



**“Butterfly Gandhimathi Appliances Ltd. Q3 FY21
Earnings Conference Call”**

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MANAGEMENT: MR. V.M.G. MAYURESAN – V.P. (FINANCE & STRATEGY)

MR. ANAND MUNDRA – MANAGEMENT CONSULTANT

MR. R NAGARAJAN – CHIEF FINANCIAL OFFICER

MR. NARASIMHAN ROSE – DGM FINANCE

Binay Sarda: Good afternoon to all the participants on the call. Before we proceed to the call let me remind you that the discussion may contain forward looking statement that may involve known or unknown risk, uncertainty and other factors. It must be viewed in conjunction with our business risk that could false future result performance and achievement significantly than what is expressed and implied in the forward looking statement.

Please note that we have mailed the result and presentation and the same are available on the company's website. In case if you have not received the same you can write to us and we will be happy to send same over to you.

To take us through the result and answer the questions today we have management to Butterfly Gandhimathi Appliances Ltd. represented by Mr. V.M.G Mayuresan – VP Finance and Strategy, Mr. Narasimhan Rose and Mr. R Nagarajan from the finance team along with Mr. Anand Mundra – Management Consultant to the company.

We will start the call with brief overview of the quarter gone past and then conduct the Q&A section. With that I will now hand over the call to Mr. Mayuresan. Over to you Sir.

V.M.G Mayuresan: Good afternoon everyone. Hope everyone is fine and healthy. We had a wonderful last quarter. We have reported highest ever revenue and profitability for the company in this quarter. This was because of huge demand for products both in offline as well as online channel. We have grown across all the product categories. 9MFY21 has grown by 17% even in spite of Q1 degrowth. Our channels check suggest that we have increased the market share in this season. We are very hopeful to achieve our target of 1000 crores revenue with double digit EBITDA margin in 12 to 24 months. We are happy to share net debt of the company is around Rs. 3.6 crores. We have pre closed the term loan outstanding of about Rs. 12.5 crores to Aditya Birla Finance Ltd. The net working capital of the company is around 48 days which we feel is definitely sustainable in long run, with this we can start our Q&A.

Binay Sarda: Thank you. First question is from Akshat Hariya from Multi Act

Akshat Hariya: Congratulation for the great set of number to the entire team. I had a few questions. My first question was on the bill discounting part that we are doing on the debtor's side, so as we can see that debtor days have come down significantly. So if you could just explain what is this entire bill discounting that we are doing on the debtor side and on which head of the P&L does this bill discounting cost hits. This is my first question.

V.M.G Mayuresan: Akshat, if you see bill discounting, we have successfully implemented bill discounting facility during the last 2 years and now we have a limit of Rs. 70 crores. We have utilised about close to Rs. 40 crores by December, so that is happening. If you see cost of the bill discounting it is there in the other expenses.

Akshat Hariya: Ok, so the bill discounting liability will not accrue in our balance sheet, right.

V.M.G Mayuresan: No, the limit is in the name of our customers and there is very small FLDG limit which is at 15% today which we will be reduced in future.

Akshat Hariya: Ok, so the second question is in the past quarter we have seen many commodity prices went up significantly. The ABS price, copper as well as steel price gone up anywhere in the range 30-100%. What has been the impact of that on our cost and also how much of the same have we been able to pass on to customer.

V.M.G Mayuresan: Unfortunately, raw material price has gone up significantly in last few months. Some part of it is already passed to the consumer. We already had a price increase once and we are actually looking to increase one more time in few months.

Akshat Hariya: Ok, so we are confident of maintain our current margins.

V.M.G Mayuresan: Definitely yes, we might have a hit for few months but it will not be more than that.

Akshat Hariya: So, we are almost hitting Rs. 100 crores sales per month run rate now. Just wanted to check last time we were on a call, if I understood right, we have capacity to do almost Rs. 100 crores sales per month and beyond that we needed to add lines. So what could be the capacity utilization now and if we need to increase capacity than what could be the capex required to increase our capacity.

V.M.G Mayuresan: If you see Q3 we were running close to 100% of our capacity and for the next year we are investing about Rs. 20-30 crores on capex were we can go upto Rs 1400-1500 crores of revenue.

Akshat Hariya: Ok and our debt level have come down significantly. In this quarter, I think our debt level is only close to Rs. 40 crores now and even on the finance cost we have come down from run rate of Rs. 6-6.5 crores per quarter to Rs. 4 crores per quarter. So what is our medium term target on debt levels given that now we have found this bill discounting avenue of sourcing for our working capital. So, what would be our target for medium term in terms of debt levels and the finance cost also because the interest rate has come down and last quarter the company was in the process of negotiating our interest rates. So were has those talks been. That's all from my side, Thanks You.

