RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 400 | ▲ 8%

V-GUARD INDUSTRIES | Consumer Durables | 30 October 2025

Weakness persists; margin recovery expected ahead

- **Revenue/EBITDA was 2%/6% below estimates. Q2 revenue grew 4% YoY while EBITDA declined 1% YoY**
- **Electricals and Electronics segments grew 5% YoY respectively, while CD grew 1% YoY amid demand weakness**
- **Cut estimates 2% in FY27-28E, roll forward to Sept'27 EPS and ascribe 40x to arrive at TP of Rs 400; maintain HOLD**

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Demand weakness on prolonged monsoons and short summer: Q2 revenue grew 4% YoY (2% below our estimates). Electrical and electronics stood firm, as the revenue of both the segments grew 5% YoY. While CD and Sunflame revenue grew 1% YoY/3% YoY respectively. Improvement in gross margin (+140bps YoY) was offset by higher other expenses (+170bps YoY) and employee costs (+10bps YoY), leading to EBITDA margin contraction 40bps YoY. Absolute EBITDA declined 1% YoY/12% QoQ, adjusted PAT grew 3% YoY (-12% QoQ).

Solar products led to steady growth in Electronics amid weakness in stabilisers: Consumer durables revenue reported muted performance, up just 1% YoY, as elevated channel inventory weighed on primary sales, particularly in TPW fans and air coolers. Seasonal categories such as table, pedestal, and wall (TPW) fans, where V-Guard has a relatively higher exposure (25–30% of its fan portfolio) vs peers, saw a sharper decline. Electricals segment posted modest growth, supported by favourable commodity trends and broader industry tailwinds. Electronics segment, too, delivered a muted 5% YoY growth, with stabiliser demand remaining weak amid sluggish RAC sales; however, the segment saw encouraging traction in inverters, solar inverters, rooftop systems, and battery products.

Sunflame profitability improves, significant margin improvement likely: Sunflame revenue grew 3% YoY (+ 14% QoQ) to Rs 631mn, primarily due to continued challenges in the CSD channel, which contributes 35–40% of its total sales. Operating margin improved significantly to 6.5% vs 1.4% in Q2FY25. Going ahead, management expects significant margin improvement as the integration has now been completed.

Revise estimates, maintain HOLD: We cut our FY27-28 estimates by 2%/2% respectively to factor in weakness in the summer-led demand and roll forward our valuation on Sept-27 EPS; ascribe 40x multiple (unchanged) to arrive at TP of Rs 400; maintain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	VGRD IN/Rs 369
Market cap	US$ 1.8bn
Free float	44%
3M ADV	US$ 1.6mn
52wk high/low	Rs 455/Rs 300
Promoter/FPI/DII	56%/13%/19%

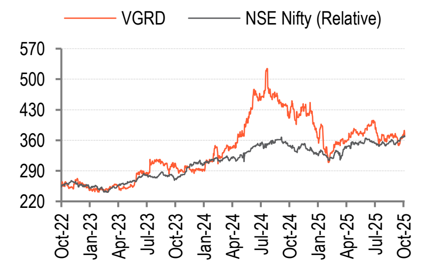
Source: NSE | Price as of 30 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,778	58,737	67,035
EBITDA (Rs mn)	5,132	5,305	6,678
Adj. net profit (Rs mn)	3,137	3,121	4,013
Adj. EPS (Rs)	7.3	7.2	9.3
Consensus EPS (Rs)	9.0	11.0	13.4
Adj. ROAE (%)	16.0	14.1	16.1
Adj. P/E (x)	50.9	51.1	39.8
EV/EBITDA (x)	31.1	30.1	23.9
Adj. EPS growth (%)	21.8	(0.5)	28.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY26 financial snapshot

