ANANDRATHI

Consumer Durables

Company update

Change in Estimates ☑ Target ☑ Reco ☐

2 November 2025

V Guard Industries

Tepid Q2; expect recovery from H2; maintaining a Buy

Rating: **Buy**
Target price (12-mth): Rs.455
Share price: Rs.362

V-Guard's Q2 EBITDA beat our estimate by 4.4%, driven by stronger margins in Electricals and a sharp Sunflame recovery from all-time lows. SDA demand was soft on unseasonal rains and GST-related disruptions, leading to FY26 revenue guidance cut to 10–12% (from 14–15%). We expect an 11.2% revenue CAGR (in line with the industry) and a 180bp margin expansion driven by recovery in Sunflame and consumer durables over FY25–28, translating to a 20.4% PAT CAGR and a 570bp better RoCE to 22.7%. The stock trades near -1SD, offering limited downside. We maintain a Buy with a Rs455 TP (40x Sep'27e EPS).

Lower revenue than ARe, offset by better margins than ARe. Electronics (up 5.3% y/y) and Electricals (up 4.7% y/y) drove Q2 revenue 3.6% y/y to Rs13.41bn (2.5% less than ARe, 1.8% less than the consensus). The better mix expanded the gross margin 173bps y/y to 37.6%. EBITDA was flat y/y at Rs1.09bn (4.4% more than ARe, 0.5% less than the consensus) with the margin at 8.1% (37bps y/y less than ARe, 74bps less than the consensus), from higher SGA. Y/y, 71.9% lower interest costs and 21.9% higher other income pulled adj. PAT up 3% y/y to Rs653m (4.3% above ARe, 3.3% above the consensus).

Outlook, Valuation. H1 FY26 demand was soft, though personal income tax cuts and recent GST reductions should aid a consumption recovery in H2. The Sunflame integration with V-Guard is smoothly progressing, and we expect synergies in customer service, product quality, logistics, bulk sourcing, and channel reach in the medium term. We model 11.2/20.4% revenue/PAT CAGRs over FY25–28, driving a 570bp RoCE expansion to 22.7%. Post-Q2, we trim FY26e/FY27e/FY28e margins 3bps/5bps/1bps to reflect a slower-than-expected recovery in consumer durables. At the CMP, the stock trades at 36.1x/28.8x FY27e/FY28e EPS, near its –1SD valuation, implying limited downside. We maintain BUY with a Rs455 TP (based on 40x Sep'27e EPS). **Key risks:** Copper price swings may hit wire sales, while BEE-related cost pressures could strain margins.

Key financials (YE: Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	48,567	55,778	59,798	68,082	76,711
Net profit (Rs m)	2,576	3,137	3,191	4,371	5,480
EPS (Rs)	5.9	7.2	7.3	10.0	12.6
P/E (x)	61.0	50.3	49.4	36.1	28.8
EV / EBITDA (x)	37.4	30.6	30.0	22.1	17.7
P/BV (x)	8.7	7.5	6.8	6.0	5.2
RoE (%)	14.2	15.0	13.7	16.5	17.9
RoCE (%) (post-tax)	11.9	14.4	12.8	15.6	17.0
Dividend yield (%)	0.4	0.4	0.6	0.7	0.9
Net debt / equity (x)	0.1	(0.0)	(0.1)	(0.2)	(0.3)

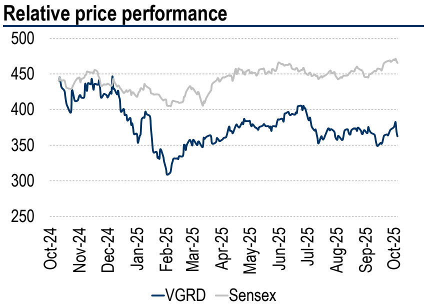
Source: Company

Key data	VGRD IN / VGUA.BO
52-week high / low	Rs.455 / 300
Sensex / Nifty	83,939 / 25,722
Market cap	Rs.161bn
Shares outstanding	436m