V.M.G Mayuresan: On the rate negotiation we have started doing it with clients. We have closed one of the high cost term loan which was of Rs.12.5 crores and we are also negotiating with one more high cost term loan. Apart from that we want to bring down cost about 1-1.5% lower than what we had and we are negotiating that with our bank. And on the medium term of total debt, currently our net debt is around Rs. 3-3.5 crores by December end and we are targeting to maintaining that. This has been very new scenario for us and in the last 2 quarter which we have never seen before, so we also evaluating these options and we are doing our best to maintain this and we are very hopeful on maintaining this kind of debt even in the future

- Akshat Hariya:** Thank you and all the best.
- Binay Sarda:** The next question is from Naresh Katariya.
- Naresh Katariya:** Hi Mayuresan and the team. I just wanted to know what's contributing to this phenomenal growth, because I know we have our stoves, mixers and cookers etc. Is there one particular category which is contributing to this growth or is it all permissive. It is just not believable to me, how can such growth been happening or is it in some other region or may be because its online that our sales are going all over India and we are able to make market share were we not present earlier. Just wanted to understand what the phenomenal amount of growth has been contributed. Thank You.
- V.M.G Mayuresan:** Few things which we have done in last few years have helped us to increase revenue. One of the major things which we have done in last few years when we went into new channels which we were not present before and on the other side, we have also done some other in-house development such as bringing in secondary monitoring system and we have put in lot of efforts in our R&D and new products which have done significantly well in last few quarters and this has been the major reason which has lead into strong sales and also good control in inventory and less receivables that has helped us and if you see on the product side major 5 products category has done really well like the mixer grinder, gas stove, table top wet grinder, pressure cooker and vacuum flasks all of the product category have done really well and all of them have grown really good. Also we have some new products categories which are very small, which is also becoming big and the other new category such as induction stove, electric rice cooker, chimneys and vacuum flask, these are all the product categories which we feel each of them will become Rs. 100 crores product categories in next 2 years to come.
- Naresh Katariya:** Thanks Mayuresan and all the best.
- Binay Sarda:** The next question is from Sameer Gupta from IIFL Securities.
- Sameer Gupta:** Hi Sir, thank you for taking my question. Congratulations for the consecutive quarters of stupendous results. Just taking it forward from the previous participant, just wanted to understand what the element really of the unbranded to branded movement. First of all how much is the portion of unbranded in the category that you play and why is there so much of disruption in the unbranded is it because in import from China there is some issue and just a little bit colour on this aspect.
- V.M.G Mayuresan:** Import from China has been an issue from past few quarters and fortunately for us we are one the least reliant companies in India to have reliant on Chinese imports. Right from day one of the company we have been doing lot of in-house manufacturing that has helped us. On the other side the significant share of unbranded product has come down, one is because of import and other major thing is because of Covid. Covid has impacted them very badly. About 2-3 months of very low business have affected them.

Sameer Gupta: Got it Sir, so again taking this forward just a follow up what is your take. This cannot be permanent depression in unbranded because as things improve the new players will come in this unbranded segment because ultimately this channel will also see a comeback or do you think this is something that can be sustained and share of unbranded that has been lost is lost and it has been reset to a new level. What is your take on this?

V.M.G Mayuresan: These levels have actually been falling in the last few years and due to Covid it has fallen faster than expected and it has always been falling in the few years, the organised business has done really well. So they are always diminishing.

Sameer Gupta: Got it Sir and finally again the last follow up on what is the current share of unbranded in your segment.

V.M.G Mayuresan: It depends on product to product. Earlier 4-5 years back it was 30-40% now it has come to 20-30%.

Sameer Gupta: Got it. Thank you that's all from my side.

Binay Sarda: Thank you. The next question is from the line of Jigar Shah.

Jigar Shah: Good afternoon and congratulations. So, my question is what's the guidance for FY22 and FY23 in terms of revenue and margins. Will we be able to sustain similar growth also and your outlook in general.

V.M.G Mayuresan: Medium term outlook is we want to touch revenue of Rs. 1000 crores with an EBITDA of more than 10% in 12-24 months.

Jigar Shah: What about the capex plans going ahead like in FY22 and FY23.

V.M.G Mayuresan: Every year we invest about Rs.10-12 crores on maintenance capex in addition to that we will be investing about Rs.20-30 crores on capex over expansion which can give a revenue of Rs.1400-1500 crores.

Jigar Shah: Ok fine. So you are saying we could see a growth of 20%+ for FY22 and FY23. That's correct.

V.M.G Mayuresan: What we have said is Rs.1000 crores in 12-24 months. It will not be 20%, what we are saying is Rs.1000 crores can be achieved in next 12-24 months depending on the scenario.

Jigar Shah: Ok. That's it from my side.

Binay Sarda: The next question is from the line of Viraj Parekh.

Viraj Parekh: Hi everyone and congrats to the entire team of Butterfly and Mayuresan ji. I had a question, if you could give us some flavour regarding the range of gross margin that we could expect and similarly we have seen some moderation in gross margin just would like to know your vision on the product or the business mix pertaining to the same going forward.

V.M.G Mayuresan: If you see gross margins have been increasing in last few years and currently it's at 42-43% levels and every year from now onwards it will increase by 0.5-

1%. There is a small effect because of price rise but that will be corrected in few months time.

