

India

ADD (no change)

Consensus ratings*: Buy 15 Hold 8 Sell 3

Current price:	Rs243
Target price:	Rs269
Previous target:	Rs303
Up/downside:	10.7%
InCred Research / Consensus:	-4.2%
Reuters:	VGUA.NS
Bloomberg:	VGRD IN
Market cap:	US\$1,447m
	Rs105,072m
Average daily turnover:	US\$1.3m
	Rs91.3m
Current shares o/s:	433.9m
Free float:	44.2%

*Source: Bloomberg

Key changes in this note

- FY23F/24F revenue cut by 1.1%/0.6%.
- FY23F/24F EBITDA cut by 17.8%/9.9%.
- FY23F/24F PAT cut by 21.8%/12.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.2)	(4.6)	13.3
Relative (%)	(7.1)	(3.9)	9.8

Major shareholders	% held
Promoters	55.9
Sbi Small Cap Fund	9.3
Kotak Emerging Equity Scheme	5.8

Analyst(s)



Rahul AGARWAL

T (91) 22 4161 1553
E rahul.agarwal@incredcapital.com

Harshit SARAWAGI

T (91) 22 4161 0000
E harshit.sarawagi@incredcapital.com

V-Guard Industries

Sub-optimal margins led to weak 3Q

- Weak B2C demand, high-cost inventory and an unfavourable base quarter led to sub-optimal revenue growth and margins in 3QFY23. EBITDA miss of ~25%.
- Management expects pre-Covid margins by 1QFY24F. Stabilizer, battery and geyser have higher-than-normal inventory. No issues with fan BEE transition.
- Sunflame consolidation is effective 12 Jan 2023 (4QFY23). Retain ADD rating with a lower target price of Rs269. Weak summer season is a key risk.

High-cost old inventory led to sub-optimal margins

V-Guard Industries (VIL) reported 3QFY23 revenue/EBITDA/PAT of Rs9.8bn/Rs659m/Rs393m, +1.4%/-24%/-26% yoy. EBITDA/PAT was lower by 20-30% to our/Bloomberg consensus estimates. Weak B2C demand, high-cost inventory and an unfavourably high base quarter led to sub-optimal revenue growth and margins. Gross/EBITDA margin stood at 29.6%/6.7%, down 160bp/225bp yoy. Electronics sales stood at Rs1.9bn, down 4% yoy, while ECD sales were at Rs3.5bn, +4.5% yoy. The electronics segment's EBIT margin stood at 11.6%, down 530bp yoy, while the ECD segment suffered an EBIT loss of Rs45m. Voltage stabilizer, battery and geysers had high-cost higher-than-normal component inventory that led to weak margins for electronics and ECD segments. An adverse sales mix and higher advertisement spending also hit margins in 3Q. Non-South India regions accounted for 46% of total sales. Net working capital stayed elevated at 70 days of TTM sales owing to higher-than-normal inventory of 92 days at the end of Dec 2022.

Expect gradual margin recovery; in-house manufacturing key focus

Management indicated that recovery to pre-Covid margins will be gradual with the voltage stabilizers and inverter battery segment to recover faster (by Jun 2023F) followed by geysers in the next winter season. Adoption of new BEE norms for ceiling fans was smooth and the production of zero-star fans was stopped much before the 31 Dec 2022 deadline. Fan prices were hiked by 6-8% on an average across SKUs. VIL continues to de-risk its supply chain and is setting up new in-house manufacturing plants for voltage stabilizer, inverter and battery, TPW fan, and kitchen appliances over the next 12 months.

Back-ended recovery led to a sharp cut in EBITDA margin estimates

We incorporate weak 3Q and expect a gradual margin recovery over 1HCY23F. Our revenue estimates are largely similar, while we have cut EBITDA margin sharply to 7.9%/9.2%/10.2% for FY23F/24F/25F, respectively. EBITDA/PAT cut is between 5-13% for FY24F-25F.

Valuation and risks

We retain ADD rating on VIL with a new target price of Rs269 (Rs303 earlier) based on a P/E of 42x FY24F EPS. Downside risks: Weak upcoming summer season and raw material inflation.

Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	27,212	34,982	40,703	45,426	49,996
Operating EBITDA (Rsm)	3,121	3,382	3,216	4,202	5,075
Net Profit (Rsm)	2,008	2,277	2,017	2,748	3,514
Core EPS (Rs)	4.7	5.3	4.6	6.3	8.1
Core EPS Growth	6.3%	13.2%	(11.8%)	36.3%	27.9%
FD Core P/E (x)	52.25	46.17	52.35	38.42	30.05
DPS (Rs)	1.2	1.3	1.5	1.5	2.0
Dividend Yield	0.49%	0.53%	0.61%	0.61%	0.82%
EV/EBITDA (x)	32.77	30.95	32.15	24.16	19.35
P/FCFE (x)	49.52	(64.54)	42.36	40.87	24.59
Net Gearing	(22.1%)	(3.5%)	(14.5%)	(23.3%)	(36.8%)
P/BV (x)	8.66	7.47	6.84	6.02	5.23
ROE	18.2%	17.4%	13.7%	16.7%	18.6%
% Change In Core EPS Estimates			(21.83%)	(12.94%)	(5.47%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY23 earnings-call takeaways

- Update on Sunflame:** The acquisition of Sunflame was completed in Jan 2023 for a final consideration of Rs6.8bn which was funded by cash of Rs4bn and debt of Rs2.75bn raised at an interest cost of ~9%. VIL does not expect any major capex at Sunflame owing to current capacity utilization at <50%. Sunflame has two plants at Faridabad (operating at 50%) and Baddi (mothballed currently). As the retail trade channel accounts for 90%+ of sales at Sunflame, VIL will focus on increasing its sales through e-commerce and modern trade. For 9MFY23, Sunflame reported flat revenue due to a drop in gifting sales, as per VIL's management.
- Update on BEE transition:** VIL increased ceiling fan prices by an average of 6-8% across product categories. The hike in the economy segment was lower while decorative and premium fan price hikes were in double digits. There was no unsold non-star fan inventory at the end of Dec 2022.
- Pressure on battery segment's margins:** VIL's management indicated that pricing of industrial batteries by larger peers is aggressive as they are cross-subsidizing them against higher automotive battery business. In fact, battery brands have not taken price hikes for industrial batteries, despite higher lead prices. VIL witnessed weak battery sales with lower-than-normal operating margin in 3QFY23.
- Pump demand was weak:** Residential pump demand remained weak throughout 9MFY23, given good monsoon in 2022 and repeated price hikes impacting replacement demand. A long and hot summer could help revive pump demand, as per VIL's management.
- Capex:** VIL maintained its guidance of Rs600-750m of annual capex over FY23F-25F. The company intends to have 75%+ of the products sold to be manufactured at its in-house plants over the next three-to-five years.
- Cash flow:** OCF stood at Rs4.3bn in 9MFY23 on account of a reduction in inventory level. Net cash, including equivalents, stood at Rs3.4bn at the end of Dec 2022. Sunflame cash payout of Rs4bn was done in Jan 2023 and net cash level dropped to ~Rs400-500m at the end of Jan 2023.

Figure 1: Electronics (voltage stabilizers, inverters, UPS, batteries)

