



“Butterfly Gandhimathi Appliances Ltd. Q2 FY22
Earnings Conference Call”

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Binay Sarda: Good morning to all the participants on this call. Before we proceed to the call let me remind you that the discussion may contain forward looking statements that may involve known or unknown risks, uncertainties and other factors, it must be viewed in conjunction with our business risks that could cause future results performance or achievement to differ significantly from what is expressed or implied by such forward looking statements. Please note that we have mailed the results and the 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 the same over to you. To take us through the results, and answer your questions today, we have the management of Butterfly Gandhimathi Appliances limited, 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 a brief overview of the quarter gone past and then conduct Q&A session. With that said, I will now hand over the call to Mr. Mayuresan, over to you sir.

V.M.G Mayuresan: Thank you Binay. Good morning everyone. Hope everyone is in good health. The results of the company are uploaded on the exchanges and hope everyone has reviewed it, happy to share that this is the best quarter for the company. We have reported the highest revenue and profitability for the quarter. It is because of the huge demand of products both in offline and online channels. All the product categories have registered healthy growth. We saw higher growth this quarter also because Diwali is early this year. Due to unprecedented rise in cost of raw material and continued volatility, the gross margins got impacted. We are hopeful to improve gross margin in the future. However, the EBITDA margin of the company was stable at around 11.6% due to higher revenue for the quarter. The net working capital days of the company are around 36 days which is sustainable in the long run. Now we can start Q&A.

Binay Sarda: Thank you. So anyone with a question, please raise your hand or alternately, please type a name on the chat board. We have the first question from Aakash Jain, please go ahead.

Aakash Jain: Mayuresan, first of all big congratulation to you and the team. I think numbers have been quite brilliant and they have been quite brilliant for a while now. I have a couple of questions, one is we saw your numbers and also your large peers TTK Prestige also came out with some great numbers yesterday. So if you could give some sense on what is driving this growth, one is possibly the Diwali is days ahead than last year, so maybe some preponement or some sales have shifted from Q3 to Q2, or again, maybe some unorganized smaller players are still struggling to get their products in the market and their distribution channels are stretched. So can you give us a little bit of sense because 35% growth on a reasonably large base of last year not just for you but even your peers is a little surprising, so I think some sense on what is driving this kind of growth will be useful. Second thing in a way you touched upon but on the gross margin side clearly there has been a

significant decline in gross margins for us given where commodity prices have been but our decline in gross margins have been higher and it seems that TTK Prestige has taken price hike and so the gross margins have not been impacted. So, where are we on price hikes and where do you see a lot of gross margin pressures for the rest of the year? I think these are the two large questions. Thank you.

V.M.G Mayuresan: Hi Akash. See if you'll see our H1, one of the main reasons why we felt the growth was because there is a fantastic demand in the market both in offline as well as online channels. You can't compare this Q2 to last year Q2, one of the major reason is Diwali has been preponed by 10 days. Majority of sales for festive seasons Diwali happens in Q2 as compared to some happened in Q3 last year, so that is one of the main differences from Q2 to Q2. So throughout the year, if you compare for the year, our target is to grow to 20-25% which we've already shared to you all, that is something which we feel we are comfortable to do. Even though there is a huge growth in H1 which is about 50% for the full year we feel that it will be around 25%, last year H2 was always was completely normal. So this year, this kind of growth can't be expected in H2 but there'll be comfortable growth and we feel that we will be at 20-25% growth. Also we already said that we will be one of the fastest growing companies in the organized trade, we will continue to do that. And even in Q2 we feel that we will be one of the fastest growing companies

Aakash Jain: My second question was on the gross margin side.

V.M.G Mayuresan: On the gross margins, there was a huge impact because of rising raw material cost, which we were not able to pass it completely, this financial year we increased prices of about 4-5% in almost all the product categories. And again we are planning to do it in the month of November. Gross Margin, we feel is a temporary phenomenon because you can't immediately get it passed down to consumer but over the future, we are very confident that it will not impact in the longer run.

Aakash Jain: Post the price hike in November, gross margin hopefully should improve, obviously depending on how the raw material price also goes up. But the idea is to maybe not go back to 42% but at least drawback some of the gross margin pressure you had.

V.M.G Mayuresan: Yes, you're right, it might not be 42% for this year, but we want to go back to those levels in the next year. That is what we are working on.