Shareholding pattern (%)	Sep'25	Jun'25	Mar'25
Promoters	53.3	54.3	54.3
- of which, Pledged	-	-	-
Free float	46.7	45.7	45.7
- Foreign institutions	12.5	12.6	13.4
- Domestic institutions	22.9	21.6	20.6
- Public	11.4	11.6	11.7

Estimates revision (%)	FY26e	FY27e	FY28e
Sales	(0.6)	0.5	0.5
EBITDA	(3.7)	(4.4)	(0.6)
PAT	(3.9)	(4.6)	(0.2)

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

Prasheel Gandhi
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	**48,567**	**55,778**	**59,798**	**68,082**	**76,711**
Growth (%)	17.7	14.8	7.2	13.9	12.7
Direct costs	32,240	35,558	38,032	43,164	48,635
Gross margins (%)	33.6	36.3	36.4	36.6	36.6
SG&A	12,059	15,088	16,566	18,020	19,612
EBITDA	**4,267**	**5,132**	**5,200**	**6,898**	**8,464**
EBITDA margins (%)	**8.8**	**9.2**	**8.7**	**10.1**	**11.0**
- Depreciation	809	957	1,082	1,193	1,295
Other income	340	209	239	272	307
Interest expenses	395	245	120	136	153
PBT	3,403	4,139	4,238	5,842	7,323
Effective tax rates (%)	24.3	24.2	24.7	25.2	25.2
+ Associates / (Minorities)	-	-	-	-	-
Net income	2,576	3,137	3,191	4,371	5,480
Adj. income	**2,576**	**3,137**	**3,191**	**4,371**	**5,480**
WANS	434.4	435.8	435.8	435.8	435.8
FDEPS (Rs)	**5.9**	**7.2**	**7.3**	**10.0**	**12.6**
FDEPS growth (%)	36.2	21.8	1.7	37.0	25.4

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	434	436	436	436	436
Net worth	18,142	20,978	23,297	26,492	30,621
Debt	2,910	108	-	-	-
Minority interest	-	-	-	-	-
DTL / (Assets)	919	906	906	906	906
Capital employed	**21,972**	**21,992**	**24,203**	**27,398**	**31,526**
Net tangible assets	6,463	6,705	7,370	7,678	7,883
Net intangible assets	4,350	4,505	4,505	4,505	4,505
Goodwill	2,528	2,528	2,528	2,528	2,528
CWIP (tang. & intang.)	248	486	986	50	50
Investments (strategic)	714	717	717	717	717
Investments (financial)	313	130	130	130	130
Current assets (excl. cash)	16,325	17,575	18,429	20,609	23,221
Cash	574	645	1,676	5,001	8,064
Current liabilities	9,543	11,299	12,138	13,820	15,571
Working capital	6,782	6,276	6,291	6,789	7,649
Capital deployed	**21,972**	**21,992**	**24,203**	**27,398**	**31,526**
Contingent liabilities	647	700	-	-	-

Fig 3 – Cashflow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT (adj. for OI & interest)	**3,459**	**4,176**	**4,118**	**5,705**	**7,169**
Non-cash Items	809	957	1,082	1,193	1,295
Oper. prof. before WC	4,267	5,132	5,200	6,898	8,464
-Incr. / (decr. in WC)	664	506	(15)	(498)	(860)
Others inc. taxes	(827)	(1,002)	(1,047)	(1,470)	(1,843)
Cashflow from operations	**4,104**	**4,636**	**4,138**	**4,929**	**5,760**
Capex (tang. + intang.)	1,692	1,592	2,247	564	1,500
Free cashflow	**2,412**	**3,044**	**1,891**	**4,366**	**4,260**
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	652	654	872	1,177	1,351
+ Equity raised	2	1	-	-	-
+ Debt raised	(1,286)	(2,802)	(108)	-	-
- Fin Investments	625	(181)	-	-	-
- Misc. items (CFI + CFF)	(53)	(301)	(120)	(136)	(153)
Net change in cashflow	**(95)**	**71**	**1,031**	**3,325**	**3,063**