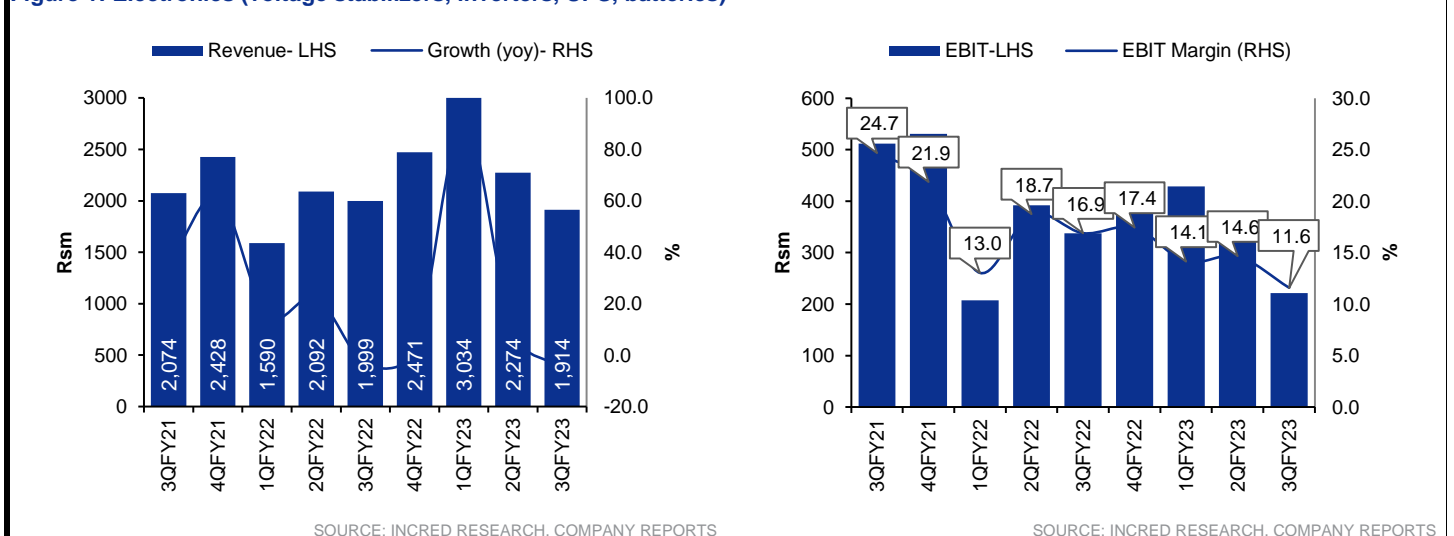
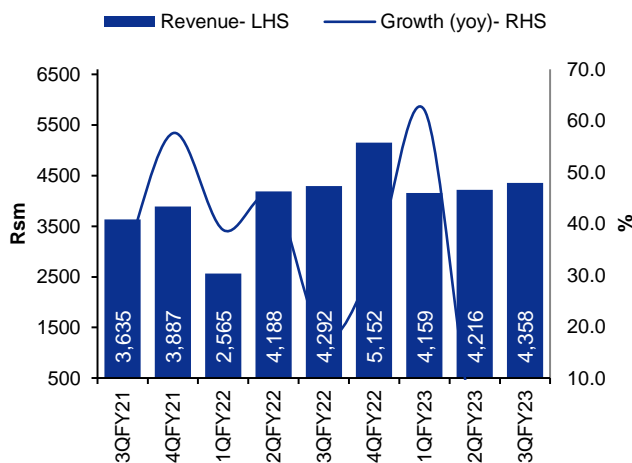
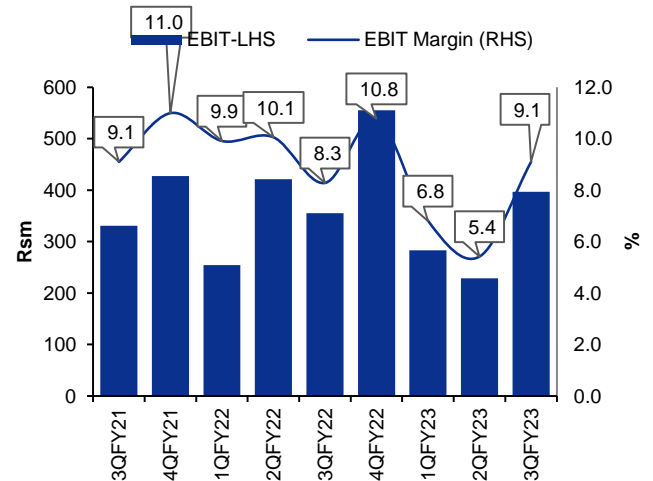


Figure 2: Electricals (wires, pumps, switch gear, switches)

