

15 May 2025

V Guard Industries

Electronics growth momentum continues; maintaining a Buy

Strong electronics growth continued for V Guard, supported by an uptick in the electrical portfolio driven by higher copper prices. ECD grew in line with the industry, while Sunflame continued to underperform. Electronics growth is expected to stay strong, led by stabilizers, inverter batteries and the solar rooftop segment. The battery business is growing in double digits, with plans to expand capacity through capex of Rs500m. The solar rooftop business is performing well and is expected to become a significant contributor over 4–5 years. Management guided for 14–15% revenue growth, with stable-to-improving margins. We retain a Buy rating, with a higher TP of Rs475.

Strong growth in electronics. Q4 revenue grew 14.5% y/y to Rs15.4bn, led by strong electronic segment growth (+26.3%). Electrical segment and ECD reported healthy 14.6% y/y and 11.9% y/y growth, respectively; Sunflame's revenue declined 24.2% y/y. The EBITDA margin contracted 22bps y/y despite gross-margin expansion of 125bps y/y due to 24.2% y/y higher employee costs and 19.9% y/y increased other expenses. Lower interest costs (-74.2% y/y) pushed PAT to grow 19.6% y/y to Rs911m.

Electronics business to remain strong, expanding battery capacity. Electronics business continued its strong growth momentum, growing 26.3%/29.6% in Q4/FY25, led by healthy growth in stabilizers, inverter battery and solar rooftops. Inverter battery is growing in double digits, with the plant running at full capacity. The company plans to increase battery capacity (Rs500m capex) and expects Rs3bn-4bn post plant stabilisation in 2.5 years.

Outlook and Valuation. At the CMP, the stock trades at 40.4x/31.4x FY26e/27e EPS. We model 14.2%/28.8% revenue/PAT CAGRs over FY25-27, leading to RoCE expansion to 22.4%, from 19.0% currently. We maintain a Buy on the stock, with a TP of Rs475 (Rs460 earlier), 40x FY27e EPS. **Key risks:** Copper price volatility may impact wire sales, while weak kitchen demand could pressure FY26 earnings.

Key financials (YE: Mar)	FY23 \$	FY24	FY25	FY26e	FY27e
Sales (Rs m)	41,260	48,567	55,778	63,587	72,759
Net profit (Rs m)	1,891	2,576	3,137	4,074	5,301
EPS (Rs)	4.4	5.9	7.2	9.3	12.2
P/E (x)	85.7	63.2	52.1	40.1	30.8
EV / EBITDA (x)	51.8	38.7	31.7	25.8	19.9
P/BV (x)	10.1	9.0	7.8	6.8	5.8
RoE (%)	11.8	14.2	15.0	16.8	18.7
RoCE (%) (post tax)	8.9	11.9	14.4	15.5	17.2
Dividend yield (%)	0.3	0.4	0.4	0.5	0.7
Net debt / equity (x)	0.2	0.1	(0.0)	(0.1)	(0.2)

Source: Company, Anand Rathi Research \$ - acquisition of Sunflame

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Rating: Buy

Target Price (12-mth): Rs.475

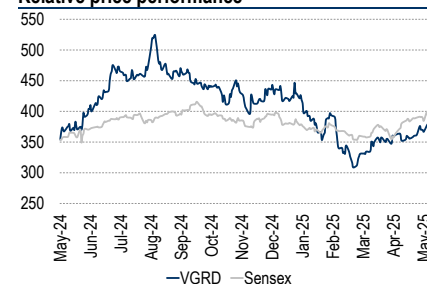
Share Price: Rs.357

Key data	VGRD IN / VGUA.BO
52-week high / low	Rs577 / 300
Sensex / Nifty	81,331 / 24,667
Market cap	Rs164.2bn
Shares outstanding	435m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	54.3	54.4	54.4
- of which, Pledged	-	-	-
Free float	45.7	45.7	45.6
- Foreign institutions	13.4	13.7	13.9
- Domestic institutions	20.6	20.3	19.9
- Public	11.7	11.7	11.9

Estimates revision (%)	FY26e	FY27e
Sales	(4.0)	(5.5)
EBITDA	(10.1)	(9.2)
PAT	(8.5)	(8.8)

