

V-Guard Industries

Inspiring show; beat across the board

V-Guard posted a stellar set of numbers as revenue/EBITDA grew by 32/91% YoY (HSIE 14/34%). Growth was visible across the board as all segments grew >30%. Growth was led primarily by positive sentiment, re-stocking of distribution channels and pre-buying. Growth in Non-South markets continued to be a key driver with 43% YoY growth while South markets grew by 25% YoY. Stabilizers, wires, fans, kitchen appliances and digital UPS were the leaders in growth while water heaters struggled due to supply disruptions. Effective cost control and price hikes led to robust margins despite high commodity inflation. We expect V-Guard to sustain its strong growth momentum in the near term, led by (1) pent-up demand (summer driven products), (2) price hike, (3) share gain from unorganised player, (4) pick-up in housing activities and (5) favourable base. EBITDA margin should sustain at 10.5-11% during FY22-23. We increase our EPS estimates by 15/16% for FY22/FY23. We value V-Guard at 35x P/E on Mar'23 to derive a target price of Rs 255. Maintain ADD.

- Strong growth across the board:** Revenue grew by 32% YoY (+5% in 3QFY20 and flat in 2QFY21), beating our expectation of 14% YoY growth. Growth was visible across categories as Electronics/Electricals/Consumer Durables segments grew by 35/31/31% YoY. Non-south markets continued to grow ahead of southern markets with a growth of 43% YoY vs 25% in southern markets. Non-south revenue mix grew to 41%. Strong growth momentum is expected to sustain in the coming quarters too.
- Robust margins:** GM saw a contraction of 55bps YoY to 32.6% (+318bps in 3QFY20 and -220bps in 2QFY21). Employee/other expenses grew by 7/4% YoY while S&D expenses remained muted. EBITDA margin expanded by 424bps YoY to 13.7% (+192bps in 3QFY20 and -54bps in 2QFY21) vs HSIE 171bps YoY expansion. EBITDA grew by 91% YoY (HSIE 34%). EBIT margins for Electronics/Electrical/Consumer Durables segments expanded by 880/110/440bps YoY to 25/9/10%. PBT clocked 92% YoY growth while PAT grew by 80% YoY due to lower tax rate in the base quarter.
- ConCall takeaways:** (1) Secondary sales were in line with primary in 3QFY21, it was ahead of primary in 2QFY21; (2) MT and e-comm mix is 12-15% excluding wires; (3) V-Guard took 3-3.5% price hike in 3Q (15% in wires), and further 4-7% hike is expected in 4QFY21; (4) V-Guard is facing supply constraints across products like fans, modular switches and mixers; (5) the company has 40,000 retail touch points, of which 18,000 are in south.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY22E
Net Sales	8,274	6,266	32.0	6,167	34.2	24,820	27,019	33,314	36,943
EBITDA	1,136	594	91.1	739	53.6	2,533	2,867	3,618	4,099
APAT	770	429	79.6	481	60.3	1,776	1,953	2,667	3,083
Diluted EPS (Rs)	1.79	1.00	78.8	1.12	60.0	4.15	4.56	6.23	7.20
P/E (x)						60.8	55.3	40.5	35.0
EV / EBITDA (x)						42.0	36.9	28.9	25.2
RoCE (%)						20.5	20.3	26.3	28.1

Change in Estimates

(Rs mn)	FY21E			FY22E			FY23E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Sales	24,719	27,019	9.3	30,073	33,314	10.8	33,500	36,943	10.3
EBITDA	2,353	2,867	21.8	3,144	3,618	15.1	3,534	4,099	16.0
APAT	1,653	1,953	18.2	2,326	2,667	14.6	2,655	3,083	16.1
EPS	3.9	4.6	18.2	5.4	6.2	14.6	6.2	7.2	16.1

Source: Company, HSIE Research

ADD

CMP (as on 4 Feb 2021)	Rs 252
Target Price	Rs 255
NIFTY	14,896

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 217	Rs 255
	FY22E	FY23E
EPS %	15%	16%

KEY STOCK DATA

Bloomberg code	VGRD IN
No. of Shares (mn)	429
MCap (Rs bn) / (\$ mn)	108/1,484
6m avg traded value (Rs mn)	182
52 Week high / low	Rs 255/149

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	48.7	54.3	16.8
Relative (%)	24.1	20.0	(7.2)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	62.64	62.55
FIs & Local MFs	13.14	13.01
FPIs	12.51	13.20
Public & Others	11.71	11.24
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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