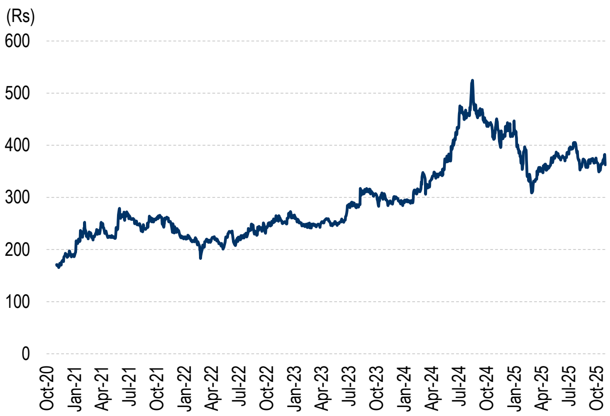
Source: Company

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	61.0	50.3	49.4	36.1	28.8
EV / EBITDA (x)	37.4	30.6	30.0	22.1	17.7
EV / Sales (x)	3.3	2.8	2.6	2.2	2.0
P/B (x)	8.7	7.5	6.8	6.0	5.2
RoE (%)	14.2	15.0	13.7	16.5	17.9
RoCE (%) - after tax	11.9	14.4	12.8	15.6	17.0
RoIC (%) – after tax	12.9	15.4	14.3	19.8	23.7
DPS (Rs)	1.5	1.5	2.0	2.7	3.1
Dividend yield (%)	0.4	0.4	0.6	0.7	0.9
Dividend payout (%) - incl. DDT	25.3	20.8	27.3	26.9	24.7
Net debt / equity (x)	0.1	(0.0)	(0.1)	(0.2)	(0.3)
Receivables (days)	45	35	35	35	35
Inventory (days)	61	65	62	60	60
Payables (days)	41	43	43	43	43
CFO : PAT %	159.3	147.8	129.7	112.8	105.1

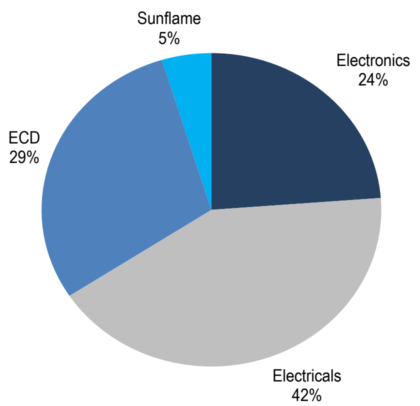
Source: Company

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Revenue mix, Q2 FY26



Source: Company

Fig 7 – Financial performance

Quarterly (Rs m)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Y/Y (%)	Q/Q (%)
Net sales	**11,338**	**11,654**	**13,428**	**14,771**	**12,940**	**12,687**	**15,381**	**14,661**	**13,409**	***3.6***	***(8.5)***
Gross profit	3,828	3,929	4,602	5,363	4,638	4,587	5,463	5,407	5,038	*8.6*	*(6.8)*
Margin (%)	*33.8*	*33.7*	*34.3*	*36.3*	*35.8*	*36.2*	*35.5*	*36.9*	*37.6*	*173 bps*	*69 bps*
EBITDA	**925**	**1,016**	**1,279**	**1,558**	**1,103**	**1,041**	**1,431**	**1,236**	**1,093**	***(0.9)***	***(11.6)***
Margin (%)	*8.2*	*8.7*	*9.5*	*10.5*	*8.5*	*8.2*	*9.3*	*8.4*	*8.1*	*(37) bps*	*(28) bps*
Depreciation	198	191	222	217	221	250	268	263	270	*21.9*	*2.5*
Interest	93	94	99	86	76	58	26	43	21	*(71.9)*	*(50.1)*
Other income	142	32	49	69	41	54	45	53	49	*21.2*	*(6.5)*
Extraordinary items	-	-	-	-	-	-	-	-	-	*NA*	*NA*
PBT	**775**	**763**	**1,006**	**1,324**	**846**	**787**	**1,182**	**983**	**851**	***0.5***	***(13.4)***
Tax	198	180	245	334	212	185	271	244	198	*(6.8)*	*(18.9)*
ETR (%)	*25.5*	*23.6*	*24.3*	*25.2*	*25.1*	*23.5*	*22.9*	*24.8*	*23.3*		
Reported PAT	577	582	762	990	634	602	911	738	653	*3.0*	*(11.6)*
Adj. PAT	**577**	**582**	**762**	**990**	**634**	**602**	**911**	**738**	**653**	***3.0***	***(11.6)***
Adj. EPS	**1.3**	**1.3**	**1.8**	**2.3**	**1.5**	**1.4**	**2.1**	**1.7**	**1.5**	***2.4***	***(12.1)***