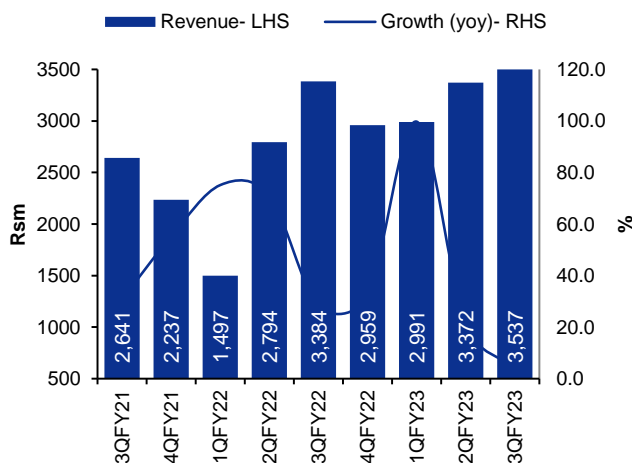


SOURCE: INCRED RESEARCH, COMPANY REPORTS

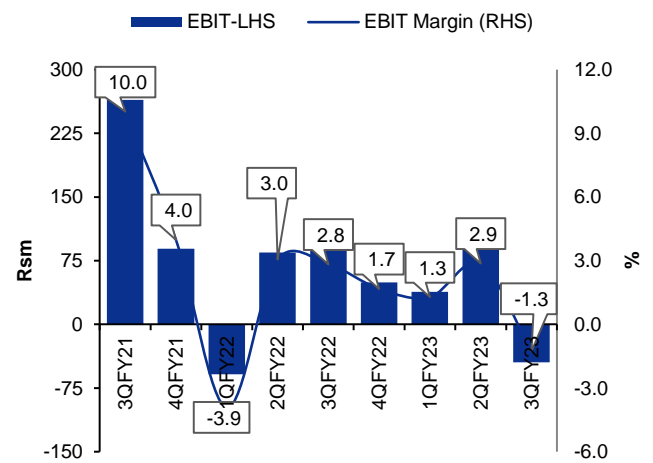


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Consumer durables (water heaters, fans, kitchen appliances, coolers)



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: 3QFY23 results snapshot

YE Mar (Rs m)	3QFY23	3QFY22	yoy (%)	2QFY23	qoq (%)	9MFY23	9MFY22	yoy (%)
Revenue	9,808	9,674	1.4	9,861	(0.5)	29,853	24,400	22.3
EBITDA	659	868	(24.1)	727	(9.4)	2,206	2,272	(2.9)
EBITDA margin (%)	6.7	9.0	-225 bp	7.4	-66 bp	7.4	9.3	-192 bp
Adj. PAT	393	532	(26.1)	437	(10.0)	1,364	1,380	(1.2)
Diluted EPS (Rs)	0.9	1.2		1.0		4.7	3.2	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: 3QFY23 segmental results snapshot

YE Mar (Rs m)	3QFY23	3QFY22	yoy (%)	2QFY23	qoq (%)	9MFY23	9MFY22	yoy (%)
Revenue								
Electronics	1,914	1,999	(4.3)	2,274	(15.8)	7,221	5,680	27.1
Electricals	4,358	4,292	1.6	4,216	3.4	12,733	11,045	15.3
Consumer Durables	3,537	3,384	4.5	3,372	4.9	9,899	7,675	29.0
Total	9,808	9,674	1.4	9,861	(0.5)	29,853	24,400	22.3
EBIT								
Electronics	222	338	(34.4)	333	(33.4)	983	937	5.0
Electricals	397	355	11.7	228	73.7	908	1,031	(11.9)
Consumer Durables	-45	96	(146.7)	97	(146.2)	90	121	(25.6)
Total	574	789	(27.3)	658	(12.8)	1,982	2,089	(5.1)
EBIT margin (%)								
Electronics	11.6	16.9	-531 bp	14.6	-306 bp	13.6	16.5	-288 bp
Electricals	9.1	8.3	82 bp	5.4	368 bp	7.1	9.3	-220 bp
Consumer Durables	-1.3	2.8	-409 bp	2.9	-413 bp	0.9	1.6	-67 bp
Total	5.8	8.2	-230 bp	6.7	-82 bp	6.6	8.6	-192 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Actuals vs. our estimates