Viraj Parekh: Sure.

Binay Sarda: Next question is from the line of Mithun Aswath.

Mithun Aswath: Good results in the current quarter and you are moving from strength to strength. I just wanted to understand more, this big growth which has come is also due to what is happened in term of lockdown and people staying at home. Because of lockdown more consumption of household items be it bed linen, these items has seen big jump. I am just trying to understand whether this type of number would be sustainable and once things normalise do you see may be levelling up in terms of growth because this is definitely dramatic growth, that was my first question. Question two is typically your second and third quarter make up for most of top line and bottom line. Are you doing anything to make this business less seasonal or are you entering any category which could see any growth in next couple of quarter, for example air coolers or certain category like that. Thanks

V.M.G Mayuresan: Yes, because of Covid there has been an increased awareness in home cooking which has increased and that has helped us but on the medium term we are very confident of achieving Rs.1000 crores of revenue in 12-24 months and that kind of growth is possible for us and we are very confident about that.

Anand Mundra: Also if you see in our presentation we have given details that we have grown to 15% for last 7-8 years. So in this year we are growing slightly higher around 20% or more but for last 8-9 years we have grown by 15%, over last 3-4 years we have grown more than 17-18%. So this year growth though look good on Q2 and Q3 numbers but overall basis we have grown each year for 7-8 years by 15%. So 15% growth is sustainable look like for next 3-4 years.

Mithun Aswath: In terms of seasonality of business any steps that you are taking because usually the bulk of profit comes in Q2 and Q3. You have certain amount of sales that you need to garner to start making some profit about Rs.200+ crores range when you make bottom line. So just want to understand any new category that you are entering which will help offset this seasonality.

V.M.G Mayuresan: Yes, we are also getting into new categories and on the other side if you see our new channel such as ecommerce, modern trade they are all specifically not as equal as traditional retail. They are not that much seasonal and product are sold across the season and that is also helping us.

Anand Mundra: But Mithun ji, seasonality will remain in the business. Q2 and Q3 will contribute large part of top line, Q1 and Q4 will be dull. But overall what we are saying is on Rs.1000 crores we will be able to achieve 10% margin.

Mithun Aswath: Ok, and when do you see may be your margins trending towards your competitors of the market. Couple of them may have double of what you use to have may be in 13-14% range. So I just wanted to understand what is different from them to you, do you see scope of improvement in margin

because lot of the products you make in houses. Wanted to understand if you reach that scale of Rs.1300-1400 crores that you are embarking upon, due you think there is a possibility of margins going up or margins will remain where they are.

V.M.G Mayuresan: Definitely the margins will go up as it is because of scale. As you see in last few years we have done lot of investments in many areas and now with scale and professional efficiency we are seeing that in margins. If you have seen we have done about Rs.300 crores which is about Rs.1200 crores average as per Q3 and our EBITDA margin was at 12%. So we are very confident at Rs.1000 crores our EBITDA will be more than 10% and from there onwards margin growth will be much better than the revenue growth.

Anand Mundra: What has happened Mithun ji that over the period, company has now become almost debt free or the debt is very low. The bargaining power with suppliers, the command with distributor with overall size, all will contribute to higher margin going forward.

Mithun Aswath: Just one last question, I wanted to know even in the current year lot of companies, be consumer companies have taken advantage because of lower travel expenses, marketing cost. I just wanted to understand from you that lot of these may come back in next few quarters, could you just may be elaborate in terms of numbers. Even your employee cost is flat though your top line has grown. So, do you see lot of that coming back.

V.M.G Mayuresan: Employee cost and travelling cost will come back to normal level but the marketing expenses we have done is actually variable in our case, we have done that expenditure even in this year. Even in spite of Q1 and Covid we have done that expenses, we have not reduce that

Anand Mundra: Just to give you a quantum Rs.4-5 crores is the cost which we have saved because of travelling which will come back next year.

Mithun Aswath: Thanks.

Binay Sarda: Next question is from the line of Rajeev Garg.

Rajeev Garg: Can you just give us update on performance with in ecommerce and talk about how that evolved and where does you sees that going

V.M.G Mayuresan: In Ecommerce, there has been a significant growth in the last few years. Until about 3-4 years back we were not present in that channel at all and now we are one of the significant market players in that channel as well. Ecommerce constitute about 30-40% of our sales and we are pretty confident that it will also grow in line with our sales growth plans.

Rajeev Garg: Do you see ecommerce growing faster versus business plans. Could that be the major driver to take you to Rs.1000 crores.

V.M.G Mayuresan: Ecommerce is one of the major driver and we have huge scope in the modern trade channel as well. These are the major channel of growth which will help us to drive further from here.

Rajeev Garg: What's driving the growth in modern trade.

V.M.G Mayuresan: In modern trade our base is very small. Where we were there in ecommerce few years back, modern trade our base is very small we have just entered with all the major retailers across India

Rajeev Garg: Ok, thank you very much.

