

**HOLD****TP: Rs 420 | ▲ 12%****V-GUARD INDUSTRIES**

Consumer Durables

16 May 2025

**Decent Q4; limited near-term triggers**

- Revenue was 6% ahead of our estimates, 50bps EBITDA margin miss; PAT benefitted from lower interest cost
- Revenue grew 15% YoY, led by 26% YoY growth in Electronics, 15% YoY and 12% YoY growth in Electricals and CD business
- Ascribe 40x to FY27E EPS to arrive at Mar'26TP of Rs 420; limited upside and modest re-rating potential; assume coverage with HOLD

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**Revenue beat offset by margin compression:** Q4 revenue was 6% ahead of our estimates, but a 50bps miss on EBITDA margin resulted in EBITDA being in line with expectations. Revenue grew 15% YoY to Rs 15.4bn, driven by the company's continued focus on insourcing and a superior product mix, which supported a 120bps YoY gross margin expansion. However, higher other expenses (+20% YoY) led to a 20bps YoY contraction in EBITDA margin. Adj. PAT rose 20% YoY, aided by lower interest costs following the full repayment of the debt related to the Sunflame acquisition. For FY25, revenue/EBITDA/PAT grew 15%/20%/22% YoY, respectively.

**Robust growth in Electronics, steady growth in CD and Electricals:** Q4 revenue growth was driven by strong performance in the electronics segment, which grew 26% YoY, led by stabilizers for RACs, solar rooftop systems, and inverters. Consumer durables and electricals segments recorded steady growth of 12% and 15% YoY, respectively. Within electricals, wires and cables saw 17% YoY growth, supported by a 5% increase in volumes and 12% improvement in realisations. Growth in consumer durables was aided by channel stocking ahead of an anticipated harsh summer and the launch of new products, including BLDC fans in the mid-premium category.

**Sunflame business disappoints on weakness in CSD channel:** Sunflame revenue declined 24% YoY to Rs 553mn in Q4, primarily due to continued challenges in the CSD channel; which accounts for 35–40% of its sales. The channel, which earlier had limited brand options, has now become more competitive with the entry of multiple players. This increase in brand availability has intensified competition for Sunflame. Additionally, elevated inventory levels within the channel are also impacting the primary offtake.

**Assume coverage with HOLD:** We estimate VGRD to deliver Rev/EBITDA/PAT CAGR of 15%/18%/20% over FY25–27E, driven by new launches in the CD segment, solar rooftop scale-up, and recovery in Sunflame. Distribution expansion across categories and geographies to support growth. We value the stock at 40x FY27E EPS to arrive at a Mar'26 TP of Rs 420; assume with HOLD.

**Key changes**

Target	Rating
▲	◀ ▶

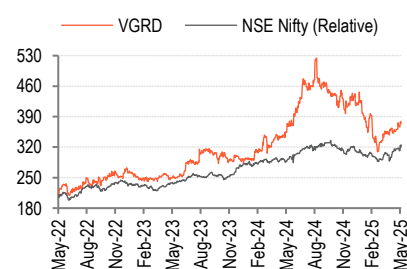
Ticker/Price	VGRD IN/Rs 375
Market cap	US\$ 1.9bn
Free float	44%
3M ADV	US\$ 1.6mn
52wk high/low	Rs 577/Rs 300
Promoter/FPI/DII	56%/13%/19%

Source: NSE | Price as of 15 May 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	55,778	63,334	73,534
EBITDA (Rs mn)	5,132	6,068	7,196
Adj. net profit (Rs mn)	3,137	3,711	4,491
Adj. EPS (Rs)	7.3	8.6	10.4
Consensus EPS (Rs)	9.0	11.0	13.4
Adj. ROAE (%)	16.0	16.6	17.5
Adj. P/E (x)	51.6	43.6	36.1
EV/EBITDA (x)	31.5	26.7	22.5
Adj. EPS growth (%)	21.8	18.3	21.0