Aakash Jain: Just one last clarification on the debtor side, the higher debtors that we are seeing and obviously it is better to compare September to September because of the seasonality in sales, rather than looking March to September, but if we look at September to September, again a little bit of higher numbers is largely from an absolute perspective not from number of debtor days but it is also because of the preponent of some Diwali sales is that also impacting a slightly higher absolute number on debtors which will then gradually normalize for the rest of the year by December or March.

- V.M.G Mayuresan:** You're right. It is majorly because of the festival sales because Diwali is earlier this year and we've done a lot of sales in the month of September. So, that is the reason value seems to be a little high, but on days we are very, very comfortable. Yes, compared to last half yearly it has in fact come down.
- Aakash Jain:** Thank you so much.
- Anand Mundra:** You can't look it from absolute amount, it's always relative. If we have done 400 crores sales, the debtors will be related to that number.
- Aakash Jain:** I understand. The point I'm trying to make is that even the inventory looks high and you can say that the sales have been good for the last six months but again next six months some of that sales will normalize. So, I don't know how to exactly look at it but if you look at the inventory days and debtor days, we have obviously improved a lot on creditor's days which is helping our net working capital. But the point I'm trying to make is maybe also because of preponement of Diwali the number looks higher on absolute basis also. I understand your point that you have to look at debtor's days.
- Anand Mundra:** You have to look in terms of number of days only.
- Binay Sarda:** Thank you. We have the next question from the line of Naresh Katariya. Please go ahead.
- Naresh Katariya:** Congrats Mayuresan and the entire team for the great performance. My question was on cost hike and your EBITDA margin is commendable, although the gross margin is hit a little bit. My question is related to demand because prices have been hiked and I'm observing everyone has hiked prices, does it at some point start affecting demand because maybe the initial price hike people stock more. So, what what's your sense on it because all the prices are up for almost everything that goes into our products.
- V.M.G Mayuresan:** Yes, we have been very conservative in increasing prices. For this year we have increased it about 5% across all the product categories. We don't want to increase it very high to maintain the margins. The main reason is when you increase it in a very high way and when the pricing start stabilizing you can't reduce it in the market, it's not easy to reduce. So we don't want to be in a situation where we don't affect demand. That is the reason we are a little cautious in the raising prices.
- Naresh Katariya:** Okay. Thank you. And my last question is on our overall spread of our company's product sales. We are predominantly a South based company, so are we observing better growth in North and I've seen some new product categories in the mixer blender, cookers or something like that. How are they doing and where will the next 2-3 years growth come from, will it be geographical new products or just want some sense of where the growth is coming from.

V.M.G Mayuresan: New geographies have been improving a lot in the last few years. If you see last three years, we've been growing at an average growth rate of more than 50%. Even the first half we had a very healthy growth rate in the non-south markets. So non-south is one area where we are growing faster, but the base is small. So that is one area which will continue to grow faster and one good thing which we have seen this year is even the southern markets have grown significantly well in H1. Even in Q2 we've done significantly well because the Q1 was completely off last year, so it can't be compared because of very low base effect. But even if you take Q2, we've done phenomenally well in even the South states.

Naresh Katariya: And last point is on we had a medium term vision of 1000 crores which I believe we are comfortably hitting this year. Do we have any long-term vision, when do we hit 2000 crores? Does it take 2-3-4 years or what's the vision from a long-term perspective?

V.M.G Mayuresan: 2000 crores in about 3-4 years.

Naresh Katariya: Okay, very good, congratulations. Thank you.

Binay Sarda: We have next question from line of Priyam Khimavat. Please go ahead

Priyam Khimavat: Hi Mayuresan, two questions both in terms of a long term nature. So you just highlighted that we are aiming for a 2000 crores revenue mark in say four years. So structurally, we've always maintained that 1000 crores will be doing 10% EBITDA margin and at around 1300-1400 crores we'll be reaching that 13-14% EBITDA margin which our peers have been reporting. So, just wanted to break this up into two parts, mainly south and non south. So, our non-south is around 30% of our sales. So is it that we're making already that 13-14% EBITDA margin in the south portion and we're investing in other parts of businesses and hence our EBITDA margins are lower.

V.M.G Mayuresan: There is no big difference between South and non-South, even the non-south is profitable for us now. But this year there's been a dip in our expected EBITDA margin because of the gross margin impact, otherwise we will be very comfortably doing higher EBITDA margin even for this quarter. It would have been at least 2.5% higher to what we've seen today. That is only because of the impact of raw material in the last few months, but that we foresee to be stabilise soon and we are pretty confident that we should be going anywhere between 12-14% EBITDA margin soon in the next two years.

Priyam Khimavat: Okay. So, from FY23 onward when our gross margin reach that historical 40-42% mark and sales hit at around 1400 crores, are we looking at 13-14% EBITDA margin.