Source: Company

As % of income	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	bps y/y	bps q/q
Gross margins	33.8	33.7	34.3	36.3	35.8	36.2	35.5	36.9	37.6	*173*	*69*
SG&A	25.6	25.0	24.7	25.8	27.3	27.9	26.2	28.4	29.4	*211*	*98*
EBITDA margins	8.2	8.7	9.5	10.5	8.5	8.2	9.3	8.4	8.1	*(37)*	*(28)*
Depreciation	1.7	1.6	1.7	1.5	1.7	2.0	1.7	1.8	2.0	*30*	*22*
Interest	0.8	0.8	0.7	0.6	0.6	0.5	0.2	0.3	0.2	*(43)*	*(13)*
Other income	1.2	0.3	0.4	0.5	0.3	0.4	0.3	0.4	0.4	*5*	*1*
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-
PBT	6.8	6.5	7.5	9.0	6.5	6.2	7.7	6.7	6.3	*(19)*	*(36)*
ETR	25.5	23.6	24.3	25.2	25.1	23.5	22.9	24.8	23.3	*(183)*	*(158)*
Adj. PAT margins	5.1	5.0	5.7	6.7	4.9	4.7	5.9	5.0	4.9	*(3)*	*(17)*

Source: Company

Particulars (Rs m)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Y/Y (%)	Q/Q (%)
Net sales											
Electronics	2,551	2,236	3,228	5,131	3,030	2,860	4,075	5,363	3,191	*5.3*	*(40.5)*
Electricals	4,623	4,727	5,814	4,877	5,376	4,786	6,661	5,247	5,626	*4.7*	*7.2*
ECD	3,547	3,928	3,657	4,176	3,923	4,248	4,092	3,496	3,961	*1.0*	*13.3*
Sunflame	617	763	730	587	611	794	553	555	631	*3.4*	*13.7*
Sales mix (%)											
Electronics	22.5	19.2	24.0	34.7	23.4	22.5	26.5	36.6	23.8		
Electricals	40.8	40.6	43.3	33.0	41.5	37.7	43.3	35.8	42.0		
ECD	31.3	33.7	27.2	28.3	30.3	33.5	26.6	23.8	29.5		
Sunflame	5.4	6.5	5.4	4.0	4.7	6.3	3.6	3.8	4.7		
EBIT											
Electronics	378	338	483	1,035	595	562	778	1,049	549	*(7.7)*	*(47.7)*
Electricals	383	521	724	492	491	429	769	474	650	*32.3*	*37.2*
ECD	(9)	201	129	217	160	177	139	(72)	69	*(56.9)*	*NA*
Sunflame	37	96	73	27	9	22	6	24	41	*380.2*	*70.0*
EBIT margins (%)											
Electronics	14.8	15.1	15.0	20.2	19.6	19.6	19.1	19.6	17.2	*(243) bps*	*(236) bps*
Electricals	8.3	11.0	12.5	10.1	9.1	9.0	11.5	9.0	11.6	*242 bps*	*253 bps*
ECD	(0.3)	5.1	3.5	5.2	4.1	4.2	3.4	(2.1)	1.7	*(234) bps*	*380 bps*
Sunflame	6.0	12.6	10.0	4.7	1.4	2.8	1.1	4.4	6.5	*513 bps*	*216 bps*