Rs m	3QFY23A	3QFY23F	Var (%)
Revenue	9,808	10,309	(4.9)
EBITDA	659	878	(25.0)
EBITDA margin (%)	6.7	8.5	-180 bp
Adj. PAT	393	583	(32.6)

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 7: Actuals vs. Bloomberg consensus estimates

Rs m	3QFY23A	3QFY23C	Var (%)
Revenue	9,808	10,002	(1.9)
EBITDA	659	861	(23.4)
EBITDA margin (%)	6.7	8.6	-189 bp
Adj. PAT	393	553	(28.9)

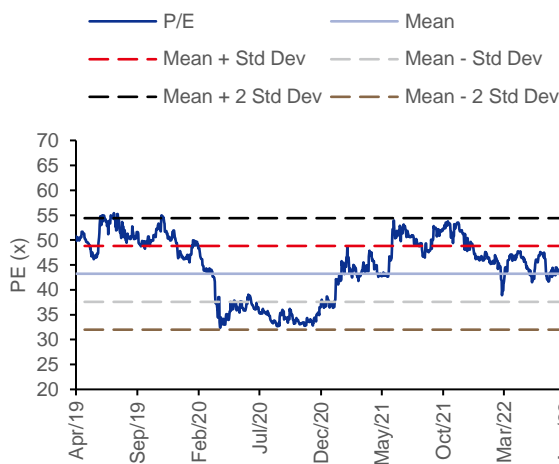
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 8: Our revised estimates

	New estimates			Old estimates			Change (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	40,703	45,426	49,996	41,173	45,711	50,031	-1.1	-0.6	-0.1
EBITDA	3,216	4,202	5,075	3,911	4,663	5,303	-17.8	-9.9	-4.3
Adjusted consol. PAT	2,017	2,748	3,514	2,580	3,157	3,717	-21.8	-12.9	-5.5
EPS	4.6	6.3	8.1	5.9	7.3	8.6	-21.8	-12.9	-5.5
EBITDA margin (%)	7.9	9.2	10.2	9.5	10.2	10.6	-160 bp	-95 bp	-45 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: P/E SD (three-year mean P/E)



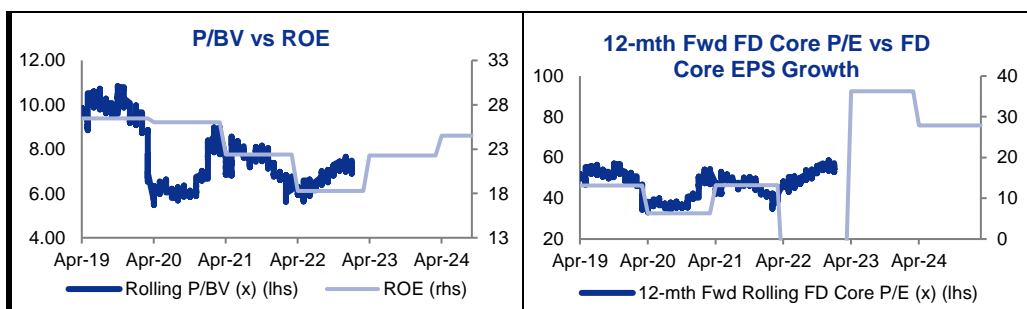
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 10: P/E band (one-year forward EPS)



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	27,212	34,982	40,703	45,426	49,996
Gross Profit	8,687	10,843	12,170	14,264	16,199
Operating EBITDA	3,121	3,382	3,216	4,202	5,075
Depreciation And Amortisation	(386)	(491)	(629)	(707)	(758)
Operating EBIT	2,735	2,891	2,587	3,495	4,317
Financial Income/(Expense)	121	(5)	9	77	203
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	25	54	100	102	104
Profit Before Tax (pre-EI)	2,881	2,940	2,696	3,674	4,624
Exceptional Items					
Pre-tax Profit	2,881	2,940	2,696	3,674	4,624
Taxation	(862)	(655)	(680)	(926)	(1,110)
Exceptional Income - post-tax					
Profit After Tax	2,019	2,284	2,016	2,748	3,514
Minority Interests	(11)	(7)	1		
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,008	2,277	2,017	2,748	3,514
Recurring Net Profit	2,008	2,277	2,017	2,748	3,514
Fully Diluted Recurring Net Profit	2,008	2,277	2,017	2,748	3,514