V.M.G Mayuresan: Next year, the target is around 11-12%.

Priyam Khimavat: Okay, all right. And secondly just a derivative of this, so I wanted to ask you what is the advertisement spend for the first half of this year?

V.M.G Mayuresan: Advertisement for first half is around 10.5-11.0%.

Priyam Khimavat: We've always maintained that our advertising spends currently is variable in nature but will remain fixed largely and as we hit that 1400 crores mark it will be remain stable at 100-110 crores. So, is that understanding still right? Or because we're investing in other markets we'll have to increase the spend.

V.M.G Mayuresan: Yes, today it's variable but from next year onwards, it will be more of a fixed nature. There'll be an inflationary increment of 5- 6% and it will continue to move that way.

Priyam Khimavat: Okay. And just your last thoughts on exports, how are we planning to increase exports because the peer group is talking largely about increasing their exports. So, when you talk about the 2000 crores revenue mark, what is our export number which you budgeted in the next four years?

V.M.G Mayuresan: Export has a phenomenal potential for us, especially since we do a lot of manufacturing in house and we are very strong in terms of pricing also. In terms of manufacturing, we are very cost efficient that way which is our core strength. So we very well feel that we can capture exports in a big manner. Unfortunately, we can't focus on that in a bigger way but we've started doing that and for sure, we feel exports can generate at least 200 crores of revenue in the next 3-4 years time.

Priyam Khimavat: Okay. Thanks a lot, that's all from my side.

Binay Sarda: Next question from Sanjay Shah, please go ahead.

Sanjay Shah: Hi, Mayuresan good morning. It is really exciting quarter, congratulations to you all gentleman's on the board. My question was, since last eight quarters I've been seeing and since long you have been struggling and now you are on the right platform and all the decisions and all the strategies have worked very well in favor of our company's growth and we are back to normal on the old glories. So now from here on when we are talking of another milestone, with the export also, what are the strategies or new strategies or new products, new catalogs or something different what we are planning, where we can have upper end then our competitors or even take market shares from our competitors.

V.M.G Mayuresan: Currently, we are very confident that we will be growing faster than our competitors and we've shown that in the last 3-4 years now. One reason why we feel that we can achieve our revenue targets for the next 3-4 years, as there is lot of potential, one area which we talked before was the export. Even in the domestic market there are areas like the modern retail where we are very small, we feel there's a huge potential to grow there and there are new product categories. Currently, the major product categories in our company are the mixer grinders, the gas stoves, pressure cookers, tabletop grinder. We feel that there are product categories like non-stick cookware, vacuum flasks, electric chimneys, induction stove, and electric rice cooker where we feel that there is a huge potential growth in these categories and each product category can deliver about 100 crores of revenue for the next 3-4 years. Even on the markets, non-south markets continue to grow faster.

So we feel that next 3-4 years we don't see a huge challenge, only thing we'll have to do in a very caution way, is bringing the right products at the right pricing, that is something which is getting developed in house where we are focusing more which will help our sales team to help growth.

Sanjay Shah: That's great. Now in this two quarters, especially this quarter, which are the area where we have penetrated or got a success, which we were not there previously, and which are the new areas where we are focusing now in India.

V.M.G Mayuresan: Geographically we have not enhanced our presence. We are currently there across India in online channels and in offline we are present majorly in west, some pockets of north and some pockets of east, we haven't enhanced our distribution presence across India, that is something which we are developing slowly because you can't go and step everywhere at the same time, that's something which we are developing here. Because year on year we want to add one or two more states and develop there and go from there. That is the target.

Sanjay Shah: So this quarter our sales growth was supported by online sales, what could be the percentage of total sales.

V.M.G Mayuresan: Online, we had maintained that it between 30-40% of revenue, and it will continue to do that in an annualized basis. And online has grown good for us, even offline channels have been growing very good in the last few months.

Sanjay Shah: Thanks for answering my questions and good luck to you.

Binay Sarda: So we have few questions on the chat board. So, Rithvik asked, what is the sales mix currently between south and non-south and at 2000 crores what will this mix look like?

V.M.G Mayuresan: At 2000 crores we expect the sales mix to be around 65% south and 35% non-south.

Binay Sarda: Okay, and what is the capex spend for FY22 and FY23 and what is the payout policy as we are generating healthy cash flows and our debt free.

V.M.G Mayuresan: Capex is something which is ongoing. We had earlier indicated that we will spend around 30 crores of capex which can generate revenue of about 14000-15000 crores of revenue and it is on target.

