31.9%	27.0%
EBITDA	50.4	72.8	83.8	110.2
Interest	5.1	11.3	16.3	19.8
Other Income	1.42	1.99	1.75	2.00
EBDT	46.7	63.4	69.3	92.4
Depreciation	7.1	7.9	9.2	10.1
Extraordinary/Exceptional	0.0	0.0	0.0	0.0
PBT	39.5	55.5	60.1	82.2
Tax	14.0	16.5	16.8	24.7
PAT	25.5	39.0	43.3	57.6
Exceptional Item	0.0	3.6	0.0	0.0
Adj PAT	25.5	42.7	43.3	57.6
Shares o/s (No. in Cr.)*	3.0	3.0	3.0	3.0
EPS	8.5	14.3	14.5	19.3
Adj EPS*	8.5	14.3	14.5	19.3
Cash EPS	10.9	17.0	17.6	22.7
DPS (Rs.)	3.0	3.5	4.0	4.5
Quarterly (Rs. In Cr)	Mar.11	July.11	Sep.11	Dec.11
Revenue including OI	222.67	240.13	219.07	256.94
EBITDA	19.44	22.76	15.09	22.63
Interest	3.60	3.85	4.22	4.58
EBDT	15.84	18.92	10.87	18.05
Dep	2.06	2.27	2.35	2.40
Other Inc.	0.68	0.40	0.36	0.76
Extraordinary	3.64	0.00	0.00	0.00
PBT	18.10	17.05	8.88	16.41
Tax	3.87	4.70	2.04	3.96
PAT	14.23	12.35	6.84	12.45
EPS (Rs.)	4.77	4.14	2.29	4.17
Adjusted EPS (Rs.)	4.77	4.14	2.29	4.17
Operational Ratio	FY10	FY11	FY12E	FY13E
EBITDA margin (%)	11.1%	10.0%	8.8%	9.1%
Adj.PAT margin (%)	5.6%	5.9%	4.5%	4.7%
Adj.PAT Growth (%)	47.4%	67.2%	1.5%	33.0%
Price Earnings (x)	21.4	12.8	12.6	9.5
Book Value (Rs.)	47.4	57.6	68.1	82.9
ROCE (%)	23.8%	25.0%	22.8%	25.9%
RONW (%)	19.0%	27.2%	23.1%	25.5%
Debt Equity Ratio	0.6	0.8	0.8	0.7
Price / Book Value (x)	3.9	3.2	2.7	2.2
EV / Sales	1.3	0.9	0.7	0.5
EV / EBITDA	11.9	9.1	8.2	5.0

Financial Health (Rs. In Cr)	FY10	FY11	FY12E	FY13E
Share Capital	29.8	29.8	29.8	29.8
Equity/Warrant	0.0	0.0	0.0	0.0
Reserves & Surplus	111.6	142.1	173.5	217.6
Net Worth	141.5	172.0	203.3	247.5
Minority Interest	0.0	0.0	0.0	0.0
Total Loans	80.5	139.8	155.8	180.8
Net Deferred Tax Assets	5.7	6.1	6.1	6.1
Total Liabilities	227.7	317.9	365.2	434.4
Net Fixed Assets	112.3	115.8	131.6	141.4
Investments	4.6	0.0	0.0	0.0
CWIP	2.9	0.0	0.0	0.0
Inventories	98.5	142.4	170.6	216.5
Sundry Debtors	75.6	123.1	146.6	172.6
Cash & Bank	7.4	7.1	4.3	8.6
Loans & Advances	8.9	16.6	21.9	27.7
C A L&A	190.4	289.2	343.3	425.5
CL & P	82.4	87.1	109.6	132.5
Working Capital	108.0	202.1	233.7	293.0
Misc Exp	0.0	0.0	0.0	0.0
Total Assets	227.7	317.9	365.2	434.4
Cash Flow (Rs. In Cr)	FY10	FY11	FY12E	FY13E
Operating				
Profit Before Tax	39.5	59.1	60.1	82.2
Direct Taxes paid	-12.5	-16.5	-16.8	-24.7
Depreciation	7.1	7.9	9.2	10.1
Change in WC	-58.5	-93.6	-34.4	-54.9
Interest Expenses	5.1	11.3	16.3	19.8
Other Non cash items	0.2	0.0	0.0	0.0
CF from Opeartion	-19.1	-31.7	34.3	32.6
Investment				
Capex	-18.5	-6.1	-25.0	-20.0
Other Investment	0.3	0.0	0.0	0.0
Total Investment	-18.1	-6.1	-25.0	-20.0
Free Cash Flow	-37.2	-37.8	9.3	12.6
Financing				
Equity raised/(repaid)	0.0	0.0	0.0	0.0
Inc/Dec in Reserves	0.0	0.0	0.0	0.0
Debt raised/(repaid)	54.2	59.3	16.0	25.0
Dividend (incl. tax) paid	-8.7	-10.4	-11.9	-13.4
Interest Expenses	-5.0	-11.3	-16.3	-19.8
Cash Flow from Financing Activities	40.5	37.5	-12.2	-8.2
Net Cash Flow	3.3	-0.3	-2.8	4.4
Beginning Cash Flow	4.1	7.4	7.1	4.3
Cash as reported in Balance Sheet	7.4	7.1	4.3	8.6

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