

# Butterfly Gandhimathi Appliances Ltd

**Q2FY15 results first cut: Results below expectations**
**Industry: Household Appliances**

Butterfly Gandhimathi Appliances Ltd's (Gandhimathi's) Q2FY15 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 grew 7.8% y-o-y and 44.4% q-o-q to ₹1,561 mn. During the quarter, Gandhimathi did not execute any Tamil Nadu government orders. H1FY15 gross branded sales grew 10.2% y-o-y to ₹2,850 mn.
- EBITDA margin contracted by 260 bps y-o-y and 190 bps q-o-q to 6.5% owing to higher other expenses. Raw material cost as a percentage of sales declined by 134 bps y-o-y. However, the impact of lower raw material cost was offset by a 32.9% y-o-y increase in other expenses.
- Lower EBITDA coupled with higher depreciation expenses and finance costs (up 113% and 123% y-o-y respectively) pulled down adjusted PAT 77.9% y-o-y to ₹15 mn. H1FY15 EPS declined 89% to ₹0.9 from ₹8.7 in H1FY14.
- Inventory days declined marginally to 74 days from 78 days in FY14, while debtor days increased to 101 days from 41 days in FY14.

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

In our report dated August 26, 2014, we had assigned a fundamental grade of 3/5 (good fundamentals) and fair value of ₹345 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	7,688	7,947	7,660
EBITDA	620	660	545	663	761
Adj net income	190	257	224	234	309
Adj EPS (₹)	12.3	18.4	12.5	13.1	17.3
EPS growth (%)	(17.3)	49.0	(31.7)	4.3	32.4
Dividend yield (%)	0.8	0.9	0.8	0.8	1.3
RoCE (%)	37.5	23.9	11.6	12.2	14.4
RoE (%)	32.6	23.7	10.6	10.1	12.4
PE (x)	21.7	14.6	21.3	20.4	15.4
P/BV (x)	5.5	2.4	2.1	2.0	1.8
EV/EBITDA (x)	8.4	8.3	13.1	10.3	8.1

Source: Company, CRISIL Research estimates

**Q2FY15 Results Summary**

(₹ mn)	Q2FY15	Q1FY15	Q2FY14	q-o-q (%)	y-o-y (%)	H1FY15	H1FY14	y-o-y (%)
<b>Net sales</b>	<b>1,561</b>	<b>1,081</b>	<b>1,448</b>	<b>44.4</b>	<b>7.8</b>	<b>2,641</b>	<b>3,526</b>	<b>(25.1)</b>
Raw materials cost	947	638	898	48.5	5.4	1,584	2,398	(33.9)
Raw materials cost (% of net sales)	60.7%	59.0%	62.0%	167bps	-134bps	60.0%	68.0%	-803bps
Employee cost	149	148	145	0.4	2.8	297	293	1.2
Other expenses	364	204	274	78.2	32.9	568	533	6.7
<b>EBITDA</b>	<b>101</b>	<b>91</b>	<b>132</b>	<b>11.7</b>	<b>(23.1)</b>	<b>192</b>	<b>302</b>	<b>(36.4)</b>
<b>EBITDA margin</b>	<b>6.5%</b>	<b>8.4%</b>	<b>9.1%</b>	<b>-190bps</b>	<b>-260bps</b>	<b>7.3%</b>	<b>8.6%</b>	<b>-129bps</b>
Depreciation	26	25	12	2.3	113.1	51	24	116.5
<b>EBIT</b>	<b>75</b>	<b>65</b>	<b>120</b>	<b>15.3</b>	<b>(36.9)</b>	<b>141</b>	<b>278</b>	<b>(49.4)</b>
Interest and finance charges	56	67	25	(15.7)	123.3	123	60	104.6
<b>Operating PBT</b>	<b>19</b>	<b>(1)</b>	<b>94</b>	<b>(1,664.7)</b>	<b>(79.6)</b>	<b>18</b>	<b>218</b>	<b>(91.7)</b>
Other income	3	4	5	(13.8)	(33.2)	7	12	(41.3)
<b>PBT</b>	<b>23</b>	<b>3</b>	<b>99</b>	<b>755.1</b>	<b>(77.3)</b>	<b>25</b>	<b>230</b>	<b>(89.0)</b>
Tax	8	1	33	772.5	(76.0)	9	75	(88.4)
<b>PAT</b>	<b>15</b>	<b>2</b>	<b>67</b>	<b>746.1</b>	<b>(77.9)</b>	<b>17</b>	<b>155</b>	<b>(89.4)</b>
<b>Adj PAT</b>	<b>15</b>	<b>2</b>	<b>67</b>	<b>746.1</b>	<b>(77.9)</b>	<b>17</b>	<b>155</b>	<b>(89.4)</b>
<b>Adj PAT margin</b>	<b>0.9%</b>	<b>0.2%</b>	<b>4.6%</b>	<b>78bps</b>	<b>-366bps</b>	<b>0.6%</b>	<b>4.4%</b>	<b>-378bps</b>
No. of equity shares (mn)	17.9	17.9	17.9	-	-	17.9	17.9	17.9
<b>Adj EPS (₹)</b>	<b>0.8</b>	<b>0.1</b>	<b>3.7</b>	<b>746.1</b>	<b>(77.9)</b>	<b>0.9</b>	<b>8.7</b>	<b>(89.4)</b>

Source: Company, CRISIL Research

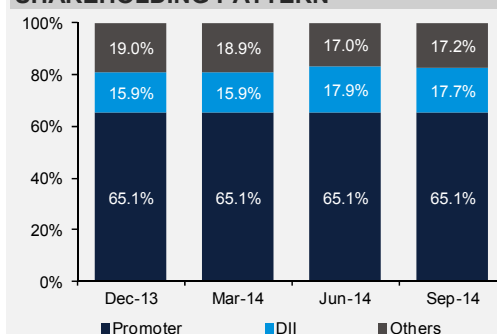
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**KEY STOCK STATISTICS**

NIFTY/SENSEX	8390/28047
NSE/BSE ticker	BLFYGANDHI
Face value (₹ per share)	10
Shares outstanding (mn)	17.9
Market cap (₹ mn)/(US\$ mn)	4,783/78
Enterprise value (₹ mn)/(US\$ mn)	6,805/110
52-week range (₹)/(H/L)	356/275
Beta	0.9
Free float (%)	34.9%
Avg daily volumes (30-days)	6,731
Avg daily value (30-days) (₹ mn)	1.9

**SHAREHOLDING PATTERN**

**PERFORMANCE VIS-À-VIS MARKET**

	Returns			
	1-m	3-m	6-m	12-m
Gandhimathi	-2%	-8%	-16%	-15%
CNX 500	7%	9%	22%	45%

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

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### Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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