Relative price performance



Source: Bloomberg

Prasheel Gandhi
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23 \$	FY24	FY25	FY26e	FY27e
Net revenues	41,260	48,567	55,778	63,587	72,759
Growth (%)	17.9	17.7	14.8	14.0	14.4
Direct costs	28,844	32,240	35,558	40,441	46,129
Gross margins (%)	30.1	33.6	36.3	36.4	36.6
SG&A	9,217	12,059	15,088	16,994	18,943
EBITDA	3,199	4,267	5,132	6,151	7,687
EBITDA margins (%)	7.8	8.8	9.2	9.7	10.6
- Depreciation	644	809	957	1,059	1,166
Other income	164	340	209	445	509
Interest expenses	162	395	245	127	73
PBT	2,557	3,403	4,139	5,410	6,957
Effective tax rate (%)	26.1	24.3	24.2	25.2	25.2
+ Associates / (Minorities)	1	-	-	-	-
Net income	1,891	2,576	3,137	4,047	5,206
Adj. income	1,891	2,576	3,137	4,047	5,206
WANS	432.2	434.4	435.8	435.8	435.8
FDEPS (Rs)	4.4	5.9	7.2	9.3	11.9
FDEPS growth (%)	(16.9)	36.2	21.8	29.0	28.6

Fig 3 – Cashflow statement (Rs m)

Year-end: Mar	FY23 \$	FY24	FY25	FY26e	FY27e
PBT (adj. for OI & interest)	2,555	3,459	4,176	5,092	6,520
Non-cash Items	644	809	957	1,059	1,166
Oper. prof. before WC	3,199	4,267	5,132	6,151	7,687
-Incr. / (decr. in WC)	1,007	664	506	(414)	(566)
Others inc. taxes	(667)	(827)	(1,002)	(1,363)	(1,751)
Cashflow from operations	3,539	4,104	4,636	4,374	5,369
Capex (tang. + intang.)	1,026	1,692	1,592	2,250	564
Free cashflow	2,513	2,412	3,044	2,124	4,805
Acquisitions	(6,507)	-	-	-	-
- Div. (incl. buyback & taxes)	562	652	654	872	1,177
+ Equity raised	1	2	1	-	-
+ Debt raised	4,078	(1,286)	(2,802)	(108)	-
- Fin Investments	37	625	(181)	-	-
- Misc. items (CFI + CFF)	(570)	(53)	(301)	(318)	(437)
Net change in cashflow	56	(95)	71	1,463	4,065

Source: Company, Anand Rathi Research \$ - acquisition of Sunflame

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

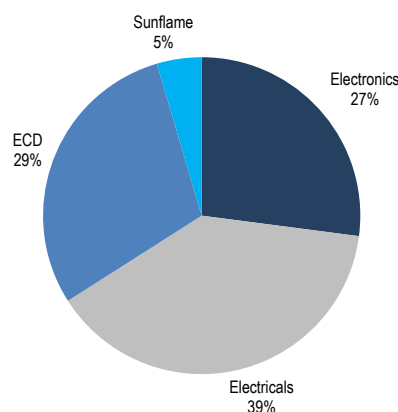
Year-end: Mar	FY23 \$	FY24	FY25	FY26e	FY27e
Share capital	432	434	436	436	436
Net worth	16,076	18,142	20,978	24,153	28,183
Debt	4,196	2,910	108	-	-
Minority interest	-	-	-	-	-
DTL / (Assets)	951	919	906	906	906
Capital employed	21,223	21,972	21,992	25,059	29,088
Net tangible assets	5,683	6,463	6,705	7,396	7,730
Net intangible assets	4,258	4,350	4,505	4,505	4,505
Goodwill	2,528	2,528	2,528	2,528	2,528
CWIP (tang. & intang.)	237	248	486	986	50
Investments (strategic)	385	714	717	717	717
Investments (financial)	18	313	130	130	130
Current assets (excl. cash)	15,210	16,325	17,575	19,596	22,025
Cash	669	574	645	2,108	6,173
Current liabilities	7,764	9,543	11,299	12,907	14,769
Working capital	7,445	6,782	6,276	6,689	7,255
Capital deployed	21,223	21,972	21,992	25,059	29,088
Contingent liabilities	568	647	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23 \$	FY24	FY25	FY26e	FY27e
P/E (x)	85.7	63.2	52.1	40.4	31.4
EV / EBITDA (x)	51.8	38.7	31.7	26.2	20.5
EV / Sales (x)	4.0	3.4	2.9	2.5	2.2
P/B (x)	10.1	9.0	7.8	6.8	5.8
RoE (%)	11.8	14.2	15.0	16.8	18.5
RoCE (%) - after tax	8.9	11.9	14.4	15.2	16.8
RoIC (%) - after tax	9.4	12.9	15.4	17.2	22.1
DPS (Rs)	1.3	1.5	1.5	2.0	2.7
Dividend yield (%)	0.3	0.4	0.4	0.5	0.7
Dividend payout (%) - incl. DDT	29.7	25.3	20.8	21.5	22.6
Net debt / equity (x)	0.2	0.1	(0.0)	(0.1)	(0.2)
Receivables (days)	49	45	35	35	35
Inventory (days)	68	61	65	62	60
Payables (days)	43	41	43	43	43
CFO : PAT %	187.1	159.3	147.8	108.1	103.1

