BUY
TP: Rs 360 | ▲ 28%

V-GUARD INDUSTRIES

Consumer Durables | 02 November 2026

Growth moderates, gross margin under pressure

- **Revenue grew 38% YoY and EBITDA 54%, both ahead of our estimates, as operating leverage outweighed a 324bps fall in gross margin**
- **Electronics (+60% YoY) and Electricals (+41% YoY) led growth, while Consumer Durables margin rose on a low base**
- **We raise estimates, roll forward to Sep'28E and assign 30x Sep'28E EPS to arrive at a Sep'27 TP of Rs 360. Maintain BUY**

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Revenue and EBITDA beat estimates: VGRD's Q2FY27 revenue rose 38% YoY to Rs 18.5bn, 26% above our estimate. EBITDA grew 54% YoY to Rs 1.7bn, 33% ahead of our estimate. EBITDA margin was 9.1%, up 91bps YoY but down 149bps QoQ. Employee cost fell 151bps to 8.7% of sales while other expenses fell 265bps, including 60bps from lower A&P. Adj. PAT grew 71% YoY to Rs 1.1bn, 56% above our estimate, with no exceptional items.

Electricals growth driven by pricing: Electricals revenue rose 41% YoY to Rs 7.9bn. Management stated that wire growth came almost entirely from pricing, with flat volume, while pumps and switchgear grew on volume. EBIT rose 30% YoY to Rs 842mn, but margin fell 95bps YoY to 10.6%.

Electronics leads growth, margin dilutes: Electronics revenue rose 60% YoY to Rs 5.1bn on solar products and digital inverters and batteries. EBIT margin fell 123bps YoY to 16.0%. Management attributed this to slower price pass-through on electronic components and a mix shift towards rooftop solar.

Consumer Durables gains on low base: Consumer Durables revenue rose 20% YoY to Rs 4.8bn, led by induction cooktops and kitchen appliances. EBIT margin rose 297bps YoY to 4.7%, against a Q2FY26 base hit by A&P for a water heater launch.

Sunflame margin slips, lighting in test markets: Sunflame revenue rose 20% YoY to Rs 761mn, with gas stove sales flat. EBIT fell 14% YoY to Rs 36mn, and margin fell 185bps YoY to 4.7%. VGRD's lighting launch, now 3-4 months old, covers a few districts with 40–50% of planned SKUs in the market. Management targets a full portfolio by Apr–May 2027.

Raise estimates, maintain BUY: We raise our FY27E/FY28E/FY29E EPS by 13%/12%/7% for faster Electronics and Electricals growth and operating leverage, partly offset by a lower gross margin. We roll forward to Sep'28E and assign 40x on Sep'28 EPS, giving a Sep'27 TP of Rs 360. With 29% upside, we maintain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	VGRD IN/Rs 280
Market cap	US$ 1.3bn
Free float	44%
3M ADV	US$ 3.1mn
52wk high/low	Rs 381/Rs 260
Promoter/FPI/DII	56%/13%/19%

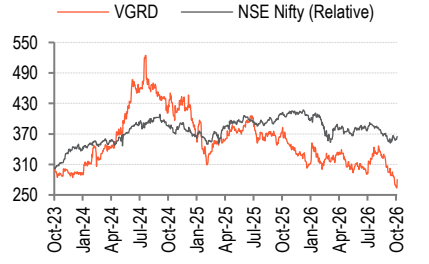
Source: NSE | Price as of 30 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	59,658	73,506	82,365
EBITDA (Rs mn)	5,268	7,113	8,109
Adj. net profit (Rs mn)	3,304	4,345	4,992
Adj. EPS (Rs)	7.6	10.1	11.6
Adj. ROAE (%)	12.8	17.0	17.0
Adj. P/E (x)	36.6	27.9	24.3
EV/EBITDA (x)	23.0	17.0	14.9
Adj. EPS growth (%)	5.3	31.5	14.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY27 financial snapshot

Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)	Q2FY27E	Var (%)
Revenue	18,529	13,409	38	18,107	2	36,635	28,070	30.5	14,730	26
EBITDA	1,679	1,093	54	1,910	(12)	3,589	2,329	54.1	1,265	33
EBITDA Margin (%)	9.1	8.1	90bps	10.5	(150bps)	9.8	8.3	150bps	8.6	50bps
Depreciation	289	270		277		566	533		280	3
Interest	30	21		31		61	64		30	(2)
Other Income	137	49		117		253	102		60	128
PBT	1,497	851	76	1,719	(13)	3,216	1,833	75.4	955	57
Tax	381	198		416		797	442		237	61
Adjusted PAT	1,117	653	71	1,303	(14)	2,419	1,391	73.9	718	56
Exceptional item	-	-		-		-	-		-	
Reported PAT	1,117	653	71	1,303	(14)	2,419	1,391	73.9	718	56
Adj. PAT Margin (%)	6.0	4.9	120bps	7.2	(120bps)	6.6	5.0	160bps	4.9	120bps
EPS (Rs)	2.5	1.5	71	3.0	(14)	5.5	3.2	73.9	1.6	55.6

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

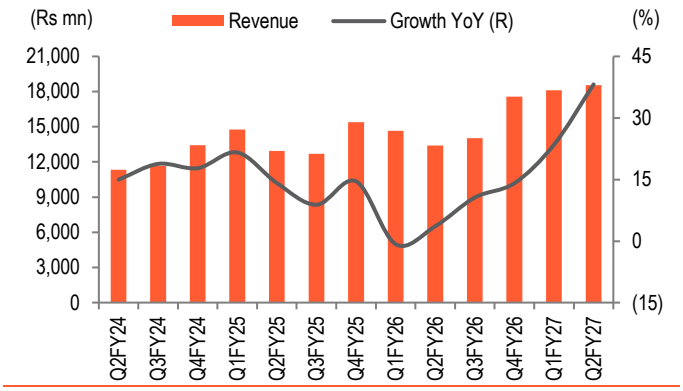
Particulars (Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Segment revenue								
Consumer Durables	4,752	3,961	20	4,167	14.0	8,919	7,457	20
Electricals	7,943	5,626	41	6,701	19	14,644	10,873	35
Electronics	5,102	3,191	60	6,585	(23)	11,687	8,554	37
Sunflame	761	631	20	657	16	1,418	1,187	19
EBIT								
Consumer Durables	224	69	224	149	50	373	(3)	(14454)
EBIT Margin (%)	*4.7*	*1.7*	*297bps*	*3.6*	*113bps*	*4.2*	*0.0*	*NA*
Electricals	842	650	30	706	19	1,549	1,124	38
EBIT Margin (%)	*10.6*	*11.6*	*(95bps)*	*10.5*	*6bps*	*10.6*	*10.3*	*24bps*
Electronics	814	549	48	1,307	(38)	2,121	1,597	33
EBIT Margin (%)	*16.0*	*17.2*	*(123bps)*	*19.8*	*(389bps)*	*18.2*	*18.7*	*(52bps)*
Sunflame	36	41	(14)	26	36	62	66	(6)
EBIT Margin (%)	*4.7*	*6.5*	*(185bps)*	*4.0*	*70bps*	*4.4*	*5.5*	*(116bps)*

