

Steady Q3FY24 numbers; improvement to continue ahead;

Q3FY24 Result Update | Sector: Consumer Appliances | February 05, 2024

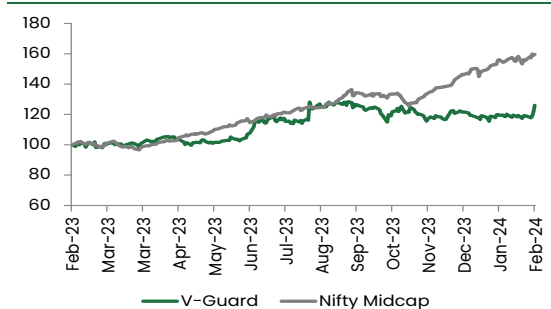
BUY

CMP (Rs)	310
Target Price (Rs)	359
Potential Upside	15.7%
Sensex	72,083
Nifty	21,854

Key Stock data	
BSE Code	532953
NSE Code	VGUARD
Bloomberg	VGRD:IN
Shares o/s, Cr (FV 1)	43.0
Market Cap (Rs Cr)	13,446
3M Avg Volume	331,062
52 week H/L	335/229

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	55.6	55.6	54.6
FII	12.8	13.2	13.0
DII	19.4	19.4	20.5
Others	12.2	11.8	12.0

1 year relative price performance

1 year P/E Forward (x)

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Strong revenue growth YoY: V-Guard posted revenue of Rs 1,165cr up by 18.8% YoY/2.8% QoQ largely driven by its electricals & electronics segments while consumer durables saw the pickup towards the end of the quarter. Geographically both non-South & South performed well as compared last year. Sequentially, South and Electronics growth remain impacted.

Healthy improvement in margin: V-Guard's gross profit grew by 36.1% YoY/3.1% QoQ to Rs 394.8cr and margins came at 33.9%, an increase by 430bps YoY/11bps QoQ driven by raw material price decrease and change in product mix. EBITDA was up by 54.2% YoY/9.9% QoQ to Rs 101.6cr with increase in EBITDA margin by 200bps YoY/56bps QoQ to 8.7% led by better topline. PAT was up by 48.2% YoY but marginally was down by 1.2% QoQ to Rs 58.2cr with PAT margin at 5% higher by 99bps YoY but down by 20bps.

Non-South is gaining share: South region continues to dominate the revenue share at 54.4% and it reported the revenue of Rs 592.2cr, up by 10.9% YoY but a decline of 1.8% QoQ. Revenue share of South decreased from 56.2% in Q2FY24 to 54.4% in Q3FY24 while as compared last year it was the same. Non-South revenue grew by 11.2% YoY/5.9% QoQ to Rs 496.9cr with share increased to 45.6% as compared to 43.8% in Q2FY24 while share was same as compared last year. Further, growing in the non-South region remains the key focus area.

All segments witnessed decent growth as compared YoY: Electricals segment grew by 8.5% YoY/2.3% QoQ to Rs 472.7cr and Consumer Durables grew by 11.1% YoY/10.8% QoQ to Rs 392.8cr led by improving demand and product mix. However, Electronics saw mixed growth with healthy growth 16.9% YoY while down by 12.3% QoQ to Rs 223.6cr as stabilizer being the oldest product growth seems to be capped. Further, Electricals, Electronics & Consumer Durables segments contributed ~40.6%/19.2%/33.7% to revenue and 46.9%/31.4%/12.8% to profits in Q3FY24. In addition, Sunflame earned revenue of Rs 76.3cr, up by 23.6% QoQ and contribution from this

Key Highlights: 1) Consumer demand remained slow for the quarter while pickup was seen towards the end. And going ahead, demand is expected to continue its upward trend. 2) Advertisement spends stands at 2.7% similar as compared to last year. 3) Focus remains on the growth from non-South regions. 4) Plans to reduce debt taken for Sunflame in the next 4-6 quarters. 5) Despite competition, their plan is to grow Electricals, Consumer Durables and Sunflame segments. 6) Other expenses were higher as it includes one-off provisions of 4.5cr and write off of bad debt. 7) Manufacturing units Electronics Panchanagar is performing well while Battery plant at Hyderabad and kitchen plant at Vapi will commence production in Q4FY24 and aid to drive growth. 8) Amongst products, stabilizer will have stagnant growth due to its strong presence and limited scope of upside while other segments such wires, pumps, fans, kitchen appliances, etc. will see strong growth ahead.

