

GRIT TO GLORY

A 40-YEAR JOURNEY



V-Guard Industries Limited
Annual Report 2016-17

Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of V-Guard Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the V-Guard Industries Limited Annual Report 2016-17.

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GRIT TO GLORY

The 40-year story of V-Guard Industries Limited has been marked by sweeping changes.

Changes in governments, economic policies, trade cycles, consumer preferences, tariffs and disposable incomes.

There is just one reason why V-Guard survived and succeeded.

Grace under pressure.
Grit amidst challenges.

The result is India's fastest growing consumer electrical company.

Corporate information

V-Guard, India's fastest growing Consumer Electrical Company.

Standing for trust, quality, convenience and values.

And demonstrating that when you address challenges with grit, the result is glory.

BRAND

The V-Guard brand enjoys a positive and enduring recall for the ability to develop products that address unmet consumer needs, deliver service outperformance and are extensively trusted. Besides, the company's brand in the minds of its trade partners is that of fair and ethical practices.

RESEARCH AND DEVELOPMENT

V-Guard's 100-member R&D Centre is committed to innovate products around a single-minded objective to enhance customer delight. The R&D wing was conferred the coveted DSIR recognition of 'In-house R&D Centre' in 2012-13, a distinction enjoyed by select electrical and electronics manufacturing companies in India.

VISION

Let us endeavour to make V-Guard a trusted household name

MISSION

To offer a range of products at affordable prices, which add to comfort of life through saving in manual labour, time and energy or for entertainment.

To make our products meet international quality

standards and provide trouble-free performance.

To adopt designs, which support timely and efficient post-sale service.

To continuously innovate and add value to our products, if needed with technical collaboration.

To continuously assess and improve customer care.

BACKGROUND

In 1977, Mr. Kochouseph Chittilappilly commissioned a small unit in Kerala to manufacture voltage stabilizers with ₹100,000 borrowed from his father. Over the decades, V-Guard has emerged as a respected pan-India brand synonymous with voltage stabilizers and modern value-enhancing products.

PRODUCTS

The company's product range comprises Voltage Stabilizers, Inverter and Inverter Batteries, Electric Water Heaters, Solar Water Heaters, Domestic Pumps and Motors, Agricultural Pumps, Domestic Switch Gears, House Wiring Cables, Induction Cooktops, Mixer Grinders, Solar Inverters, Fans and Gas Stoves.

Our 40-year journey

1977

Kochouseph Chittilappilly commenced V-Guard Stabilizer manufacture in Kerala

1980

Launched stabilizers for air-conditioners

1992

Launched pumps

1996

Launched water heaters

1997

Launched wiring cables

1999

Commissioned cable manufacturing unit in Coimbatore

2002

Launched solar water heaters

2006

Launched electric fans

2007

Opened more non-South India branches



ELECTRIC FAN

Factory: Kala Amb, Himachal Pradesh

Locational advantages: Excise Duty & IT exemption

Installed capacity: Ceiling fans (peak capacity 3000 units a month).

Production: 34% capacity utilization in 2016-17

Initiatives: Produced premium decorative models.



PUMPS

Factory: Coimbatore.

Locational advantages: Raw material availability, skilled labour availability, market proximity

Installed capacity: Single phase pumps and motors (3200 units / month).

Production: Average capacity utilization 95% in 2016-17

Initiatives: Addressed demand spike through alternative sourcing. Appreciable decline in quality issues. New liquid paint booth installed to enhance productivity.



SOLAR WATER HEATER

Factory: Perundurai, Erode (Tamil Nadu).

Locational advantages: Uninterrupted power and water supply, proximity to key markets, good road connectivity.

