

Revenues revive; margins still subdued...

Revenues for the quarter grew significantly by 35.4% YoY to ₹ 149.5 crore driven by strong growth across all segments. Kitchen appliances grew 37% YoY to ₹ 114.4 crore whereas cooker/cookware segment grew 18% to ₹ 22.0 crore. Gross margins declined sharply by 373 bps YoY to 40.4% mainly on account of substantial growth in non-traditional channel of sales that are less profitable. Positive operating leverage curtailed the EBITDA margin contraction, to a certain extent. Hence, EBITDA margins declined 180 bps YoY to 6.6%. Decline in depreciation cost and lower taxation rate aided the PAT (resultant PAT came in at ₹ 1.1 crore vs. ₹ 45 lakh in Q4FY18).

Improvement in balance sheet liquidity, working capital

BGAL's efforts to improve its working capital cycle with the aim of having better balance sheet liquidity have started to gradually bear fruit. The company's strategy of improving the working capital cycle by focusing on collection from debtors and also providing channel financing has led debtor days to improve from 88 days in FY18 to 66 days in FY19. Also, BGAL has been able to secure higher supplier credit days from 38 days in FY18 to 56 days in FY19. Inventory days have also improved marginally from 84 days in FY18 to 80 days in FY19. The company has seen an improvement in interest cost as percentage of EBITDA to 49% for FY19 (vs. 52% in FY18). Optimised working capital cycle will aid in reducing interest cost and would continue to be the key monitorable over FY20E, FY21E.

Higher penetration of PMUY to aid revenue growth

On the segmental front, kitchen appliances grew 18% YoY to ₹ 514 crore while cookers/cookware grew robustly by ~23% YoY to ₹ 104 crore in FY19. For FY19, revenues grew ~ 21% in spite of Kerala floods. The cooker segment has seen a revival owing to increased penetration of Pradhan Mantri Ujjwala Yojana (PMUY). After achievement of the initial PMUY target of 5 crore new LPG connection, the momentum in cooker sales is expected to continue driven by extension of the PMUY target to 8 crore with a budget outlay ₹ 12800 crore. We expect revenues to grow at a CAGR of 12% YoY in FY19-21E. We expect the EBITDA margin at ~ 7-8% for FY20E, FY21E as the management focuses on achieving revenue growth by scaling up business from non-south geographies and maintaining market share in south India.

Valuation & Outlook

The management is targeting revenue growth of ~ 15-20% over the next few years with a gradual improvement in margin profile, which continues to remain lower at ~ 7% compared to its peers (EBITDA margin: 13-15%). The key monitorable would be sustaining the growth and managing the working capital. We value the company on EV/sales and assign a multiple of 0.6x with a **HOLD** rating and a target price of ₹ 190.



Particulars

Stock Data

Particular	Amount
Market Capitalisation (₹ Crore)	327.2
Debt (FY19) (₹ Crore)	143.7
Cash (FY19) (₹ Crore)	9.8
EV (₹ Crore)	461.1
52 week H/L	436 / 153
Equity Capital (₹ Crore)	17.9
Face Value (₹)	10

Key Highlights

- Kitchen appliances grew 37% YoY, while cooker/cookware segment grew 18% YoY
- Despite robust revenue growth, EBITDA margins declined 180 bps YoY owing to lower gross margins
- Improvement in working capital cycle visible, with NWC days declining by ~ 45 days in FY19
- Maintain **HOLD** with target price of ₹ 190

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Cheragh Sidhwa
cheragh.sidhwa@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY18	FY19A	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	540.6	652.0	722.4	812.0	11.6%
EBITDA	34.7	45.8	54.4	62.9	17.2%
PAT	4.8	9.6	13.3	18.1	37.6%
EPS (₹)	2.7	5.4	7.4	10.2	
P/E (x)	68.1	34.2	24.7	18.0	
EV/Sales (x)	0.9	0.7	0.6	0.6	
EV/EBITDA (x)	14.2	10.1	8.3	7.2	
RoCE (%)	6.1	9.9	11.4	12.7	
RoE (%)	2.7	5.1	6.5	8.2	