Source: Company, BOBCAPS Research

Earnings Call Highlights

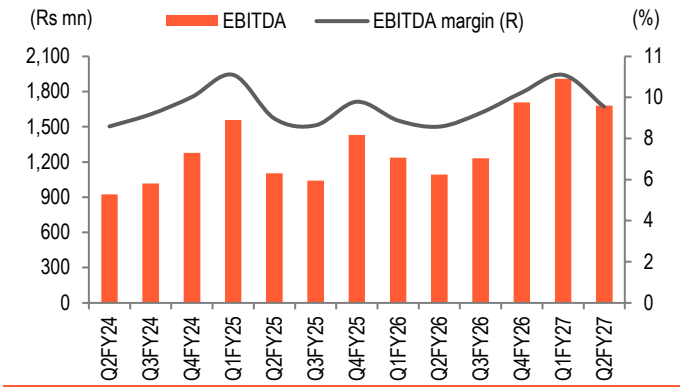
- **H2 volume growth seen at mid-teens:** Excluding wires, management put Q2FY27 growth at about 10% price and 25% volume. It expects H2FY27 volume growth to slow to about mid-teens against a higher H2FY26 base.
- **Pricing lag drove 2pp of margin gap:** Management stated that gross margin was about 3pp short of plan, with about 2pp from slow price pass-through and about 1pp from mix. Q1 had stated that 80–85% of the required pricing was done and that gross margin would stay stable.
- **Further price hikes to land in Q3FY27:** Price increases so far range from 6% to 12% by category, and input costs rose again in Sep–Oct 2026. Management stated that Consumer Durables price hikes slowed in the Q2 off-season and will be addressed in Q3FY27.
- **Q2 margin seasonally below Q1:** Management stated that Q2 margin is usually below Q1 because stabiliser and other high-margin sales are lower, and expects Q3 and Q4 to improve progressively. Asked about double-digit EBITDA margin from FY28, it stated that H1FY27 was already close to 9.5–10%, against the 9–10% medium-term target cited in Q1.
- **Electronics normal-year margin at 16–17%:** Management put Electronics EBIT margin at 16–17% in a normal year and about 18% in a good year. It expects Consumer Durables to sustain its current margin level.
- **Solar sold through residential system integrators:** About 75% of solar sales are 3–10kW residential systems sold through system integrators, with working capital similar to the company average. The products are outsourced for now, and management did not disclose solar revenue or margins.
- **Sunflame product refresh runs 6–12 months:** Management stated that the refresh covers almost all of Sunflame's dated range, has partly landed and will continue over the next 6–12 months. Q1 had set a 3–5 year path back to Sunflame's pre-acquisition financial profile.
- **South growth tied to extended summer:** South revenue grew 51% YoY against 23% for non-South, raising the South's share of revenue to 59% from 54%. Management attributed the gap to a long summer in the South, which left channel inventory low at the end of Q1, against intermittent rain in the north and east.
- **Channel inventory normal ahead of Diwali:** Management described channel inventory as normal, with Diwali sales in Oct–Nov and summer sell-in starting in late December. It stated that low rainfall and heat support demand for pumps, inverters and stabilisers.
- **Working capital days fell to 41:** TTM working capital days fell to 41 from 68 a year earlier. Net cash rose to Rs 5.3bn at end-Sep'26 from Rs 0.9bn. Management guided FY27 capex at about Rs 1.5bn, against the Rs 1.5–1.7bn annual range given in Q1.

Fig 3 – Revenue growth trend



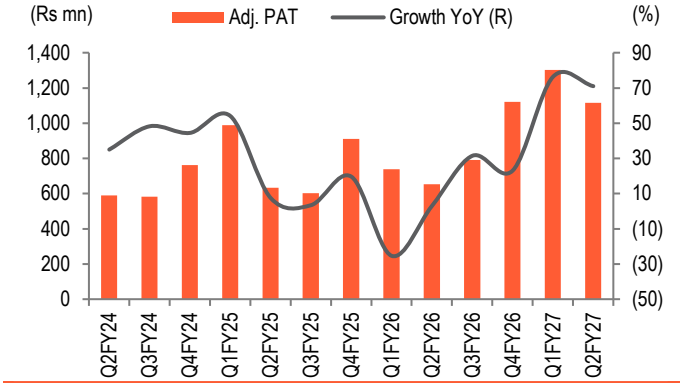
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend