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	Q2FY26E	Var (%)
Revenue	13,409	12,940	4	14,661	(9)	28,070	27,711	1	13,676	(2)
EBITDA	1,093	1,103	(1)	1,236	(12)	2,329	2,660	(12)	1,158	(6)
EBITDA Margin (%)	8.1	8.5	(40bps)	8.4	(30bps)	8.3	9.6	(130bps)	8.5	(30bps)
Depreciation	270	221		263		533	438		263	3
Interest	21	76		43		64	162		40	(47)
Other Income	49	41		53		102	110		65	(25)
PBT	851	846	1	983	(13)	1,833	2,170	(16)	869	(2)
Tax	198	212		244		442	546		216	(8)
Adjusted PAT	653	634	3	739	(12)	1,391	1,624	(14)	654	(0)
Exceptional item	-	-		-		0.0	0.0		-	
Reported PAT	653	634	3	739	(12)	1,391	1,624	(14)	654	(0)
Adj. PAT Margin (%)	4.9	4.9	0bps	5.0	(20bps)	5.0	5.9	(90bps)	4.8	10bps
EPS (Rs)	1.5	1.5	3	1.7	(12)	3.2	3.7	(14)	1.5	(1.0)

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

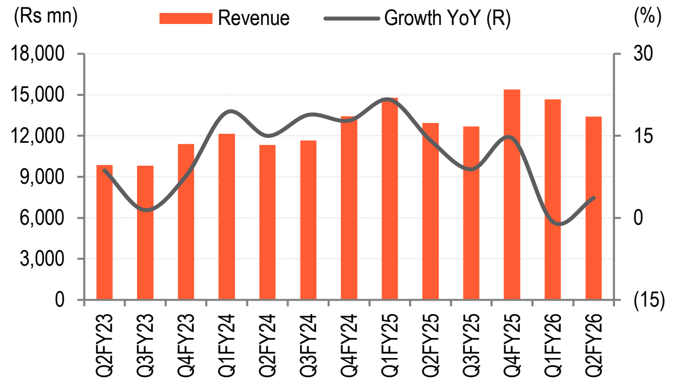
Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Segment revenue								
Consumer Durables	3,961	3,923	1	3,496	13	7,457	8,100	(8)
Electricals	5,626	5,376	5	5,247	7	10,873	10,253	6
Electronics	3,191	3,030	5	5,363	(41)	8,554	8,161	5
Sunflame	631	611	3	555	14	1,187	1,197	(1)
EBIT								
Consumer Durables	69	161	(57)	(72)	(196)	(3)	378	(101)
EBIT Margin (%)	1.7	4.1	(235bps)	(2.1)	NA	(0.0)	4.7	(470bps)
Electricals	650	491	32	474	37	1124	983	14
EBIT Margin (%)	11.6	9.1	242bps	9.0	253bps	10.3	9.6	75bps
Electronics	549	595	(8)	1,049	(48)	1597	1630	(2)
EBIT Margin (%)	17.2	19.6	(243bps)	19.6	(236bps)	18.7	20.0	(129bps)
Sunflame	41	9	380	24	70	66	36	83
EBIT Margin (%)	6.5	1.4	513bps	4.4	216bps	5.5	3.0	253bps

Source: Company, BOBCAPS Research

Earnings call highlights

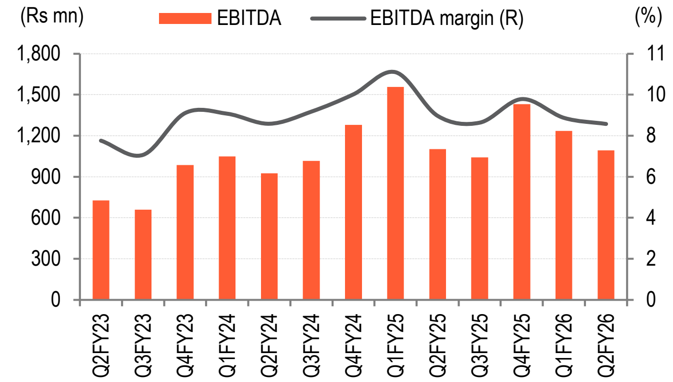
- Management noted weak demand in AC stabilisers, air coolers and TPW fans due to unusually heavy rainfall. TPW inventory remains elevated, expected to normalise by mid-Q4 as demand recovers and inventory clears.
- Stabiliser volumes remained muted on AC weakness, while solar and inverter solutions continued to grow well. Backward integration in batteries (currently 40-50% internal) is planned to scale to 70-80% over the next two years, aiding margin structurally through cost leverage and mix optimisation.
- House-wiring cable volumes softened as monsoon affected construction activity; however, higher copper prices and price hikes supported value growth. Management attributed margin uptick to inventory gains and reiterated steady structural profitability in the retail-led wire business.
- Ceiling fans were flat, whereas TPW fans carry excess inventory, being cleared gradually. Management expects healthy water-heater demand supported by colder-winter expectations and new launches, though competitive intensity remains high.
- While CSD channel softness persists, general trade and modern retail continue to scale. Margin improvement is primarily driven by the unwind of transition costs, with management reiterating a medium-term ambition to lift Sunflame margins towards ~12% over the next 2-3 years by leveraging sourcing efficiencies, backend / logistics consolidation, and unified GTM capabilities.
- Management reiterated Rs 1.2-1.3bn annual capex for FY26-27, directed toward the R&D centre, new fan plant, battery plant expansion next year, and moulds and dies, reaffirming focus on in-house capability expansion.
- Non-South regions now contribute ~50% of revenue; target to reach ~60% over four years, supported by adding ~5,000 retailers annually and strengthened engagement with influencers (electricians/plumbers).
- FY26 growth outlook moderated; prior ~15% growth aspiration withdrawn, with management awaiting Q3 visibility before commenting on full-year trajectory. Medium-term profitability aspiration maintained, with EBITDA margin targeted at 9.5-10% by FY27, contingent on scale recovery.

