

**HOLD**

TP: Rs 390 | ▲ 0%

**V-GUARD INDUSTRIES**

Consumer Durables

31 July 2025

## Weak Q1; forays into Consumer Lighting

- Revenue/EBITDA was 2%/17% below estimates. Q1 revenue declined 1% YoY while EBITDA/PAT lowered 21%/25% YoY
- 1% YoY revenue decline, driven by 16% drop in CD, partly offset by 8%/5% growth in Electricals/Electronics
- Revise estimates downwards, introduce FY28E, roll forward to June-27EPS and ascribe 40x to arrive at TP of Rs 390; maintain HOLD

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**EBITDA significantly below estimates on margin miss:** Q1 revenue declined 1% YoY (2% below our estimates). The decline was led by a sharp fall (-16% YoY) in consumer durables on a weak summer season. Electrical and electronics segments stood firm, as revenue grew 8%/5% YoY respectively, while Sunflame revenue decreased 5% YoY. Improvement in gross margin (+60bps YoY) was offset by higher other expenses (+140bps YoY) and employee costs (+130bps YoY), leading to EBITDA margin contraction 210bps YoY. Absolute EBITDA declined 21% YoY/17% QoQ, adjusted PAT declined 25% YoY/19% QoQ.

### Steep decline in CD on weak summer; moderate growth in Electricals:

Consumer Durables revenue declined 16% YoY, impacted by muted summer demand and elevated channel inventory, particularly in fans and air coolers. Fans saw a sharper fall, especially in the table, pedestal, and wall (TPW) fan categories where V-Guard has relatively higher exposure. Electricals posted modest growth, aided by favourable commodity trends and industry tailwinds. Electronics segment growth was muted at 5% YoY, as stabiliser demand remained subdued amid weak RAC sales. Regionally, South markets declined 3% YoY, while non-South markets grew 2% YoY.

### Sunflame weakness continues in CSD; announces to foray into Consumer

**Lighting:** Sunflame revenue declined 5% YoY (flat QoQ) to Rs 555mn, primarily due to continued challenges in the CSD channel, which contributes 35–40% of its total sales. To diversify portfolio and leverage strong electricals distribution network (which has ~95% overlap with consumer lighting), the company has announced its entry into the consumer lighting segment. It will adopt an asset-light, outsourcing-led model initially, with a focus on the Southern and Eastern markets.

**Revise estimates, maintain HOLD:** We cut our FY26-27 estimates by 6%/2% respectively to factor in weakness in the summer-led demand and roll forward our valuation on June-27 EPS; ascribe 40x multiple (unchanged) to arrive at TP of Rs 390; maintain HOLD.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VGRD IN/Rs 389
Market cap	US\$ 1.9bn
Free float	44%
3M ADV	US\$ 1.6mn
52wk high/low	Rs 577/Rs 300
Promoter/FPI/DII	56%/13%/19%

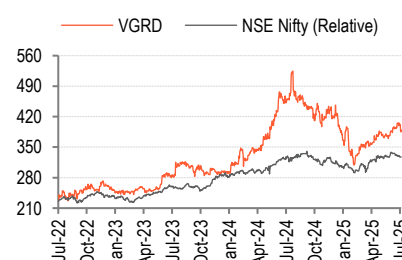
Source: NSE | Price as of 30 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,778	59,986	68,593
EBITDA (Rs mn)	5,132	5,546	6,777
Adj. net profit (Rs mn)	3,137	3,301	4,086
Adj. EPS (Rs)	7.3	7.6	9.5
Consensus EPS (Rs)	9.0	11.0	13.4
Adj. ROAE (%)	16.0	14.9	16.3
Adj. P/E (x)	53.6	50.9	41.2
EV/EBITDA (x)	32.8	30.3	24.8
Adj. EPS growth (%)	21.8	5.2	23.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance**

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Var (%)
Revenue	14,661	14,771	(1)	15,381	(5)	14,905	(2)
EBITDA	1,236	1,558	(21)	1,431	(14)	1,495	(17)
EBITDA Margin (%)	8.4	10.5	(210bps)	9.3	(90bps)	10.0	(160bps)
Depreciation	263	217		268		251	5
Interest	43	86		26		16	171
Other Income	53	69		45		65	(20)
PBT	983	1,324	(26)	1,182	(17)	1,195	(18)
Tax	244	334		271		287	(15)
Adjusted PAT	739	990	(25)	911	(19)	908	(19)
Exceptional item	-	-		-		-	
Reported PAT	739	990	(25)	911	(19)	908	(19)
Adj. PAT Margin (%)	5.0	6.7	(170bps)	5.9	(90bps)	6.1	(110bps)
EPS (Rs)	1.7	2.3	(25)	2.1	(19)	2.1	(18.7)

