



**“Butterfly Gandhimathi Appliances Ltd. Q4 FY21  
Earnings Conference Call”**

**May 21, 2021**

**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 Sarada:** Good afternoon 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'll 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. Narsiman 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 your analysis. With that said, I'll now hand over the call to Mr. Mayuresan, over to you sir.

**V.M.G Mayuresan:** Thank you Binay. Good morning everyone. I hope all of you are fine, and are in good health. Some of the highlights of the year gone by are, the company has reported revenue of Rs.870 crores translating into 28% growth, as compared to last year. This is the highest ever growth reported by the company over the last few years. We have grown across all the channels, except gas dealer channel. The company has reported EBITDA margins of 9.3% during the year. The working capital days are now around 36 days, which is the lowest in the history of the company. All this has resulted in improving the ROE profile of the company, it is around 18% on average net worth, and we are hopeful we will cost 20% in a year or so. We are happy to inform that we are a net cash company as on March 31, 2021. The medium-term outlook for the kitchen appliances sector continues to be very optimistic. However, in the short term, the outlook of the company is uncertain due to the upswing in COVID cases, which had led to lockdown across the states. The manufacturing facility of the company is also closed during this month from May 10 to 24, due to lock down. However, we are hopeful that we will be able to regain the lost sales during the first quarter in the coming quarters. The rising raw material prices are also putting pressure on the margins of the company. However, we were able to pass on the price rise and absorb some cost through manufacturing process reengineering and product innovation. Now we can proceed for Q&A session.

**Binay Sarada:** Thank you. Anyone with a question, please type your name and respective the company's name on the chat board, and then we can further. First question is from Aakash, please mention your full name and your company's name please go ahead.

**Aakash Jain:** My full name is Akash Jain, and my company name is Moneycurve Analytics. I have a couple of questions, but I think before that I want to just convey my condolences for the demise of your Company Secretary. I think it's quite a sadness for everyone and I think it's a very tough time for everyone. I also

want to at the same time congratulate because I think more than the growth in margins and revenue, I think balance sheet improvement has been very positive, and I think this is something that we discussed earlier as well that the change in capital profile and debt profile of the company has been the biggest positive for the last one year at least to investors like me. So, Mayuresan, I have two very simple questions. One is basically on the current environment and given that we have a very high concentration of sales in Tamil Nadu, given what is happening on lockdown now here. What is the current demand scenario like and are you seeing even in other markets for us like under Andhra Pradesh, Telangana, Karnataka, Kerala things have come to a standstill? So where do you see demand? Maybe, do you see things improving in June, July. And just like last year, where once the market opened, we saw huge growth in numbers, do you see similar kind of pent-up demand getting fulfilled or you see some improvement but it can't be a growth like last year so that is the first part. I think the second part which I think probably everyone will want to hear about is the commodity pressure now because of the way, steel, stainless steel, aluminium and copper has been going up which are the key raw materials for us. I think last time you mentioned that we will have to take some price rise given the current environment on demand. What has been the company's strategy on price rise and what kind of gross margin pressures are you seeing currently? Thank you so much.

**V.M.G Mayuresan:**

Thank you Akash. Currently, as we speak in the traditional retail market about 90% of our retail outlets are not running because of lockdowns across the states. The lockdown is across all the five southern state and most of these states in India currently, but we hope that it might improve. We are seeing complete lockdown currently, but we hope that over the coming quarters it will get better. Fortunately, it's happening in Q1. Q1 is not a big seasonal business for us. Generally, it starts by the mid of Q2, and it continues to Q3. So, we hope that by that time things should be better with the current lockdowns and everything. We feel that things will get better in the coming months. And if you see on the raw material prices, yes, it is very unstable for the last about last 4-5 months now. The prices started increasing from the month of December and early January, and it's still volatile and the availability of raw material is also a challenge, but we are doing whatever we can to the best to hold up good inventories in the risk category of raw materials and we've done price hikes twice. We are currently looking at the situation for this quarter also. And on the other side we have been doing a lot of reengineering to make sure that our gross margins are not very badly impacted by saying this, there will be some impact in Q1, but from Q2 onwards we hope that the impact is minimize, and we go get back to the previous levels.

**Aakash Jain:**

I just have one follow up question for Mayuresan, if I can ask. So, if you look at some of your peers, the recently listed company right you. We saw a huge margin improvement and as a lot of that improvement has also come from managing costs especially on the sales and distribution as well as on advertising cost. So, even the current uncertainty on demand, and the current lockdown that you're seeing in 90% of your stores. Is there also a thought process on looking at cost management or is it too early to look at cost management at this point in time.

**V.M.G Mayuresan:** We are currently working on that seeing the current lockdown situation, if it increases if it continues to Q2 we'll have to get into that again. We'll be prepared if there is a lockdown, we'll be better prepared to reduce the cost also, but currently it is a little early because the lockdown, especially in Tamil Nadu have only started out very recently. We feel that the markets will get back to normalcy from Q2.