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Quarterly performance**

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	Q4FY25E	Var (%)
Revenue	15,381	13,428	15	12,687	21	55,778	48,567	14.8	14,515	6
EBITDA	1,431	1,279	12	1,041	37	5,132	4,267	20.3	1,425	0
EBITDA Margin (%)	9.3	9.5	(20bps)	8.2	110bps	9.2	8.8	40bps	9.8	(50bps)
Depreciation	268	222		250		957	809		274	(2)
Interest	26	99		58		245	395		58	(56)
Other Income	45	49		54		209	340		57	(21)
PBT	1,182	1,006	17	787	50	4,140	3,403	21.6	1,150	3
Tax	271	245		185		1,002	827		291	(7)
Adjusted PAT	911	762	20	602	51	3,137	2,576	21.8	859	6
Exceptional item	-	-		-		-	-		-	
Reported PAT	911	762	20	602	51	3,137	2,576	21.8	859	6
Adj. PAT Margin (%)	5.9	5.7	30bps	4.7	120bps	5.6	5.3	30bps	5.9	0bps
EPS (Rs)	2.1	1.8	20	1.4	51	7.3	6.0	21.8	2.0	6.1

Source: Company, BOBCAPS Research

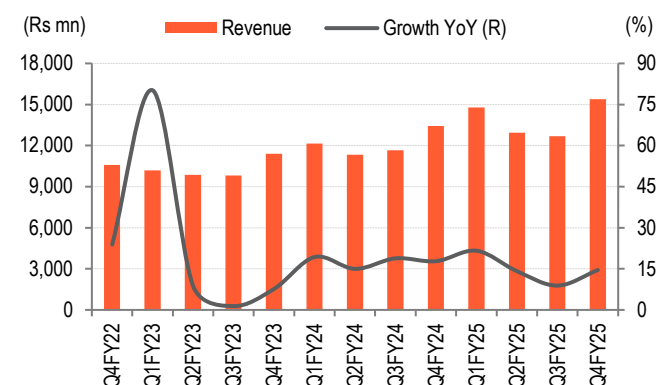
**Fig 2 – Segmental performance**

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
<b>Segment revenue</b>								
Consumer Durables	4,092	3,657	12	4,248	(3.7)	16,439	14,443	14
Electricals	6,661	5,814	15	4,786	39	21,699	19,731	10
Electronics	4,075	3,228	26	2,860	42	15,096	11,652	30
Sunflame	553	730	(24)	794	(30)	2,544	2,741	(7)
<b>EBIT</b>								
Consumer Durables	139	129	8	177	(21)	694	485	43
EBIT Margin (%)	3.4	3.5	(14bps)	4.2	(76bps)	4.2	3.4	86bps
Electricals	769	724	6	429	79	2,182	2,126	3
EBIT Margin (%)	11.5	12.5	(91bps)	9.0	258bps	10.1	10.8	(72bps)
Electronics	778	483	61	562	38	2,969	1,923	54
EBIT Margin (%)	19.1	15.0	411bps	19.6	(57bps)	19.7	16.5	316bps
Sunflame	6	73	(92)	22	(72)	64	265	(76)
EBIT Margin (%)	1.1	10.0	(893bps)	2.8	(167bps)	2.5	9.6	(713bps)