Binay Sarda: Thank you, the next question is from the line of Manan Shah.

Manan Shah: Congratulations for the good set of numbers. My question was on the channel inventory, now since we have inventory at dealer and distributor level. Could you throw some light on is the inventory in the channel currently high or did you notice any pre buying by the dealer and distributor in anticipation of price hike.

V.M.G Mayuresan: Actually we were not able to have bigger inventory because we were running at full capacity in Q2 and Q3, so there is no inventory built up at the supply chain. Generally before the season we do it little bit but now we are running at full capacity

Manan Shah: I meant inventory at our dealer level. So, did you see that they were pre buying the goods in anticipation of price hike due to commodity price increase.

V.M.G Mayuresan: No we haven't seen that but what we are doing is, since we track secondary sales we make sure that there is not much big inventory build up which happen at supply chain because that is not good for the company also

Manan Shah: Could you please throw some light on the strategy, exports especially in countries where there is higher Indian population.

V.M.G Mayuresan: Export is one of our major growth areas which we see in the near future. We have started employing lot of distributors last year. Unfortunately this year because of Covid, there were lots of regulation and we were not been able to do targeted numbers but definitely export is one area where we will grow multi folds in years to come.

Manan Shah: Any specific countries where you are concentrating.

V.M.G Mayuresan: Especially in the middle east because that has a very huge Indian population and also in the US

Manan Shah: Ok, my last question was when you say that you expect to achieve Rs.1000 crores of top line in next 12-24 months. So even that kind of top line would we see our Q2 and Q3 to be more than 50-60% of the top line or it will be more normalised throughout the year.

V.M.G Mayuresan: Definitely Q2 and Q3 will be more than 50%. It's been more seasonal business during Q2 and Q3 which will constitute major chunk of revenue but year on year it is coming down that's what we are seeing.

- Manan Shah:** The growth that we saw was from newer geographies that we entered or it was mainly from south or there was difference in the newer geographies and south. If you can throw some lights on that.
- V.M.G Mayuresan:** We have grown significantly well even in the south markets. If you see 9 months we have grown about 19-20% in south and our newer geographies have contributed more than 40%, so that has helped us to grow and one channel where we have de grown intentionally Is the gas dealer channel where we have de grown by 35%. That is the call we have taken because we don't want to focus hugely on that channel because it takes lots of working capital of the company.
- Binay Sarda:** The next question is from the line of Ayush Agarwal.
- Ayush Agarwal:** Thank you for the opportunity and congratulation for the great set of number. My first question is that you just mentioned to last participant that newer geographies have contributed to 40% of our sales in this quarter. What has been the strategy and what it will be going ahead to enter and penetrate into new geographies in India.
- V.M.G Mayuresan:** Newer geographies have grown by 40% but it's not still 40% of revenue. It is about 27-28% of our revenue but it is still not 40%. It has grown by 40% in these 9 months.
- Ayush Agarwal:** What is our strategy in newer geographies and how do we plan to penetrate that.
- V.M.G Mayuresan:** In last few years we have established very strong supply chain in some areas, we are not present across India in the traditional retail. In the area where we are present, we have established a very strong supply chain and that is one of the reason we are able to grow faster and also with the help of ecommerce and the modern trade which going to come in for us soon that will help us to grow very fast in newer geographies.
- Ayush Agarwal:** That's really good. In our P&L we see that we have Rs.40-45 crores of purchase of stock in trade, so what are these products that we are third party manufacturing and we are planning to manufacture.
- V.M.G Mayuresan:** Currently we manufacture 5 products category in-house which is about 80% of our revenue. All other products category is outsourced and we are not taking it to manufacture in-house as of now, when there is huge scale we will be thinking about that. As of now there is no idea of bringing it in-house.
- Ayush Agarwal:** My last question is, in your presentation you mentioned that you plan to grow around 20% in FY21. So if we add up the numbers in the last three quarters that leads to Rs.150 crores for the last quarter. So why are we being conservative about this because we also mentioned in Q2 concall that Q3 will be lower than Q2 but it wasn't. So first question is what changes did you see in Q3 that lead to higher revenue than Q2 and second why we still being conservative.

V.M.G Mayuresan: Q4 is generally not comparable with Q3. Generally you have Q2 and Q3 which is bulk of our sales which is being a seasonal time for us and if you see Q4, Q4 yes we have been little conservative in our targets we will do higher than that. We will do more than 20% of growth, our internal targets are higher than that.

Ayush Agarwal: What kind of changes that we saw in Q3 that led to higher revenue than Q2 because in last concall you weren't so positive about Q3 surpassing Q3 numbers.

V.M.G Mayuresan: This is the first time Q3 has surpassed Q2 for us and we were also little surprised with the demand which was coming from the market and we were in a very strong position to capitalise that demand with the help of very strong supply chain as well as very strong manufacturing capability that has helped us to capture that sales.

Ayush Agarwal: That's it from my side and all the best for future.