**Binay Sarda:** The next question is from Devansh Nigotia from SIMPL is good.

**Devansh Nigotia:** Thanks for the opportunity and congratulations on a very good working capital improvement of balance sheet at the same time. So just wanted to understand since e-commerce has been a significant growth driver for the scale that the company has changed. So, if you can just throw some light on some soft points on what is it that we are doing on the E commerce which is difficult to replicate from some other players. So normally that we see that if one prices products at a lower end, you appear on the top or you have a better arrangement with the e-commerce that it helps you to show the featured option or probably on the first page. So, some soft points over there, will really help.

**V.M.G Mayuresan:** Currently with most of the retail points being closed due to lockdowns, one area which is growing is the ecommerce because even in last year what we saw immediately after lockdown was e-commerce started immediately and it was able to grow phenomenally compared to the traditional retail. One, a good thing which we saw in the last quarter and from December last year was, there was a very good increase in sales even the traditional retail. Unfortunately, it's been shut down because of lockdowns across the states and we definitely feel over the months, the traditional retail will do really well. And on the E commerce, major strengths of the company is that we've always been a very strong manufacturing company with very good R&D. So, if you see our products, especially in the electrical appliances products we have a very strong integrated manufacturing unit. If you take for example a product like mixer grinder, the body motors, the jars everything is manufactured in house. So, we have a very strong control over costing, in terms of manufacturing in house and that is one of the major reasons that we are able to compete with our competitors in a very strong way without reducing quality or functionality of the product. Even if you buy our product in e-commerce at the entry range it will have the similar kind of qualities which we maintain even in a premium range product in terms of aesthetics, in terms of functionality, in terms of even the warranty levels ours is the one of the earliest in this industry that is only because of our strength in manufacturing and that is why we are able to compete in a very strong way in new channels like e-commerce. The same thing can be replicated in modern trade also, because that will also be very similar in terms of pricing and strategy, but that is present in the retail level.

**Devansh Nigotia:** And in terms of where do we get a larger business, is it Amazon Flipkart or there is similar mix?

**V.M.G Mayuresan:** See e-commerce is dominated only by two players, Amazon and Flipkart, we deal with both the companies in a very strong way.

**Devansh Nigotia:** Can you share your revenue mix for FY21 in terms of mixer grinder, pressure cooker, gas stove tabletop.

**V.M.G Mayuresan:** Devansh, unfortunately we are not sharing a product-based revenue mix. But what I can say is, if you see all the products have grown significantly well. If you see last year, both appliances and cooker cookware have grown at 30% and above. So that is a very fortunate thing for us. But currently, we're not sharing product wise data

**Devansh Nigotia:** And even a direction would do, which is the two most dominant product out of them.

**V.M.G Mayuresan:** One major product where we are growing very well is the mixer grinders. Mixer grinders have been doing really well for us. And the same scope is there for pressure cookers because our base is small. We have a lot of volumes to catch up to our competitors so we feel that these two products will do very good for us in the near future. And the same goes with our products like gas stove. Gas stove, we do it in two channels one is the retail channel, other is the gas dealer channel. Gas dealer channel have degrown by about 22% and that is an intentional call which has been taken by the company. And from now onwards we want to maintain at the similar level, we don't want to degrow further from this, but on the traditional retail in spite of degrowth in gas dealer channel we have grown much higher than that for gas stoves. Overall, even gas stove has grown pretty good for a company and tabletop grinder is a niche product which is only sold majorly in the southern five states, and we've done some good revenue growth there but the growth on tabletop grinder will not be as big as the other products which are sold in pan India presence. And in your product categories like electric chimneys, induction stoves, electric rice cookers and non-stick cookware we are still small. In these four product categories we feel that in next two to three years, each and every product category can become Rs.100 crores or more in revenue.

**Devansh Nigotia:** And in case of product launches and innovation which is the target segment. I mean top 3-4 that we are really focusing.

**V.M.G Mayuresan:** In all the manufactured products like gas stove, mixer grinders, tabletop mixer grinder, pressure cookers, vacuum flasks we will always launch products in a value based, mid-range and premium range. We will have at least one product in each range. And in the last few years there has been a huge increase in the outsourced products as well, because as I said before we feel that can each contribute Rs.100 crores revenue.

**Binay Sarda:** The next question is from line of Akshat Hariya from Multi Act. Please go ahead.

**Akshat Hariya:** Hi Mayuresan. Actually, I had two questions. First of all, we've seen significant improvement in our debtor days and that's also led to a significant

improvement in our debt profile and our company now is net cash company as compared to a net debt company a year back. So, we know that this change in the debtor days has to do something with the bill discounting. So, I just wanted to know this decrease in debtor days which now stand at 30 days. So how much would be the contribution from Bill discounting that we are doing, and how much would be the reduction in credit which we've been actually providing to our customers. So is this a mix of both or it's mainly due to bill discounting. And also, you know if you could just try to help us explain the contours of this bill discounting that we've been doing over the last one year because that's had a significant impact on our overall balance sheet structure.