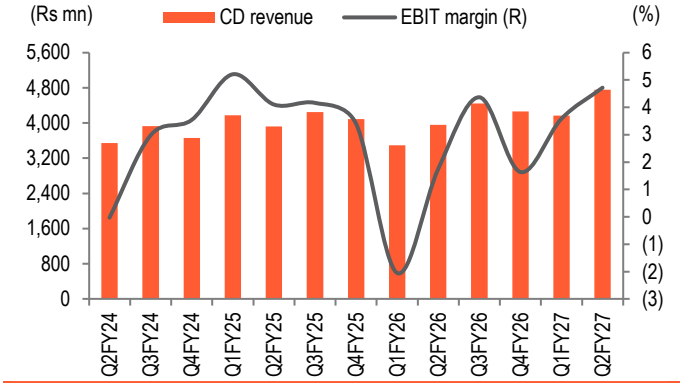
Source: Company, BOBCAPS Research

Fig 5 – PAT growth trend



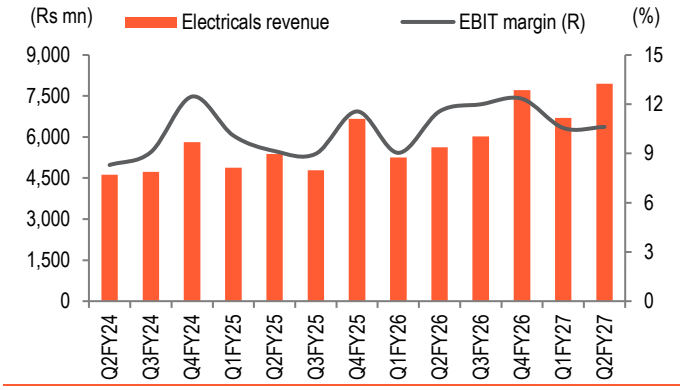
Source: Company, BOBCAPS Research

Fig 6 – Consumer Durables performance



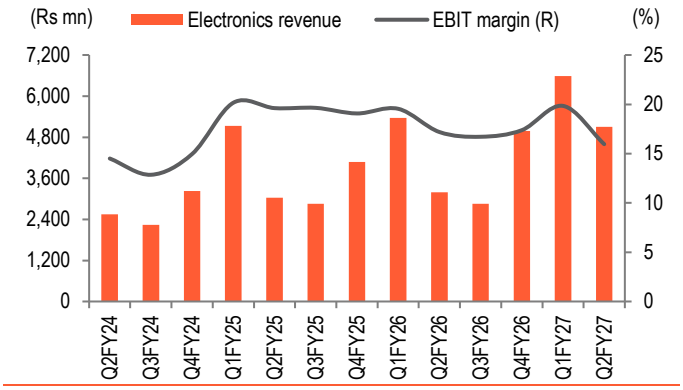
Source: Company, BOBCAPS Research

Fig 7 – Electricals business performance



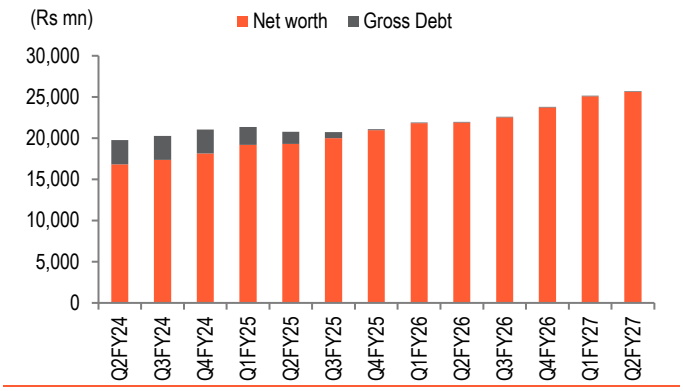
Source: Company, BOBCAPS Research

Fig 8 – Electronics business performance



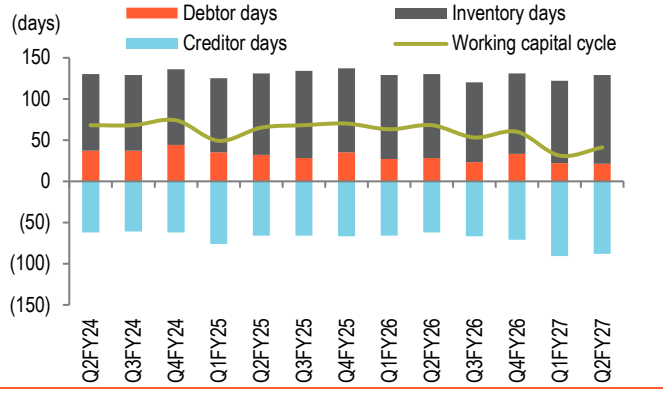
Source: Company, BOBCAPS Research

Fig 9 – Capital levels



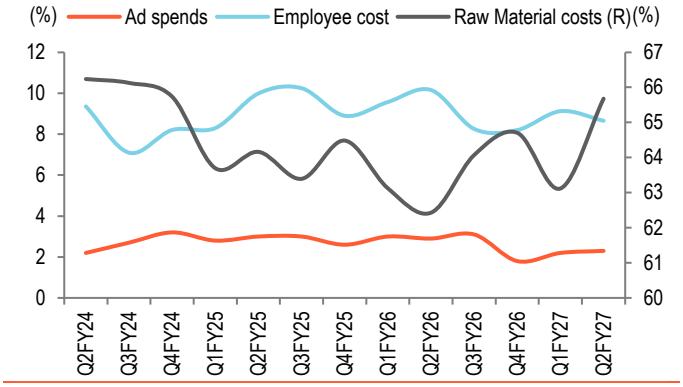
Source: Company, BOBCAPS Research

Fig 10 – Working capital cycle



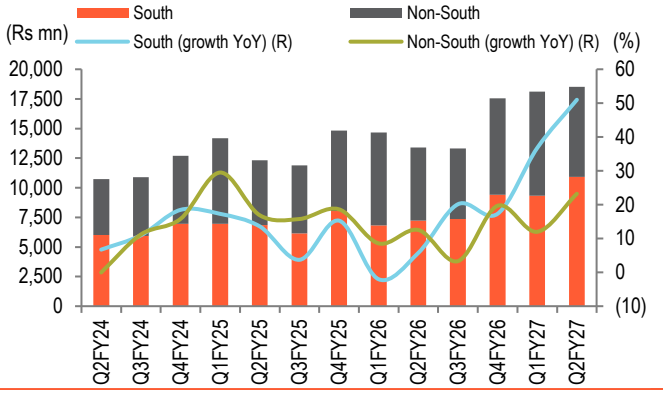
Source: Company, BOBCAPS Research

Fig 11 – Cost profile



Source: Company, BOBCAPS Research

Fig 12 – Geographical revenue breakdown for India



Source: Company, BOBCAPS Research

Valuation methodology

We raise our FY27E/FY28E/FY29E revenue by 6%/6%/5%, EBITDA by 11%/10%/6% and PAT by 13%/12%/7%. The drivers are faster Electronics and Electricals growth and operating leverage, partly offset by a lower gross margin. We value VGRD at 30x Sep'28E EPS which gives a Sep'27 TP of Rs 360 (from Rs 430), implying 29% upside. Maintain BUY.

Fig 13 – VGRD 1YF PE band chart



Source: Company, BOBCAPS Research

Fig 14 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	73,506	82,365	89,802	69,609	77,999	85,575	6	6	5
EBITDA	7,113	8,109	8,978	6,435	7,392	8,476	11	10	6
EBITDA Margin (%)	9.7	9.8	10.0	9.2	9.5	9.9	43bps	37bps	9bps
PAT	4,345	4,992	5,523	3,856	4,465	5,159	13	12	7

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**55,778**	**59,658**	**73,506**	**82,365**	**89,802**
EBITDA	5,132	5,268	7,113	8,109	8,978
Depreciation	957	1,079	1,151	1,227	1,329
EBIT	4,176	4,189	5,963	6,882	7,649
Net interest inc./(exp.)	(245)	(124)	(128)	(131)	(141)
Other inc./(exp.)	209	235	282	339	406
Exceptional items	0	0	0	0	0
EBT	4,140	4,300	5,809	6,674	7,384
Income taxes	1,002	996	1,464	1,682	1,861
Extraordinary items	0	(221)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**3,137**	**3,083**	**4,345**	**4,992**	**5,523**