Source: Company, BOBCAPS Research

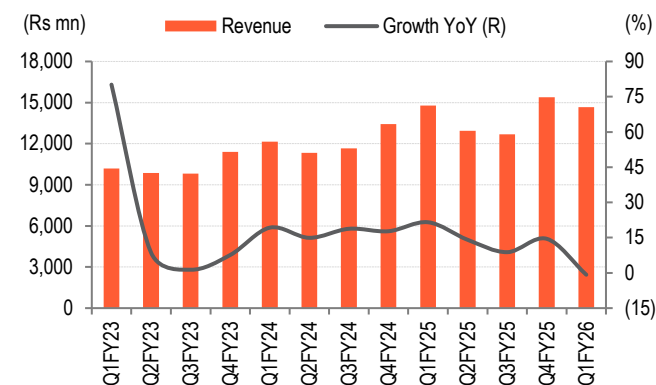
**Fig 2 – Segmental performance**

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
<b>Segment revenue</b>					
Consumer Durables	3,496	4,176	(16)	4,092	(14.6)
Electricals	5,247	4,877	8	6,661	(21)
Electronics	5,363	5,131	5	4,075	32
Sunflame	555	587	(5)	553	0
<b>EBIT</b>					
Consumer Durables	(72)	217	(133)	139	(152)
EBIT Margin (%)	(2.1)	5.2	(725bps)	3.4	(545bps)
Electricals	474	492	(4)	769	(38)
EBIT Margin (%)	9.0	10.1	(105bps)	11.5	(252bps)
Electronics	1,049	1,035	1	778	35
EBIT Margin (%)	19.6	20.2	(62bps)	19.1	47bps
Sunflame	24	27	(11)	6	298
EBIT Margin (%)	4.4	4.7	(28bps)	1.1	327bps

