

ACCUMULATE

CMP (Rs)	298
Target Price (Rs)	340
Potential Upside	14.1%
Sensex	63,591
Nifty	18,989

Key Stock data

BSE Code	532953
NSE Code	VGUARD
Bloomberg	VGRD IN
Shares o/s, Cr (FV 1)	43.0
Market Cap (Rs Cr)	12,988
3M Avg Volume	471502
52 week H/L	335/229

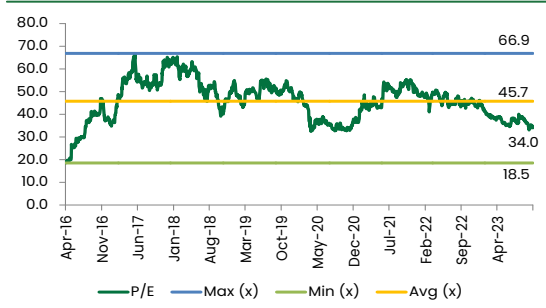
Shareholding Pattern

(%)	Mar-23	Jun-23	Sep-23
Promoter	55.8	55.6	55.6
FII	12.8	12.8	13.2
DII	19.1	19.4	19.4
Others	12.3	12.2	11.8

1 Year relative price performance



1 year P/E Forward (x)



Research Analyst

Nirvi Ashar

nirvi.ashar@religare.com

Mixed performance; Maintain Accumulate

Q2FY24 Result Update | Sector: Consumer Appliances | November 02, 2023

Mixed topline: V-Guard reported mixed performance on topline as revenue grew by 15% YoY to Rs 1,133.8cr while it declined by 6.7% sequentially. Excluding Sunflame, revenue grew by 8.7% YoY but de-grew by 6.9% QoQ. Both geographies as well as segment witnessed decent growth as compared last year while sequentially performance was mixed.

Geographies performed well YoY: The company's South (56% of revenue) and non-South (43.8% of revenue) regions performed well as compared last year. South grew by 7.3%/1.5% YoY/QoQ to Rs 602.8cr while Non-South sales grew by 10.5% YoY to Rs 469.3cr while sequentially growth dips by 15.9%. Further, the company remains focused on its expansion in non-south regions.

Electricals, the highest contributing segment to revenue & profits led the growth:

Amongst segments Electricals (40-41% of revenue) grew by 9.7%/1.2% YoY/QoQ to Rs 462.3cr followed by Consumer Durables (~31.3% of revenue) segment at Rs 354.7cr, up by 5.1%/7.1% YoY/QoQ. Besides, its Electronic (22-23% of revenue) segment grew mixed with growth of 12.1% YoY and de-growth of 29.9% QoQ to Rs 255.1cr. On profit front, Electricals (48.6% of profits) grew by 67.8%/32.1% YoY/QoQ to Rs 38.3cr & Electronics (47.9% of profits) grew by 58.5% YoY to Rs 37.8cr while it de-grew by 35.4% QoQ. On the contrary, Consumer Durables saw de-growth while Sunflame contributed minimal to profits.

Margins improved as compared Q2FY23: V-Guard's profit & margin performance remained mixed in Q2FY24, wherein it saw steady improvement as compared to last year while muted performance was seen as compared sequentially. Further, its Gross profit/EBITDA/PAT increased by 32.7%/27.2%/35% while margins improved by 452bps/78bps/77bps YoY.

Outlook & Valuation: V-Guard posted mixed numbers and growth was led by the South region and Electricals segment. At present, demand remained muted however with improvement going ahead, management expects 2HFY24 to be better led by festive season. Additionally, their strategy would be to grow in non-South markets, expand distribution reach and focus on premium products which would aid margin growth as well. On the financial front, we have estimated its revenue/EBITDA to grow at a 16%/36.4% CAGR over FY23-25E and have maintained our rating of **Accumulate** with a target price of **Rs 340**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	3,498.2	4,125.4	4,785.5	5,551.2
EBITDA	338.2	319.3	449.8	594.0
EBITDAM (%)	9.7	7.7	9.4	10.7
APAT	228.4	189.0	279.5	382.1
APATM (%)	6.5	4.6	5.8	6.9
EPS (Rs)	5.3	4.4	6.5	8.8
PE (x)	56.3	68.1	46.1	33.7
RoE (%)	16.2	11.8	15.3	17.7