**V.M.G Mayuresan:** If you see the significant improvement in debtors is primarily because of three reasons. One is we've started doing the secondary sales monitoring, in which we will be able to track inventory at the retailer level as well as at our distributor level. We make sure that our inventory will not be piled at the retail and it tremendously increases working capital pressure on a distributor as well as the retailer, that is one of the major reasons where we've seen significant improvement in inventory as well as the debtor days at the retail level. On the other side there is also a channel mix. Gas dealer channel used to be one of the high working capital requirements for the company where debtors used to be about 90-95 days, that ratio has come down due to more retail channels, so that has also benefited. And also we've gone into bill discounting in the last 2-3 years, which has also impacted in some way to reduce the debtors, but if you see bill discounting we've only placed close to Rs.28-28.5 crores by March and our medium term goal is to utilize up to Rs.50-60 crores but currently our utilization is only Rs.28 crore. Even last year it was around Rs.28-25 crores, it was around similar levels. So, it wasn't a primary reason for reduction in debtor.

**Akshat Hariya:** Perfect. And could you share your mix from e-commerce sales for Q4 and for full year if that would be possible.

**V.M.G Mayuresan:** E-commerce growth from Q2 to Q4 it's very similar. Currently we are not sharing e-commerce sales because it's become a significant number for us number one and number two, it's very competitive information. But e-commerce has grown very good and it has been the same for all the three quarters from Q2 to Q4. In fact, in Q4 we've seen a little bit of higher growth in traditional retail than e-commerce.

**Akshat Hariya:** Okay. I just wanted to connect this question with our change in mix of south versus non-south states because non south states have been growing. So, is it the case that in e-commerce, we've got higher non-south business as compared to a traditional channel and hence higher growth in E commerce is leading to a higher share of non-south states in the overall sales mix? That could be correct understanding or it needs to be changed.

**V.M.G Mayuresan:** No, actually, e-commerce ratio is very similar to our traditional retail ratio. The non-south has grown not primarily because of e-commerce, even the traditional retail has grown at similar pace in non-south markets. Also, Akshay the growth in the south market and non-south market is similar. South has grown by 35% non-south has grown by 36%. Okay, so it's similar. But within

online, the South would have grown lower as compared to north, but overall percentage wise both the segment has grown at a similar.

**Akshat Hariya:** Understood. And, one last question, the current capacity that we have, like without additional capex we could do a sale of roughly around Rs.1200-1500 crores and can increase that by Rs.300 crores. As per the last understanding we have to do a small capex of Rs.8-10 crores so that understanding, still stays.

**V.M.G Mayuresan:** See, current capacity is for Rs.1100 crore, and with an investment of Rs.15-20 crores we can take it to Rs.1400 crores of revenue.

**Binay Sarada:** The next question is from Pawan from Luthraya capital, please go ahead.

**Pawan:** My question is regarding the price hikes that you talked about, how much price hikes have we taken and when did we take it and what is the likely. Are there any hikes that are expected to be taken forward?

**V.M.G Mayuresan:** In Q4 we had a hike of about 10% in most of our product categories. And in Q1, we're seeing the current situation. Currently we've got lockdown. There has been a little problem in terms of availability of raw materials is also the challenge currently. So, automatically the prices are going up because of that and in Q1 we are actually looking at it. Currently we are thinking that if we will have to increase it by another 5% more. That is what we are looking at.

**Pawan:** Okay, and the two price hikes are included in this 10%.

**V.M.G Mayuresan:** Already in Q4 we've done 10% hike.

**Pawan:** Okay, and are the current gross margins fully reflective of the 10% hike taken.

**V.M.G Mayuresan:** Yes.

**Pawan:** And secondly can you just give us a sense of, apart from the bill discounting of Rs.28 crores. Why are trade payables up by so much? What is the explanation for that?

**V.M.G Mayuresan:** On trade payables also what we've done is we've gone into channel financing because we want to make sure that we have to be debt free, and we want to target that and remain in that way so we wanted to increase the creditors as well. We've not increased directly with them but we've started using vendor bills discounting.

**Pawan:** Okay, how much would that amount to be and would you be paying the interest on that or the retailers.

**V.M.G Mayuresan:** Yes, it will be around to around Rs.50 crores as of March end, interest is part by our vendors and part by the company, when we have a credit of about 45 days. If we take it to 90 days, 45 days is borne by the vendor and 45 days is borne by the company, depending on vendors it changes.

**Pawan:** Okay and this Rs.50 crores is separate from the bill discounting that you have talked about right.

**V.M.G Mayuresan:** Yes. This is vendor bill discounting and that is channel financing. Rs.28 crores of channel financing for debtors

**Pawan:** Ok, that is fine. And on the gross margin front is it still the right understanding if we can get Rs.1000 crores will be at 10% given the current inflationary scenario.

**V.M.G Mayuresan:** Definitely, at that level we want to cross 10% at Rs.1000 crores that is the target, but today this Q1 is little uncertain because of various reasons because we don't know where the lockdown will be, and even this year's growth will not be like last year. Even we have given a guidance of about 10 -15% considering the lockdown gets over by q1 if it continues to do that will also change. And the lockdown extended there will be a small hit in margins. So, it is a little early to tell at this point.