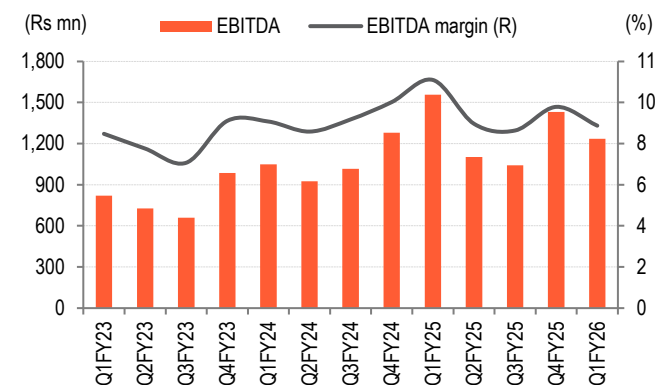
Source: Company, BOBCAPS Research

## Earnings call highlights

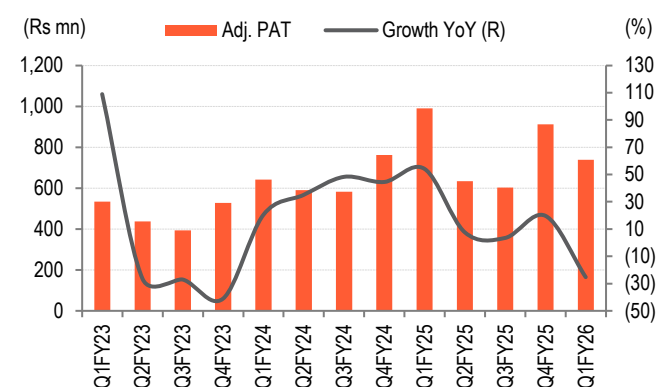
- Management remains cautious on cooling products (fans, air coolers), as early and intense monsoons across South and East India disrupted peak summer season sales, leading to a sharp drop in volumes, elevating inventory levels.
- Electronics segment was driven by a strong momentum in inverter batteries and solar rooftop solutions, even as stabiliser sales remained muted due to seasonal weakness,
- Solar rooftop business (under Electronics) continued to grow strongly, supported by government incentives and concentrated demand from 7-8 states.
- Solar inverters (~20% of inverter portfolio) are largely imported for ≤10KVA units, while the rest are locally manufactured. No significant disruption has been seen from the recent global supply shifts, though the company is closely monitoring trends in lithium and module pricing.
- Sunflame revenue declined 5.4% YoY, impacted by continued softness in the CSD channel (~35–40% of sales), though general trade performance and service levels improved; V-Guard has initiated a full merger to accelerate synergies across service, quality, vendor management, and GTM. The integration involves no shareholding change and aims to fully leverage V-Guard's scale and systems.
- The company announced foray into the lighting category to address portfolio gaps and capitalise on its 100,000+ retail network, which has a ~95% overlap with wires dealers. Initially, the target will be consumer/residential lighting through an outsourced model, with in-house manufacturing considered post scale-up.
- While acknowledging industry-wide value erosion in lighting, management sees strong portfolio synergy and plans to focus on premium and architectural lighting (e.g., downlighters); brand-building and go-to-market capabilities are being developed over the next 6–12 months, though no revenue guidance has been shared yet.
- Management highlighted that in-house manufacturing now stands at 65%, with a new TPW and ceiling fan plant under development (expected to be operational in 18 months) and a battery plant expansion underway (targeted for completion in 24 months), reiterating focus on capex-led competitiveness and scale enhancement.
- V-Guard's presence in East India is maturing well, with productivity levels approaching those of the South; the company aims to scale non-South markets to contribute 65%+ of total sales over time. While revenue per dealer isn't tracked due to category-specific differences, focus remains on improving counter share and expanding influencer engagement (e.g., electricians and plumbers).

**Fig 3 – Revenue growth trend**

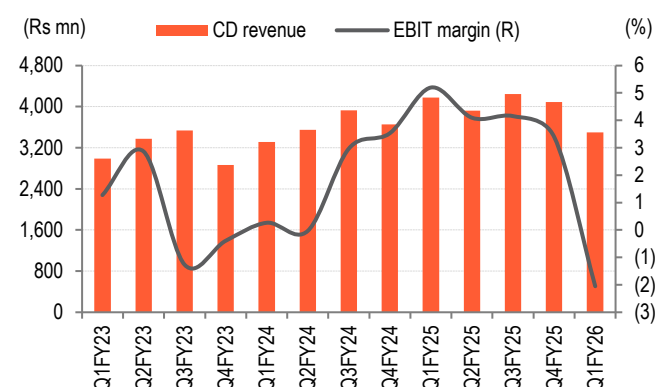
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth trend**