Outlook & Valuation: V-Guard posted decent set of numbers as compared last year while sequentially decline in raw material cost is a key positive. Further, demand is further set to pick-up pace and along with its management strategy would be to continue its focus on growing non-South region, focus on product mix, growing Sunflame segment. On the financial front, we have estimated its revenue/EBITDA to grow at a 16.3%/27.1% CAGR over FY23-26E and have upgraded our rating to **Buy** (from Accumulate earlier) and target price revised upwards to **Rs 359**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	4,125.4	4,825.1	5,597.1	6,492.6
EBITDA	319.3	418.2	537.3	655.8
EBITDAM (%)	7.7	8.7	9.6	10.1
APAT	189.0	254.1	344.2	430.7
APATM (%)	4.6	5.3	6.2	6.6
EPS (Rs)	4.4	5.9	8.0	10.0
PE (x)	70.9	52.7	38.9	31.1
RoE (%)	11.8	14.1	16.4	17.5

Source : RBL Research

Revenue growth YoY largely driven by electronics & electricals segments

EBIT margin impacted largely because of Silverline acquisition impact of 1.1%.

Non-South performing well

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	1,165.4	980.8	18.8	1,133.8	2.8
Cost of Raw Materials	403.4	304.1	32.7	414.2	(2.6)
Purchase of Finished Goods	384.9	268.5	43.4	370.6	3.9
(Increase) / Decrease In Stocks	(17.7)	118.1	-	(33.9)	-
Total Raw material cost	770.6	690.7	11.6	750.9	2.6
Gross Profit	394.8	290.1	36.1	382.8	3.1
Gross Margins %	33.9	29.6	430bps	33.8	11bps
Employee Cost	82.6	77.6	6.5	106.1	(22.1)
Other Expense	210.6	146.7	43.5	184.2	14.3
Total Expenditure	1,063.8	915.0	16.3	1,041.3	2.2
EBITDA	101.6	65.9	54.3	92.5	9.9
EBITDA Margins (%)	8.7	6.7	200bps	8.2	56bps
Depreciation	19.1	16.7	14.7	19.8	(3.3)
EBIT	82.5	49.2	67.7	72.7	13.5
Other Income	3.2	6.0	(47.1)	14.2	(77.5)
Interest	9.4	2.4	295.0	9.3	1.0
PBT	76.3	52.8	44.3	77.5	(1.7)
Tax	18.0	13.6	32.8	18.6	(3.1)
PAT	58.2	39.3	48.2	59.0	(1.2)
PAT Margin (%)	5.0	4.0	99bps	5.2	-20bps
EPS (Rs)	1.4	0.9	48.7	1.4	(0.6)

Source : RBL Research

Revenue share Geography-wise - consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
South	592.2	533.9	10.9	602.8	(1.8)
% of Sales	54.4	54.4	-6bps	56.2	-185bps
Non-South	496.9	446.9	11.2	469.3	5.9
% of Sales	45.6	45.6	6bps	43.8	185bps

Source : RBL Research

All segments saw decent performance for Q3FY24

Revenue share Segment-wise - consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Electronics	223.6	191.4	16.9	255.1	(12.3)
% of Sales	19.2	19.5	-32bps	22.5	-331bps
Electricals	472.7	435.8	8.5	462.3	2.3
% of Sales	40.6	44.4	-387bps	40.8	-21bps
Consumer Durables	392.8	353.7	11.1	354.7	10.8
% of Sales	33.7	36.1	-235bps	31.3	242bps
Sunflame	76.3	-	-	61.7	23.6
% of Sales	6.5	-	-	5.4	110bps

Source : RBL Research

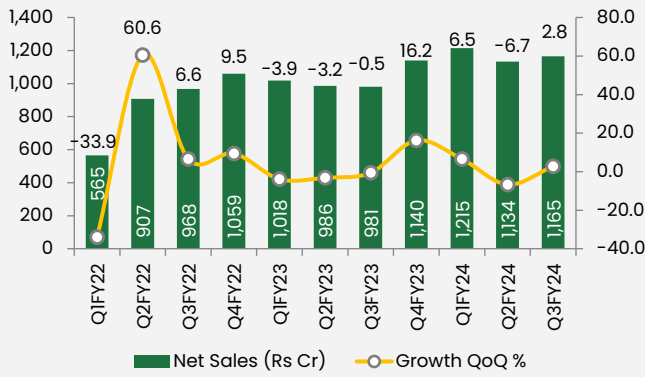
Profit Share Segment-wise - consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Electronics	28.7	22.2	29.6	37.8	(24.0)
% of Profit	31.4	38.6	-724bps	47.9	-1650bps
Electricals	42.9	39.7	8.1	38.3	11.9
% of Profit	46.9	69.1	-2229bps	48.6	-171bps
Consumer Durables	11.7	-4.5	-	-0.9	-
% of Profit	12.8	-7.8	-	-1.2	-
Sunflame	8.2	0.0	-	3.7	121.9
% of Profit	9.0	0.0	-	4.7	428bps