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Revenue	149.5	N/A	110.4	35.4	160.7	-7.0	Revenue growth driven by 37% and 18% growth in kitchen appliances and cooker segments, respectively
Raw Material Expense	89.2	N/A	61.7	44.6	96.2	-7.3	
Employee Expenses	15.9	N/A	13.8	15.4	18.1	-12.0	
Other Expenses	34.5	N/A	25.6	34.8	36.9	-6.4	
EBITDA	9.9	N/A	9.3	6.6	9.5	3.8	
EBITDA Margin (%)	6.6	N/A	8.4	-179 bps	5.9	69 bps	Decline in gross margins due to unfavourable product and channel mix led to lower EBITDA margin
Depreciation	3.1	N/A	3.3	-4.0	3.3	-5.7	
Interest	6.0	N/A	5.8	3.5	5.4	10.2	
PBT	1.8	N/A	1.4	33.3	1.2	46.6	
Tax Outgo	0.7	N/A	0.9	N/A	0.3	N/A	
PAT	1.1	N/A	0.5	135.7	0.9	19.2	

Key Metrics

Segmental sales							
Appliances	114.4	N/A	83.5	37.0	123.4	-7.3	
Cooker / Cookware	22.0	N/A	18.6	18.3	30.7	-28.3	
Others	13.1	N/A	8.3	57.8	5.3	147.2	
Total Branded Sales	149.5	N/A	110.4	35.4	159.4	-6.2	
Government Orders	0.0	N/A	0.0	N/A	0.0	N/A	

Source: Company, ICICI Direct Research

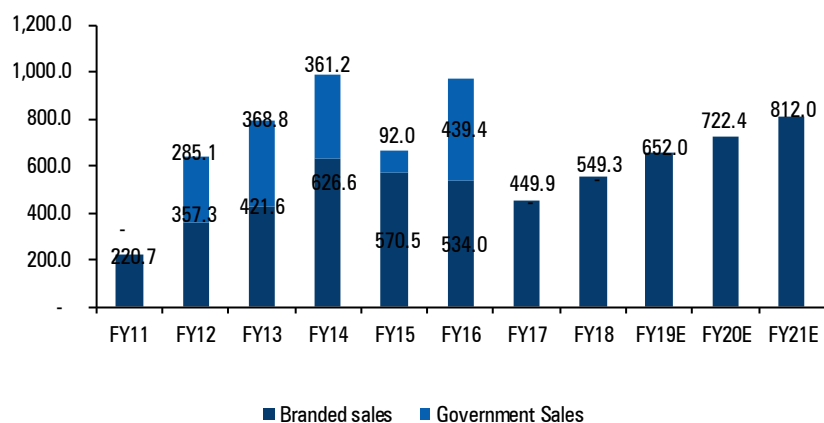
Exhibit 2: Change in estimates

(₹ Crore)	FY19E	FY20E			FY21E
	Actual	Old	New	% Change	Introduced
Revenue	652.0	731.0	722.4	-1.2	812.0
EBITDA	45.8	51.0	54.4	6.7	62.9
EBITDA Margin (%)	7.0	7.0	7.5	56 bps	7.7
PAT	9.6	12.0	13.3	10.5	18.1
EPS (₹)	5.4	6.6	7.4	12.4	10.2

Source: Company, ICICI Direct Research

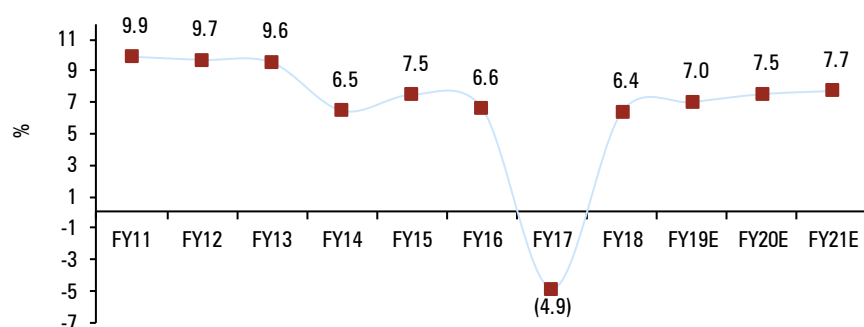
Financial story in charts

Exhibit 3: Revenue trajectory



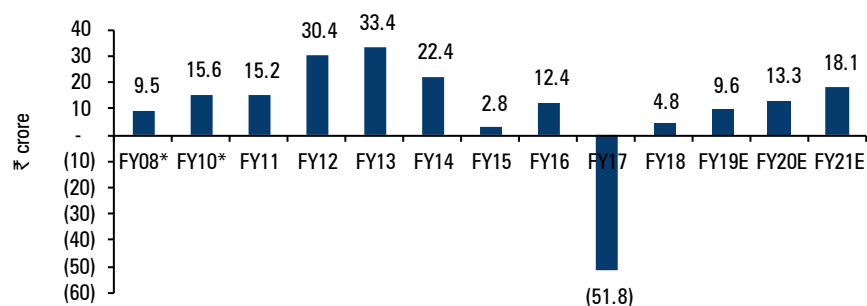
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 5: PAT trend