Source: Company, Anand Rathi Research \$ - acquisition of Sunflame

Fig 6 – Revenue mix, FY25



Source: Company

Fig 7 – Financial performance

Quarterly (Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Y/Y (%)	Q/Q (%)
Net sales	11,401	12,148	11,338	11,654	13,428	14,771	12,940	12,687	15,381	14.5	21.2
Gross profit	3,570	3,949	3,828	3,929	4,602	5,363	4,638	4,587	5,463	18.7	19.1
Margin (%)	31.3	32.5	33.8	33.7	34.3	36.3	35.8	36.2	35.5	125 bps	(64) bps
EBITDA	987	1,048	925	1,016	1,279	1,558	1,103	1,041	1,431	11.9	37.4
Margin (%)	8.7	8.6	8.2	8.7	9.5	10.5	8.5	8.2	9.3	(22) bps	109 bps
Depreciation	191	198	198	191	222	217	221	250	268	20.8	6.9
Interest	102	109	93	94	99	86	76	58	26	(74.2)	(55.8)
Other income	26	118	142	32	49	69	41	54	45	(8.0)	(17.1)
Extraordinary items	-	-	-	-	-	-	-	-	-	NA	NA
PBT	721	859	775	763	1,006	1,324	846	787	1,182	17.5	50.1
Tax	193	217	198	180	245	334	212	185	271	10.8	46.3
ETR (%)	26.8	25.2	25.5	23.6	24.3	25.2	25.1	23.5	22.9		
Reported PAT	527	642	577	582	762	990	634	602	911	19.6	51.3
Adj. PAT	527	642	577	582	762	990	634	602	911	19.6	51.3
Adj. EPS	1.2	1.5	1.3	1.3	1.8	2.3	1.5	1.4	2.1	19.6	51.3

Source: Company

As % of income	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	bps y/y	bps q/q
Gross margins	31.3	32.5	33.8	33.7	34.3	36.3	35.8	36.2	35.5	125	(64)
SG&A	22.7	23.9	25.6	25.0	24.7	25.8	27.3	27.9	26.2	147	(173)
EBITDA margins	8.7	8.6	8.2	8.7	9.5	10.5	8.5	8.2	9.3	(22)	109
Depreciation	1.7	1.6	1.7	1.6	1.7	1.5	1.7	2.0	1.7	9	(23)
Interest	0.9	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.2	(57)	(29)
Other income	0.2	1.0	1.2	0.3	0.4	0.5	0.3	0.4	0.3	(7)	(14)
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-
PBT	6.3	7.1	6.8	6.5	7.5	9.0	6.5	6.2	7.7	19	148
ETR	26.8	25.2	25.5	23.6	24.3	25.2	25.1	23.5	22.9	(139)	(60)
Adj. PAT margins	4.6	5.3	5.1	5.0	5.7	6.7	4.9	4.7	5.9	25	118