**Pawan:** And one last question. What do you think would be the normalized levels of retail? I mean, the e-commerce channel as a part of our business. I'm not talking about this year, but where do you think it will settle around.

**V.M.G Mayuresan:** Again, e-commerce has grown significantly well in the last few years. We've seen the scenario for the first time here, so it's very hard to say because the likes of other big companies are also getting into e-commerce, so there might be some changes, but what we feel that e-commerce on a steady state basis will be about 30 to 40% of kitchen appliances industry.

**Binay Sarda:** The next question is from Aayush Agarwal from MAPL Value Investing.

**Aayush Agarwal:** Good afternoon Sir and thank you for the opportunity. So, my first question is that our non-south geography has done really well over the years. First, I would like to understand that what has been our strategy and what it would be going on.

**V.M.G Mayuresan:** The non-south when we started about five to six years back, we wanted to grow region to region, strengthen our presence, strengthen the supply chain network from one region and then go to the other regions. We didn't want to go across pan India presence at one go and establish on the markets there. So, we want first we only went to west markets, Gujarat, Maharashtra, Madhya Pradesh and then we went into Delhi, NCR, Punjab, and then we went into market in east like Kolkata and Orissa, so we have not gone anywhere. As we as entering our presence there and once we strengthen our presence there we want to go to the neighbouring states.

**Aayush Agarwal:** That's good to hear. Sir my other question is that how are we going about hiring senior level executives for these area penetrations or region penetration that we are doing?

**V.M.G Mayuresan:** Yes, human resources is very key role because what we have done in last few years is, we've hired a lot of people in our sales and marketing. Now, currently

we have a senior vice president who heads the sales. Along with that we have a general manager who heads state level and apart from that in the last 1-2 years we've added category level managers who are only responsible for their category to increase the share in the markets. So, there's been a lot of hiring in the sales and marketing area. Apart from that, we have a very strong manufacturing team which we feel will be good enough for at least experience we don't need a hiring in that areas, but we've been hiring a lot in sales and marketing.

**Aayush Agarwal:** Right, that should be our focus going ahead since geography penetration is the next step for our company. And my last question is right now our marketing spend is somewhere around 10.5% of our revenues. What would be that number going ahead now that we are pan India level company, do you plan to bring pan India level like other companies and what will be our strategies for marketing going ahead?

**V.M.G Mayuresan:** Currently marketing spend is around at 10.5%. We always have kept it at variable level depending on channel, but when we cross probably Rs.1000 crore of revenue we want to keep it as fixed, and it will only have an inflationary increase in cost rather than the variable of the sales of the company. And yes, we are also looking at some options but pan India role brand ambassador is little early for us, because currently only 20-24% of our sales is from non-south markets. When it touches about 30-35%, we will be looking at these options.

**Binay Sarda:** The next question is from Priyam Kimavat from Infinity Alternatives.

**Priyam Kimavat:** Hi Mayuresan and team. Congratulations on great year in terms of both revenue growth and balance sheet improvement. My question comes to you from a little long-term perspective. While in the short term we've guided for Rs.1000 revenue, maybe this year or maybe later depending on the COVID situation in the 3-4 year time period where do we see our company in terms of both revenue as well as margin. Just wanted to understand that from your side.

**V.M.G Mayuresan:** In near term we are very optimistic. For sure, we want to grow 10-15% YoY, when the market situation gets better, we will be growing faster than that. And definitely margins will grow faster than the revenue because of operational leverage, and we feel that at Rs.1200-1300 crore we will be crossing more than 12% EBITDA margin.

**Priyam Kimavat:** Okay at Rs.1200 crore, you're guiding for 12% EBITDA and in FY22 if you achieve Rs.1000 crore revenue what is our margin guidance because it seems to be a little too conservative considering that we've done major part of advertising, Rs.95 crore on around Rs.860-870 crore turnover, so that assuming to be flat this year our margin should be upwards of 10%. So that appears to be a little bit conservative so what is your guidance in terms of that?

**V.M.G Mayuresan:** Yes, we have given a little conservative outlook. The reason is a little unpredictable today as we speak, because currently we are in lockdowns.

When it gets better definitely at the end of Q1 results, we will be changing our medium-term outlook.

**Priyam Kimavat:** And in terms of just your dividend policy considering now that you are debt free, and you will be generating strong free cash because your depreciation will be equal to capex so around Rs.70-80 crore PBT in two consecutive years will lead to Rs.5200 crore free cash. So, what is your dividend policy over the next two years.

**V.M.G Mayuresan:** We started giving dividends from last year and we want to consistently increase that dividend over the years. So currently we feel on that we'll have to at least give up minimum 10% of profits as dividends. Over time it will definitely increase.

**Priyam Kimavat:** Okay and how confident are you on your working capital being around that 35 to 40 days. Will it be around this level for even at Rs.1200-1300 crore turnover in say two years.

**V.M.G Mayuresan:** Definitely yes, so we want to maintain at similar levels we are very confident about that. We've been getting into channel financing which we've just started now, we only utilized very less limits. In fact, we feel that there are scope to improve further, which we are looking at. We are very confident we will be maintaining at similar levels.