Binay Sarda: Rani Kumari has asked are you planning to enter in new product categories.

V.M.G Mayuresan: We are getting into few newer product categories but I can't disclose it here.

Binay Sarda: Last question chat board from Suhrid Deorah. So he has asked, new categories like nonstick cookware, vacuum flask, induction stove, electric chimneys and rice cooker, all this also be manufactured in house or if traded there are other manufacturers in China?

V.M.G Mayuresan: Currently it's outsourced, but nothing is coming from China. It's all been bought from the Indian companies and they're all not new for us. We've been in that category for more than 10 years now but there is an increased focus, which has already started and is growing faster in the last few years. And it will continue to be big growth areas for us in the near future.

Binay Sarda: We have a next question from Hari Agarwal. Please unmute and go ahead.

Hari Agarwal: Basically just wanted to understand, from your current capacity that we already have, what kind of new revenues we can achieve.

V.M.G Mayuresan: It's a little hard to answer because time and again we are investing in capacity. Whenever there is a need immediately we do that and there is a lot of balancing activities which improve our capacity. So if you see this year, for the growth projections we have done there is a small investment which have already gone this year and there is some investment which is happening. Like we said before, we'll be doing around 20 crores of capacity enhancements where we can go up to 1500 crores of revenue with that investment.

Binay Sarda: We have the next question from Surbhi Soni. Please go ahead.

Surbhi Soni: So, my question is on exports. You mentioned that we are targeting around 200 crores of revenue in exports in next 2-3 years. So, firstly I would like to know how much export has been done in this first half and what are the export numbers that we're targeting for this year and what is the broad strategy around exports?

V.M.G Mayuresan: Export, we have not done in a bigger way. Last year we did about 10 crores of revenue, first half it's been around similar lines on half yearly basis. Export is something which we are working on and with a completely new strategy we are bringing and already talking with about 15 distributors, where we majorly want to target countries where there is a large Indian diaspora and if you have some capacity left there is an opportunity for private labeling also. That is not something which we are thinking of currently, but there is an opportunity for that also.

Surbhi Soni: Okay, so do we have any contracts in hand or we are still at the exploration stage.

V.M.G Mayuresan: We are at the exploration phase, but whoever we are talking with, we are very confident that it is definitely possible.

Surbhi Soni: Okay. So, just to reiterate the 200 crores what we are targeting is in the next 2-3 years.

V.M.G Mayuresan: Yes.

Surbhi Soni: Okay. And are our margins in export similar to what we do in domestic or there has been different.

V.M.G Mayuresan: It will be similar.

Surbhi Soni: Okay, thank you.

Anand Mundra: Surbhi, one correction, we have set 2000 crores in four years.

Surbhi Soni: 200 crores for exports I was mentioning.

Anand Mundra: Okay.

Surbhi Soni: Thank you.

Binay Sarda: We have a question on chat board. So what are the advantages of manufacturing in India, do you get any incentives etc.? So this is from Harmendra Gandhi.

V.M.G Mayuresan: So, we currently don't have any incentives. We have been doing manufacturing from day one of this company and this company is around 35 years old. Right from day one more than 80% of products are manufactured in house, even it continues to be the same. We are not taking any incentive, if we do a lot of exports there is a PLI, but we have not applied for that since the export is small, we have not applied for that.

Binay Sarda: We have a next question from Pawan Kumar. Please unmute the line and go ahead.

Pawan Kumar: Hi Mayuresan and congratulations for good results. I wanted to understand what price hikes you have taken, you have indicated that you have taken some 5-6% this year, that means is it the calendar year you are talking about and what the plans for taking further price hikes.

V.M.G Mayuresan: This financial year we've done about 5%, it happened in early Q2. We are also discussing on having another price hike in the month of November, just after this is done, we are thinking of having that.

Pawan Kumar: Okay. Will that be enough for you to actually draw back the gross margins to at least maybe 40-42% range or will it still be difficult.

V.M.G Mayuresan: It's hard to say because the prices are very volatile. Even today the prices are increasing, it has still not stabilized. It's very hard to say but that is something which we want to go back to the earlier level. That's the reason we've said that it might not be possible this financial year, but its very well possible for the next financial year.

Pawan Kumar: Okay. And any kind of sales coming from the replacement segment, in the sense for example, when 3-4 years back when the government schemes used to be there, a lot of people got those particular appliances, I mean that replacement cycle also helped you.