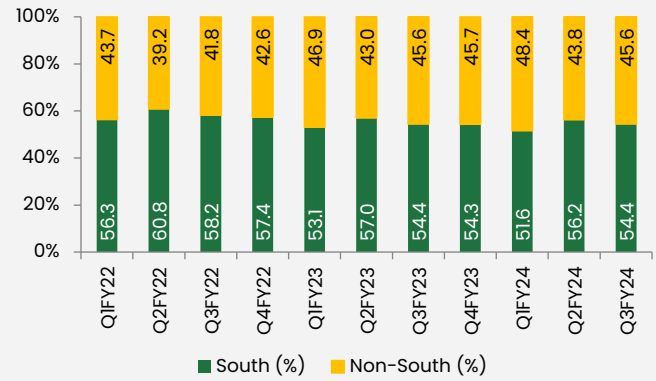
Source : RBL Research

Story in charts

Revenue grew by 18.8% YoY and 2.8% QoQ

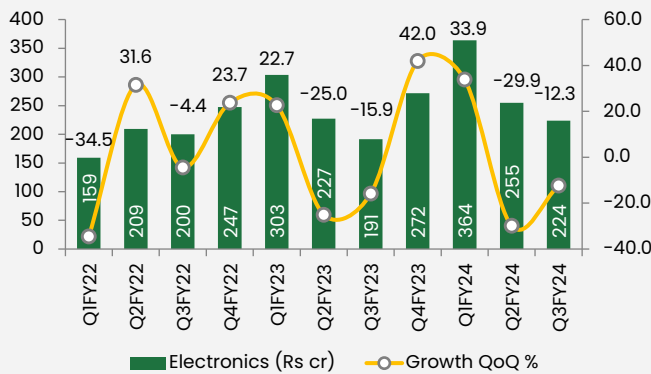


Non-South market share increased from last quarter to 45.6%

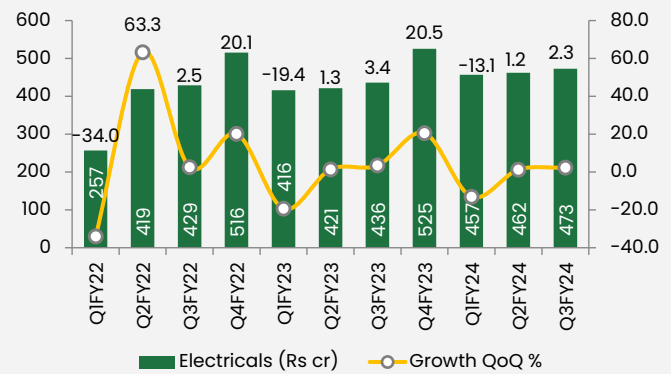


Source : RBL Research

Electronics segment grew by 16.9% YoY but declined by 12.3% QoQ

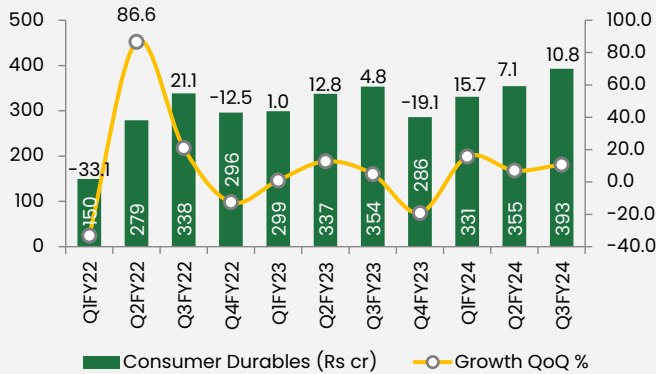


Electricals segment grew by 8.5% YoY and 2.3% QoQ

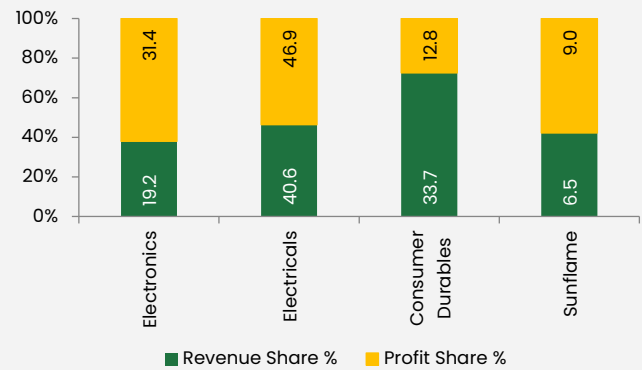


Source : RBL Research

Consumer Durables segment grew by 11.1% YoY and 10.8% QoQ

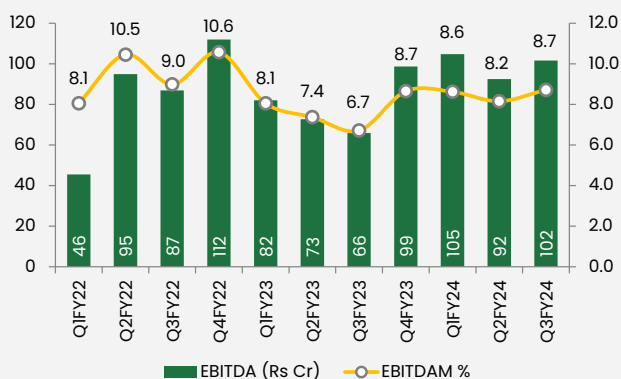


Segment-wise share in revenue and profits (%)

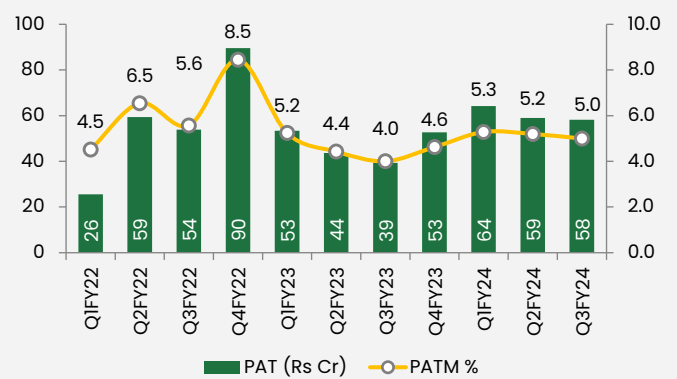


Source :

EBITDA grew strong by 54.3% YoY and 9.9% QoQ



PAT grew by 48.2% YoY but declined by 1.2% QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	4,125.4	4,825.1	5,597.1	6,492.6
