V-Guard Industries

Demand healthy; cost headwinds persist

We interacted with V-Guard Industries' CFO Mr. Sudharshan Kasturi. Management indicated that the company is targeting 15% revenue growth in FY27 and remains confident of achieving double-digit EBITDA margins once commodity cost inflation stabilizes. Demand continues to remain healthy despite price hikes, although trends vary by region. The South region saw a strong start to the summer season. Non-South regions are experiencing a hot summer; though intermittent rainfall has also been observed. Channel inventory levels are largely under control; however, inventory for TPW fans remains elevated. Raw material inflation continues to be a key concern; however, the company has implemented multiple price hikes to pass on three-fourth of cost inflation. We expect demand for the company's products to improve, supported by a favorable summer season and prevailing El Niño weather conditions. We like the company for its wide-ranging portfolio, established brand equity, consistent execution, and solid balance sheet. We build in a revenue/EBITDA/APAT CAGR of 12/16/17% over FY26–28E. We retain our estimates, along with ADD and a target price of INR 365/share, based on 35x Mar-28E EPS.

- **Demand and cost:** The company is targeting 15% revenue growth in FY27 and remains confident of achieving double-digit EBITDA margins once commodity cost inflation stabilizes. Demand continues to remain healthy despite price hikes, although trends vary by region. The South region saw a strong start to the summer season. Non-South regions are experiencing a hot summer; though intermittent rainfall has also been observed. Channel inventory levels are largely under control; however, inventory for TPW fans remains elevated. Raw material inflation continues to be a key concern; however, the company has implemented multiple price hikes to pass on three-fourth of cost inflation.
- **Sunflame integration:** The management indicated that the current focus of the Sunflame integration is on accelerating sales. Key foundational issues, such as product quality, portfolio gaps, and service have been largely addressed. Additionally, sales teams have been unified under a single go-to-market strategy. Management expects sales momentum to improve over the course of the year, with margin expansion likely to kick in from scale benefits.
- **Outlook and valuation:** We expect demand for the company's products to improve, supported by a favorable summer season and prevailing El Niño weather conditions. With ~60% of V-Guard's portfolio being summer-driven, this should translate into a meaningful uplift in overall demand momentum. We like the company for its wide-ranging portfolio, established brand equity, consistent execution, and solid balance sheet. We build in revenue/EBITDA /APAT CAGRs of 12/16/17% over FY26–28E. We retain our estimates, along with ADD and a TP of INR 365/share, based on 35x Mar-28E EPS.

Financial summary (INR mn)

Year Ending March	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	41,272	48,567	55,778	59,658	68,044	75,173
EBITDA	3,201	4,267	5,132	5,268	6,093	7,032
APAT	1,891	2,576	3,137	3,305	3,836	4,557
Diluted EPS (Rs)	4.4	5.9	7.2	7.6	8.8	10.5
P/E (x)	71.3	52.6	43.3	41.2	35.4	29.8
EV / EBITDA (x)	43.2	32.2	26.4	25.4	21.7	18.4
RoE (%)	12.5	15.1	16.0	14.8	15.2	15.8

Source: Company, HSIE Research

ADD

CMP *(as on 23 June 2026)*	INR 312
Target Price	INR 365
NIFTY	23,824

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 365	INR 365
EPS %	FY27E	FY28E
	-	-

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	437
MCap (INR bn) / ($ mn)	136/1,436
6m avg traded value (INR mn)	112
52 Week high / low	INR 413/290

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(4.0)	(12.1)	(17.8)
Relative (%)	3.8	(2.3)	(11.7)