Fig 3 – Revenue growth trend



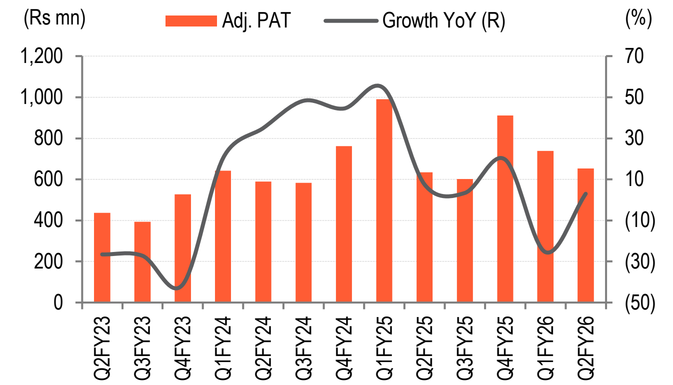
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



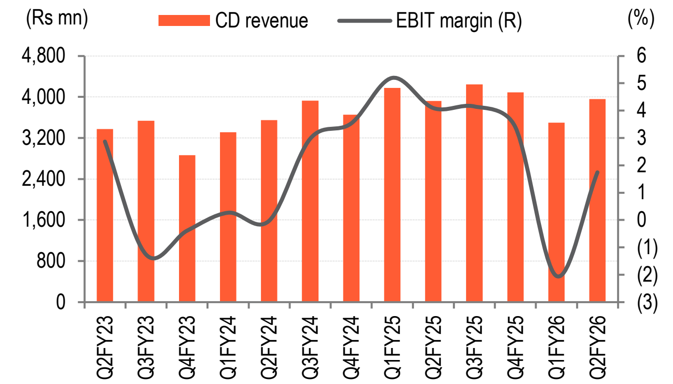
Source: Company, BOBCAPS Research

Fig 5 – PAT growth trend



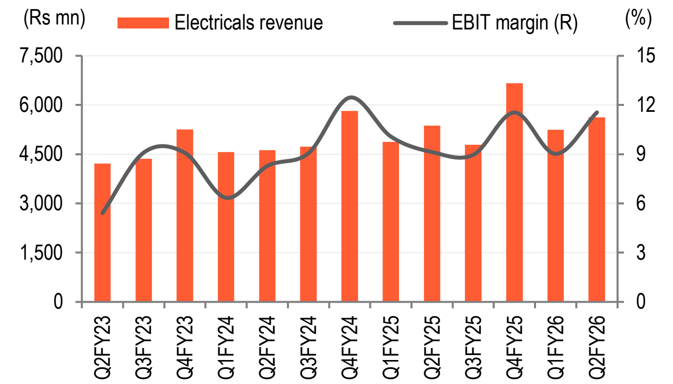
Source: Company, BOBCAPS Research

Fig 6 – Consumer Durables performance



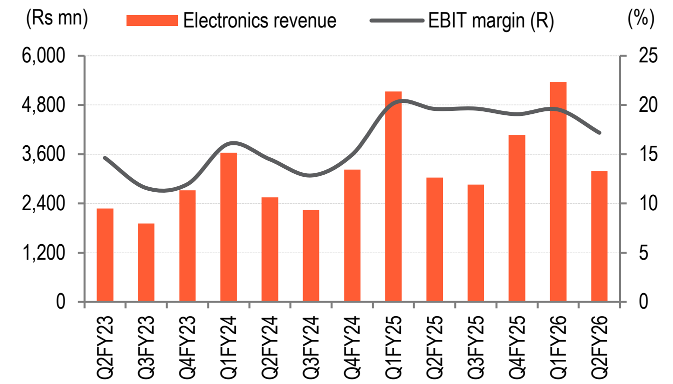
Source: Company, BOBCAPS Research

Fig 7 – Electricals business performance



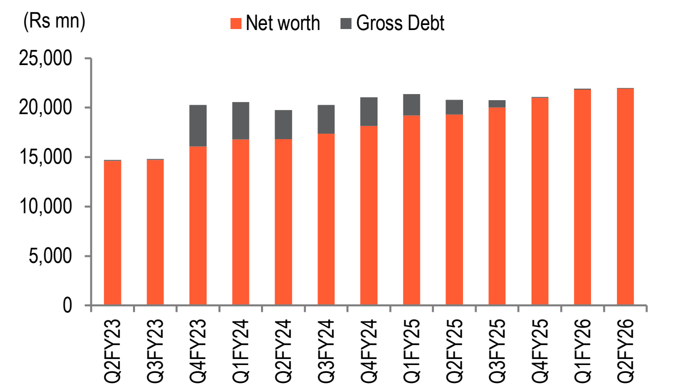
Source: Company, BOBCAPS Research

Fig 8 – Electronics business performance



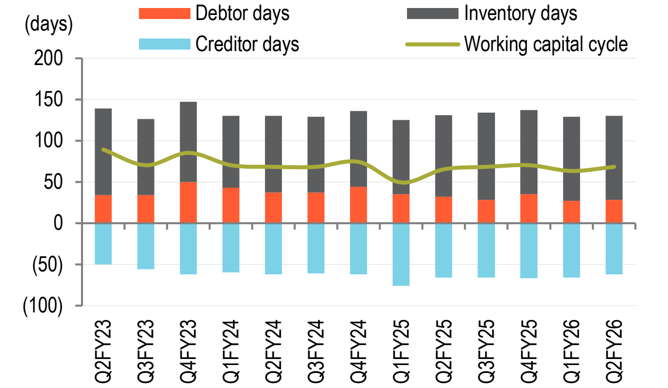
Source: Company, BOBCAPS Research

Fig 9 – Capital levels



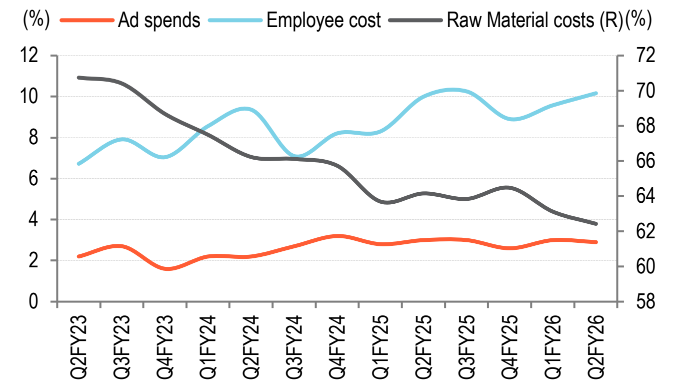
Source: Company, BOBCAPS Research

Fig 10 – Working capital cycle



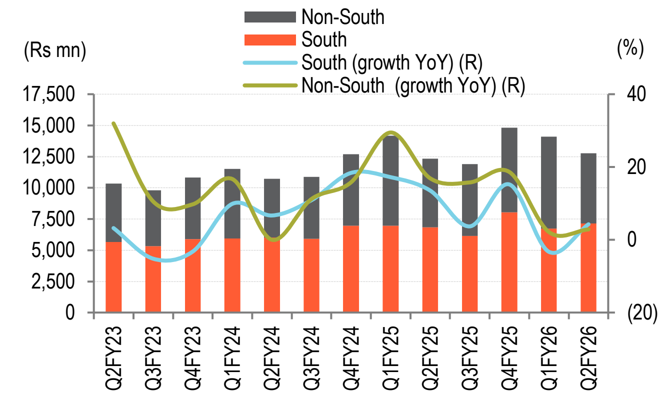
Source: Company, BOBCAPS Research

Fig 11 – Cost profile



Source: Company, BOBCAPS Research

Fig 12 – Geographical revenue breakdown for India

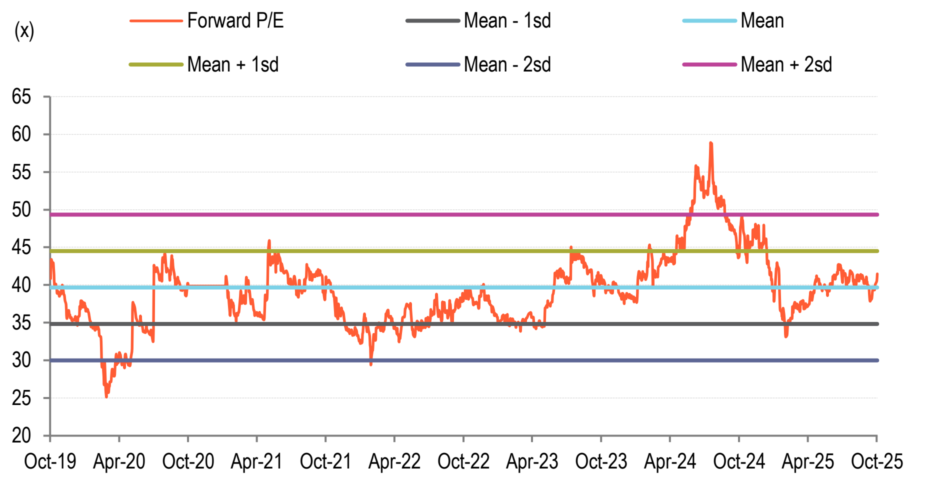


Source: Company, BOBCAPS Research

Valuation Methodology

We cut our FY27-28 estimates by 2% respectively, to factor in the weakness in the summer-led demand and roll forward our valuation on Sept'27 EPS; ascribe 40x multiple (unchanged) to arrive at TP of Rs 400; maintain HOLD.