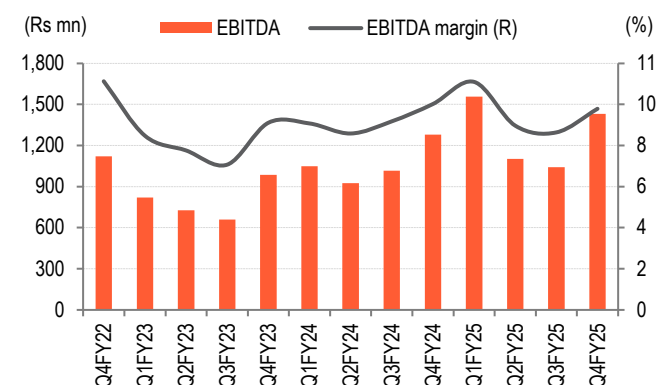
Source: Company, BOBCAPS Research

## Earnings call highlights

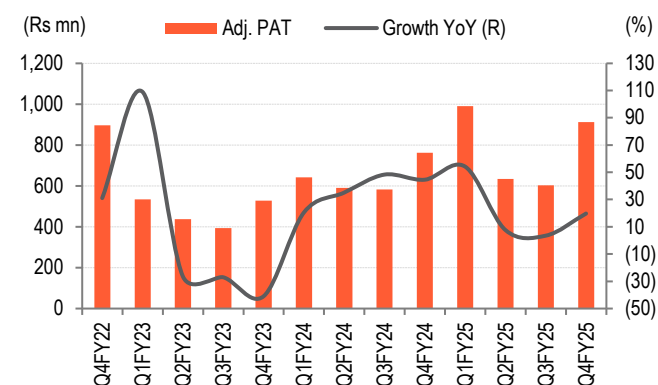
- Demand outlook for the cooling products portfolio (fans, pumps, inverters) remains cautious for Q1FY26, as intermittent rainfall across South and East India has disrupted early summer sales. While South India is witnessing elevated inventory levels due to subdued sales, demand conditions in North and West may support summer season on expectation of extended summer till June.
- Wires & Cables segment delivered 17% YoY growth in Q4FY25, driven by 5% volume growth and 12% price realisation. Management expects further pickup in Q1FY26, supported by the recent uptick in copper prices.
- Sunflame remains under pressure due to continued weakness in the CSD channel (~35–40% of sales), but management expects the completion of integration with V-Guard systems (logistics, quality, service) by Sep–Oct FY26, enabling a return to growth in GT and e-commerce channels.
- Management highlighted the launch of mid-market BLDC fans with multiple SKUs, aimed at addressing gaps in portfolio. The company expects strong traction irrespective of the seasonal impact, given the segment's growing relevance and favourable market response.
- The solar rooftop business under the Electronics segment continued to grow strongly, supported by favourable government incentives. Management expects the segment to scale meaningfully over the next 4–5 years, with the current demand concentrated only in 7-8 states – indicating significant untapped potential.
- The company has reverted to a net debt-free position following early repayment of the Sunflame acquisition loan, reflecting strong cash generation and efficient working capital management.
- Annual capex guidance is maintained at ~Rs 1bn, with most plants (Uttarakhand, Hyderabad) fully stabilised. Management expects absorption-related overheads to normalise in FY26 as the Vapi plant gains scale.
- With the existing Hyderabad battery plant running at full capacity and witnessing high double-digit growth, V-Guard plans to expand capacity over the next 18–24 months. The Rs 500 mn machinery investment is expected to support Rs 3-4 bn in annual sales, with full stabilisation targeted in 2.5 years.
- Gegadyne's (one of the VGRD's investments) pilot facility has achieved initial technology milestones, with the focus now shifting toward scaling and commercialisation. The company is currently assessing scale-up strategies and commercial deployment plans, with the management indicating a 2.5–3-year timeline for full-scale commercialisation. V-Guard retains exclusive rights for application within inverter battery and select energy storage segments.

**Fig 3 – Revenue growth**


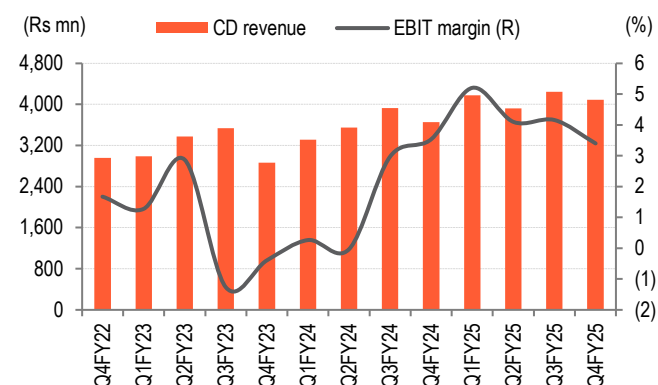
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth trend**