Adjustments	0	(221)	0	0	0
Adjusted net profit	**3,137**	**3,304**	**4,345**	**4,992**	**5,523**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	6,570	7,385	11,076	12,411	13,532
Other current liabilities	3,552	3,164	3,898	4,368	4,762
Provisions	0	0	0	0	0
Debt funds	1,092	1,653	1,606	1,306	1,006
Other liabilities	1,191	1,206	1,206	1,206	1,206
Equity capital	436	437	437	437	437
Reserves & surplus	20,543	23,294	26,818	30,989	35,690
Shareholders' fund	20,978	23,731	27,255	31,425	36,127
Total liab. and equities	**33,382**	**37,137**	**45,040**	**50,715**	**56,632**
Cash and cash eq.	645	593	(2,069)	158	3,302
Accounts receivables	5,423	5,329	10,472	11,734	12,794
Inventories	9,973	10,239	14,903	16,699	18,206
Other current assets	1,484	3,484	4,293	4,810	5,245
Investments	0	0	0	0	0
Net fixed assets	5,297	6,621	6,571	6,443	6,215
CWIP	486	199	199	199	199
Intangible assets	8,447	6,912	6,912	6,912	6,912
Deferred tax assets, net	0	0	0	0	0
Other assets	1,627	3,760	3,760	3,760	3,760
Total assets	**33,382**	**37,137**	**45,040**	**50,715**	**56,632**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**4,770**	**4,586**	**(694)**	**4,448**	**5,365**
Capital expenditures	(1,198)	(1,792)	(1,100)	(1,100)	(1,100)
Change in investments	270	(1,886)	0	0	0
Other investing cash flows	(41)	39	0	0	0
Cash flow from investing	**(969)**	**(3,639)**	**(1,100)**	**(1,100)**	**(1,100)**
Equities issued/Others	80	60	0	0	0
Debt raised/repaid	(2,802)	(258)	(47)	(300)	(300)
Interest expenses	0	0	0	0	0
Dividends paid	(1,053)	(778)	(821)	(821)	(821)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(3,775)**	**(977)**	**(868)**	**(1,121)**	**(1,121)**
Chg in cash & cash eq.	**25**	**(31)**	**(2,662)**	**2,227**	**3,144**
Closing cash & cash eq.	**645**	**593**	**(2,069)**	**158**	**3,302**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	7.3	7.1	10.1	11.6	12.8
Adjusted EPS	7.3	7.6	10.1	11.6	12.8
Dividend per share	1.5	1.5	1.9	1.9	1.9
Book value per share	48.5	54.9	63.1	72.7	83.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.2	2.0	1.6	1.5	1.3
EV/EBITDA	23.6	23.0	17.0	14.9	13.5
Adjusted P/E	38.6	36.6	27.9	24.3	21.9
P/BV	5.8	5.1	4.4	3.9	3.4