Binay Sarda: The next question is from the line of Prashant Kutty from Sundaram Mutual Fund.

Prashant Kutty: Thank you for the opportunity and congrats on the good sets of numbers. Two question from my end. Firstly, if you could give us what was the channel wise growth for this quarter or 9 months was concerned.

V.M.G Mayuresan: Currently we are not giving channel wise growth because our new channel has become a significant value, so it is becoming a very competitive information.

Anand Mundra: Prashant what we can give is retail wise growth and gas dealer growth. Gas dealer channel has degrown by 35%.

V.M.G Mayuresan: Retail have grown by 24-25%.

Prashant Kutty: What would have ecommerce grown by. At least you can give ecommerce number in term of growth rate.

V.M.G Mayuresan: Ecommerce is still 30-40% of our revenue. Ecommerce has grown little faster than our traditional retail

Prashant Kutty: Second thing is what was asked before but I want to ask again, you said travel cost is something which you have saved on. Similarly you said employee cost and all will come back to normal. Two quarters have actually grown ahead of expectations in terms of margins, obviously leverage also help but just wanted to understand is there a case where we can actually beat on our margin numbers. Looking it how the number has been in the last couple of quarter because you seen as such sales end up getting very good leverage as well and you said we have saved on cost also. So how much of the cost can be sustained going forward and do we feel that we can beat on this 10% EBITDA margin number at Rs.1000 crores.

V.M.G Mayuresan: Definitely yes Prashant. We will be higher than 10% when we cross Rs.1000 crores of revenue and we are very confident about it. If you see our travelling expenses we have saved about Rs.4-5 crores in travelling expenses which was

in the first half of the year and it is slowly coming back to normal levels and by next year it will be to pre Covid level is what we are seeing. If you see on the employee cost, we have reduced one part of employee cost during the Covid time. From November 1 onwards we brought back all the cost and going forward next year it will be in that way.

Prashant Kutty: So what are the cost which has been saved, let say structurally for us in this Covid period, are there any cost like that which you have manage to save.

V.M.G Mayuresan: Employee cost of about Rs.5-6 crores and travelling cost of about Rs.5 crores.

Prashant Kutty: But that you said will come back to normalcy. I am asking generally as a cost saving exercise are there any cost that we have saved which will remain in future as a result, because travel and employee will come back to normal.

V.M.G Mayuresan: Even the marketing expenses we have spent during this year. There is no extra saving which we see but we are very confident that our margins will be higher than 10% at Rs.1000 crores of revenue.

Prashant Kutty: What is our marketing spend expectation for next year or so.

V.M.G Mayuresan: It will be between 10-12% of our revenue.

Anand Mudra: Prashant we have increased the salary in December quarter. Most of the salary benefit of employee has happened in September quarter.

Binay Sarda: Thank You. The next question is from Kush Gangar.

Kush Gangar: My first question is on, have we taken any price hike in Q3 or in coming quarter are there any plans considering rising raw material prices.

V.M.G Mayuresan: Yes we had one price hike in month of December and we are planning to have one more price hike in coming few months.

Kush Gangar: What is the quantum if you give.

V.M.G Mayuresan: We have done about 5% in all our product categories and we planning to do similar rise in next few months.

Kush Gangar: On very good significant growth in Q3 topline, are we even gaining share from bigger organised players. One more peers of our reported numbers on the same day and their growth was subdued, so if you can share any light on that.

V.M.G Mayuresan: I am not sure if we are gaining from organised, if the other companies are also growing and if we are growing faster than definitely our market share is improving but I am not sure from where and which competition, that is very hard to say.

Kush Gangar: And last question would be on our medium term target of 12-24 months. So I understand Q2 and Q3 are seasonally stronger quarter but even if we add they are above our annual run rate of Rs.1000 crores which is our target and significantly above. So even if we reduce some seasonality basically, we are there where we want to be in 18-24 months. So are we being too conservative or are we not confident of demand.

V.M.G Mayuresan: This year if you compare to last year we will be growing more than 20%. That's the reason we gave you range between 12 to 24 months. Our internal target is to cross that by next year but we will have to see how the market performs in next few quarters.

Binay Sarda: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: Sorry, if I am asking you the same question. In terms of the you said retail has grown by 30-35% and the gas dealer channel has decline by 35% and ecommerce has grown higher than the retail. So how do we add up to 70%, I am just curious if you could explain that.

V.M.G Mayuresan: The retail is including ecommerce as well. We have grown by 25% and gas dealer channel we have degrown by 35%. Retail ecommerce has grown little faster.

Anand Mundra: This is 9 months data. So what you have been looking at is 3 months data.

Achal Lohade: Can you help us with third quarter specifically.

Anand Mundra: In the third quarter we have seen the gas dealer channel has degrown by about 10%, retail has grown around 75-80%, overall growth is around 70%.

Achal Lohade: Within this retail channel the ecommerce growth would be probably closer to triple digit

V.M.G Mayuresan: Yes, traditional retail has done really well in the quarter three, it has come back to normal level.