**Binay Sarda:** The next question is from Aditya Mehta from Jedem investment, please go ahead.

**Aditya Mehta:** Thank you for the opportunity. So, my question is regarding just wanting an understanding on the designing part of the products. If we see some of our established products like rapid mixer grinder, etc. the design elements are very sophisticated, but whereas in some of our new products like wave or handy mixer grinder the design appeal is a little bit missing. So, what are our strengths in the designing department and can we repeat the same success as we have done in rapid or spectrum mixer grinders.

**V.M.G Mayuresan:** Definitely, designing plays a key role in terms of aesthetics of the product because once you see a product, it should be attractive enough for you to try and buy the product. We have our inhouse design team, where we make sure that our design is kept of a paramount importance. But unfortunately for an entry level product you can't do a lot of design changes, because the market demands very basic product where it should be more functional. So, if you see a product like rapid it's more entry level, but if you take a product like spectra, they are all mid and premium range product.

**Aditya Mehta:** Yes, but sir even then in rapid design the element is very attractive, but some of our new products like wave mixer grinder is priced more than rapid, but the design appeal is missing over there. So just wanted to draw attention so that we could maintain the sales momentum because designing is playing a very important part in your sales as far as I can observe.

**V.M.G Mayuresan:** Yes, and we are launching few more mixer grinders this year, you will have to see, they will very good designs and they will look very attractive on certain products, there might be a little bit different in design because of the sales input of our sales team, because whatever the input we get from sales team we try and utilize to give the best result for them. And this year we are soon launching a food processor machine, which has a very good design and which has very good features, and it is getting launched this year in a very big way. And that will have a very good design as well as some very good features.

**Aditya Mehta:** Okay. And next question do we have any limit of the amount of revenues we can generate in a quarter, because last time in a concall we have said that we can do a maximum Rs.300 crores per quarter. So is there any limit like that.

**V.M.G Mayuresan:** No, there is no limit on revenue per quarter. We had a capacity constraint that is the reason there was limit of Rs.300 crores. Now we've started investing to build our capacity up to Rs.1400-1500 crore of revenue. So, whenever need be we will be increasing our capacities and we will be prepared for that. We will never lose sales because of lack of capacities.

**Aditya Mehta:** So that expansion in capacity by when it will be commenced.

**V.M.G Mayuresan:** This year we will increase our capacity to Rs.1400 crore of revenue.

**Aditya Mehta:** Okay this year itself. Okay and last question, so where are we in the part of time have been YouTube influencer because, if you see I've been repeating this question again and again because it might not be as costly marketing strategy for us and it might also help in expanding the brand name of the company. So are we focusing on that.

**V.M.G Mayuresan:** Yes, we are currently talking with few bigger regional chefs. We are trying to see how we can help them and also make sure that our product is reached in a bigger way. As we speak, we are discussing on that.

**Aditya Mehta:** Okay, thank you. That's from my side.

**Binay Sarda:** Thank you. The next question is from Sandeep Tyagi from Surya Intelligence. Please go ahead.

**Sandeep Tyagi:** So, first of all, very congratulations for the great year for Butterfly. And my first question is that do we have any plan to increase our product portfolio in our electronics segment

**V.M.G Mayuresan:** We are not currently there in electronic segments we are there only in kitchen appliances. We have both electrical as well as non-electrical appliances, we don't have any electronic products as we speak. The focus will be more on kitchen related integrated near future. And then we'll have to see.

**Sandeep Tyagi:** Okay, actually I'm asking for the home appliances, like we have a washing machine washer and coolers and like. So, we do we have any plan to expand our segment?

**V.M.G Mayuresan:** Electrical appliances like washers, we are also there in products like tower fans, which sells in a similar market to what our product sells. So, we are getting into some product segments which based on the sales network, because our retail points should touch those product lines, we will not be getting into a completely different product line which needs a completely different distribution network.

**Sandeep Tyagi:** Okay got it. And what was the growth in this home appliance segment in the last three or five years?

**V.M.G Mayuresan:** See last four years we've been growing consistently at 21-22%. In retail market we've been growing at 25-26%. In Gas dealer channel we have de-grown of about 10%. But overall, the growth has been more than 20%.

**Sandeep Tyagi:** Okay. And my last question is, what is the ideal portion we are expecting in future in retail and e-commerce?

**V.M.G Mayuresan:** Okay, on a steady state basis we feel that e-commerce will be between 30-40% of branded revenue.

**Sandeep Tyagi:** Okay, thank you so much. All the best for future.

**Binay Sarda:** Thank you. The next question is from Neelam Punjabi from Perpetuity ventures, please go ahead.

**Neelam Punjabi:** My questions have been answered.

**Binay Sarda:** Thank you. The next question is from Shreya, who is an individual investor. So, the question is, what is the company's geographical sales breakdown in South India and other parts of India, which is North and West India. And what are the companies plan to expand, if aggressively in other geographies today is from South India. Also, what are companies plan to expand its product portfolio to other consumer durables such kitchenware and household appliance products, either through greenfield, brownfield projects or acquisition.

