

February 24, 2025

## V-Guard Industries Limited: Ratings reaffirmed; outlook revised to Positive from Stable

### Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current rated amount (Rs. Crore)	Rating action
Long-term fund based – Term loan	275.0	45.0	[ICRA]AA(Positive): Reaffirmed and outlook revised to Positive from Stable
Long term/short term – fund based/non-fund based - working capital facilities	780.0	820.0	[ICRA]AA(Positive)/[ICRA]A1+: Reaffirmed and outlook revised to Positive from Stable
<b>Total</b>	<b>1,055.0</b>	<b>865.0</b>	

\*Instrument details are provided in Annexure I

### Rationale

The revision in the long-term rating outlook of V-Guard Industries Limited (VGIL) to Positive from Stable considers a consistent improvement in its financial and operational performances over the years and ICRA's expectation of improvement in the company's credit profile over the near-to-medium term. ICRA also notes the gradual increase in VGIL's domestic market share in the consumer durables and electricals segment over the years along with a steady growth in non-south India market. In the domestic market, the company continues to remain the market leader in stabilisers and has an established presence in other products such as water heater, solar water heater, fans, pumps and house wiring cables. Although the acquisition of Sunflame Enterprises Private Limited (SEPL) in FY2023, having operational synergies with VGIL in terms of product category, geography, trade channel, manufacturing facility and strong brand recall of Sunflame have resulted in an increase in scale and market share gain of VGIL in the kitchen appliances segment in the last two years, the growth in this segment remained tepid, leaving room for further growth. VGIL reported a YoY consolidated revenue growth of ~15% in 9M FY2025 to ~Rs. 4,040 crore, which is expected to sustain in Q4 as well. ICRA notes that VGIL's overall scale is expected to be supported by substantial revenue growth derived from electronics and consumer durables segments, however, muted demand of kitchen appliances is impacting the overall growth in consumer durables. The operating margins also improved to ~9% in FY2024, driven by stable commodity prices, cost saving initiatives taken by the entity and a gradual shift of the company to premium product offerings along with higher share of in-house manufacturing. In 9M FY2025, the company achieved an OPM of ~9.16% and ICRA expects the OPM to remain at a similar level for the full year of FY2025. Further, VGIL has repaid the of its term debt (taken for SEPL's acquisition in FY2023) till YTD FY2025 and the balance outstanding of ~Rs. 45 crore is likely to be repaid by the end of FY2025, which is likely to strengthen the gearing and coverage indicators further, going forward. VGIL is gradually increasing its in-house manufacturing capacities, which enables the company to become more cost efficient and lead to improvement in the margins. ICRA notes that the company has undertaken focused initiatives towards geographical diversification and as a result, the proportion of revenues from non-South markets has improved over the last few years to 48% in H1 FY2025 from 39% in FY2019. Nonetheless, VGIL's products witness intense price-based competition from other incumbents, and its profit margins and cash flows remain vulnerable to raw material price fluctuations. However, the company's effective pricing mechanism ensures stability in its overall profit margins and mitigates the risks to a large extent. As the company is in the B2C space, constant focus on advertising/branding, discounts/schemes and competitive trade margins are important for maintenance of sales and brand recall. Reduction in any of these could impact sales.

## Key rating drivers and their description

### Credit strengths

**Healthy financial profile; debt coverage indicators to remain strong** – In FY2024, VGIL witnessed a healthy revenue growth of ~18%, driven primarily by the increase in sales of solar power system, switchgears, fans and air coolers. Further, VGIL's consolidated revenue rose ~15% to ~Rs. 4,040 crore in 9M FY2025. ICRA expects similar growth momentum to continue in Q4 FY2025 as well. ICRA notes that VGIL's overall scale is expected to be supported by substantial revenue growth derived from product segments like inverter, consumer durables, switches and switch gears, though winter category products and kitchen appliances demand are expected to remain muted in the current year. The acquisition of SEPL in FY2023 was funded by a mix of debt and equity, which resulted in a moderation of the capital structure, with the gearing increasing to ~0.31 times and the interest cover moderating to ~19 times in FY2023. The company has repaid a large portion of this debt in FY2024, which led to an improvement in the gearing to ~0.22 times as on March 31, 2024. The company intends to fully repay the term loan outstanding by March 31, 2025, which would lead to a further improvement in the gearing and the coverage indicators, going forward.

**Diversified product portfolio with presence across electricals, electronics and consumer durable segments** – V-Guard commenced operations with its first product, stabilisers, in 1977 and has gradually expanded its product profile over the years to ~22 products. The company offers a diverse product portfolio across multiple segments, including electronics (includes stabilisers, UPS and inverters), electronics (includes, pumps, wires, switchgears and modular switches) and consumer durables (includes water heaters, fans, kitchen appliances and air coolers). The company derived around ~27% of its revenues from Electronics, ~37% from Electricals and ~30% from Consumable Durables in 9M FY2025, diversifying the risk of revenue concentration.