SHAREHOLDING PATTERN (%)	Dec-25	Mar-26
Promoters	53.28	53.22
FIs & Local MFs	23.32	23.39
FPIs	12.12	12.07
Public & Others	11.28	11.32
Pl edged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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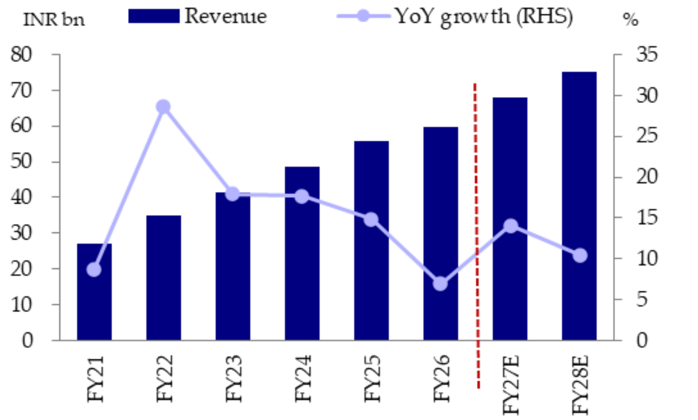
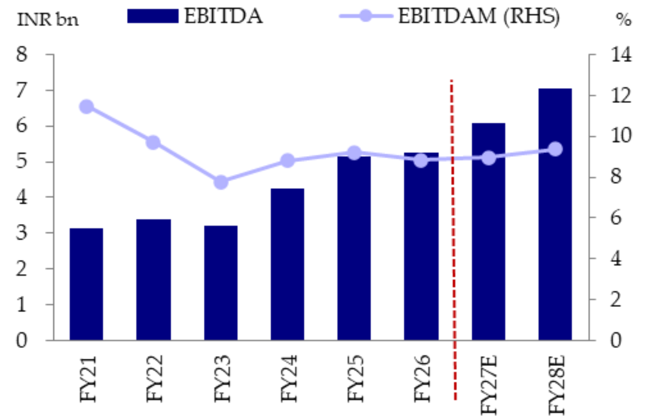
Revenue to grow at 12% CAGR over FY26-28E