Source: Company

Particulars (Rs m)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Y/Y (%)	Q/Q (%)
Net sales											
Electronics	2,717	3,637	2,551	2,236	3,228	5,131	3,030	2,860	4,075	26.3	42.5
Electricals	5,253	4,567	4,623	4,727	5,814	4,877	5,376	4,786	6,661	14.6	39.2
ECD	2,862	3,312	3,547	3,928	3,657	4,176	3,923	4,248	4,092	11.9	(3.7)
Sunflame	569	632	617	763	730	587	611	794	553	(24.2)	(30.3)
Sales mix (%)											
Electronics	23.8	29.9	22.5	19.2	24.0	34.7	23.4	22.5	26.5		
Electricals	46.1	37.6	40.8	40.6	43.3	33.0	41.5	37.7	43.3		
ECD	25.1	27.3	31.3	33.7	27.2	28.3	30.3	33.5	26.6		
Sunflame	5.0	5.2	5.4	6.5	5.4	4.0	4.7	6.3	3.6		
EBIT											
Electronics	325	671	378	338	483	1,035	595	562	778	61.0	38.4
Electricals	478	394	383	521	724	492	491	429	769	6.2	79.2
ECD	(11)	84	(9)	201	129	217	160	177	139	7.6	(21.2)
Sunflame	80	65	37	96	73	27	9	22	6	(91.7)	(72.3)
EBIT margins (%)											
Electronics	12.0	18.4	14.8	15.1	15.0	20.2	19.6	19.6	19.1	411 bps	(57) bps
Electricals	9.1	8.6	8.3	11.0	12.5	10.1	9.1	9.0	11.5	(91) bps	258 bps
ECD	(0.4)	2.5	(0.3)	5.1	3.5	5.2	4.1	4.2	3.4	(14) bps	(76) bps
Sunflame	14.1	10.2	6.0	12.6	10.0	4.7	1.4	2.8	1.1	(893) bps	(167) bps

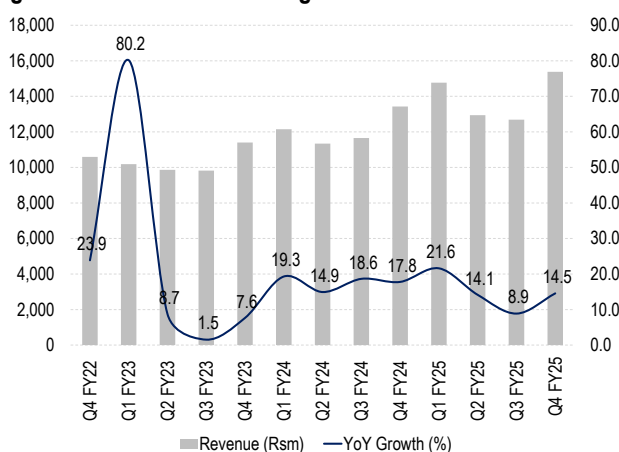
Source: Company

Q4 FY25 Concall takeaways

Financial and business outlook

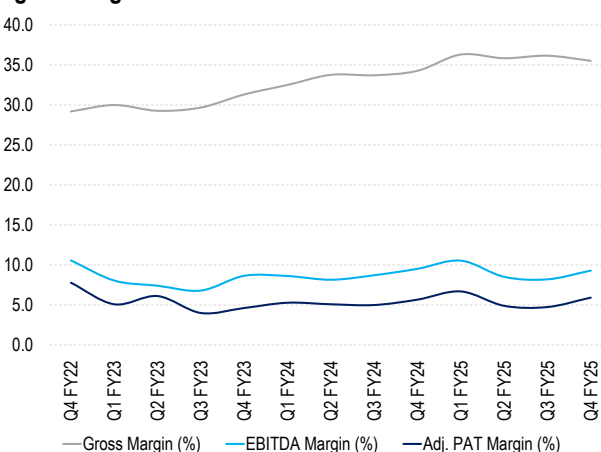
- Electronics growth momentum continued into Q4 (from Q3). However, April's erratic showers and milder temperatures may impact cooling product sales.
- Gross margin improvements are largely complete.
- Other expenses rose, with 1.5% (as a % of sales) increase attributed to factory overheads. Employee costs increased due to integration of Sunflame's manpower.
- On the working capital front, only a marginal scope remains for inventory days' improvement; debtor optimization is largely complete.
- VCPL approved investment of Rs5bn to expand battery capacity at the Hyderabad plant by 396k units/year (increasing capacity by 110%).
- A&P spend stood at 2.6% of sales, down from 3.2% in Q4 FY24.
- The company has repaid the entire term loan related to Sunflame's acquisition and is now debt-free.