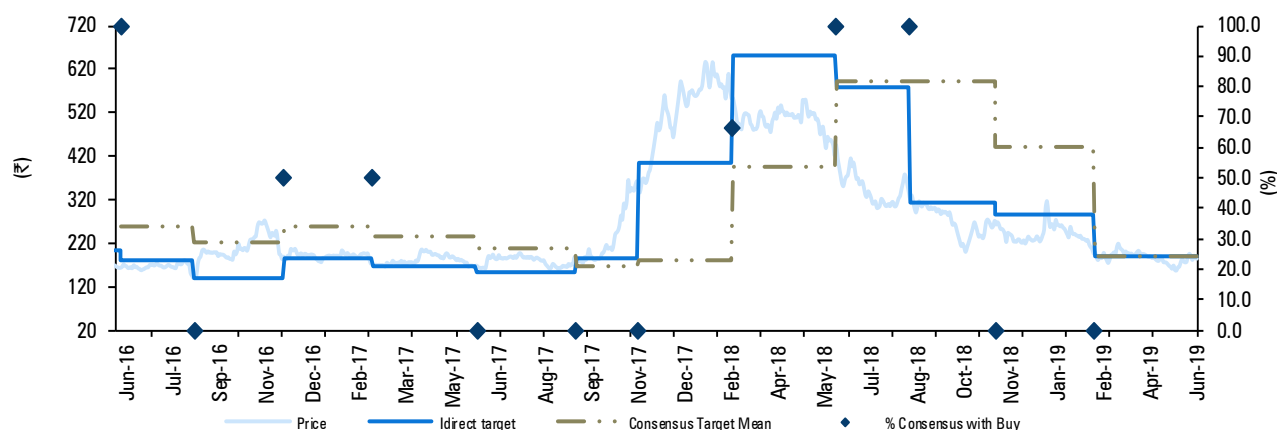
Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	540.6	33.5	2.7	LP	68.1	14.2	2.7	6.1
FY19E	652.0	20.6	5.4	99.4	34.2	10.1	5.1	9.9
FY20E	722.4	10.8	7.4	38.5	24.7	8.3	6.5	11.4
FY21E	812.0	12.4	10.2	36.8	18.0	7.2	8.2	12.7

Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	T T Krishnamachari & Company	31-Mar-19	60.36%	8.4	0.00
2	Axis Asset Management Company Limited	31-Mar-19	8.01%	1.1	0.03
3	Nalanda Capital Pte Ltd	31-Mar-19	3.49%	0.5	0.00
4	Jagannathan (T T)	31-Mar-19	3.09%	0.4	0.00
5	Mukund (T T)	31-Mar-19	2.38%	0.3	0.00
6	Venkatesh (T T)	31-Mar-19	2.31%	0.3	0.00
7	Tiruvallur (Thatai Lakshman)	31-Mar-19	2.14%	0.3	0.00
8	Wellington Management Company, LLP	31-Mar-19	1.10%	0.2	-0.05
9	Schroder Investment Management (Singapore) Ltd.	28-Feb-19	0.79%	0.1	0.00
10	The Vanguard Group, Inc.	30-Apr-19	0.65%	0.1	0.00

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

BUY			SELL		
Investor name	Value (Mn)	Shares (Mn)	Investor name	Value (Mn)	Shares (Mn)
Sundaram Asset Management Company Limited	0.26	0.09			
Khanna (Dolly)	0.02	0.01			

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	65.1	65.1	65.0	65.0	65.0
FII	1.2	1.1	1.1	1.1	1.0
DII	12.1	6.8	12.8	13.0	13.4
Others	21.6	27.0	21.1	20.9	20.7