V.M.G Mayuresan: It's hard to say that but the mixer grinders market is growing good in Tamil Nadu. So we can't attribute if it's for the replacement demand or it's a new

demand, but there is a good growth which is happening in Tamil Nadu. We are seeing that.

Anand Mundra: It's difficult to distinguish but obviously we are getting good growth in Tamil Nadu in all those products.

Pawan Kumar: Okay. And just on the mixer grinder part what would be a broad proportion of our revenue as of now.

V.M.G Mayuresan: Mixer grinder is largest product for us, I can't disclose that number today but it is the number one product for us.

Pawan Kumar: Okay, that's fine. Thank you.

Binay Sarda: We have a next question from Disha Sheth. Please unmute the line and go ahead.

Disha Sheth: This is Disha Sheth from Anvil Share Broking. Sir, wanted to check what is the current mix of outsourced to in house products and what it will be going forward? And how is the impact of margins on our outsourced to in house products. Second, I just missed the answer on how are the margins going to be in coming quarters, since we have taken a price hike in early Q2 and we plan to take in November, will it compensate for the price increase in raw material. Will the margin be stable at 11% which we did in this quarter?

V.M.G Mayuresan: Price hike we have done about 4-5% in the month of July and there is one more price hike which we are looking at possibly in the month of November, we have not decided on it completely. Even with that it will take few more quarters to get into the 42% range because the raw material is still volatile, prices are still increasing. So, it's hard to comment on it today but we are doing whatever is possible to maintain margin that is something which we are working on.

Currently in house manufacturing is about 85% of our revenue. In the next 3-4 years we feel that in house will continue to be more than 70%, 30% will be from out sourced products. Since the out sourced products are growing faster, the ratio will change slightly towards there and the margin difference is not huge when it comes to EBITDA, on the gross margin there is a difference of 3-4%, because product to product and category to category, the margin differential also plays a role.

Disha Sheth: Okay. And just one on the second question, I meant the margins of Q2 would be maintained because we are taking price hike and the impact will come in Q3 and Q4.

V.M.G Mayuresan: It will not be right, because Q2 was about 400 crores of revenue. You will not have this kind of revenue in Q3 and Q4. So on annualised basis we want to maintain similar margins to last year. So we have to look at it in an annualized way.

Disha Sheth: Okay, you mean the revenue won't be same because of the higher base last year. That's right.

V.M.G Mayuresan: Yes.

Disha Sheth: Okay, thank you.

Binay Sarda: Thank you. We have the next question from Akshat Haria. Please go ahead.

Akshat Haria: Congratulations on good set of numbers. So Mayuresan, I was just working out some numbers and if we look at it, if I applied 25% growth rate on our last year's revenue, and then we subtract our first half revenue, what we are effectively looking at is only a 5% growth in H2 over last year's H2. While you know already our value growth itself post these 2-3 price hikes which we would have taken since last H2 to this H2 would be in the range of 15%. So in essence, are we looking at a volume degrowth in the second half or is there some understanding gap which is there.

V.M.G Mayuresan: Volume will definitely not be degrowth but Q3 last year cannot be compared to Q3 this year because of the Diwali timing. Diwali last year was during November 14, this year Diwali is on November 4. Majority of sales festive sales happen in Q2, last year there was a good portion which happened in Q3, so it can't be compared. So if you have to compare, you have to compare Q2 and Q3 together and Q2 and Q3 together, so that is the best way to see growth. So you can't compare H2 last year, to this year. But on the volume side we are pretty sure that there will be volume growth because price increase will only be 3-4-5% maximum it won't be beyond that.

Akshat Haria: Okay. Last H2 to this H2 price hike will be 5%, but if we look at the raw material inflation, which we've seen in various of our raw materials that we consume in most of our products, you know mainly PVC, plastic, steel, copper, everything is up by almost 20-30%. So how is it that we'll be able to maintain our current 38% gross margins with only a 5% increase in our in our final price?

V.M.G Mayuresan: So there's a lot of value addition, whatever we are seeing are all the primary raw materials but we have a lot of components in our product. For example, if you take a product like a mixer grinder, plastic is only 15-20% of the cost and 80-85% is different components, so not all components have gone up. Major components have gone up but not all the components have gone up on the other side there is also manufacturing efficiency. Now what is happening, with the growth the cost of making the product has come down. So overall, we feel that the gross margins can be maintained or it will only go up by a 0.5-1% for the Q3 and Q4.

Akshat Haria: Okay, great. Great thank you.

Binay Sarda: Thank you. We have few questions on the chat board. So it's again one repetitive your question from Rani Kumari asking, as shareholder from Bihar, Bihar has huge business potential in appliances market in eastern India. So have you any plans to focus on this state, as it has a huge population and as I

see Jharkhand and West Bengal has more presence of these products of our company.