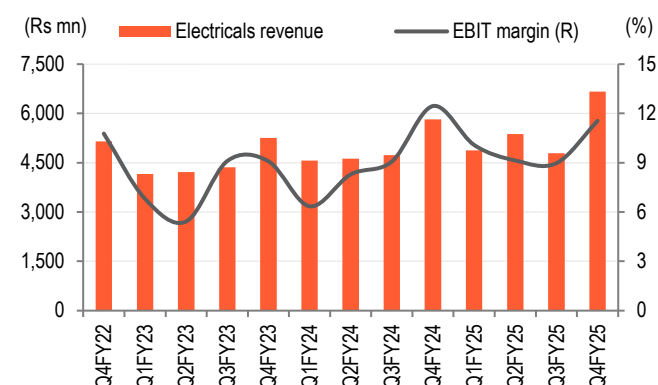
Source: Company, BOBCAPS Research

**Fig 5 – PAT growth trend**


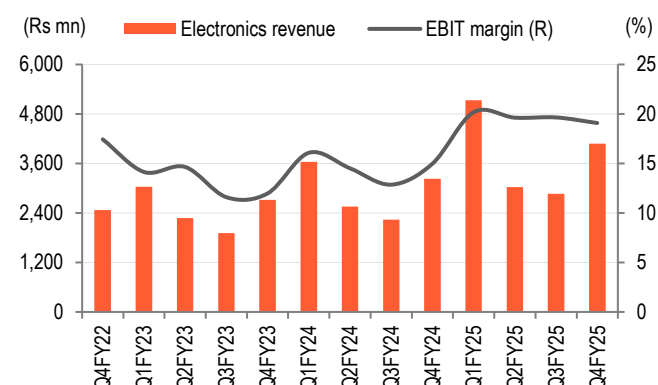
Source: Company, BOBCAPS Research

**Fig 6 – Consumer Durables performance**


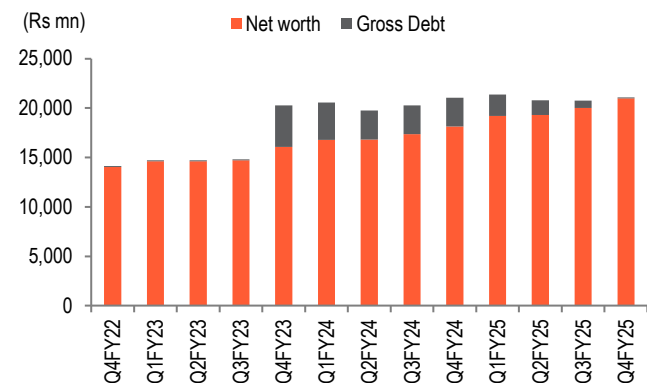
Source: Company, BOBCAPS Research

**Fig 7 – Electricals business performance**


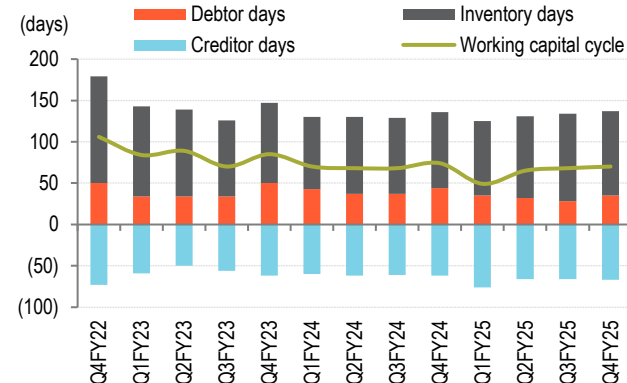
Source: Company, BOBCAPS Research

**Fig 8 – Electronics business performance**


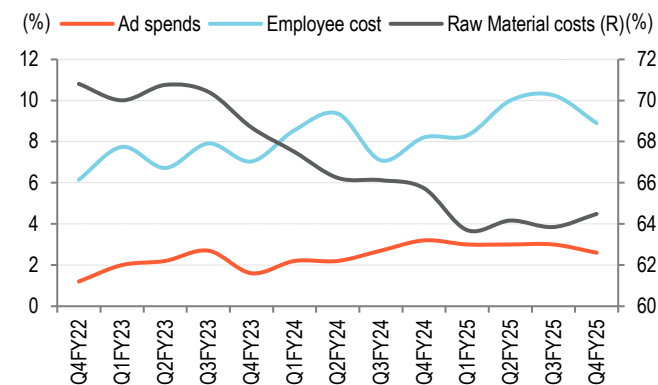
Source: Company, BOBCAPS Research

**Fig 9 – Capital levels**

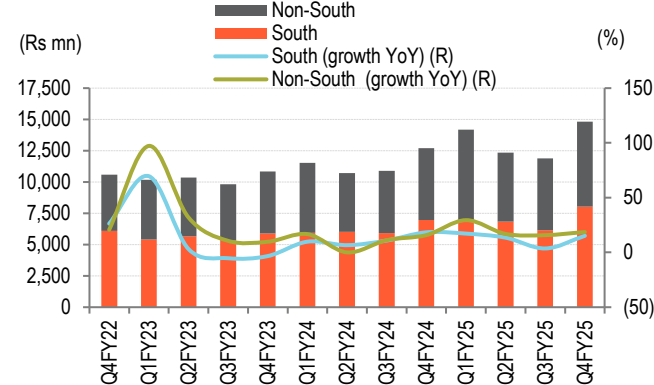
Source: Company, BOBCAPS Research

**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

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>41,260</b>	<b>48,567</b>	<b>55,778</b>	<b>63,334</b>	<b>73,534</b>
EBITDA	3,199	4,267	5,132	6,068	7,196
Depreciation	644	809	957	1,049	1,124
EBIT	2,555	3,458	4,176	5,019	6,072
Net interest inc./(exp.)	(162)	(395)	(245)	(125)	(150)
Other inc./(exp.)	164	340	209	261	313
Exceptional items	0	0	0	0	0
EBT	2,557	3,403	4,140	4,883	5,909
Income taxes	667	827	1,002	1,172	1,418
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>1,891</b>	<b>2,576</b>	<b>3,137</b>	<b>3,711</b>	<b>4,491</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,891</b>	<b>2,576</b>	<b>3,137</b>	<b>3,711</b>	<b>4,491</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	4,885	5,500	6,570	9,544	11,080
Other current liabilities	1,814	2,983	3,552	4,033	4,683
Provisions	0	0	0	0	0
Debt funds	4,196	2,910	108	500	600
Other liabilities	2,097	2,078	2,174	2,174	2,174
Equity capital	432	434	436	436	436
Reserves & surplus	15,644	17,708	20,543	23,433	27,102