**V.M.G Mayuresan:** Okay, if you see region wise breakup, we have already given that in our presentation. Currently south is about 76% and non south is about 24%. Three years back it was 85:15 and now it's 76:24 and we feel that in another 2-3 years' time it will become 65:35 with South 65% and non-south or 35%. Yes, we've seen a significant growth in the last few years. We will be continuing to grow with our current brand, and we feel that we have a good opportunity to grow with the current brand. We are not currently looking for any strategic acquisition or anything as we speak and, we are confident enough to grow with our existing brand.

**Binay Sarda:** Thank you. Next question is from Mr. Jignesh.

**Jignesh:** Hi Mayuresan and congratulations for good set of number. On the bill discounting part, we do around Rs.28 crore versus Rs.25 crores YoY, so do you think any issue in bill discounting or any feedback from dealer issue or why, they are not able to take it more.

**V.M.G Mayuresan:** The major reason is because it is based on Q4 numbers. And more importantly, the idea was to reduce the debtor days not by bringing in bill discounting, majorly by direct receivables. If you see now, there has been a significant improvement in direct debtor. And if you see the rise in sales of online channel have also contributed for reduction of debt, so we feel that we are not too aggressive in bill discounting, but there is a scope for us to bring the debtor lower using bill discounting.

**Jignesh:** Any facing issue, and particularly with now our balance sheet become much stronger. I can see that there is a scope for interest rate reduction in the bill discounting.

**V.M.G Mayuresan:** Definitely yes, because about two months back, we have been rerated from BBB to A grade. And we are negotiating with banks into reducing our interest costs.

**Jignesh:** Right now, you are close to around Rs 50 crore kind of vendor based bill discounting, with strong balance sheet do we want to continue that practice or there won't be need for the future and probably we might opt for early payment to get better rate for the raw materials sourcing.

**V.M.G Mayuresan:** Yes, currently we will be continuing to use vendor bill discounting. The only thing is, the interest will be borne by the company by getting very good pricing because currently we can command, very good interest rates.

**Jignesh:** Understood and having growth in the online sell YoY. I know, you do not want to share the percentage of revenue from that but just to understand that growth rate.

**V.M.G Mayuresan:** Growth rate, you're talking about in the future.

**Jignesh:** No, current online growth rate for fourth quarter and full year.

**V.M.G Mayuresan:** Online have grown significantly good. It is currently between 30-40% of our revenue.

**Jignesh:** Have we gained market share or lost market share in the online because now many new players, large players who are keener on online have also increased their SKU and offering.

**V.M.G Mayuresan:** Definitely we have gain market share because we have grown faster than our competitors, even if you'll see our competitor's growth, we would have grown faster than most of the competitors, and also the unorganized market is also declining year on year as we speak. It's hard to say from whom what product or geography we would have gained been market share. It's hard to say that.

But definitely, since we are growing faster than our competitors, we have gained market share.

**Jignesh:** And last question on the supply chain you also mentioned that there is some issue on the raw material supply with lockdown being there. Do you think a small player or unorganized player will have a much larger issue on the supply chain and they might lose out on the supply availability once the lockdown is open? As we have seen in the first few.

**V.M.G Mayuresan:** Definitely a lot of unorganized players are finding it hard to get raw materials and components, they are facing that problem in addition to the problem which they have seen the market. That is one of the reasons the organized players are well positioned to grow faster than unorganized on the other side we have done a lot of planning to make sure that we are not affected once the lockdown is open. When we start up plant, we are ready to start manufacturing in the full swing.

**Jignesh:** Okay, excellent.

**Binay Sarda:** Thank you. Next question is from Kunal.

**Kunal:** Hi, thank you for the opportunity. So, when I was looking at your numbers you have almost doubled your sales in the last five years, whereas your underlying category inherently don't grow at this rate. So, you just mentioned in the last answer as well that you gain market share. So, what would you attribute this fast growth in the last five years to and secondly, you have gained market share largely from whom? What is your assessment is largely from the unorganized players or some of the larger players have also lost market share to you?

**V.M.G Mayuresan:** It will be primarily of unorganized brands, last year because of pandemic situation many unorganized brands have faced the hit and many of them are not in the market, organized brands all of them have grown. If you see organized brands last five years, I think we would be one of the fastest growing brands but our base is small, we want to grow further we feel that there is an opportunity for us to grow faster than others for at least next 3-4 years.

**Kunal:** Sir, what would you attribute this fast growth to. I understand that the base is small, obviously Rs.400 crores doubling to Rs.800 crore the base is small, but would you attribute this to your strategy of online or what are the other things you would attribute this high growth to in the last five years, not specifically last one year.