V.M.G Mayuresan: Definitely, as our natural extension from the East, next is Gujarat. So it's a huge state, it has a very huge potential. But to get into retail presence, you will have to get it into very calculated manner, in such a way that you will have to capture the market share without losing margins that is something which we are working on.

Binay Sarda: Thank you. We have next question from Harmendra Gandhi, which says entering into North market has been difficult for other consumer companies, how do you see this and what are you doing differently?

V.M.G Mayuresan: We are not getting, that's the reason we stressed upon that we are not getting everywhere at the same time. We are getting into fewer markets, getting our strong presence there and from there we will be going into other markets. One day you can't get into all the markets in a in a huge way, you will slowly have to enhance your presence, gain market share, and then you'll have to go. That is the reason we are very cautious in getting into new markets.

Binay Sarda: Thank You. Vipul Sanghvi asks, some of the metal prices are softening over last few weeks, do you see that helping your margins going ahead and which other raw material, where you are witnessing inflation pressure.

V.M.G Mayuresan: Still the raw materials prices are volatile. Aluminium has started increasing in the last few months, stainless steel has softened but still the prices are volatile. It's very unpredictable, that's the reason we are looking at another price hike for the month of November.

Binay Sarda: Thank you. We have a next question from Nirav Vasa from Anand Rathi. Please go ahead.

Nirav Vasa: Thank you very much for opportunity. So, Sir if I read the call correctly, what I heard is, we are also planning to get into white labelling is that right?

V.M.G Mayuresan: There is an opportunity for white labelling for export market. We have not thought about it we are also exploring the opportunity only there is an excess capacity. If we start it will be small to start with.

Anand Mundra: Large part of export business is white labelling only for most of the players.

Nirav Vasa: Exactly. So the white labeling is only for exports not for domestic market.

V.M.G Mayuresan: Yes.

Nirav Vasa: Perfect. Thank you very much.

Binay Sarda: Thank you. We have the next question from Aditya Mehta from GK Capital. Please go ahead.

Nirav Vasa: Hi, Mayuresan. Thanks for the opportunity and congratulations on great numbers. So, just want to understand what will be the impact of current inflation environment on the consumer preferences. So will they start moving to lower price product as in when we increase prices, or they will prefer more branded products over the unorganized sector.

V.M.G Mayuresan: Even with price increase, we are seeing that the branded products are getting sold more, the growth of branded products is very high compared to the local products or unbranded products. That is what we are seeing; the consumer generally prefers to choose a branded product number one, number two we are not seeing that they are going into a low price product or no value product from medium premium they are not going there. We are not seeing that currently.

Nirav Vasa: So, whether the price gap between unorganized and branded players have decreased now because of inflationary prices.

V.M.G Mayuresan: Yes, it has been decreasing for the last few years. With GST there was a price hike which happened, even today it's happening because a lot of unorganized are finding it difficult to sustain. So that is something which we are seeing in the market.

Nirav Vasa: Okay, so eventually organized are taking market share gain from an unorganized sector.

V.M.G Mayuresan: Yes.

Nirav Vasa: And one more questions, what was the growth rate in ecommerce and offline channel?

V.M.G Mayuresan: E-commerce is growing very well for us. Q2 we had a very good e-commerce sales or even offline is doing very good in the last few months. Whenever there is a lockdown, there's a problem in the offline channel, immediately after lockdown from the month of May, the offline channels have been doing very well for us even for the market, and it is growing in fact, very good. One channel where we are not growing, by taking a strategic call is the oil company, where we decided we want to keep it in a lower base.

Nirav Vasa: Okay, so can we share the figures difference between e-commerce growth and an offline growth rate?

V.M.G Mayuresan: We can't give that, it's become huge channel for us. It's a very huge data, but e-commerce we estimated to be between 30-40% of our sales.

Nirav Vasa: Okay. And just last question is about the tax rate. So, what is the tax rate for us.

V.M.G Mayuresan: For tax rate, currently we are following the older regime. In FY17 we had a loss, we are utilizing that credits and that's over and there is a MAT credit which is going on. So currently we have 33% levels. But from next year we feel that we can go to a newer regime with 25%. Even though in our balance

sheet when you see a 33-34% income tax, the payouts is not that much because of MAT credits.

Nirav Vasa: Okay. So from FY23 we can go to newer regime.

V.M.G Mayuresan: Yes

Nirav Vasa: That's it from my side, happy Diwali and all the best.