Achal Lohade: Secondly you did mention about the five categories we produce in-house which contribute around 80% to our revenues and everything else is outsourced. What is the extent of China imports in these outsourced categories?

V.M.G Mayuresan: Products as well as raw materials all put together is less than 5%.

Achal Lohade: Ok great. Can you help us understand your top 5 categories, which are these and what is the extent of import dependency the industry has in these categories. Could it be a case that import has seen supply disruption and that is also helping organised players like us from market share perspective.

V.M.G Mayuresan: One is import and on the other side there were lot of local companies were not able to manufacture immediately after Covid. They all had the manpower problem even that were the case. If you see our products, we are not giving number wise product data if you see our number one product is mixer grinders followed by gas stove than you have pressure cooker, than you have table top grinder. These are the top 4 categories for us.

Achal Lohade: How much would be import dependency for the industry in these categories.

V.M.G Mayuresan: There is lot of import dependence on components as well apart from finished good

Achal Lohade: I wanted to check from finished goods perspective as that would have a straight impact in terms of availability.

V.M.G Mayuresan: In case of Finished goods, none of the products are imported from China currently and if you see all the major 5 product categories are manufactured in-house and remaining all the other product categories are outsourced from Indian companies.

Achal Lohade: I was not asking for us.

V.M.G Mayuresan: If you see one part of the mixer grinder that is the juicer mixer grinder, some of them are imported by the other companies but if you see product like pressure cooker, gas stoves primarily they are made in India even for the market.

Achal Lohade: Understood and can you please help us with respect to the current infrastructure how much revenue can we get from the manufacturing site

V.M.G Mayuresan: We were actually running at full capacity in Q3. Our capacity is between Rs.1000 -1100 crores with our existing set up and with a planned investment of Rs.20-30 crores we can take it upto Rs.1400-1500 crores revenue.

Achal Lohade: Sorry, that Rs.20-30 crores investment will give incremental Rs.400 crores revenue.

V.M.G Mayuresan: Yes.

Achal Lohade: This Rs.1000-1100 crores you are talking about is the manufacturing or overall.

V.M.G Mayuresan: Overall.

Achal Lohade: Ok, in terms of the ecommerce how the growth has been across geographies according to you in terms of east, south-east and west.

V.M.G Mayuresan: With ecommerce we are present across India in all the states; in terms of growth south have done really well for us. The west, north and east if you see our total growth of 9 months is about 40% for new geographies. Ecommerce is more than double of that in new geographies.

Achal Lohade: Just last question with respect to new product categories what categories you are looking at, how soon can we expect further additions in terms of the categories.

V.M.G Mayuresan: There are some new categories which we are evaluating now. If you see in our existing categories there are product categories like induction cooker, rice cooker, electric chimneys, vacuum flasks and non-stick cookware. We feel that there is lot of potential for these 5 product categories to grow multi folds in next few years that would be the major focus for us currently and we are also evaluating to getting into new product categories in similar space.

Achal Lohade: In terms of the industry growth that aggregate for our category put together. What would be the industry growth according to you for next 3-5 years, kind of growth one can look at for industry.

V.M.G Mayuresan: It is very hard to say but we are very confident that we will be growing faster than the market because of what we have done in last few years. We have been investing in our new product as well that is also helping us and very reliance of in-house manufacturing has also helped us and will definitely betting the market pace and gaining market share.

Achal Lohade: But you are not ready to put a number. Its 10-12% or 5-6%. What kind of industry growth

V.M.G Mayuresan: We will be doing Rs.1000 crores between 12-24 months. Industry growth has been good for organised sector in last few quarters. General growth was between 6-7% depending upon products to products. Some products are growing faster and some products are little slower.

Achal Lohade: This was very helpful. Thank you so much and wish you all the best.

Binay Sarda: The next question is from the line Aditya Mehta.

Aditya Mehta: Hi sir, thank you for the opportunity and congratulations on the great set of number. Just wanted to understand what strategies worked in favour of ecommerce. Last 2-3 years we have grown so rapidly and some of our products like juicer, mixer grinder and gas stoves are one of the best sellers in these categories. So can we replicate same success with our new products, so that we not cannibalize with our existing products and what are the strategies which have worked over there.

V.M.G Mayuresan: One of the major reasons is because of our new product development that has helped us in getting into ecommerce. We have a very strong brand presence as well. Our brand is also very popular across India, that is also helping us and giving a very good product at very good price has helped us. If you see the quality of the product its one of the best product you will see in the market that is solely because of our strength in manufacturing and our R&D facility that has helped us. We will be definitely replicating similar kind of success in all the other product categories and also into the modern trade channels as well.

Aditya Mehta: What is the geographical distribution in ecommerce.

V.M.G Mayuresan: It is almost similar to what we do. If you see geographical distribution is about 73 and 27 overall. In ecommerce its about 34-35% in south market.

Aditya Mehta: Regarding our tax rate, it has been high around 34%. So have we not shifted to lower tax rate.