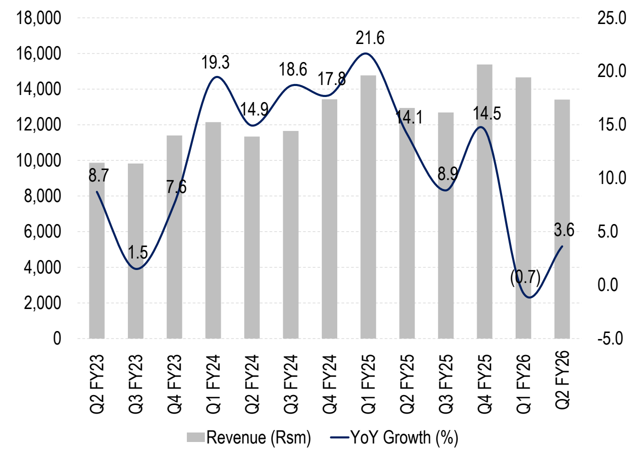
Source: Company

Q2 FY26 concall takeaways

Financial and business outlook

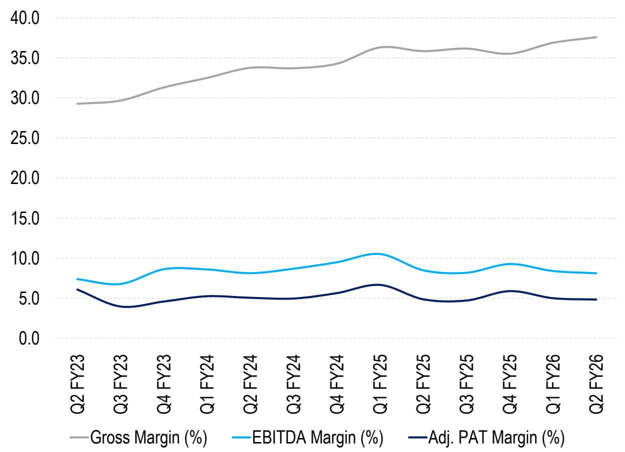
- The Q2 gross margin rose to 37.6%, driven by a better sales mix and greater plant utilisation. Most of the possible margin expansion has already been attained, and further improvement is likely to be limited.
- Rs1.2bn-1.3bn capex in FY26 and FY27 each will be for an R&D centre, a fans factory, moulds & dies, and maintenance.
- 15% sales growth in FY26 appears challenging given a weak H1, though the company maintains a 14–15% CAGR target in the medium term.
- GST reduced on lead-acid batteries (from 28% to 18%) and solar products (from 12% to 5%).
- The non-southern contribution to total sales is expected to rise to ~60% in 3-4 years, from ~50% now.
- Aims to add 5,000 touchpoints annually.