Shareholders' fund	16,076	18,142	20,978	23,868	27,538
<b>Total liab. and equities</b>	<b>29,069</b>	<b>31,613</b>	<b>33,382</b>	<b>40,119</b>	<b>46,075</b>
Cash and cash eq.	670	574	645	2,063	3,036
Accounts receivables	5,687	5,958	5,423	7,635	10,476
Inventories	7,674	8,118	9,973	13,014	14,908
Other current assets	1,021	1,724	1,484	1,685	1,956
Investments	0	0	0	0	0
Net fixed assets	5,683	5,131	5,297	5,648	5,624
CWIP	237	248	486	0	0
Intangible assets	6,822	8,334	8,447	8,447	8,447
Deferred tax assets, net	0	0	0	0	0
Other assets	1,274	1,525	1,627	1,627	1,627
<b>Total assets</b>	<b>29,069</b>	<b>31,613</b>	<b>33,382</b>	<b>40,119</b>	<b>46,075</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>4,238</b>	<b>3,927</b>	<b>4,770</b>	<b>2,761</b>	<b>2,794</b>
Capital expenditures	(1,012)	(1,274)	(1,198)	(1,400)	(1,100)
Change in investments	(6,615)	(200)	270	0	0
Other investing cash flows	(85)	(52)	(41)	486	0
<b>Cash flow from investing</b>	<b>(7,712)</b>	<b>(1,526)</b>	<b>(969)</b>	<b>(914)</b>	<b>(1,100)</b>
Equities issued/Others	1	0	80	0	0
Debt raised/repaid	1,349	(1,296)	(2,802)	392	100
Interest expenses	0	0	0	0	0
Dividends paid	1,912	(1,026)	(1,053)	(821)	(821)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>3,262</b>	<b>(2,322)</b>	<b>(3,775)</b>	<b>(429)</b>	<b>(721)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(212)</b>	<b>79</b>	<b>25</b>	<b>1,418</b>	<b>973</b>
<b>Closing cash &amp; cash eq.</b>	<b>670</b>	<b>574</b>	<b>645</b>	<b>2,063</b>	<b>3,036</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	4.4	6.0	7.3	8.6	10.4
Adjusted EPS	4.4	6.0	7.3	8.6	10.4
Dividend per share	1.3	1.4	1.5	1.9	1.9
Book value per share	37.2	42.0	48.5	55.2	63.7