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.8	66.6	74.8	74.8	74.8
Interest burden (PBT/EBIT)	99.1	102.7	97.4	97.0	96.5
EBIT margin (EBIT/Revenue)	7.5	7.0	8.1	8.4	8.5
Asset turnover (Rev./Avg TA)	10.5	9.0	11.2	12.8	14.5
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.2	0.2
Adjusted ROAE	16.0	12.8	17.0	17.0	16.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	14.8	7.0	23.2	12.1	9.0
EBITDA	20.3	2.6	35.0	14.0	10.7
Adjusted EPS	21.8	5.3	31.5	14.9	10.6
Profitability & Return ratios (%)					
EBITDA margin	9.2	8.8	9.7	9.8	10.0
EBIT margin	7.5	7.0	8.1	8.4	8.5
Adjusted profit margin	5.6	5.5	5.9	6.1	6.2
Adjusted ROAE	16.0	12.8	17.0	17.0	16.4
ROCE	15.4	14.3	16.4	16.5	16.1
Working capital days (days)					
Receivables	37	33	52	52	52
Inventory	59	62	74	74	74
Payables	39	43	55	55	55
Ratios (x)					
Gross asset turnover	6.4	5.7	6.0	6.2	6.2
Current ratio	1.7	1.8	1.8	1.9	2.1
Net interest coverage ratio	17.0	33.8	46.4	52.7	54.3
Adjusted debt/equity	0.1	0.1	0.1	0.0	0.0

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

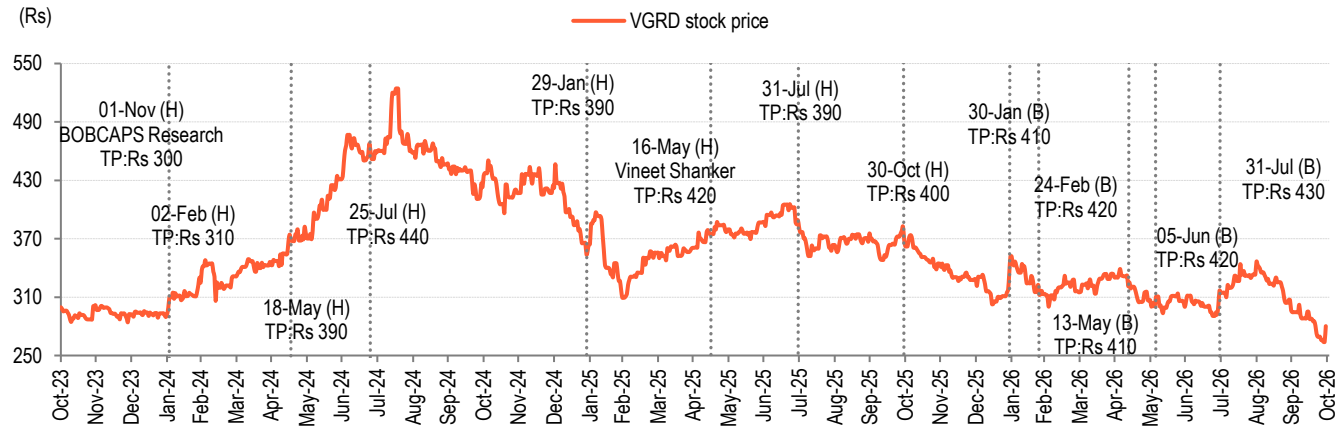
HOLD – Expected return from -6% to +15%

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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