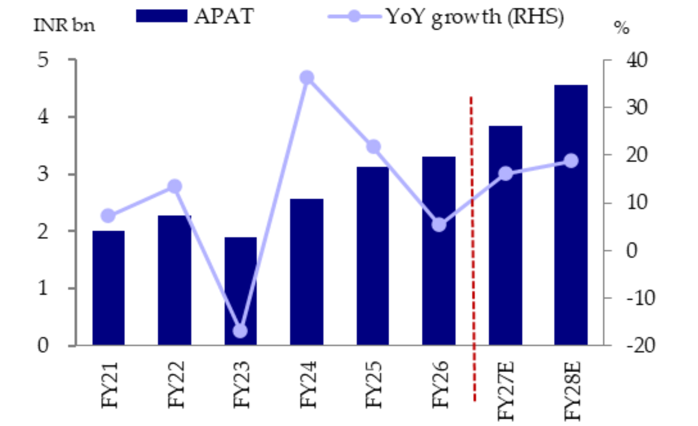
Source: Company, HSIE Research

EBITDA to witness 16% CAGR over FY26-28E



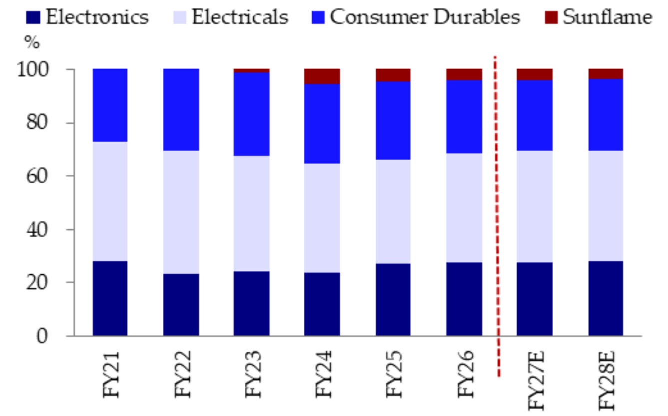
Source: Company, HSIE Research

APAT to witness 17% CAGR over FY26-28E



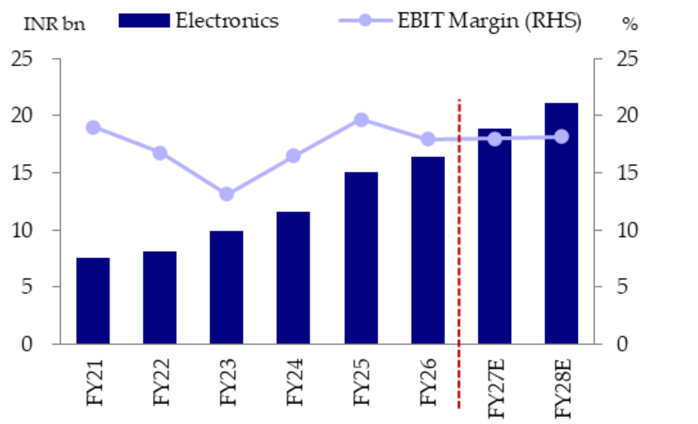
Source: Company, HSIE Research

Segmental revenue mix to stay stable



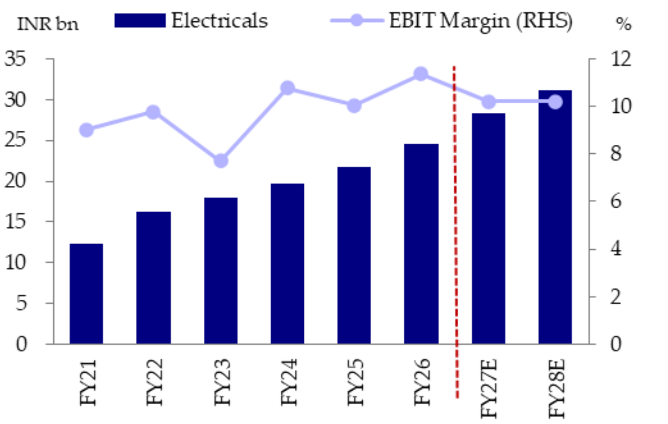
Source: Company, HSIE Research

Electronics segment to witness 13% revenue CAGR over FY26-28E, while margin will remain healthy



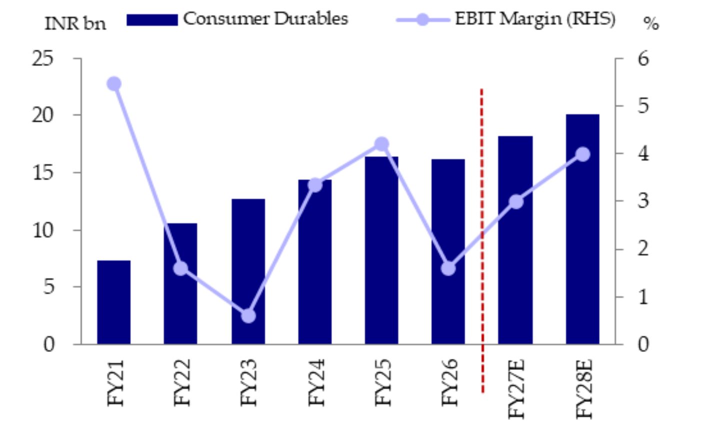
Source: Company, HSIE Research

Electricals to post 12% revenue CAGR FY26–28E; margins to moderate from FY26 peak