Fig 13 – V guard 1YF PE mean of 40x



Source: , BOBCAPS Research, Bloomberg

Fig 14 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	58,737	67,035	75,778	59,986	68,593	77,931	(2.0)	(2.0)	(3.0)
EBITDA	5,305	6,678	7,638	5,546	6,777	7,774	(4.0)	(1.0)	(2.0)
EBITDA Margin (%)	9.0	10.0	10.1	9.2	9.9	10.0	(21bps)	8bps	10bps
PAT	3,121	4,013	4,598	3,301	4,086	4,699	(5.0)	(2.0)	(2.0)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**48,567**	**55,778**	**58,737**	**67,035**	**75,778**
EBITDA	4,267	5,132	5,305	6,678	7,638
Depreciation	809	957	1,049	1,180	1,295
EBIT	3,458	4,176	4,256	5,498	6,343
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	4,155	5,364	6,147
Income taxes	827	1,002	1,035	1,352	1,549
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**2,576**	**3,137**	**3,121**	**4,013**	**4,598**
Adjustments	0	0	0	0	0
Adjusted net profit	**2,576**	**3,137**	**3,121**	**4,013**	**4,598**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	5,500	6,570	8,851	10,101	11,419
Other current liabilities	2,983	3,552	3,740	4,269	4,825
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	22,842	26,034	29,810
Shareholders' fund	18,142	20,978	23,278	26,469	30,246