Fig 8 – Revenue grew 3.6% y/y



Source: Company

Fig 9 – Gross margins expanded 173bps y/y to 37.6%



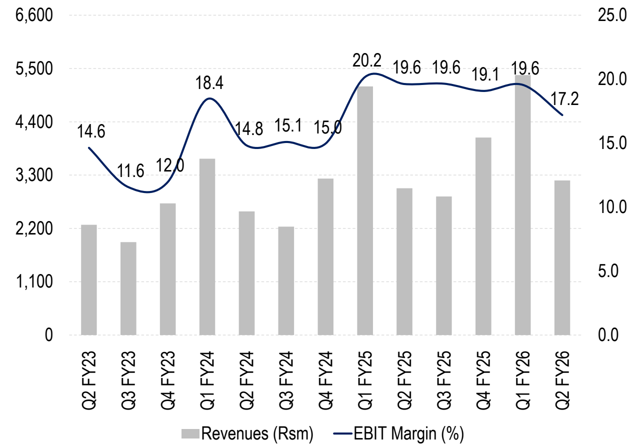
Source: Company

Electronics and electricals

- The prolonged monsoon curbed demand for stabilisers and inverters.
- Stabiliser sales declined y/y; TV and refrigerator stabilisers did well, but AC stabilisers were hit by weak AC sales.
- Inverters grew decently; the solar business grew strong on a low base.
- Phase 1 of the battery plant commenced operations at 50% utilisation, with a target to reach 80% in two years.
- House-wire sales grew in single digits, driven by price hikes; Slowing construction due to heavy rains curtailed demand. VGRD is not present in cables, only in B2C house-wires.
- House-wire margins expanded as higher selling prices coincided with lower-cost inventory.
- Pump sales were flat y/y; the company is exploring entry into solar pumps.
- Electricals margins normalized at 10.5%, with expected variation of ±100bps.

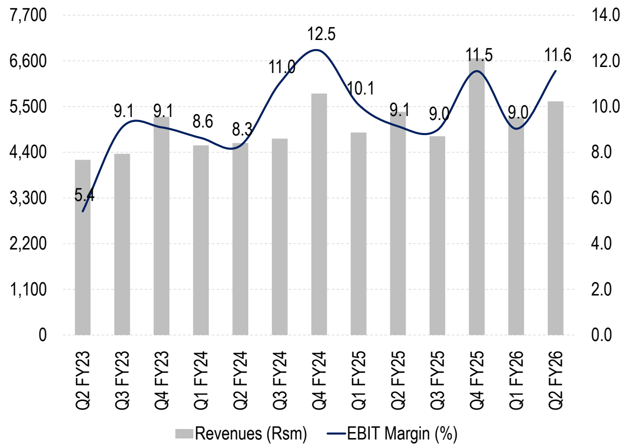
- Electronics margins normalized at 17–18%, supported by more in-house manufacturing (from 20% to 50–60% in five years).
- Solar inverters are growing rapidly; margins slightly lower than non-solar inverters.
- V-Guard remains focused on B2C customers but is evaluating B2B solar opportunities (rooftops, pumps, government projects).
- In lighting, the focus continues on optimising the product mix.
- Plans to launch V-Guard Gegadyne batteries with inverters within a year, offering superior life, performance, and safety versus lead-acid batteries.