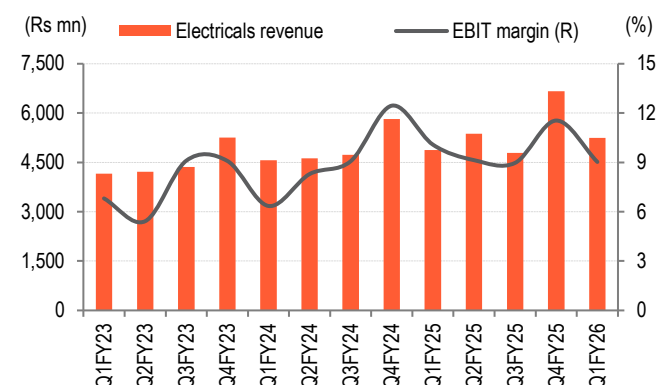
Source: Company, BOBCAPS Research

**Fig 5 – PAT growth trend**

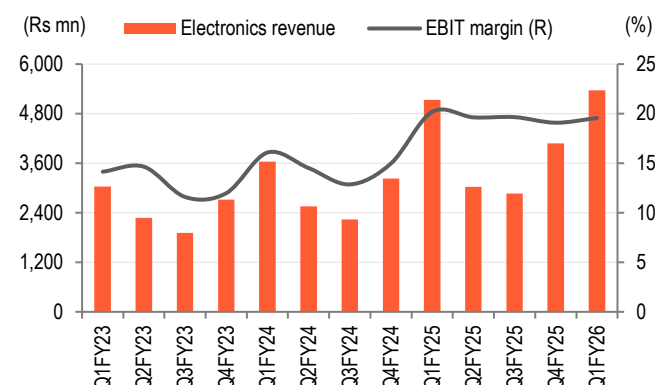
Source: Company, BOBCAPS Research

**Fig 6 – Consumer Durables performance**

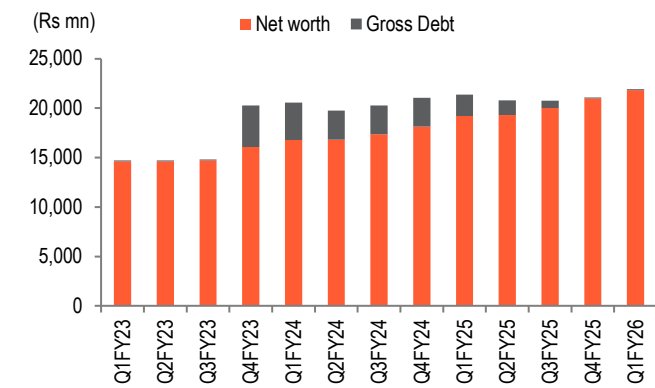
Source: Company, BOBCAPS Research

**Fig 7 – Electricals business performance**

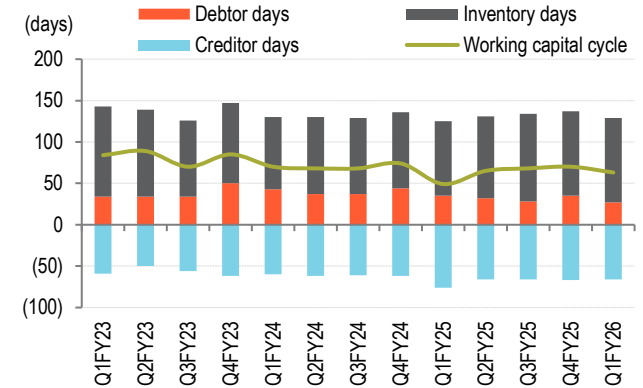
Source: Company, BOBCAPS Research

**Fig 8 – Electronics business performance**

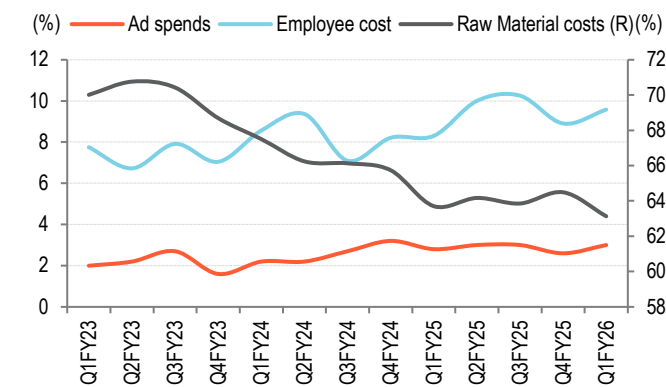
Source: Company, BOBCAPS Research

**Fig 9 – Capital levels**

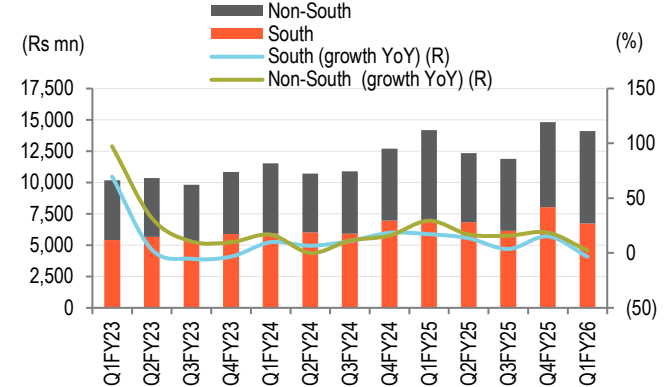
Source: Company, BOBCAPS Research

**Fig 10 – Working capital cycle**

Source: Company, BOBCAPS Research

**Fig 11 – Cost profile**

Source: Company, BOBCAPS Research

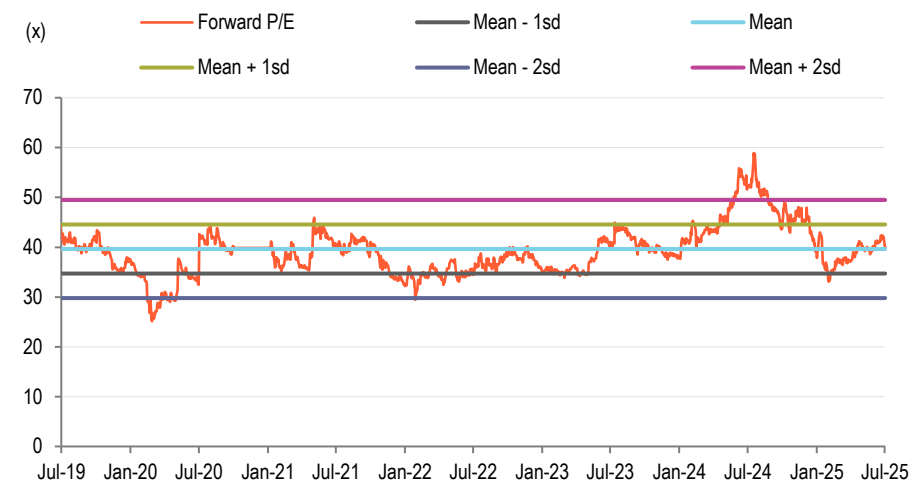
**Fig 12 – Geographical revenue breakdown for India**

Source: Company, BOBCAPS Research

## Valuation Methodology

We cut our FY26-27 estimates by 6%/2% respectively to factor in the weakness in the summer-led demand and roll forward our valuation on June-27 EPS; ascribe 40x multiple (unchanged) to arrive at TP of Rs 390; maintain HOLD.

**Fig 13 – VGRD 1YF PE band chart**



Source: Company, BOBCAPS Research

**Fig 14 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	59,986	68,593	77,931	60,396	69,631	NA	(1)	(1)	NA
EBITDA	5,546	6,777	7,774	5,784	6,777	NA	(4)	0	NA
PAT	3,301	4,086	4,699	3,495	4,172	NA	(6)	(2)	NA

Source: BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>48,567</b>	<b>55,778</b>	<b>59,986</b>	<b>68,593</b>	<b>77,931</b>
EBITDA	4,267	5,132	5,546	6,777	7,774
Depreciation	809	957	1,049	1,180	1,295
EBIT	3,458	4,176	4,497	5,597	6,479
Net interest inc./(exp.)	(395)	(245)	(160)	(180)	(180)
Other inc./(exp.)	340	209	261	313	376
Exceptional items	0	0	0	0	0
EBT	3,403	4,140	4,396	5,463	6,283
Income taxes	827	1,002	1,095	1,377	1,583
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>2,576</b>	<b>3,137</b>	<b>3,301</b>	<b>4,086</b>	<b>4,699</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,576</b>	<b>3,137</b>	<b>3,301</b>	<b>4,086</b>	<b>4,699</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	5,500	6,570	9,039	10,336	11,743