Fig 8 – Revenue and revenue growth chart



Source: Company, Anand Rath Research

Fig 9 – Margin chart



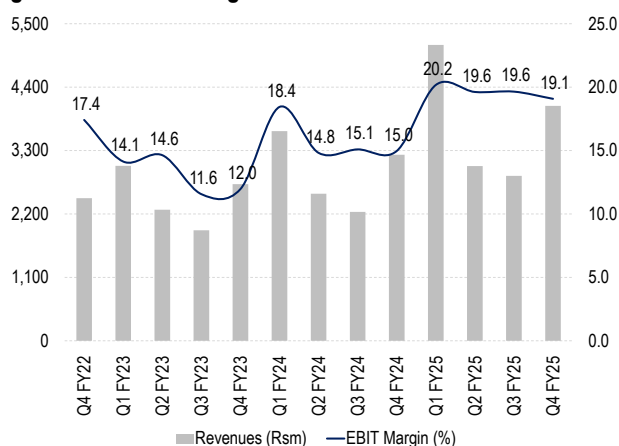
Source: Company, Anand Rath Research

Electronics and electricals

- Solar rooftop business is doing very well; to be a sizeable portion over 4-5 years.
- Battery expansion – the current factory is at full utilisation; battery is growing in high-double digits. The new plant will stabilise in 2.5 years. The Rs500m investment is likely to have revenue potential of Rs3bn-4bn.
- Gegadyne investment – put up a pilot plant in 18-24 months; progress on development expansion is good.
- Gegadyne is developing next-generation alternate energy batteries and will play a key role as the industry shifts technologies. While still in the R&D phase, it will require investment to scale up capacity for commercial production once the technology is ready.
- Sunflame boasts of 40-45% of organized market share in voltage stabilizer. It is not worried about entry of other brands.

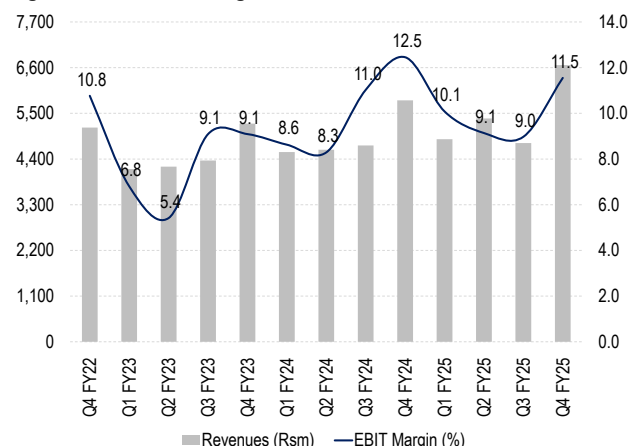
- FY25 wires – 2% volume growth; 8% value growth. Q4 wires – 5% volume growth; 17% value growth.
- Channel mix excl. wires, switches and pumps; 60-65% channels are MT; the rest is GT. Wires, switches and pumps – 90-95% from GT.
- Not present in solar pumps, as largely B2G channels.