Installed capacity: 90,000 units per annum

Certifications: MNRE -approved channel partner for SWH manufacturing



HOUSE WIRING CABLE

Factory: Kashipur (Uttarakhand)

Installed capacity: 75 lakhs coils per annum

Locational advantages: Tax holidays and proximity to Non-South markets

Factory: Chavadi (Tamil Nadu)

Installed capacity: 104.4 lakhs coils per annum

Locational advantages: Proximity to South markets



WATER HEATER

Factory: Kala Amb, Himachal Pradesh

Locational advantages: Excise Duty & IT exemption

Installed capacity: 5.5 lakhs units per annum

A new unit for water heaters has been established in Sikkim during the year 2016-17

AWARDS

- Superbrand Award for Stabilizers, 2015-16
- Golden Leaf Award for Architectural Excellence, State level (Corporate office) by Indian Institute of Architects, 2011
- Rotary Binani Zinc CSR Award for Corporate Social Responsibility by Rotary Club of Metropolis, NIPM Kerala Chapter, 2011
- Commendation Certificate from

Energy Management Centre, Kerala for 'Star-labelled equipment', 2010

- Social Safety Award by National Safety Council, 2010
- Excellence in Business by Times of India/The Economic Times, 2009
- Industry Excellence Award 1998-99

Awards for our wires and cables divisions

- Two Platinum Awards in National level QC Contest Organized ABK AOTS

DOSOKAI, Delhi

- Two Platinum Awards in SMED Contest organized by ABK AOTS DOSOKAI, Chennai
- Two Gold Category Awards in Quality Circle Contest organized by QCFI Coimbatore Chapter
- Two Gold and Two platinum Awards in Poka Yoke Contest organized by ABK AOTS DOSOKAI, Chennai

2008

Initial public offer; company listed on BSE and NSE

2009

Launched DUPS and battery; commissioned LT cable factory

(Coimbatore); commissioned wire & cable factory (Kashipur); commissioned water heater and fans factory (Kala Amb)

2012

Mithun K. Chittilappilly appointed as Managing Director; turnover crossed ₹1000 cr; launched induction cooktops and switch gears

2013

Set up new solar water heater plant; launched mixer grinders

2014

Turnover crossed ₹1500 cr.

2016

Launched gas stove.







Pan-Indian personality

V-Guard desired to evolve from a South Indian company to a pan-Indian entity

South Indian by origin and presence. At V-Guard, even as we continued to grow in South India, we found this description limiting.

In 2007, we resolved to enter the markets beyond South India.

The challenges were considerable. We had no experience of working outside our traditional geographies. Not many dealers knew of our company outside South India. We needed additional resources to invest in brand building.

At V-Guard, we created a new distribution network from scratch and promoted the brand through electronic media. We recruited people familiar with those markets.

The proportion of revenues from non-South Indian markets increased. Our complete dependence on South India declined. In the space of just ten years ending 2016-17, the proportion of revenues from non-South markets has strengthened to 35% per cent of our overall income;

We are pleased to state that in the last few years our brand positioning has substantially evolved as well we are now perceived as a pan-Indian brand even as a large portion of our revenues continue to be derived from South India.

Better still, V-Guard has evolved into one of the most attractive proxies of India's electronic and electrical sector.

Grit to glory.

Balance Sheet integrity

Our dream was to replace the debt on books with net cash

At V-Guard, we began to run our business differently. We created a larger portfolio, widened and deepened our distribution, strengthened our terms of trade, located new manufacturing facilities in tax-efficient locations, increased the proportion of manufactured products within our throughput to capture a larger value-chain, moderated our cost structure and used our accruals to repay debt.

Until the first half of 2015-16, we had debt on our books, which was completely liquidated by the end of that financial year. The company's cash pool had grown to ₹104.6 crs as on March 31, 2017. The time has come when the company is financing its capital expenditure and working capital needs from within.

Grit to glory.

Getting younger

V-Guard is a 40-year-old company that became younger even as it got older

Even as recently as the turn of this decade, V-Guard was perceived as a middle-aged brand in a young sector.

The world was being increasingly influenced by a Millennial mindset; India was getting younger; young earners were spending higher.

At V-Guard, we consciously transformed our internal demographics.