Source : RBL Research

P&L Account Quarterly - consolidated

Mixed performance on revenue

EBITDA margin improved YoY

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Net Sales	1,133.8	986.1	15.0	1,214.8	(6.7)
Cost of Raw Materials	414.2	312.9	32.4	403.9	2.6
Purchase of Finished Goods	370.6	397.7	(6.8)	387.0	(4.2)
(Increase) / Decrease In Stocks	(33.9)	(12.9)	-	29.1	-
Total Raw material cost	750.9	697.7	7.6	819.9	(8.4)
Gross Profit	382.8	288.4	32.7	394.9	(3.0)
Gross Margins %	33.8	29.2	452bps	32.5	126bps
Employee Cost	106.1	66.3	60.1	104.0	2.1
Other Expense	184.2	149.4	23.3	186.2	(1.0)
Total Expenditure	1,041.3	913.4	14.0	1,110.0	(6.2)
EBITDA	92.5	72.7	27.2	104.8	(11.7)
EBITDA Margins (%)	8.2	7.4	78bps	8.6	-47bps
Depreciation	19.8	15.0	32.0	19.8	0.1
EBIT	72.7	57.7	25.9	85.0	(14.4)
Other Income	14.2	3.3	331.1	11.8	20.1
Interest	9.3	1.9	404.1	10.9	(14.0)
PBT	77.5	59.2	31.0	85.9	(9.8)
Tax	18.6	15.5	19.9	21.7	(14.3)
PAT	59.0	43.7	35.0	64.2	(8.2)
PAT Margin (%)	5.2	4.4	77bps	5.3	-9bps
EPS (Rs)	1.4	1.0	35.0	1.5	(8.2)

Source : RBL Research

Both South & Non-South performed well

Electricals segment led the growth

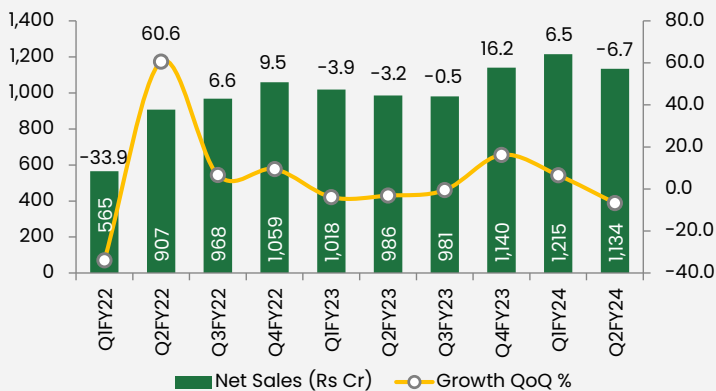
P&L Account Quarterly - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Revenue share Geography-wise					
South	602.8	561.6	7.3	593.7	1.5
% of Sales	56.2	57.0	-73bps	51.6	467bps
Non-South	469.3	424.5	10.5	557.9	(15.9)
% of Sales	43.8	43.0	73bps	48.4	-467bps
Revenue share Segment-wise					
Electronics	255.1	227.5	12.1	363.7	(29.9)
% of Sales	22.5	23.1	-57bps	29.9	-744bps
Electricals	462.28	421.4	9.7	456.7	1.2
% of Sales	40.8	42.7	-196bps	37.6	318bps
Consumer Durables	354.66	337.3	5.1	331.2	7.1
% of Sales	31.3	34.2	-292bps	27.3	402bps
Sunflame	61.72	-	-	63.15	(2.3)
% of Sales	5.4	-	-	5.2	-
Profit Share Segment-wise					
Electronics	37.8	33.3	13.5	58.5	(35.4)
% of Profit	47.9	50.6	-268bps	62.1	-1419bps
Electricals	38.3	22.8	67.8	29.0	32.1
% of Profit	48.6	34.7	1386bps	30.8	1778bps
Consumer Durables	-0.9	9.7	(109.5)	0.9	(202.2)
% of Profit	-1.2	14.7	-1588bps	1.0	-212bps
Sunflame	3.7	0.0	-	5.8	(36.2)