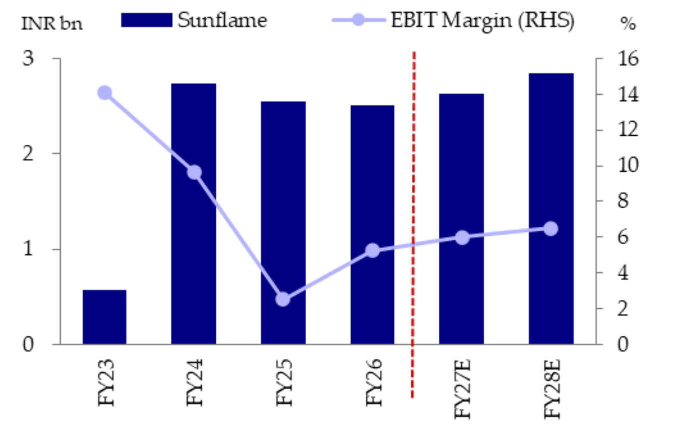
Source: Company, HSIE Research

Durables segment seen at 11% revenue CAGR FY26–28E with margin uplift



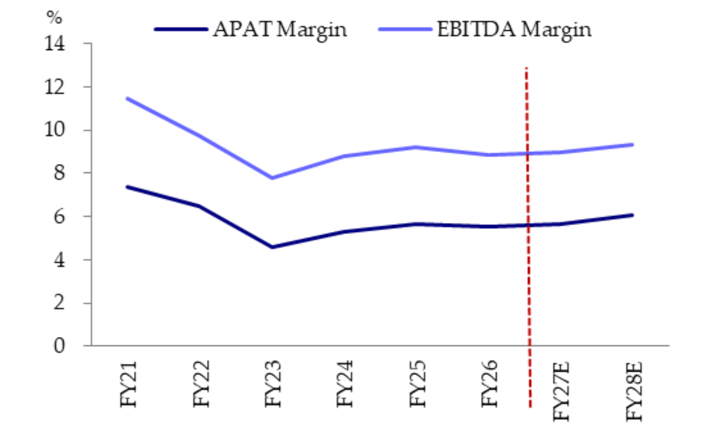
Source: Company, HSIE Research

Sunflame is expected to deliver 6% revenue CAGR for FY26–28E with margin gains



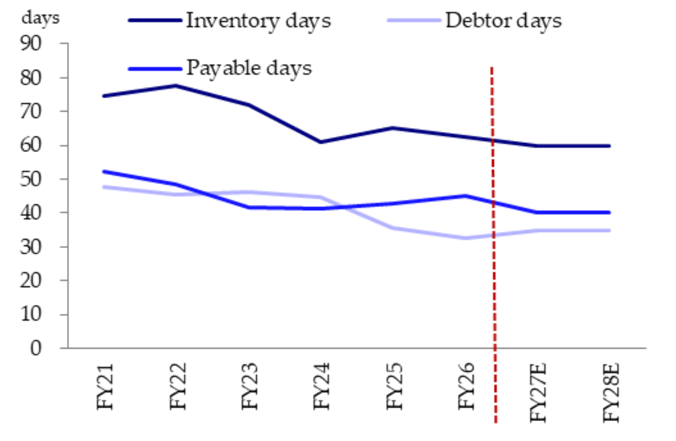
Source: Company, HSIE Research

Margins to improve, going forward



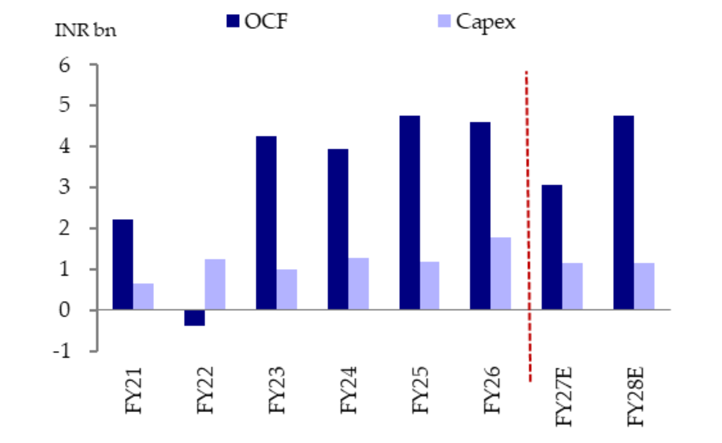
Source: Company, HSIE Research

Working capital cycle to remain broadly similar



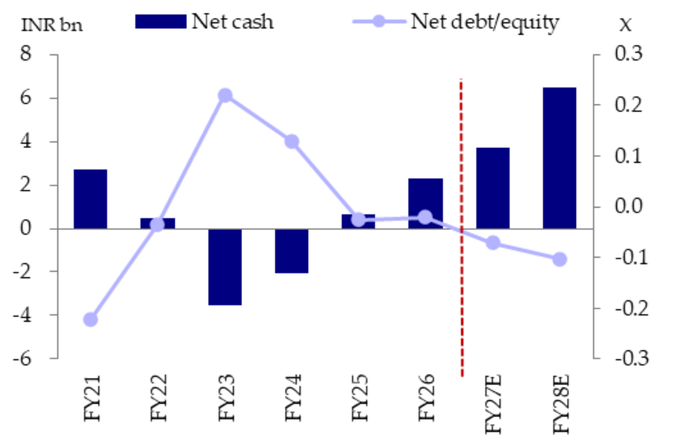
Source: Company, HSIE Research

OCF to remain healthy, capex spending will remain low



Source: Company, HSIE Research

Company continues to remain in net cash



Source: Company, HSIE Research

Consolidated Income Statement

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Revenues	**41,272**	**48,567**	**55,778**	**59,658**	**68,044**	**75,173**
Growth (%)	17.9	17.7	14.8	7.0	14.1	10.5
Material Expenses	28,848	32,130	35,558	37,974	43,480	47,923
Employee Expense	3,025	4,029	5,188	5,364	5,852	6,465
Other Expenses	6,197	8,142	9,901	11,053	12,619	13,753
EBITDA	**3,201**	**4,267**	**5,132**	**5,268**	**6,093**	**7,032**
EBITDA Growth (%)	**(5.9)**	**33.3**	**20.3**	**2.6**	**15.7**	**15.4**
EBITDA Margin (%)	**7.8**	**8.8**	**9.2**	**8.8**	**9.0**	**9.4**
Depreciation	644	809	957	1,079	1,184	1,247
EBIT	**2,557**	**3,458**	**4,176**	**4,189**	**4,909**	**5,785**
Other Income (Including EO Items)	162	340	209	235	294	382
Interest	162	395	245	124	156	170
PBT	**2,557**	**3,403**	**4,140**	**4,300**	**5,048**	**5,996**
Total Tax	667	827	1,002	996	1,211	1,439
Profit before JV/Associates/NCI	1,891	2,576	3,137	3,305	3,836	4,557
Non-controlling Interest	(1)	-	-	-	-	-
Exceptional Gain/ (loss)	-	-	-	(221)	-	-
RPAT	1,891	2,576	3,137	3,084	3,836	4,557
Adjusted PAT	**1,891**	**2,576**	**3,137**	**3,305**	**3,836**	**4,557**
APAT Growth (%)	**(16.9)**	**36.2**	**21.8**	**5.3**	**16.1**	**18.8**