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.9	3.3	2.9	2.6	2.2
EV/EBITDA	50.6	37.9	31.5	26.7	22.5
Adjusted P/E	85.6	62.9	51.6	43.6	36.1
P/BV	10.1	8.9	7.7	6.8	5.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	73.9	75.7	75.8	76.0	76.0
Interest burden (PBT/EBIT)	100.1	98.4	99.1	97.3	97.3
EBIT margin (EBIT/Revenue)	6.2	7.1	7.5	7.9	8.3
Asset turnover (Rev./Avg TA)	7.3	9.5	10.5	11.2	13.1
Leverage (Avg TA/Avg Equity)	0.4	0.3	0.3	0.3	0.2
<b>Adjusted ROAE</b>	<b>12.5</b>	<b>15.1</b>	<b>16.0</b>	<b>16.6</b>	<b>17.5</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	17.9	17.7	14.8	13.5	16.1
EBITDA	(6.0)	33.4	20.3	18.2	18.6
Adjusted EPS	(16.9)	36.2	21.8	18.3	21.0

### Profitability & Return ratios (%)

EBITDA margin	7.8	8.8	9.2	9.6	9.8
EBIT margin	6.2	7.1	7.5	7.9	8.3
Adjusted profit margin	4.6	5.3	5.6	5.9	6.1
Adjusted ROAE	12.5	15.1	16.0	16.6	17.5
ROCE	11.7	13.9	15.8	16.7	17.5

### Working capital days (days)

Receivables	47	44	37	44	52
Inventory	72	59	59	75	74
Payables	43	39	39	55	55

### Ratios (x)

Gross asset turnover	5.8	6.0	6.4	6.3	6.5
Current ratio	1.8	1.6	1.7	1.7	1.9
Net interest coverage ratio	15.8	8.7	17.0	40.2	40.5
<b>Adjusted debt/equity</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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**BUY** – Expected return >+15%

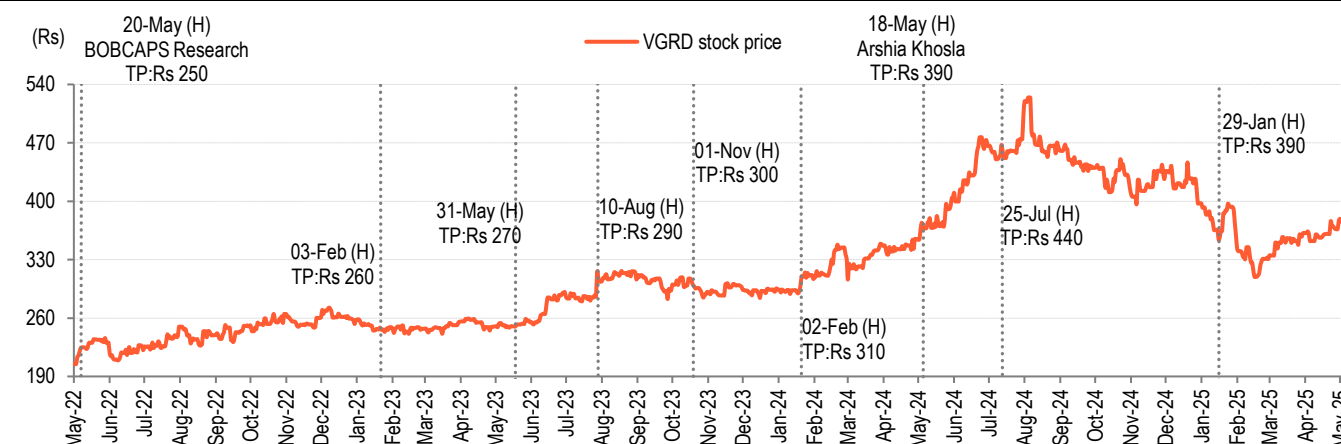
**HOLD** – Expected return from -6% to +15%

**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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