Other current liabilities	2,983	3,552	3,820	4,368	4,963
Provisions	0	0	0	0	0
Debt funds	2,910	108	500	600	600
Other liabilities	2,078	2,174	2,174	2,174	2,174
Equity capital	434	436	436	436	436
Reserves & surplus	17,708	20,543	23,023	26,288	30,166
Shareholders' fund	18,142	20,978	23,458	26,724	30,602
<b>Total liab. and equities</b>	<b>31,613</b>	<b>33,382</b>	<b>38,992</b>	<b>44,202</b>	<b>50,082</b>
Cash and cash eq.	574	645	2,116	3,056	5,660
Accounts receivables	5,958	5,423	7,231	9,772	11,102
Inventories	8,118	9,973	12,326	13,906	15,800
Other current assets	1,724	1,484	1,596	1,825	2,073
Investments	0	0	0	0	0
Net fixed assets	5,131	5,297	5,648	5,568	5,373
CWIP	248	486	0	0	0
Intangible assets	8,334	8,447	8,447	8,447	8,447
Deferred tax assets, net	0	0	0	0	0
Other assets	1,525	1,627	1,627	1,627	1,627
<b>Total assets</b>	<b>31,613</b>	<b>33,382</b>	<b>38,992</b>	<b>44,202</b>	<b>50,082</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>3,927</b>	<b>4,770</b>	<b>2,814</b>	<b>2,761</b>	<b>4,525</b>
Capital expenditures	(1,274)	(1,198)	(1,400)	(1,100)	(1,100)
Change in investments	(200)	270	0	0	0
Other investing cash flows	(52)	(41)	486	0	0
<b>Cash flow from investing</b>	<b>(1,526)</b>	<b>(969)</b>	<b>(914)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Equities issued/Others	0	80	0	0	0
Debt raised/repaid	(1,296)	(2,802)	392	100	0
Interest expenses	0	0	0	0	0
Dividends paid	(1,026)	(1,053)	(821)	(821)	(821)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,322)</b>	<b>(3,775)</b>	<b>(429)</b>	<b>(721)</b>	<b>(821)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>79</b>	<b>25</b>	<b>1,471</b>	<b>940</b>	<b>2,604</b>
<b>Closing cash &amp; cash eq.</b>	<b>574</b>	<b>645</b>	<b>2,116</b>	<b>3,056</b>	<b>5,660</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	6.0	7.3	7.6	9.5	10.9
Adjusted EPS	6.0	7.3	7.6	9.5	10.9
Dividend per share	1.4	1.5	1.9	1.9	1.9
Book value per share	42.0	48.5	54.3	61.8	70.8