EPS	**4.4**	**5.9**	**7.2**	**7.6**	**8.8**	**10.5**
EPS Growth (%)	**(17.1)**	**35.5**	**21.4**	**5.1**	**16.4**	**18.8**

Source: Company, HSIE Research

Consolidated Balance Sheet

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital - Equity	432	434	436	437	436	436
Other Equity	15,644	17,708	20,543	23,294	26,476	30,336
Total Shareholders' Funds	**16,076**	**18,142**	**20,978**	**23,731**	**26,912**	**30,772**
NCI	-	-	-	-	-	-
Long Term Debt	2,729	1,373	-	-	-	-
Short Term Debt	1,467	1,538	108	88	88	88
Total Debt	**4,196**	**2,910**	**108**	**88**	**88**	**88**
Net Deferred Taxes	951	919	906	840	824	807
Other Non-Current Liabilities	1,065	1,061	1,178	1,514	1,659	1,833
TOTAL SOURCES OF FUNDS	**22,287**	**23,032**	**23,170**	**26,173**	**29,484**	**33,501**
APPLICATION OF FUNDS						
Net Block	4,592	5,114	5,294	6,618	6,980	7,316
Goodwill	2,528	2,528	2,528	2,528	2,528	2,528
CWIP	274	371	491	199	250	250
Intangible assets	4,258	4,350	4,505	4,384	4,244	4,116
Right of Use Assets	1,073	1,332	1,408	1,713	1,235	1,150
Non-Current Investments	334	706	706	956	1,051	1,157
Other Non-Current Assets	876	739	833	937	1,010	1,083
Total Non-current Assets	**13,935**	**15,141**	**15,766**	**17,335**	**17,299**	**17,600**
Current-Investments	1	302	101	1,807	1,807	3,307
Inventories	7,674	8,118	9,973	10,239	11,185	12,357
Debtors	5,570	5,958	5,423	5,329	6,525	7,208
Cash & Equivalents	669	574	645	593	2,014	3,240
Other Current Assets	1,138	1,423	1,383	1,677	1,810	1,886
Total Current Assets	**15,052**	**16,375**	**17,525**	**19,645**	**23,341**	**27,999**
Creditors	4,883	5,500	6,570	7,385	7,457	8,238
Other Current Liabilities & Provns	1,816	2,983	3,552	3,422	3,698	3,860
Total Current Liabilities	**6,700**	**8,483**	**10,121**	**10,807**	**11,155**	**12,098**
Net Current Assets	**8,352**	**7,892**	**7,404**	**8,838**	**12,186**	**15,901**
TOTAL APPLICATION OF FUNDS	**22,287**	**23,033**	**23,170**	**26,173**	**29,484**	**33,501**