We recruited young professionals, plugged senior management gaps, enhanced HR function automation through an intranet portal, replaced the sourcing of strategic hires from consultants to captive lead generation and implemented the Balanced Scorecard for a scientific performance appraisal.

Grit to glory.

Project Tez

How V-Guard is enhancing its trade partner service through Sales Force Automation

Over the years, as V-Guard grew, the company recognised that it was being challenged by the need to derive a precise understanding of marketplace trends and moods.

The company needed to engage wider, deeper and more frequently with its trade partners.

To make this a reality, the company launched a sales force automation initiative. This exercise will make it possible for all trade information to be captured in an electronic tablet connected through the internet to the ERP.

These are the perceived benefits: sales engagement will be faster; information access about marketplace realities will be virtually in real-time; the company's responsiveness to marketplace realities correspondingly quicker.

Going ahead, we believe that Project Tez will enhance our trade partner morale, make it possible for the company (and its trade partners) to capture every demand upturn and enrich our recall around immediate and outstanding service.

Grit to glory.

Project Udaan

How V-Guard is redefining the art of Supply Chain Management

In a business marked by a large number of products warranting the use of an even larger number of components from diverse vendors, there was a premium on the need to enhance the science in component ordering, aggregation, storage and access.

The company believed that superior supply chain management could potentially eliminate inefficiencies, liberate resources and generate incremental margins. The result is that

project Udaan was initiated in 2014.

This supply chain initiative has transformed the way in which we plan production, sales, material procurement and finished goods delivery.

The project has delivered substantial gains, moderated inventories, strengthened working capital management and enhanced overall competitiveness.

Grit to glory.

Project Parivarthan

How V-Guard is driving its Customer Service

At V-Guard, we always believed that customer service was core to our existence.

The challenge lay in either maintaining or enhancing service quality in line with enhanced distribution, sales footprint, portfolio growth and revenue increase.

The result is that V-Guard transformed its conventional service delivery model.

The company engaged Authorised Service Providers pan-India. The new service system was structured around

Siebel-CRM. Besides, a centralized call-center was established to address customer complaints.

The technicians of Authorised Service Providers were given adequate training. All complaints are addressed within 48 hours of receipt; customer feedback is derived through a Happy Calling facility with the objective to enhance service quality.

Grit to glory.

Manufacturing focus

How V-Guard is expanding its manufacturing footprint

The Company entered the electrical business through in house manufacture of products.

V-Guard commenced manufacturing operations by setting up a unit for House Wiring Cables in 1999 at Coimbatore; it started a unit for single phase pumps in Coimbatore thereafter.

For a number of years, the company's manufacturing operations were based out of South India. As the company's ambitions became progressively pan-Indian, there was a growing need to commission manufacturing facilities across the country.

The company responded to this priority.

The company expanded its House Wiring Cable capacity by commissioning another

unit at Kashipur in 2009; it established production units for Fans and Electric Water Heaters that same year in Kala Amb, both in North India.

The company commenced a state-of-the-art production facility with adequate storage facility for Solar Water Heater in 2012 at Perundurai, Tamil Nadu.

To address the requirements of non-south Indian customers, the company established a unit to manufacture Electronic Voltage Stabilizer and Electric Water Heater in Sikkim.

Today, V-Guard is pan-India in its manufacturing footprint across eight locations.

Grit to glory.

Product development

How V-Guard is creating products around innovation

At V-Guard, we believe that consumers seek the different.

At V-Guard, we evolved our product creation to address the emerging needs of customers.

An increasing number of consumers did not seek the conventional any longer. There was a growing need for products to be modern and technology-driven.

V-Guard responded to this challenging consumer need.

The company's conviction was showcased in Verano, its IoT-enabled water heater.

Which could be connected to internet. Which could be activated from a remote location. Which could adequately warm water just when needed. Which could send an 'I am not well' message to the user's smartphone when it needed repairs.

Even as this product has been launched in only select geographies, consumer responses have been remarkable.

Helping transform the brand of the company from a manufacturer of the usual to the cutting-edge unusual.

Grit to glory.