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.5	3.0	2.8	2.5	2.2
EV/EBITDA	39.4	32.8	30.3	24.8	21.6
Adjusted P/E	65.3	53.6	50.9	41.2	35.8
P/BV	9.3	8.0	7.2	6.3	5.5

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.7	75.8	75.1	74.8	74.8
Interest burden (PBT/EBIT)	98.4	99.1	97.8	97.6	97.0
EBIT margin (EBIT/Revenue)	7.1	7.5	7.5	8.2	8.3
Asset turnover (Rev./Avg TA)	9.5	10.5	10.6	12.3	14.5
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.2	0.2
Adjusted ROAE	15.1	16.0	14.9	16.3	16.4

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	17.7	14.8	7.5	14.3	13.6
EBITDA	33.4	20.3	8.1	22.2	14.7
Adjusted EPS	36.2	21.8	5.2	23.8	15.0

### Profitability & Return ratios (%)

EBITDA margin	8.8	9.2	9.2	9.9	10.0
EBIT margin	7.1	7.5	7.5	8.2	8.3
Adjusted profit margin	5.3	5.6	5.5	6.0	6.0
Adjusted ROAE	15.1	16.0	14.9	16.3	16.4
ROCE	13.9	15.8	15.2	16.5	16.5

### Working capital days (days)

Receivables	44	37	44	52	52
Inventory	59	59	75	74	74
Payables	39	39	55	55	55

### Ratios (x)

Gross asset turnover	6.0	6.4	6.0	6.1	6.3
Current ratio	1.6	1.7	1.7	1.9	2.0
Net interest coverage ratio	8.7	17.0	28.1	31.1	36.0
Adjusted debt/equity	0.2	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**BUY** – Expected return >+15%

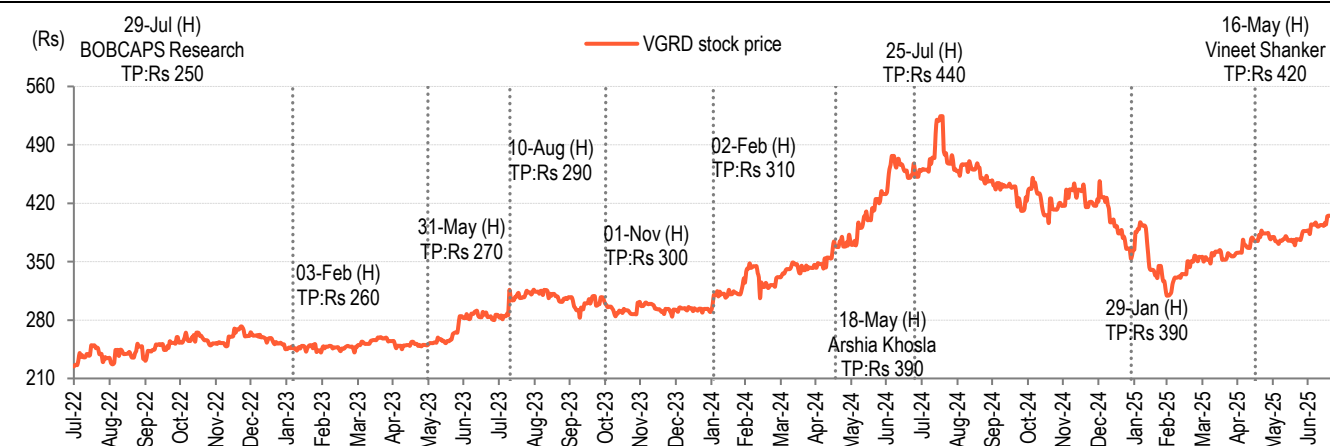
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): V-GUARD INDUSTRIES (VGRD IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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