**V.M.G Mayuresan:** See, until the FY17 we had the government orders. So, FY12 to FY16 we had government orders. After government orders we had decided that we will be focusing only on branded sales and will not be getting into any more of those kinds of orders. Then we had decided we can't only be a traditional retail brand based out of South majorly focusing in Tamil Nadu. We will have to be present across all these states in south and across. We will slowly get into the pan India market and that's what we've done in the last few years, which has

significantly improved our sales, and also on the product categories size we will primarily only be focusing on 2-3 product categories. Now we've got into 20 product categories and the major 4 product categories is around 80% of sales today, but we feel the other four product categories like induction stove, electric rice cooker, non-stick cookware and electric chimney, have huge potential for us and each product category will become Rs.100 crore plus product category for Butterfly in the next 2-3 years. So, there is a huge scope for us for growth and there is also a significant improvement, which had happened in the channel expansion which attributed to our sales.

**Kunal:** And my second question is pertaining to your margins. Your margins are lower than some of your competitors. So would you attribute this to lower scale or is it the fact that your contribution to e-commerce is higher in your sale, would you attribute lower margins to e-commerce or sub scale versus competitors?

**V.M.G Mayuresan:** All our channels are profitable. It is only because of scale, you would have seen at Rs.300 crore level in a quarter we can definitely do an EBITDA of 12% and above and it's only because of scale. And definitely we can compete with them in terms of margins as well in the near future.

**Kunal:** Thank you so much. Best of luck.

**Binay Sarda:** The next question is from Nikhil Doshi, an individual investor.

**Nikhil Doshi:** Thank you for the opportunity. My question Mayuresan is more from an international market perspective. Currently, what would be our export number from our overall revenue perspective, that is one. Second question is are we looking to target the export market going forward as many of our competitors are doing a reasonably good number from their respective export businesses. So, that is the second question on the export side.

**V.M.G Mayuresan:** If you see our exports, currently we are doing about 1.5% of our revenues from exports. Exports have been pretty low for us. In the last few years, there's been an increased focus in the domestic market where we feel that we were very small, and we wanted to gain the market share as soon as possible so the highest focus were on the domestic market but now we have been getting lots of distributors for even export markets and soon we will be focusing in export. This marginal revenue is not our target for now, we feel that export can easily generate Rs.70-80 crore of revenue in 3-4 years' time.

**Nikhil Doshi:** Okay, great. thanks for that. Second question is more from a manufacturing perspective. I believe you have mentioned a few times that our manufacturing capabilities are excellent and it shows as well. Are we exploring or are we getting inquiries for from a third party manufacturing contract maybe an outsourced manufacturer for an international entity and any say discussions in the past?

**V.M.G Mayuresan:** Okay, you're talking about OEM or contract manufacturing where we can support any foreign brands.

**Nikhil Doshi:** Yes.

**V.M.G Mayuresan:** Currently we manufacture five product lines gas stove, mixer grinders, pressure cookers, tabletop grinders and vacuum flasks. Yes, we have a huge opportunity for a product like vacuum flasks, where we can do a lot of exports and there are opportunities there. We are also looking at those opportunities but currently the highest focus is on domestic market with branded sales and soon we will be looking at exports because that is a huge area of growth for us.

**Nikhil Doshi:** Okay, so basically contract manufacturing as an immediate focus area is not there for the next couple of years. Exports yes, but not contract manufacturing right.

**V.M.G Mayuresan:** Yes.

**Nikhil Doshi:** Okay, thanks.

**Binay Sarada:** Next question is from Aditya Mehta, please go ahead.

**Aditya Mehta:** Thanks again. Sir, could you please share data point on how many retail touch points we might be touching in non-South markets and what was the growth in the numbers.

**V.M.G Mayuresan:** If you see retail touch points about 3-4 years back, we were touching about 16,000-17,000 retail touch points. Today we are touching about 26,000-27,000 retail touch points and today we are touching at least what 7000-8000 retail points in non-South market and which used to be 1000-1500 4-5 years back.

**Aditya Mehta:** So, what could be the growth by next year what number could be.

**V.M.G Mayuresan:** The idea is not to increase rapidly. The idea is to strengthening our counter sales in those retail points and take it further.

**Aditya Mehta:** Okay, first taking the points at the maturity level then proceeding further.

**V.M.G Mayuresan:** We will be increasing touch points in the regions where we are present, we will not be getting into new regions. Once we strengthen our presence and also will be getting into newer agents.

**Aditya Mehta:** Okay. And Sir just a confirmation on my last question that you said that we will be increasing capacity by this year. So, will this capacity contributing during this festival season this year, will this be available by then?

**V.M.G Mayuresan:** Some of the products, because for some products we have importance to do it sooner. So, for those products we will start. We'll start with those products first.

**Aditya Mehta:** So, in Q2 and Q3 we might see some increase capacities of those specific products only.

**V.M.G Mayuresan:** Yes.

**Aditya Mehta:** Thank you.

**Binay Sarda:** The next question is from Mukul Jain from Carnelian Capital, please go ahead.

**Mukul Jain:** I just want to know on the e-commerce front, what are the margins we make in the e-commerce, because since we have to shell out commission to the Amazon and Flipkart as well. So just some colour on that part. Thank you.

**V.M.G Mayuresan:** At gross margins we are slightly lower to traditional retail. On the EBITDA level it's same because there is not much fixed expenditure for e-commerce.