Source: Company, HSIE Research

Consolidated Cash Flow

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Reported PBT	2,557	3,403	4,140	4,079	5,048	5,996
Non-operating & EO Items	(51)	(156)	181	206	(140)	(200)
Interest Expenses	162	395	245	124	156	170
Depreciation	644	809	957	1,079	1,184	1,247
Working Capital Change	1,414	308	325	174	(1,963)	(1,020)
Tax Paid	(488)	(833)	(1,077)	(1,076)	(1,211)	(1,439)
OPERATING CASH FLOW (a)	**4,238**	**3,927**	**4,770**	**4,585**	**3,073**	**4,755**
Capex	(1,012)	(1,274)	(1,198)	(1,792)	(1,150)	(1,150)
Free Cash Flow (FCF)	3,227	2,653	3,572	2,793	1,923	3,605
Investments	(214)	(81)	270	(1,886)	(1,596)	(2,605)
Non-operating Income	21	29	22	23	80	135
Others	(6,507)	(200)	(63)	16	-	-
INVESTING CASH FLOW (b)	**(7,712)**	**(1,526)**	**(969)**	**(3,639)**	**(2,666)**	**(3,620)**
Debt Issuance/(Repaid)	4,078	(1,296)	(2,802)	(20)	-	-
Interest Expenses	(162)	(365)	(257)	(124)	(156)	(170)
FCFE	7,143	992	513	2,649	1,767	3,435
Share Capital Issuance	20	61	80	60	-	-
Dividend	(561)	(563)	(611)	(654)	(654)	(697)
Others	(114)	(160)	(186)	(239)	324	(41)
FINANCING CASH FLOW (c)	**3,261**	**(2,322)**	**(3,775)**	**(977)**	**(485)**	**(908)**
NET CASH FLOW (a+b+c)	**(213)**	**79**	**25**	**(31)**	**(78)**	**226**
Closing Cash & Equivalents	**395**	**475**	**500**	**469**	**390**	**616**

Source: Company, HSIE Research

Key Ratios

Year end march	FY23	FY24	FY25	FY26	FY27E	FY28E
PROFITABILITY (%)						
GPM	30.1	33.8	36.3	36.3	36.1	36.3
EBITDA Margin (%)	7.8	8.8	9.2	8.8	9.0	9.4
EBIT Margin	6.2	7.1	7.5	7.0	7.2	7.7
PBT Margin	6.2	7.0	7.4	7.2	7.4	8.0
APAT Margin	4.6	5.3	5.6	5.5	5.6	6.1
RoE	12.5	15.1	16.0	14.8	15.2	15.8
RoIC (or Core RoCE)	15.4	17.4	20.6	20.1	22.0	24.4
RoCE	15.8	18.4	20.8	19.7	20.5	21.3
EFFICIENCY						
Tax Rate (%)	26.1	24.3	24.2	23.2	24.0	24.0
Fixed Asset Turnover (x)	6.4	6.4	6.6	6.1	6.0	6.0
Inventory (days)	72	61	65	63	60	60
Debtors (days)	46	45	35	33	35	35
Other Current Assets (days)	11	11	9	10	10	9
Payables (days)	42	41	43	45	40	40
Other Current Liab & Provns (days)	15	22	23	21	20	19
Cash Conversion Cycle (days)	76	64	58	50	55	55
Working capital Cycle (days)	72	53	44	39	45	45
Net D/E (x)	0.2	0.1	(0.0)	(0.0)	(0.1)	(0.1)
Interest Coverage (x)	15.8	8.7	17.0	33.8	31.6	33.9
PER SHARE DATA (Rs)						
EPS	4.4	5.9	7.2	7.6	8.8	10.5
CEPS	5.9	7.8	9.4	10.1	11.5	13.3
Dividend	1.3	1.4	1.5	1.5	1.6	1.7
Book Value	37.2	41.8	48.1	54.5	61.8	70.6
VALUATION						
P/E (x)	71.3	52.6	43.3	41.2	35.4	29.8
P/BV (x)	8.4	7.5	6.5	5.7	5.1	4.4
EV/EBITDA (x)	43.2	32.2	26.4	25.4	21.7	18.4
EV/Revenues (x)	3.4	2.8	2.4	2.2	1.9	1.7
OCF/EV (%)	3.1	2.9	3.5	3.4	2.3	3.7
FCF/EV (%)	2.3	1.9	2.6	2.1	1.5	2.8
FCFE/Mkt Cap (%)	5.3	0.7	0.4	1.9	1.3	2.5
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.5	0.5

Source: Company, HSIE Research

Price History

Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:

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