Expenditure				
Cost of materials	1,360.9	1,691.5	1,947.8	2,246.4
Purchase of stock in trade	1,444.4	1,562.4	1,802.3	2,077.6
(Increase) / Decrease In Stocks	79.0	(48.5)	(56.0)	(64.9)
Total raw materials	2,884.4	3,205.4	3,694.1	4,259.2
Gross Profit	1,241.0	1,619.6	1,903.0	2,233.5
Gross Margins (%)	30.1	33.6	34.0	34.4
Employee cost	302.9	384.5	447.8	519.4
Other expenses	618.8	816.9	917.9	1,058.3
Total expenditure	3,806.1	4,406.8	5,059.8	5,836.9
EBITDA	319.3	418.2	537.3	655.8
EBITDAM (%)	7.7	8.7	9.6	10.1
Depreciation	64.4	78.2	84.0	90.9
PBIT	254.9	340.0	453.4	564.9
Other income	17.0	34.4	39.9	46.3
Interest expenses	16.2	39.1	40.3	44.4
PBT	255.7	335.3	453.0	566.7
Tax	66.7	81.2	108.7	136.0
PAT (after Exceptional)	189.0	254.1	344.2	430.7
PAT Margin (%)	4.6	5.3	6.2	6.6
EPS (Rs)	4.4	5.9	8.0	10.0