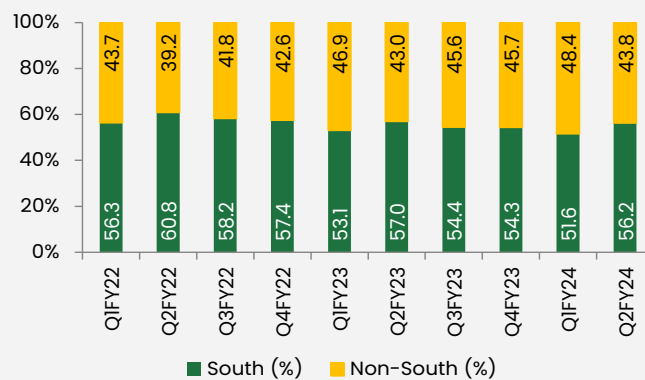
Source : RBL Research

Story in charts

Revenue grew by 15% YoY but declined by 6.7% QoQ

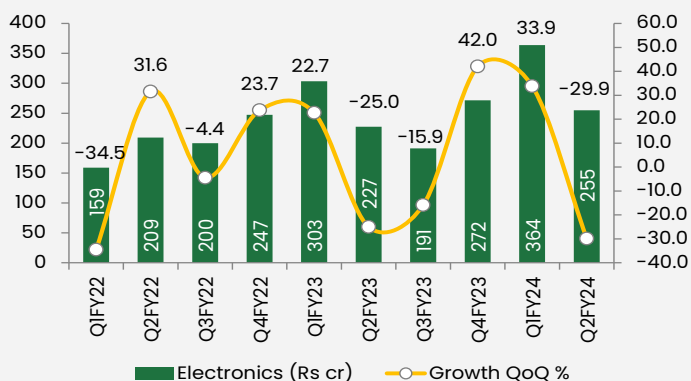


South market dominates revenue with 56.2% share

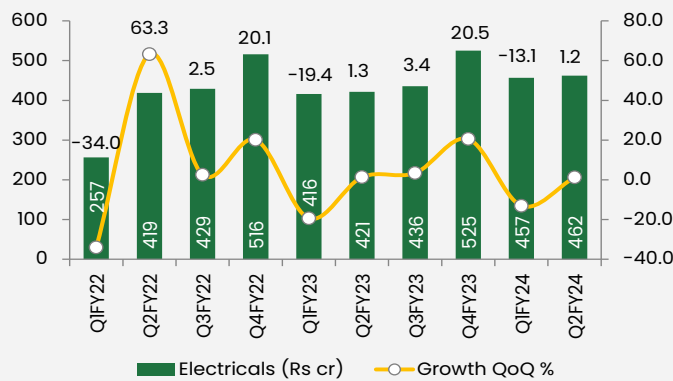


Source : RBL Research

Electronics segment grew by 12.1% YoY but declined by 29.9% QoQ

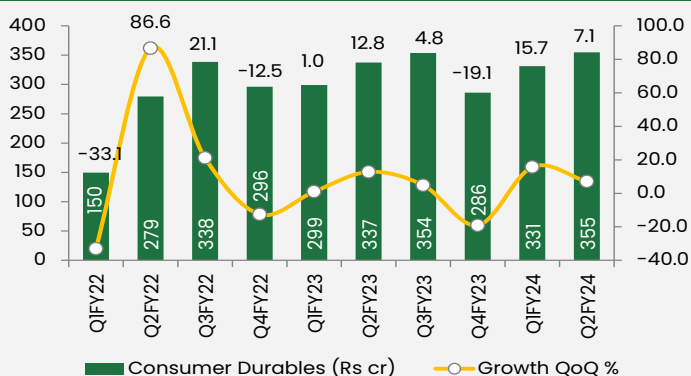


Electricals segment grew by 9.7% YoY and 1.2% QoQ

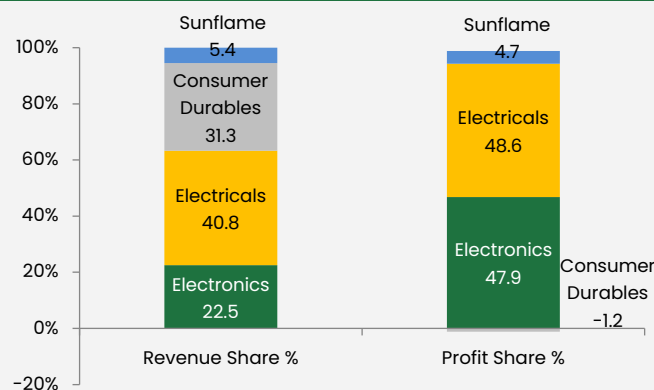


Source : RBL Research

Consumer Durables segment grew by 5.1% YoY and 7.1% QoQ

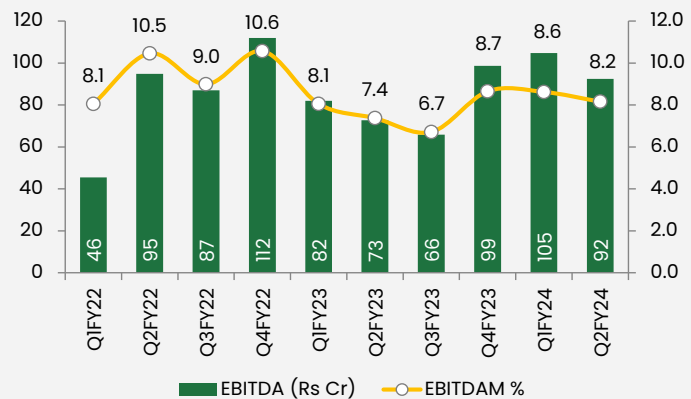


Segment-wise share in revenue and profits (%)

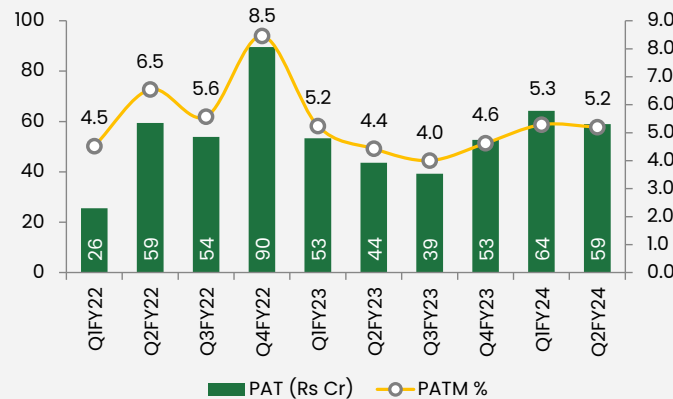


Source : RBL Research

Operating performance was mixed



Mixed performance on bottomline