V.M.G Mayuresan: Its because of MAT. We had a carry forward loss few years back that is going on. Once that is completed we will go to the 25% tax rate.

Anand Mundra: So actual tax outgo is lower than 32%. Its around 18-19%.

Binay Sarda: Thank You. The next question is from the line Nirav Mehta.

Nirav Mehta: Hi Mayuresan, thanks for the opportunity and congratulations on really good results. So couple of questions, one is I know you guys don't disclose the channel wise split but if you can just may be talk through some trends and I

am more interested in knowing whether in last 6 months have you noticed any reversal of trend. So I understand 6 months ago maybe general trade would have gone down and ecommerce would have gone up but have you seen anything getting normalised as in today over the last 6 months.

V.M.G Mayuresan: In last few months general trade has come to normal levels immediately after Covid about in Q2 we had a huge amount of growth in the ecommerce channel but in Q3 we had very good success in traditional retail. Traditional retail has come to normal levels and we have done a very good growth there as well.

Nirav Mehta: So the associated question here is, would the working capital benefits that we have seen specially in debtors etc would some of them get reversed if general trade picks up in a big way or would you say that the 50 days of working capital going to be more sustainable going forward.

V.M.G Mayuresan: Definitely it is sustainable. One of the main reason is we are getting into channel financing as well and we started that only one year back. Now we have a limit of Rs.70 crores where we have replaced about Rs.38 crores and that will go up. We will make sure that we will maintain our strong working capital capabilities which we are doing currently.

Nirav Mehta: Last thing from me, when I look at page 15 and the new products launches that we have planned and I brought this up last time as well I see most of this has SKU gaps that we are addressing but they are all in the same categories. It is still mixer grinder, wet grinder table top and stuff like that. Any thoughts in the medium term let say not in next 12 months but next 3-5 years in terms of categories additions and where I am coming from is let say some like Prestige has got into irons, vacuum cleaners and smaller appliances, any thoughts that we have on let say categories addition which would add to let say growth meaningfully rather than just plugging SKU gaps which are more cannibalistic in nature the way I look at it.

V.M.G Mayuresan: Definitely yes, if you see our major focus is always been into growth product categories and yes next year we are getting into few more product categories which is coming in the medium term definitely there would be new product categories where we are not there we will be getting into. If you see the last 3 months, about 6 months back we entered into new categories called vegetable chopper which we were not present before. So we are addressing gaps in the kitchen space currently and we are getting into newer product categories. Even next year we be getting into 1 or 2 newer categories and you will see that in the market soon.

Binay Sarda: Thank you. The next question is from the line of Aakash Jain.

Aakash Jain: Hi and congratulations on the number. Everyone is seeing the performance on P&L and margins and most heartening for a lot of investors like me is improvement in the balance sheet because I think a stronger balance sheet helps you to grow much better in the future, so I think that is the most heartening part of the performance for this year. My question is also to an extent related to the balance sheet itself, so obviously we have now tried

down to very low levels of debt that has come from improvement in working capital and debtors days specifically. Now that the channel is normalising and lot of that improvement is also come because online is become larger share and we can get better debtor terms from our online channels but next year when things normalised and GT and MT channel also comes back do you still feel confident that we will be able to maintain the kind of debtors days we have now for next year because we don't want to see deterioration the balance sheet which comes at the expense of growth. So I just want to understand how you look at balance sheet over next year over the kind of growth that you are looking at for company.

V.M.G Mayuresan: Definitely Aakash, the balance sheet is very important criteria for us. We don't want to compromise that for growth that is definitely there in the plans and if you see in Q3 itself there has been a huge growth in the traditional retails even in spite of that we were able to maintain debt levels to a similar levels or slightly lower than that and with the help of secondary monitoring which is been helping us in last few quarters that has worked very good for us and with the channel financing facility coming in and going higher time to time that will also help us in maintaining debt at similar levels.

Anand Mundra: Aakash just to add if you look at our quarterly topline we did revenue of Rs.300 crores and our debtor days are lower than 52 days but because of annualising 9 months sales it is appearing at 52 days. So what I am trying to say is 52 days actually debtor days is a conservative number if you annualise quarterly sales.

Aakash Jain: So what I was trying to understand Anand is, for example earlier pre Covid i.e. December last year if I look at our debtor days for different channels has there been improvement across the channel or most of the improvement has come because of channel mix change that was the basic question.

Anand Mundra: It has come across the channel and it has also helped because of reduction in revenue of OMC and in retail channel it has also improved a lot because of dragging of primary and secondary sales. Now the distributor level inventory has reduced from 60 days to 30 days. We are doing daily billing and daily collection. So debtor days have come down significantly across the channel, online will be slightly lesser than retail channel but the number will not change substantially from 52 days.

Aakash Jain: We will not be tempted to again push inventory next year come what may on growth even if the growth is slightly lesser than expected, we are not going to be tempted to push sales in the system.

Anand Mundra: Yes obviously, because unnecessary it will report the sales but interest cost and other thing will go down.