Binay Sarada: Thank you. We have next question from Pawan Kumar. Please go ahead.

Pawan Kumar: Can you just give us an idea about the interest cost because it is coming at around 3-5 crores per quarter and on the debt on the balance sheet seems to be around only 24-25 crores. So, what is the sustainable interest cost levels.

V.M.G Mayuresan: Interest cost is coming down year on year, quarter on quarter it is coming down. As you see in the screen last year Q2 was about 3.8 crores in Q2 this year it's around 2.4 crores. So, majorly its interest cost for LC payables.

Pawan Kumar: Okay. And what is the level of LC payables right now and would it sustain at that level?

V.M.G Mayuresan: It will but cost is coming down because of our credit rating which is also getting upgraded, we are trying to bring down the interest but that is something which will continue, LC or you will go with whichever is the most effective platform at our lowest interest rate, we will be doing that.

Pawan Kumar: Okay. Can we annualise the H1 interest costs for even H2 or would it be slightly lower?

V.M.G Mayuresan: It will be slightly lower. H2 will be slightly lower compared to H1.

Pawan Kumar: Okay, thanks.

Binay Sarada: We have the next question from Surbh Soni. Please unmute your line and go ahead.

Surbh Soni: Thank you for the follow up. I actually want to delve a little deeper in previous participant's questions. So firstly, do we have any ballpark revenue target for this year?

V.M.G Mayuresan: We've indicated that the target for this year is 20-25% growth.

Surbh Soni: 20-25% growth, so that would come around 1000 crores kind of a number, right.

V.M.G Mayuresan: It will be slightly more than that.

Anand Mundra: It can range, between 1,050 to 1100. It can be between those numbers. Depending on how Q3 goes in Q4.

- Surbh Soni:** Thanks. That's all from my side.
- Binay Sarda:** Thank you. So we have a next question from Rohan Advant. Please go ahead.
- Rohan Advant:** Thanks for the opportunity. My question was on the online channel and if you look at, the online channel while it's a good growth driver, it also is commoditizing some products. Right? There's a lot of private label, there's a lot of pure price based competition and more and more brands are looking at online now versus maybe two years back. So, how's our market share within these platforms, say Amazon, Flipkart been shaping up? I think we won't be very strong and mixer grinders but in other categories, if you could just explain, category wise, how are our market share shaping and what are the challenges of growing this brand in the newer products where we might not necessarily have the higher reviews, then does this become challenging in terms of costs and campaigns that you might have to run to grow this platform? Thank you.
- V.M.G Mayuresan:** Online has grown very good for us, we have been increasing our market share and our market presence there. We've not reduced there and whatever products we are present we are in the top three in all the products, in some products we are number one in e-commerce and competitions is there, even in the offline channels there are brands which will try and cut your price and bring products at lower prices. That way ecommerce is a little easy for a new brand to enter, but even in spite of that, we've been growing faster than others. Definitely for sure brands, after sales service all those things plays a huge role that makes us grow faster than the new brands or the unorganised brands.
- Rohan Advant:** Okay, and in terms of our new product launches, how much would that launch be online focused versus online versus offline.
- V.M.G Mayuresan:** Newer categories will be launched everywhere. It will be launched online and offline at the same time.
- Rohan Advant:** Thank you, thanks for the opportunity, all the best for the future.
- Binay Sarda:** Thank you. We have some question on the chat board. First is from Vinod Singh, he says what is our rural urban mix? What is it for the industry and a large FMCG company has recently said that there is a rural slowdown what are we seeing in this?
- V.M.G Mayuresan:** Its very hard to say rural urban mix, but rural is in fact growing faster. The Q2 we had a very good rural growth. So, even in October we are seeing a similar growth in rural areas. In fact, rural area we feel that there's a lot of opportunity to grow and there is also a huge demand for our products there. We are not actually seeing slow down in our segment.
- Binay Sarda:** Thank you. Harmendra Gandhi ask, in e-commerce on marketplace do you sell as third party seller mostly or you sell to them and then they sell it.

V.M.G Mayuresan: We sell directly to Amazon and Flipkart. We don't sell it through distributors.

Binay Sarda: We have the next question from Sagar Saxena, he ask tax rate for Q2 seems high, any reason for this and when can we get back to 25% rate.

V.M.G Mayuresan: This I answered before, currently we're at 33-34% levels because of some MAT credits which is pending, even though our tax rate is higher the outflow is low. From next year we will go into the normal levels at 25%.