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	3,498.2	4,125.4	4,785.5	5,551.2
Expenditure				
Cost of materials	1,412.5	1,360.9	1,531.4	1,748.6
Purchase of stock in trade	1,142.6	1,444.4	1,646.2	1,876.3
(Increase) / Decrease In Stocks	(141.2)	79.0	90.9	94.4
Total raw materials	2,413.9	2,884.4	3,268.5	3,719.3
Gross Profit	1,084.3	1,241.0	1,517.0	1,831.9
Employee cost	270.0	302.9	349.3	405.2
Other expenses	476.1	618.8	717.8	832.7
Total expenditure	3,160.0	3,806.1	4,335.6	4,957.2
EBITDA	338.2	319.3	449.8	594.0
EBITDAM (%)	9.7	7.7	9.4	10.7
Depreciation	49.2	64.4	71.8	77.7
PBIT	289.1	254.9	378.1	516.3
Other income	12.8	17.0	19.7	22.9
Interest expenses	7.9	16.2	17.5	19.3
PBT	294.0	255.7	380.2	519.9
Tax	65.5	66.7	100.8	137.8
PAT (after Exceptional)	228.4	189.0	279.5	382.1
PAT Margin (%)	6.5	4.6	5.8	6.9
EPS (Rs)	5.3	4.4	6.5	8.8