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	43.2	43.2	43.2	43.2
Reserves & Surplus	1,564.4	1,762.3	2,050.4	2,424.9
Total Shareholder's Fund	1,607.6	1,805.5	2,093.6	2,468.1
Long term borrowings	272.9	289.5	307.8	357.1
Short term borrowing	146.7	168.9	195.9	227.2
Total Debt	419.6	458.4	503.7	584.3
Deferred tax liabilities	104.6	122.3	141.9	164.6
Long term provision	14.2	16.6	19.3	22.4
Other long term	92.2	107.9	125.1	145.2
Total	211.0	246.8	286.3	332.1
Current Liabilities				
Trade payables	488.5	568.4	659.4	764.9
Short term provisions	63.5	74.2	86.1	99.9
Other current liabilities	116.6	136.4	158.2	183.5
Total	668.6	779.1	903.7	1,048.3
Total liabilities	2,906.9	3,289.8	3,787.3	4,432.9
Application of Assets				
Net Block	1,250.7	1,374.3	1,564.0	1,791.6
Current work in process	23.7	23.7	23.7	23.7
Non current investment	33.4	39.1	45.3	52.6
Tax assets	39.0	45.6	52.8	61.3
Long term loans and	5.1	5.9	6.9	8.0
Other non-current assets	50.0	58.5	67.8	78.7
Total	1,401.8	1,547.0	1,760.5	2,015.8
Current Assets				
Current investments	0.1	0.1	0.2	0.2
Inventories	767.4	885.7	996.7	1,156.2
Trade receivables	568.7	661.0	782.1	907.2
Cash balance	66.8	76.5	109.3	192.7
Short term loans and advances	1.7	2.0	2.3	2.6
Other current assets	100.5	117.5	136.3	158.1
Total	1,505.1	1,742.8	2,026.8	2,417.0
Total assets	2,906.9	3,289.8	3,787.3	4,432.8

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	255.7	335.3	453.0	566.7
Add: Depreciation	64.4	78.2	84.0	90.9
Add: Interest cost	16.2	39.1	40.3	44.4
Less: Other Income	(2.4)	(3.4)	(4.0)	(4.6)
Others	(2.7)	-	-	-
Operating profit before working capital changes	331.2	449.2	573.2	697.4
Changes in working capital	141.4	(97.6)	(104.7)	(136.8)
Cash from Operations	472.6	351.6	468.5	560.6
Less: Taxes	(48.8)	(81.2)	(108.7)	(136.0)
Cash flow from Operations	423.7	270.3	359.8	424.6
Net cash used in Investing				
Purchase of fixed assets	(102.6)	(201.8)	(273.7)	(318.5)
Purchase of investments	(650.7)	(5.7)	(6.3)	(7.3)
Sales of fixed assets	6.8	-	-	-
Other Income	2.1	3.4	4.0	4.6
Others	(26.7)	-	-	-
Cash flow from investing	(771.2)	(204.1)	(275.9)	(321.2)
Cash flow from Financing				
Proceeds from Equity shares	2.0	-	-	-
Proceeds of borrowings	407.8	38.8	45.4	80.6
Sales of borrowings	(11.4)	-	-	-
Dividend (Incl dividend tax)	(56.1)	(56.2)	(56.2)	(56.2)
Interest cost	(16.2)	(39.1)	(40.3)	(44.4)
Cash flow from Financing	326.1	(56.5)	(51.1)	(20.0)
Net cash Inflow/Outflow	(21.4)	9.8	32.7	83.4
Opening cash	60.8	39.4	49.2	82.0
Bank balance	27.3	27.3	27.3	27.3
Closing Cash & Bank	66.8	76.5	109.3	192.7

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	4.4	5.9	8.0	10.0
Book value per share (Rs)	37.2	41.8	48.4	57.1
Dividend per share (Rs)	1.3	1.3	1.3	1.3
Dividend Yield (%)	0.4	0.4	0.4	0.4
Dividend Payout (%)	29.7	22.1	16.3	13.0
Profitability Ratios				
EBITDAM(%)	7.7	8.7	9.6	10.1
PBTM (%)	6.2	6.9	8.1	8.7
NPM (%)	4.6	5.3	6.2	6.6
RoE (%)	11.8	14.1	16.4	17.5
RoCE (%)	12.6	15.0	17.5	18.5
Efficiency Data				
Debt-Equity Ratio	0.3	0.3	0.2	0.2
Interest Cover Ratio	15.7	8.7	11.3	12.7
Fixed Asset Ratio	0.3	0.3	0.3	0.3
Debtors (Days)	50.3	50.0	51.0	51.0
Inventory (Days)	67.9	67.0	65.0	65.0
Payable (Days)	43.2	43.0	43.0	43.0
WC (Days)	75.0	74.0	73.0	73.0
Valuation				
P/E (x)	70.9	52.7	38.9	31.1
P/BV	8.3	7.4	6.4	5.4
EV/EBITDA	43.2	33.0	25.7	21.1
EV/Sales	3.3	2.9	2.5	2.1

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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