Binay Sarda: Thank you. Anand Shah ask, are we looking at entering OTG, microwave and toaster category in near future.

V.M.G Mayuresan: Breakfast appliances includes toaster. Toaster is something which will enter soon, OTG and microwave we've not thought about it.

Binay Sarda: Ronhan Avant ask, so you said that we have still small in modern trade. Could you explain the potential for this channel and how much does this contribute today versus its potential in 3-4 years?

V.M.G Mayuresan: Modern trade will grow multi folds for us, since our base is small. Modern trade we feel when we reach revenue of 2000 crores, modern trade will be about 250 crores for us.

Binay Sarda: Vinos Singh ask, would increasing LPG price impact any volume for the kitchen appliance industry.

V.M.G Mayuresan: All the prices have been increasing not only our components even LPG is going up, diesel, petrol everything is going up. We have not seen any slowdown yet.

Binay Sarda: There is question from Ayush Agarwal. Please go ahead.

Ayush Agarwal: Mayuresan congratulations on the good performance to the entire Butterfly team. There is one question from my end, if you can elaborate a little on your social media strategy because last time we touched upon that, you are looking at your social media presence as well. So you know, because that has become important in these times. Some colour on that would be helpful.

V.M.G Mayuresan: Digital marketing is very important for us. There is an increased focus, which is happening, we've started that. We are hiring few agencies for that and we are also adding manpower for that. And that will continue to be one of the biggest areas of focus because spends on the advertising is generally moving more towards digital spend, where ROI is better than the traditional ways. So, that is something which is going very fast for us.

Ayush Agarwal: Any major senior level hiring, that we can expect in the marketing department going forward.

V.M.G Mayuresan: We are getting in all the social media and influencer marketing. If you see we are the main title sponsor for Master Chef in South for all the languages.

So we've tied up with all the chefs there. So we've been doing a lot of work in that area.

Ayush Agarwal: That's good to know, all the best. Thank you.

Binay Sarda: We have a question from Atul Vandana, he ask, we have tie up with HP gas can we get details of other such tie ups?

Anand Mundra: We have tied up with all the oil marketing companies HPCL, IOCL, BPCL.

V.M.G Mayuresan: We have tied up with all the channels. We've been selling through their distribution network for a long period now. In the last few years the focus is being more towards traditional retail and online channels. We've reduced our focus there.

Binay Sarda: Pramod Agarwal ask, whether we are planning for splitting of shares like TTK Prestige.

V.M.G Mayuresan: We've not thought about it yet.

Binay Sarda: Anush Bhansali ask, will it be fair to assume he will have 5- 6% sales growth y-o-y in order to maintain annual outlook of 20-25% growth.

V.M.G Mayuresan: We're very confident that will do that growth. If there's an opportunity to do more, we will definitely grab that opportunity.

Binay Sarda: We have the next question from Rajeel Shah from Manashvi Securities. He says congratulations on good results. Question is on product strategy going forward. Currently, metal prices are on upswing any thought on diversifying from metal based products to other metal materials like glass, ceramic, plastic based products going forward?

V.M.G Mayuresan: Even plastics have gone up significantly in the last one year. A lot of its prices have gone up. If you see major electrical products like mixer grinder, wet grinder they are not metal based they are more plastic based. So we are currently focusing more on our small appliances that will be the focus. We are getting it into newer categories which we'll let you all know soon.

Binay Sarda: Thank you. We'll just take this last question again from the chat board. Have you continued tie up with Dentsu for brand endorsement?

V.M.G Mayuresan: I don't have any information on that now.

Binay Sarda: There is another question, what is your view on cooker and cook wear market? Given it is a mature category where do you see incremental opportunity. One large cooker brand has launched its SKU at low price, do you think that's where incremental opportunity is.

V.M.G Mayuresan: Cooker, cook wear, even in the first half we've grown significantly well, Q2 we've done about more than 60% growth compare to last year Q2, that will continue to be a very large focus for us. There are a lot of new SKUs which

have been launched, this year we've launched about more than 75 SKU in the first half. We've done one of the highest launches in the last few years. So there'll be a lot of new products coming in. There is a lot of market study going which market wants, it does not necessarily go to a low priced product. There is lot of other products also which is coming.

Binay Sarda:

That was the last question for the call. I'd like to hand over to the management for closing comments.

V.M.G Mayuresan:

Okay, thank you all. It was a very informative session for us. Like we said, we would want to grow by 20-25% this year. We would want to be one of the fastest growing kitchen appliances brand in India and we will continue to inform everyone if there is any information on this. Wishing you all a very happy Diwali. Thank you