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	43.2	43.2	43.2	43.2
Reserves & Surplus	1,363.8	1,564.4	1,787.8	2,113.8
Total Shareholder's Fund	1,407.0	1,607.6	1,831.0	2,157.0
Minority Interest	5.5	-	-	-
Long term borrowings	-	272.9	287.1	305.3
Short term borrowing	11.8	146.7	167.5	194.3
Total Debt	11.8	419.6	454.6	499.6
Deferred tax liabilities	2.5	104.6	121.3	140.7
Long term provision	13.4	14.2	16.5	19.1
Other long term liabilities	54.4	92.2	107.0	124.1
Total	70.3	211.0	244.8	283.9
Current Liabilities				
Trade payables	453.5	488.5	563.8	654.0
Short term provisions	48.4	63.5	73.6	85.4
Other current liabilities	110.4	116.6	135.3	156.9
Total	612.3	668.6	772.7	896.3
Total liabilities	2,106.8	2,906.9	3,303.1	3,836.9
Application of Assets				
Net Block	470.8	1,250.7	1,374.3	1,564.0
Current work in process	9.2	23.7	23.7	23.7
Non current investment	33.4	33.4	38.7	44.9
Tax assets	31.2	39.0	45.2	52.4
Long term loans and advances	1.4	5.1	5.9	6.8
Other non-current assets	30.5	50.0	58.0	67.3
Total	576.4	1,401.8	1,545.8	1,759.1
Current Assets				
Current investments	-	0.1	0.1	0.2
Inventories	859.6	767.4	878.4	988.6
Trade receivables	484.1	568.7	655.5	775.6
Cash balance	61.3	66.8	104.7	176.0
Short term loans and advances	1.8	1.7	1.9	2.3
Other current assets	123.6	100.5	116.5	135.2
Total	1,530.3	1,505.1	1,757.3	2,077.8
Total assets	2,106.8	2,906.9	3,303.1	3,836.9

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	294.0	255.7	380.2	519.9
Add: Depreciation	49.2	64.4	71.8	77.7
Add: Interest cost	7.9	16.2	17.5	19.3
Others	22.7	(2.7)	-	-
Operating profit before working capital changes	370.5	331.2	469.6	616.8
Changes in working capital	(318.5)	141.4	(91.5)	(103.8)
Cash from Operations	52.0	472.6	378.1	513.0
Less: Taxes	(88.8)	(48.8)	(100.8)	(137.8)
Cash flow from Operations	(36.8)	423.7	277.3	375.2
Net cash used in Investing				
Purchase of fixed assets	(124.6)	(102.6)	(195.4)	(267.4)
Purchase of investments	-	(650.7)	(5.4)	(6.2)
Sales of fixed assets	0.3	6.8	-	-
Dividend Income/Interest Rec.	3.3	2.1	17.5	19.3
Others	0.2	(26.7)	-	-
Cash flow from investing	(120.8)	(771.2)	(183.2)	(254.4)
Cash flow from Financing				
Proceeds from Equity shares	4.6	2.0	-	-
Proceeds of borrowings	(1.2)	407.8	35.0	45.0
Sales of borrowings	(7.1)	(11.4)	-	-
Dividend (Incl dividend tax)	(51.6)	(56.1)	(56.1)	(56.1)
Interest cost	(6.9)	(16.2)	(17.5)	(19.3)
Cash flow from Financing	(62.3)	326.1	(38.6)	(30.4)
Net cash Inflow/Outflow	(220.0)	(21.4)	55.5	90.5
Opening cash	280.8	60.8	39.4	94.9
Bank balance	0.5	27.3	9.8	(9.5)
Closing Cash & Bank	61.3	66.8	104.7	176.0

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	5.3	4.4	6.5	8.8
Book value per share (Rs)	32.6	37.2	42.4	49.9
Dividend per share (Rs)	1.2	1.3	1.3	1.3
Dividend Yield (%)	0.4	0.4	0.4	0.4
Dividend Payout (%)	22.7	29.7	20.1	14.7
Profitability Ratios				
EBITDAM(%)	9.7	7.7	9.4	10.7
PBTM (%)	8.4	6.2	7.9	9.4
NPM (%)	6.5	4.6	5.8	6.9
RoE (%)	16.2	11.8	15.3	17.7
RoCE (%)	20.4	12.6	16.5	19.4
Efficiency Data				
Debt-Equity Ratio	0.0	0.3	0.2	0.2
Interest Cover Ratio	36.7	15.7	21.6	26.8
Fixed Asset Ratio	0.1	0.3	0.3	0.3
Debtors (Days)	50.5	50.3	50.0	51.0
Inventory (Days)	89.7	67.9	67.0	65.0
Payable (Days)	47.3	43.2	43.0	43.0
WC (Days)	92.9	75.0	74.0	73.0
Valuation				
P/E (x)	56.3	68.1	46.1	33.7
P/BV	9.1	8.0	7.0	6.0
EV/EBITDA	37.9	41.5	29.4	22.2
EV/Sales	3.7	3.2	2.8	2.4

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com

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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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