**Mukul Jain:** All right, in how many days do we receive payment from the Amazon and Flipkart?

**V.M.G Mayuresan:** For both of them we receive between 7-30 days.

**Mukul Jain:** Okay. All right, thank you so much.

**Binay Sarda:** Thank you. The next question is from Akash Jain from Money Curves.

**Akash Jain:** Yeah, just one follow up question Mayuresan. See last time, after the lockdown there was a larger challenge on supply side as well right because manufacturing was not there and even there was very low inventory at the dealer and distributor level. And so that is why, even after lockdown opened it took a few weeks and months for pickup of sales, right. Is this different this time because what I understand, at least from talking to other companies and even newspaper articles, etc, is that this is a demand problem and supply side has been largely less impacted. So are our dealers and distributors well stocked, so that when things open, we do not really have a lag between demand and supply can you just give a little bit of sense in terms of is there going to be a lag again like last time or it will not be there.

**V.M.G Mayuresan:** No there won't be much lag, because currently we don't have that problem. We have adequate inventory in the supply chain level because we've done a very good revenue in Q4 and we had a very good target in Q1. Unfortunately, that target will be hard considering the situation but on the inventory side we are well stocked on that.

**Akash Jain:** Thank you so much. Thank you.

**Binay Sarda:** The other last question from Mr. Neeraj Mehta an individual investor, please go ahead.

**Neeraj Mehta:** Hi Mayuresan, just quick questions similar to the question that I would have asked you the last few times, when I look at our online presence and our social media presence it seems like there is a big scope of improvement compared to some of our competitors so even when you go into Amazon and you browse or you look at social media and the way a lot of these product

promotions are happening for our competitors, whether it's Pigeon or prestige in the middle of Instagram stories or YouTube videos etc, are we doing anything, is there a project that we have in mind to enhance that and what are we doing on that channel.

**V.M.G Mayuresan:** Yes, especially on the social media we are focusing a lot we had few hires because of that is one of the best way to attract new population to buy our products. Youngsters are more present in Instagram or Facebook. So, we are focused we are strengthening our presence there we've had few hiring to take care of those definitely we are improving. And apart from that we are also getting into YouTube influencers, getting good chefs and promoting our products even in that side also.

**Neeraj Mehta:** Sure, thanks.

**Binay Sarda:** Thank you. We'll just take one last question from Piyush Khandelwal from BOI AXA mutual fund, please go ahead.

**Piyush Khandelwal:** Thank for the opportunity. So wanted to understand what's a current mix between manufacturing in house versus outsource.

**V.M.G Mayuresan:** Around 80% is inhouse and 20% is outsourced.

**Piyush Khandelwal:** And what's your capex plans over the next 2-3 years.

**V.M.G Mayuresan:** Every year we will invest about Rs.12-13 crore of nominal capex that is on a yearly basis. In addition to that we will be investing about Rs.15 crores for taking our capacity from Rs.1100-1400 crores of revenue.

**Piyush Khandelwal:** So, what's your guidance over ROE because we are at a marginally lower kind of ROE. I understand our margins was also lower. Going forward are you guiding for a better kind of margin? So, what kind of sustainable ROE numbers that you can do going forward.

**V.M.G Mayuresan:** Okay, on the return ratio, it's all dependent on profitability. So, our idea is to definitely improve profitability at Rs.1200 crore of revenue. We will cross 12% of EBITDA and even our PAT will be more than 5-6%. So, when your profits improve so does your ROE, because there is not much investments for the next few years. We feel all our return ratios will be much better.

**Piyush Khandelwal:** Our current online channel mix stands at 30%. Right, you said that. And any guidance on the online material, it will set some level.

**V.M.G Mayuresan:** Online we feel that it will be between 30 to 40% for us.

**Piyush Khandelwal:** Any kind of strategy over penetrating the non-south markets. I mean, what's our USP, are we low price point. What's our USP over penetrating the non-south markets.

- V.M.G Mayuresan:** Non south we are using a similar strategy like what we've been doing in south. We want to give a very good product at very good pricing and make sure that once our customer buys our product, he continues to use our product because of its quality as well as a product excellence. Because we feel that we have a significant edge compared to our competitors in that and also we are the only brand to manufacture five product categories in house, that is our key strength. We feel that our products are much better than our competitors in those five products.
- Piyush Khandelwal:** What will be the price difference versus peers.
- V.M.G Mayuresan:** Almost same. We are not a low-priced product brand. We are a mid and mid premium brand in mass market.
- Piyush Khandelwal:** Just last question, what's a target ad spends as a percentage of sales going forward.
- V.M.G Mayuresan:** It is currently at between 10 to 11%, in about a year or so we want to maintain it at a fixed level currently it's at variable level.
- Piyush Khandelwal:** Thanks a lot, all the best for the future.
- Binay Sarda:** Thank you. We'll now end with a call to the management for the closing comments. Over to you Mayuresan.
- V.M.G Mayuresan:** Thank you all for attending our Q4 and FY21 result call. We are very optimistic with the trends we are seeing in the market and we are very positive for the medium-term future. Thank you again and we hope to see you again soon. Thank you.