Aakash Jain: That was the whole question, balance sheet is to be more important than the P&L growth.

Anand Mundra: Brand quality will suffer so that will not happen. The whole purpose of tracking primary and secondary sales is to cut that which we have successfully done.

Anand Mundra: Thank you so much.

Binay Sarda: Thank you. The next question is from the line of Kesav Kumar.

Kesav Kumar: Hi sir, how has the capacity utilisation been for the month of January.

V.M.G Mayuresan: Jan again we had a very good month but generally Q4 is not comparable to Q3 and in Q3 we have utilised close to 100%. I can't disclose that number because from that you can it's easy to get the revenue but Q4 is slightly lower than Q3. So we are very comfortable with the capacity currently.

Kesav Kumar: Basically, I wanted to get an idea that are you seeing any shift in the trend of seasonality. So, are you seeing a similar Q3 to Q4 shift or are you seeing somewhat of a difference there?

V.M.G Mayuresan: There is a small shift. Generally Q2 and Q3 will be about 75-80% of our revenue which has come down. Currently it's a 60-65%, so the revenue is getting shift at across even Q1 and Q4 that is the good thing which is happening because of new channels. But it will not become 25% each quarter in the next few years. That will take little more time.

Kesav Kumar: That's it from my side, thank you. All the best.

Binay Sarda: The next question is from the line of Aayush Agarwal.

Aayush Agarwal: Thank you for the opportunity once again. Like you have mentioned earlier that the ecommerce has become 30-40% of our sales now. So I would like to understand supply chain here because we have been cutting lot through the supply chain. We must be seeing lot of efficiency operating in this line of segment. So what are the working capital days here and how do we plan to monetise this in a way that it can be margin accretive to us. With ecommerce are we working directly with Amazon or anything or do we have supply chain there as well because if we cut off the entire supply chain than the ecommerce sales can be really margin accretive to us.

V.M.G Mayuresan: We directly sell and deal with them. Even with modern retail players in the country we directly deal with them.

Aayush Agarwal: So in that sense shouldn't that ecommerce will help us to fetch better margins than our modern trade and traditional retails.

V.M.G Mayuresan: Ecommerce is very similar in terms of margin. The majority if you seen ecommerce the product segment which is sold very high is slightly different to traditional retail, even in spite of it the margins are very similar to the traditional retail.

Aayush Agarwal: Aren't we saving anything upon dealer commission and everything here in ecommerce.

V.M.G Mayuresan: You will be saving distributor commission which is about 8% but the product categories which are sold is very different to retail channel.

Aayush Agarwal: Second question is if you look at industry in the sense Hawkins and TT Prestige, we see that traditionally they have been spending 5-6% on Ad revenue but we have been guiding a 10-12%. So I would like to understand what is our marketing strategies and why are we being so aggressive than the other big players in the industries and what is our marketing plans going ahead.

V.M.G Mayuresan: Our idea was to do that until we reach a scale. So our target was to do that till Rs.1000 crores of revenue at least on a variable basis after that it will be on fixed basis.

Aayush Agarwal: What would that target be when we reach that say.

V.M.G Mayuresan: In 12-24 months.

Aayush Agarwal: What kind of Ad spend would be when we reach that.

V.M.G Mayuresan: Currently the Ad spend is about 10-12%, the total promotion and advertising out of that 50% is done on pure advertising, then you have below the line activities that will be spend more on retail levels. All put together it will be at 10-12%

Anand Mundra: Aayush, it's very difficult to say today that what will be our target. It depends on the competitive scenario how much growth we are targeting. So if we are targeting 15% growth than we have to spend more in the market

Aayush Agarwal: But since we have reached the scale, we are touching Rs.1000 crores and competitors are not spending more than 5-6% and they have a very good brand visibility and so do we. I understand that you are entering newer geographies and we need to spend that money but it has to rationalise at some level.

Anand Mundra: So that time we would be able to decide and revert back to you but as per my information is concerned TT Prestige has also higher number closer to us only. It is closer to 19% because you have to ass 3-4 number in the P&L which will come to 10%.

Aayush Agarwal: I will check that.

Anand Mundra: Request you to please check that and then you can get back to me directly if there is a query.

Binay Sarda: The last question is from the line of Manan.

Manan: You mentioned you faced capacity constrain in this quarter. Could we have sold more if we had the capacity and also at Rs.1000 crores sales assuming we are doing 60% in Q2 and Q3, so in the current Q2 and Q3 we are already around Rs.600 crores which would be 60%. Is that understanding correct that we will be reaching Rs.1000 crores in 12 months rather than 24 months.

V.M.G Mayuresan: The guidance which we have given is 12-24 months but our internal targets are faster.

Binay Sarda: Thank you that was our last question for the call I would like to hand over the call to Mayuresan for closing comments.

V.M.G Mayuresan: Thank you all. We had a very informative session and learned lot of things from you and it's being a very exciting time for the company and definitely we will be focusing more on growth as well as maintain very strong working capital and we are very confident on that. Thank you.