Fig 10 – Electronics segment chart



Source: Company, Anand Rathi Research

Fig 11 – Electricals segment chart

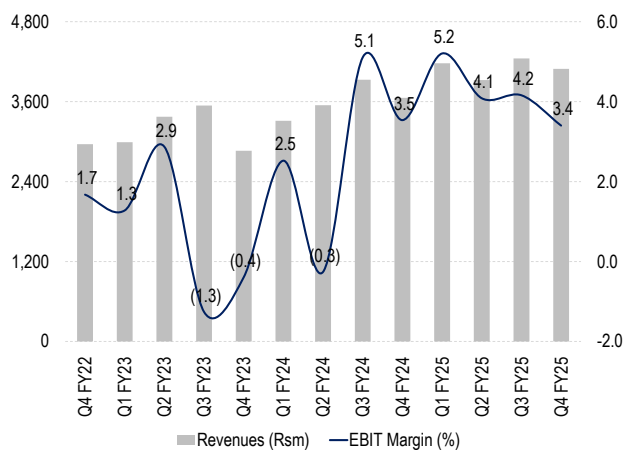


Source: Company, Anand Rathi Research

Consumer durables and Sunflame

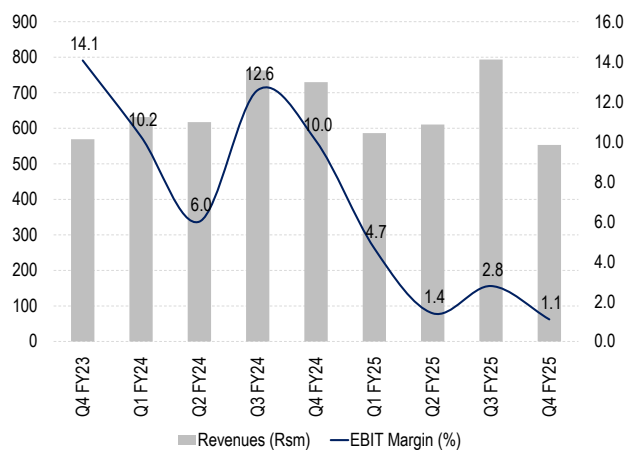
- April's erratic showers and milder temperatures may impact cooling product sales.
- Sunflame declined due to the high base, industry slowdown and ongoing challenges in CSD and CPC channels. CSD channel now has 15–16 brands vs. 5–6 earlier; it is undergoing inventory correction, which is impacting growth. CSD and CPC together contributed ~35% of revenue. CSD faces structural issues; growth is likely to remain impacted. Sunflame's margins were affected due to high overheads from the CSD channel.
- Sunflame's GT and alternate channels are growing in line with the industry. GT + E-commerce contribute ~50% of Sunflame's sales. Modern trade (LFR + E-commerce) channel's revamp is completed. E-commerce is transitioned from intermediary-led to direct supply. Growth is expected from GT and e-commerce.
- Sunflame-V-Guard's integration will take more time; rollout of new products faced some challenges.
- NPL launched a mid-market range of BLDC fans.
- Vapi kitchen appliances plant is not operating at full capacity.

Fig 12 – ECD segment chart



Source: Company, Anand Rathi Research

Fig 13 – Sunflame chart



Source: Company, Anand Rathi Research

Outlook, Valuations

Strong electronics growth continued, supported by an uptick in the electricals portfolio driven by higher copper prices. ECD grew in line with the industry, while Sunflame remained weak due to ongoing challenges. Electronics growth is expected to stay strong, led by stabilizers, inverter batteries, and the solar rooftop segment. The battery business is growing in double digits, with capex of Rs500m planned for capacity expansion. The solar rooftop business is scaling up well and is expected to become a meaningful contributor over the next 4–5 years.

Management expects 14–15% revenue growth, with stable-to-improving margins. We model 14.2%/30% revenue/PAT CAGRs over FY25–27, driving RoCE expansion from 19% to 22.4%. At the CMP, the stock trades at 40.4x/31.4x FY26e/27e EPS. We maintain a Buy rating with a revised TP of Rs475 (from Rs460), based on 40x FY27e EPS.