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	3,121	3,382	3,216	4,202	5,075
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(413)	(3,195)	512	(310)	531
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(132)	278	109	179	307
Net Interest (Paid)/Received	(75)	37	(9)	(77)	(203)
Tax Paid	(737)	(888)	(680)	(926)	(1,110)
Cashflow From Operations	1,764	(387)	3,147	3,068	4,600
Capex	(648)	(1,246)	(750)	(650)	(600)
Disposals Of FAs/subsidiaries	1	1			
Acq. Of Subsidiaries/investments	917	12			
Other Investing Cashflow	139	35	90	165	294
Cash Flow From Investing	409	(1,198)	(660)	(485)	(306)
Debt Raised/(repaid)	(52)	(42)			
Proceeds From Issue Of Shares	46	5			
Shares Repurchased					
Dividends Paid	(1)	(516)	(647)	(647)	(863)
Preferred Dividends					
Other Financing Cashflow	(51)	(61)	(81)	(88)	(91)
Cash Flow From Financing	(57)	(615)	(728)	(735)	(955)
Total Cash Generated	2,116	(2,200)	1,759	1,848	3,339
Free Cashflow To Equity	2,121	(1,627)	2,487	2,583	4,294
Free Cashflow To Firm	2,122	(1,655)	2,406	2,496	4,203

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	2,812	613	2,371	4,220	7,559
Total Debtors	3,881	4,841	5,018	5,600	6,164
Inventories	6,315	8,596	7,806	8,089	7,534
Total Other Current Assets	1,003	1,152	1,340	1,496	1,646
Total Current Assets	14,010	15,202	16,536	19,405	22,903
Fixed Assets	3,658	3,813	3,954	3,897	3,740
Total Investments	334	337	337	337	337
Intangible Assets	37	37	37	37	37
Total Other Non-Current Assets	711	1,578	1,559	1,559	1,559
Total Non-current Assets	4,739	5,765	5,886	5,829	5,672
Short-term Debt	130	118	118	118	118
Current Portion of Long-Term Debt					
Total Creditors	4,747	4,880	5,018	5,600	6,164
Other Current Liabilities	1,050	1,166	1,115	1,245	1,370
Total Current Liabilities	5,927	6,164	6,251	6,963	7,652
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	662	678	678	678	678
Total Non-current Liabilities	662	678	678	678	678
Total Provisions					
Total Liabilities	6,589	6,842	6,929	7,641	8,330
Shareholders' Equity	12,113	14,070	15,439	17,540	20,191
Minority Interests	47	55	54	54	54
Total Equity	12,160	14,124	15,493	17,594	20,245

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	8.7%	28.6%	16.4%	11.6%	10.1%
Operating EBITDA Growth	21.0%	8.4%	(4.9%)	30.7%	20.8%
Operating EBITDA Margin	11.5%	9.7%	7.9%	9.3%	10.1%
Net Cash Per Share (Rs)	6.22	1.15	5.19	9.45	17.15
BVPS (Rs)	28.09	32.57	35.58	40.43	46.54
Gross Interest Cover	44.84	36.68	32.09	39.89	47.20
Effective Tax Rate	29.9%	22.3%	25.2%	25.2%	24.0%
Net Dividend Payout Ratio	18.0%	19.1%	24.0%	17.6%	18.7%
Accounts Receivables Days	47.78	45.50	44.21	42.66	42.94
Inventory Days	109.40	112.73	104.91	93.09	84.36
Accounts Payables Days	76.83	72.78	63.31	62.19	63.53
ROIC (%)	30.0%	29.5%	18.5%	25.7%	31.2%
ROCE (%)	26.0%	22.3%	17.9%	22.0%	24.2%
Return On Average Assets	16.6%	14.8%	12.4%	15.1%	16.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.