Fig 10 – Electronics revenue grew 5.3% y/y



Source: Company

Fig 11 – Electricals revenue grew 4.7% y/y

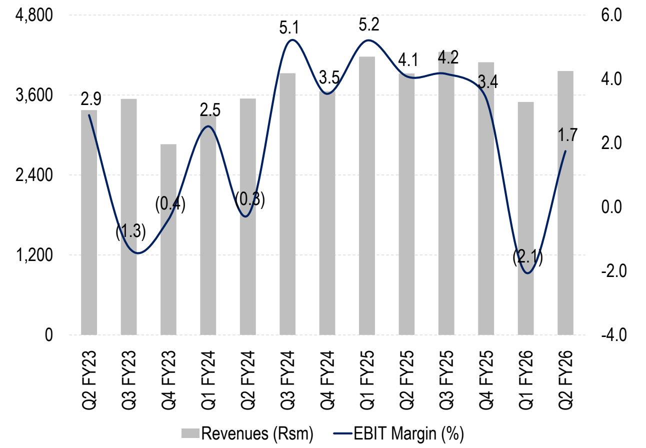


Source: Company

Consumer durables, Sunflame

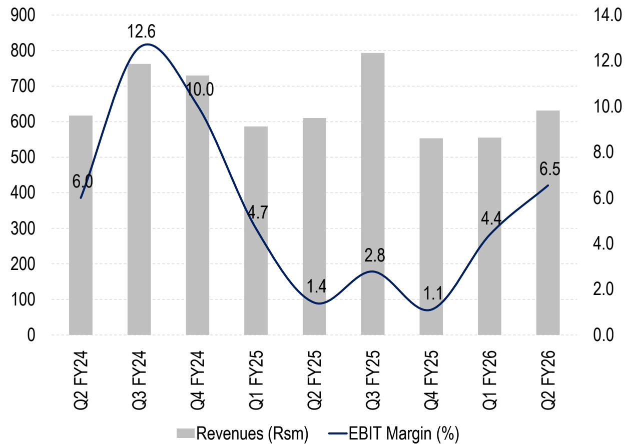
- Unseasonal rains curbed demand for fans and air-coolers.
- Fans and water heaters form the bulk of sales of consumer durables.
- Ceiling fans saw flat to low single-digit growth, while TPW fans reported a double-digit decline.
- A 5-8% price hike is expected in economy fans (1-star and 2-star) on the BEE implementation from 1st Jan'26. V-Guard has limited exposure to this segment.
- Ceiling fan channel inventory is normal; TPW fans have higher inventory, accounting for 25–30% of fan sales.
- Winter portfolio gaining traction, with water heaters doing well amid stiff competition.
- Target to lift consumer durables margin to 5–6% in the next couple of years.
- Sunflame merger to unlock synergies in customer service, quality, logistics, bulk sourcing and GTM, aiding expansion in the south and east.
- Aims to improve Sunflame margins to ~12% in 2–3 years.
- Now run independently, Sunflame's integration with V-Guard is underway.
- For Sunflame, the CSD channel is weak, while e-commerce is expected to pick up in 3–6 months.

Fig 12 – CD revenue grew 1% y/y



Source: Company

Fig 13 – Sunflame revenue grew 3.4% y/y



Source: Company

Outlook, Valuations

Demand was soft in H1 FY26, though personal income-tax cuts and recent GST reductions should help consumption recover in H2. The Sunflame integration with V-Guard is progressing smoothly, and we expect synergies in customer service, product quality, logistics, bulk sourcing and channel reach in the medium term. We model 11.2/20.4% revenue/PAT CAGRs over FY25–28, driving a 570bp RoCE expansion to 22.7%. Post-Q2, we trim our FY26e/FY27e/FY28e margins 3bps/5bps/1bps to reflect a slower-than-expected recovery in consumer durables. At the CMP, the stock trades at 36.1x/28.8x FY27e/FY28e EPS, close to its –1SD historical valuation, implying limited downside. We maintain a Buy with a Rs455 TP (based on 40x Sep'27E EPS).

Fig 14 – Actuals vs ours vs Bloomberg estimates

Q2 FY26 (Rs m)	Actuals	Our Estimates	Deviation (%)	BBG Estimates	Deviation (%)
Net Sales	13,409	13,754	*(2.5)*	13,660	*(1.8)*
EBITDA	1,093	1,047	*4.4*	1,098	*(0.5)*
EBITDA margins, %	*8.1*	*7.6*	*54 bps*	*8.9*	*(74) bps*
Adj. PAT	653	626	*4.3*	632	*3.3*

Source: Company, Bloomberg, Anand Rathi Research

Fig 15 – Change in estimates

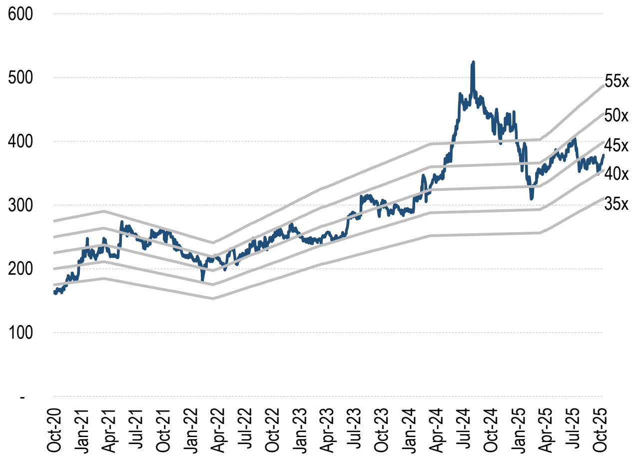
Description	Old			New			Change (%)		
(Rs m)	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28e
Net sales	59,798	68,082	76,711	60,131	67,724	76,294	*(0.6)*	*0.5*	*0.5*
EBITDA	5,210	6,907	8,473	5,412	7,226	8,528	*(3.7)*	*(4.4)*	*(0.6)*
EBITDA margins, %	*8.7*	*10.1*	*11.0*	*9.0*	*10.7*	*11.2*	*(3bps)*	*(5bps)*	*(1bp)*
PBT	4,238	5,842	7,323	4,409	6,124	7,339	*(3.9)*	*(4.6)*	*(0.2)*
Adj. PAT	3,191	4,371	5,480	3,319	4,583	5,492	*(3.9)*	*(4.6)*	*(0.2)*
Adj. EPS	7.3	10.0	12.6	7.6	10.5	12.6	*(3.9)*	*(4.6)*	*(0.2)*