Fig 14 – Change in estimates

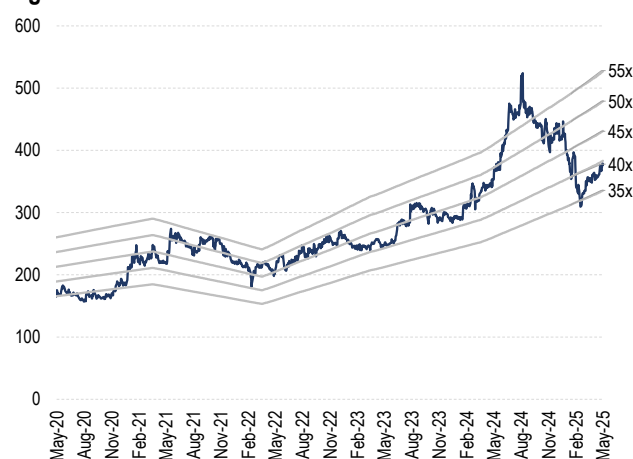
(Rsm)	Actual	New		Old		Variance (%)	
	FY25	FY26e	FY27e	FY26e	FY27e	FY26	FY27
Net Sales	55,778	63,587	72,759	66,225	77,012	(4.0)	(5.5)
EBITDA	5,132	6,151	7,687	6,843	8,463	(10.1)	(9.2)
EBITDA Margin (%)	9.2	9.7	10.6	10.3	11.0	(66) bps	(42) bps
PBT	4,139	5,410	6,957	5,915	7,629	(8.5)	(8.8)
Adj. PAT	3,137	4,047	5,206	4,424	5,709	(8.5)	(8.8)
Adj. EPS	7.2	9.3	11.9	10.2	13.1	(8.8)	(9.1)

Source: Anand Rath Research

Key risks

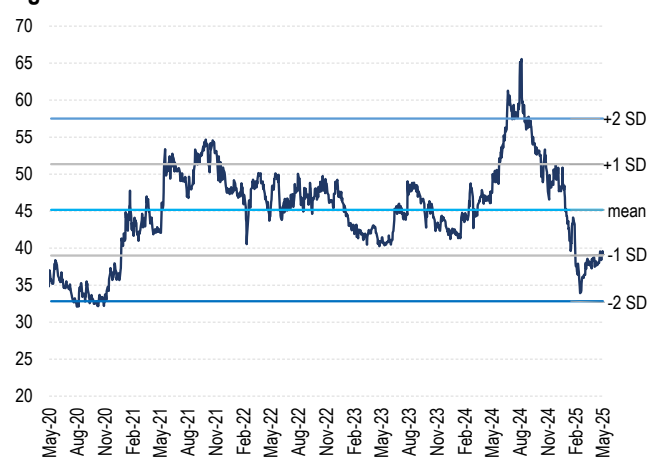
- Continued volatility in copper prices could curb wire sales growth.
- Persistent demand weakness in the kitchen portfolio could lead to a downgrade in FY26e earnings.

Fig 15 – P/E band



Source: Company, Anand Rath Research

Fig 16 – The stock is trades at -1SD



Source: Company, Anand Rath Research

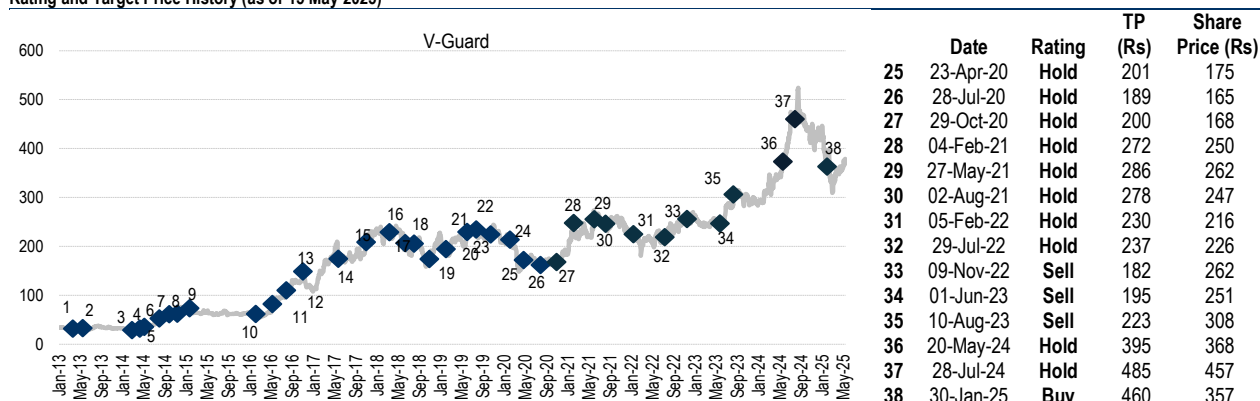
Appendix

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Rating and Target Price History (as of 15 May 2025)



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Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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