Total liab. and equities	**31,613**	**33,382**	**38,543**	**43,613**	**49,264**
Cash and cash eq.	574	645	2,109	3,047	5,643
Accounts receivables	5,958	5,423	7,081	9,550	10,796
Inventories	8,118	9,973	12,069	13,591	15,363
Other current assets	1,724	1,484	1,563	1,783	2,016
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
Total assets	**31,613**	**33,382**	**38,543**	**43,613**	**49,264**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**3,927**	**4,770**	**2,807**	**2,760**	**4,517**
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
Cash flow from investing	**(1,526)**	**(969)**	**(914)**	**(1,100)**	**(1,100)**
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
Cash flow from financing	**(2,322)**	**(3,775)**	**(429)**	**(721)**	**(821)**
Chg in cash & cash eq.	**79**	**25**	**1,464**	**939**	**2,596**
Closing cash & cash eq.	**574**	**645**	**2,109**	**3,047**	**5,643**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	6.0	7.3	7.2	9.3	10.6
Adjusted EPS	6.0	7.3	7.2	9.3	10.6
Dividend per share	1.4	1.5	1.9	1.9	1.9
Book value per share	42.0	48.5	53.9	61.2	70.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.3	2.9	2.7	2.4	2.1
EV/EBITDA	37.4	31.1	30.1	23.9	20.9
Adjusted P/E	61.9	50.9	51.1	39.8	34.7
P/BV	8.8	7.6	6.9	6.0	5.3

