

Butterfly Gandhimathi Appliances Ltd

Q1FY15 results first cut: Revenues and earnings below expectations

Industry: Household Durables

August 14, 2014

Butterfly Gandhimathi Appliances Ltd's (Gandhimathi's) Q1FY15 revenues and earnings were below CRISIL Research's expectations. Highlights of the results are mentioned below; this will be followed by a detailed quarterly update.

- Revenues declined 48% y-o-y and 38.2% q-o-q to ₹1,081 mn in Q1FY15 from ₹2,078 mn in Q1FY14 on account of fewer orders from the Tamil Nadu government as well as tepid growth in branded product sales. During the quarter, Gandhimathi did not execute any Tamil Nadu government orders compared with government orders worth ₹1,272 mn in Q1FY14 and ₹808 mn in Q4FY14. Gross sales of branded products grew 10.7% y-o-y to ₹1,139 mn from ₹1,029 mn in Q1FY14.
- EBITDA margin expanded by 20 bps y-o-y and 266 bps q-o-q to 8.4% as raw material cost as a percentage of revenues declined by 1,320 bps y-o-y and 509 bps q-o-q.
- Adjusted PAT declined 98% y-o-y and 82.8% q-o-q to ₹2 mn owing to higher depreciation and interest costs.

CRISIL Research's current IER coverage on Butterfly Gandhimathi Appliances Ltd

In our report dated June 26, 2014, we had assigned a fundamental grade of 3/5 (good fundamentals) and fair value of ₹380 per share. We are reviewing the results in detail and will release an update report after our discussion with the management. The outstanding fundamental grade and fair value may undergo a revision in the update report.

KEY FORECAST

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	5,946	7,286	7,690	8,440	8,170
EBITDA	620	660	543	704	811
Adj net income	190	343	224	280	346
Adj EPS (₹)	12.3	23.2	12.5	15.7	19.4
EPS growth (%)	-17%	88%	-46%	25%	24%
Dividend yield (%)	0.8%	0.9%	0.7%	0.9%	1.4%
RoCE (%)	37.5%	23.9%	12.2%	15.1%	17.9%
RoE (%)	32.6%	29.9%	10.6%	12.0%	13.6%
PE (x)	23.6	12.6	23.2	18.6	15.0
P/BV (x)	5.9	2.6	2.3	2.2	1.9
EV/EBITDA (x)	9.0	8.9	13.0	9.6	7.8

CMP: Current market price; # Based on abridged financials

Source: Company, CRISIL Research estimates

Q1FY15 Results Summary

(₹ mn)	Q1FY15	Q4FY14	Q1FY14	q-o-q (%)	y-o-y (%)
Net sales	1,081	1,748	2,078	(38.2)	(48.0)
Raw materials cost	638	1,120	1,500	(43.1)	(57.5)
Raw materials cost (% of net sales)	59.0%	64.1%	72.2%	-509bps	-1320bps
Employee cost	148	164	149	(9.9)	(0.5)
Other expenses	204	363	259	(43.8)	(21.0)
EBITDA	91	100	170	(9.4)	(46.7)
EBITDA margin	8.4%	5.7%	8.2%	266bps	20bps
Depreciation	25	12	11	108.8	120.1
EBIT	65	88	159	(25.7)	(58.8)
Interest and finance charges	67	65	35	3.2	91.1
Operating PBT	(1)	23	124	(105.3)	(101.0)
Other income	4	3	7	21.5	(46.8)
PBT	3	27	131	(90.1)	(98.0)
Tax	1	16	43	(94.5)	(97.9)
PAT	2	10	89	(82.8)	(98.0)
Adj PAT	2	10	89	(82.8)	(98.0)
Adj PAT margin	0.2%	0.6%	4.3%	-42bps	-410bps
No. of equity shares (mn)	17.9	17.9	17.9	-	-
Adj EPS (₹)	0.1	0.6	4.9	(82.8)	(98.0)

Source: Company, CRISIL Research

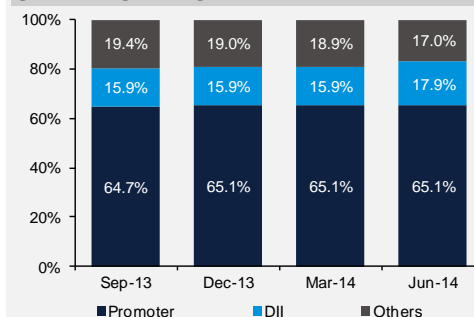
For detailed initiating coverage report please visit: www.ier.co.in

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

KEY STOCK STATISTICS

NIFTY/SENSEX	7792/26103
NSE/BSE ticker	BLFYGANDHI
Face value (₹ per share)	10
Shares outstanding (mn)	17.9
Market cap (₹ mn)/(US\$ mn)	5,207/85
Enterprise value (₹ mn)/(US\$ mn)	6,483/106
52-week range (₹)/(H/L)	356/275
Beta	0.9
Free float (%)	34.9%
Avg daily volumes (30-days)	3,688
Avg daily value (30-days) (₹ mn)	1.1

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Gandhimathi	0%	-9%	7%	-10%
CNX 500	4%	11%	33%	42%

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The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

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Last updated: May, 2013

Analyst Disclosure

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