**Strong brand equity and recall with leading market position in the domestic stabiliser industry** – V-Guard is a well-known brand in the electrical and electronics space in India, with presence for over four decades. VGIL has successfully built strong brand equity and recall value among its customers over the years, enabling it to command some premium for its product offerings such as ceiling fans, stabilisers etc., compared to its peers in the domestic market. Moreover, it is the market leader in stabilisers with 40-45% market share in the organised segment and a strong player in water heater, solar water heater, fans, pumps and house wiring cables. VGIL's market share in the kitchen appliances segment has also improved post acquisition of SEPL in FY2023. However, muted demand of kitchen appliances in the domestic market restricted the growth. However, the same is expected to witness a gradual improvement, going forward, given the established brand of Sunflame, once the domestic demand shows an uptick.

**Increasing penetration into non-South markets resulting in gradual geographical diversification** – VGIL has been a predominantly South-India based player since its inception. Although the company continues to derive the major portion of its revenues from five southern states, its presence in non-South markets has widened over the years, aided by focused initiatives. The company derived about 48% of its revenues from the non-South markets in H1 FY2025 against 39% in FY2019. Moreover, the acquisition of SEPL, which has an established presence in non-South markets further led to diversification of its revenues.

### Credit challenges

**Profit margins vulnerable to fluctuation in raw material prices and demand for its products** – VGIL's margins are susceptible to commodity/crude price fluctuations. Such exposure to commodity price fluctuations lead to volatility in profit margins and cash flows. In FY2022 and FY2023, its operating margins were impacted due to a sharp increase in commodity prices and inventory losses. However, the same gradually improved to ~9.2% in 9M FY2025 from ~7.5% in FY2023. Moreover, the inventory position has also rationalised, resulting in some improvement in the working capital intensity.

**Exposed to intense competition** – VGIL witnesses intense price competition across most product categories owing to presence of several organised and unorganised players. ICRA notes that in the electronics, electrical and consumer durables segments where VGIL operates in, 30-40% of the market is unorganised in nature.

## Environmental and social risks

**Environmental considerations:** VGIL is exposed to the risks arising from the tightening regulations on environment and safety aspects for its manufacturing, which would require additional investments towards meeting the evolving and tighter regulatory standards. The company has adopted a structured approach for conservation of energy and resources at its various plants. The Wires & Cables Division (WCD) is utilising renewable energy (wind and solar) to reduce its carbon footprint and environmental impact.

**Social considerations:** VGIL is exposed to the social risks such as compliance with health and safety standards, along with evolving consumer lifestyle changes. To mitigate the same, VGIL has a comprehensive Safety-Health-Environment (S-H-E) policy in place. The company undertakes safety and skill upgradation training, which helps in reducing the risk to an extent. As a part of its CSR activities, the company has initiated projects aimed at promoting education, enhancing vocational skills besides livelihood enhancement projects, healthcare initiatives, rural development projects etc.

## Liquidity position: Adequate

VGIL's liquidity is adequate with steady cash accruals relative to its debt servicing requirements. ICRA notes that VGIL had taken debt of ~Rs. 275 crore in FY2023 for funding the acquisition of SEPL, most of which has been repaid till YTD FY2025 and the balance outstanding of ~Rs. 45 crore is expected to be repaid by the end of FY2025. Apart from this, the company does not have any other debt repayment obligations except lease liabilities. Healthy cash flow from operations and negligible utilisation of its working capital limits of Rs. 780 crore over the past 15 months ending in September 2024 provides adequate liquidity buffer in case of any contingency. The company has planned capex of ~Rs. 100 crore yearly for the period FY2025-FY2027, which is expected to be funded through internal accruals.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the long-term rating in case of a meaningful increase in revenues and earnings, leading to a notable improvement in cash accruals with sustenance in the debt coverage metrics on a sustained basis.

**Negative factors** – Pressure on VGIL's ratings could emerge in case of a sharp deterioration in the earnings or a significant rise in debt, with Total debt/OPBDITA of more than 1.5 times on a sustained basis. Any large debt-funded acquisition/capex, impacting the credit metrics and the liquidity position on a sustained basis, will also be a credit negative.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. Details of the subsidiaries have been provided in Annexure-2

## About the company

V-Guard Industries Limited (VGIL) is an established player in the electronics/electrical products industry, with a strong market position in India. The company has a diversified product profile divided into three segments: electronics – includes stabilizers (in which VGIL is the market leader), digital UPS and solar power system; electricals – includes pumps, cables and wires, switchgears and modular switches; and consumer durables – water heaters, fans, kitchen appliances, air coolers. From being

a small-scale stabilizer marketing company four decades back, VGIL has diversified its presence over the years with revenues distributed across various product divisions. VGIL outsources ~35% of its product manufacturing, while the rest are manufactured in-house at its manufacturing facilities in Coimbatore (Tamil Nadu), Kashipur and Roorkee (Uttarakhand), Kala Amb (Himachal Pradesh), Sikkim and others.