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	97.6	97.6	96.9
EBIT margin (EBIT/Revenue)	7.1	7.5	7.2	8.2	8.4
Asset turnover (Rev./Avg TA)	9.5	10.5	10.4	12.0	14.1
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.2	0.2
Adjusted ROAE	15.1	16.0	14.1	16.1	16.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	17.7	14.8	5.3	14.1	13.0
EBITDA	33.4	20.3	3.4	25.9	14.4
Adjusted EPS	36.2	21.8	(0.5)	28.6	14.6
Profitability & Return ratios (%)					
EBITDA margin	8.8	9.2	9.0	10.0	10.1
EBIT margin	7.1	7.5	7.2	8.2	8.4
Adjusted profit margin	5.3	5.6	5.3	6.0	6.1
Adjusted ROAE	15.1	16.0	14.1	16.1	16.2
ROCE	13.9	15.8	14.4	16.3	16.3
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	5.9	6.0	6.1
Current ratio	1.6	1.7	1.7	1.9	2.0
Net interest coverage ratio	8.7	17.0	26.6	30.5	35.2
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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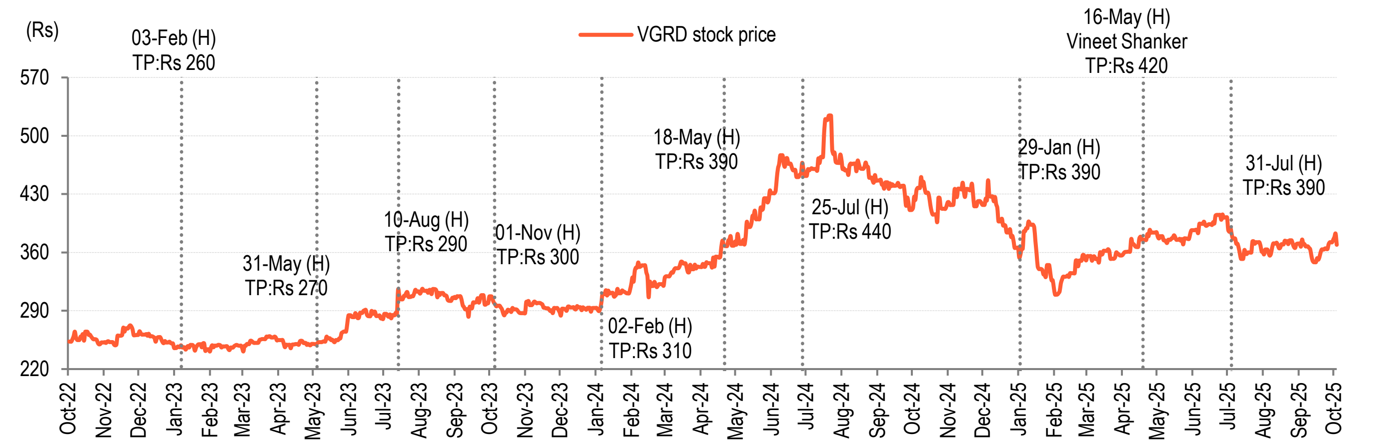
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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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