Source: Anand Rathi Research

Key risks

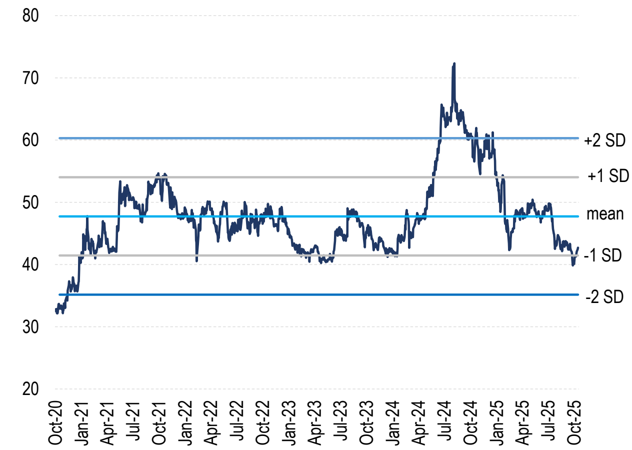
- Copper price volatility may impact wire sales.
- Inability to offset BEE-related cost pressures could weigh on margins.

Fig 16 – P/E band



Source: Company, Anand Rathi Research

Fig 17 – The stock is trades at -1SD



Source: Company, Anand Rathi Research

Appendix

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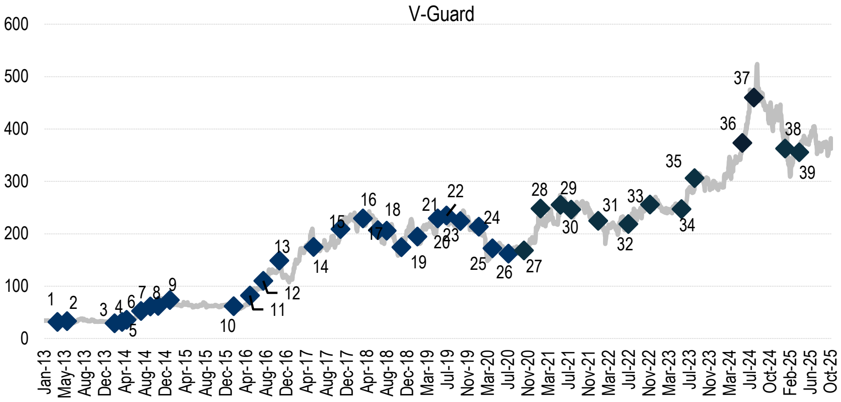

	Date	Rating	TP (Rs)	Share Price (Rs)
24	03-Feb-20	**Hold**	251	220
25	23-Apr-20	**Hold**	201	175
26	28-Jul-20	**Hold**	189	165
27	29-Oct-20	**Hold**	200	168
28	04-Feb-21	**Hold**	272	250
29	27-May-21	**Hold**	286	262
30	02-Aug-21	**Hold**	278	247
31	05-Feb-22	**Hold**	230	216
32	29-Jul-22	**Hold**	237	226
33	09-Nov-22	**Sell**	182	262
34	01-Jun-23	**Sell**	195	251
35	10-Aug-23	**Sell**	223	308
36	20-May-24	**Hold**	395	368
37	28-Jul-24	**Hold**	485	457
38	30-Jan-25	**Buy**	460	357
39	15-May-25	**Buy**	475	357

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Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
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Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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