### Key financial indicators (audited)

VGIL (consolidated)	FY2023	FY2024	9M FY2025*
Operating income	4,127.3	4,856.8	4039.7
PAT	189.0	257.6	222.6
OPBDIT/OI	7.5%	8.9%	9.2%
PAT/OI	4.6%	5.3%	5.5%
Total outside liabilities/Tangible net worth (times)	0.8	0.7	-
Total debt/OPBDIT (times)	1.6	0.9	-
Interest coverage (times)	19.1	10.9	16.9

Source: Company, ICRA Research; \* Unaudited numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

		Current rating (FY2025)			Chronology of rating history for the past 3 years					
		FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	45.00	Feb 24, 2025	[ICRA]AA (Positive)	Feb 05, 2024	[ICRA]AA (Stable)	Jun 09, 2022	-	May 10, 2021	-
							Dec 30, 2022	[ICRA]AA (Stable)		
Working Capital Facilities	Long Term/Short Term	820.00	Feb 24, 2025	[ICRA]AA (Positive)/ [ICRA]A1+	Feb 05, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
Cash Credit	Long Term	-	Feb 24, 2025	-	Feb 05, 2024	-	Jun 09, 2022	[ICRA]AA (Stable)	May 10, 2021	[ICRA]AA (Stable)
							Dec 30, 2022	[ICRA]AA (Stable)		
Non-Fund based – LC/BG	Short Term	-	Feb 24, 2025	-	Feb 05, 2024	-	Jun 09, 2022	[ICRA]A1+	May 10, 2021	[ICRA]A1+
							Dec 30, 2022	[ICRA]A1+		
Unallocated	Long Term	-	Feb 24, 2025	-	Feb 05, 2024	-	Jun 09, 2022	[ICRA]AA (Stable)	May 10, 2021	[ICRA]AA (Stable)
							Dec 30, 2022	-		

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long term/short term – fund based/non-fund based - working capital facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund based – Term loan	FY2023	8.5%-9.2%	FY2026	45.00	[ICRA]AA (Positive)
NA	Long term/short term – fund based/non-fund based - working capital facilities	NA	NA	NA	820.00	[ICRA]AA (Positive)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	LTHL ownership	Consolidation approach
Guts Electro-Mech Limited	100%	Full consolidation
V-Guard Consumer Products Limited	100%	Full consolidation
Sunflame Enterprises Private Limited	100%	Full consolidation

Source: Company Data

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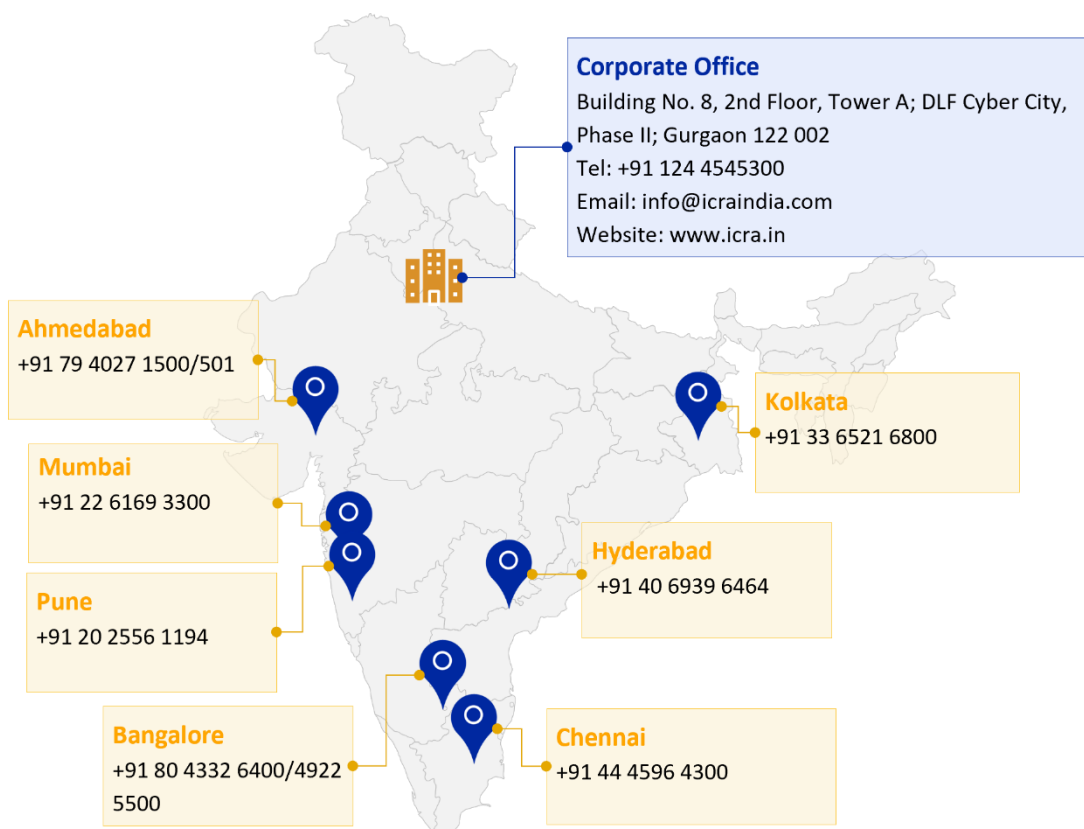
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