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	540.6	652.0	722.4	812.0
Growth (%)	33.5	20.6	10.8	12.4
Raw Material Expenses	315.3	390.0	423.8	474.7
Employee Expenses	57.3	70.1	83.1	93.4
Manufacturing & Other Expense	133.3	146.1	161.1	181.1
Total Operating Expenditure	505.9	606.2	668.0	749.1
EBITDA	34.7	45.8	54.4	62.9
Growth (%)	LP	32.0	18.8	15.5
Depreciation	12.4	12.9	14.0	14.8
Interest	18.1	22.5	23.7	24.6
Other Income	1.6	2.0	2.2	2.4
PBT	5.8	12.4	19.0	25.9
Growth (%)	-111.0	112.9	52.8	36.8
Total Tax	1.0	2.8	5.7	7.8
PAT	4.8	9.6	13.3	18.1
Growth (%)	LP	99.4	38.5	36.8
EPS (₹)	2.7	5.4	7.4	10.2

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Liabilities				
Equity Capital	17.9	17.9	17.9	17.9
Reserve and Surplus	162.3	171.5	184.8	203.0
Total Shareholders funds	180.2	189.4	202.7	220.8
Total Debt	188.5	143.7	150.9	158.5
Deferred Tax Liability	(0.4)	0.4	0.4	0.4
Minority Interest / Others	-	-	-	-
Total Liabilities	368.3	333.6	354.0	379.7
Assets				
Gross Block	235.0	249.2	263.3	279.4
Less: Acc Depreciation	69.1	82.0	96.0	110.8
Net Block	165.9	167.2	167.3	168.7
Capital WIP	1.8	6.5	-	-
Total Fixed Assets	167.7	173.7	167.3	168.7
Investments	0.1	0.2	0.2	0.2
Inventory	125.1	142.1	158.3	178.0
Debtors	130.6	117.1	128.7	144.6
Loans and Advances	20.0	22.6	14.4	16.2
Other Current Assets	-	-	-	-
Cash	22.7	9.8	26.6	30.1
Total Current Assets	298.4	291.6	328.1	368.9
Current Liabilities	91.7	123.2	133.2	147.2
Provisions	5.4	6.5	8.4	11.0
Total Current Liabilities	97.1	129.7	141.6	158.1
Net Current Assets	201.3	161.9	186.5	210.8
Deferred Tax Assets	(0.8)	(2.2)	-	-
Application of Funds	368.3	333.6	354.0	379.7

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit after tax	4.8	9.6	13.3	18.1
Add: Depreciation	12.4	12.9	14.0	14.8
(Inc)/dec in Current Assets	-61.3	-6.0	-19.7	-37.4
Inc/(dec) in CL and Provisions	-2.0	32.6	11.9	16.5
Others	-	-	-	-
CF from operating activities	-46.1	49.1	19.4	12.1
(Inc)/dec in Investments	(0.0)	(0.1)	-	-
(Inc)/dec in Fixed Assets	-11.0	-14.2	-14.1	-16.1
(Inc)/dec in CWIP	2.5	-4.8	6.5	0.0
Others	0.8	1.5	-2.2	0.0
CF from investing activities	-7.8	-17.6	-9.8	-16.1
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	44.7	-44.8	7.2	7.5
Others	-0.7	0.4	0.0	0.0
CF from financing activities	44.0	-44.4	7.2	7.5
Net Cash flow	-9.9	-12.9	16.8	3.5
Opening Cash	32.6	22.7	9.8	26.6
Closing Cash	22.7	9.8	26.6	30.1

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS	2.7	5.4	7.4	10.2
Cash EPS	9.6	12.6	15.2	18.4
BV	100.8	105.9	113.4	123.5
DPS	0.0	0.0	0.0	0.0
Cash Per Share	12.7	5.5	14.9	16.9
Operating Ratios				
EBITDA Margin (%)	6.4	7.0	7.5	7.7
PBT Margin (%)	1.1	1.9	2.6	3.2
PAT Margin (%)	0.9	1.5	1.8	2.2
Inventory days	84.5	79.5	80.0	80.0
Debtor days	88.2	65.5	65.0	65.0
Creditor days	37.9	55.6	55.0	55.0
Return Ratios (%)				
RoE	2.7	5.1	6.5	8.2
RoCE	6.1	9.9	11.4	12.7
RoIC	1.4	3.0	4.1	5.2
Valuation Ratios (x)				
P/E	68.1	34.2	24.7	18.0
EV / EBITDA	14.2	10.1	8.3	7.2
EV / Net Sales	0.9	0.7	0.6	0.6
Market Cap / Sales	0.6	0.5	0.5	0.4
Price to Book Value	1.8	1.7	1.6	1.5
Solvency Ratios				
Debt/EBITDA	5.4	3.1	2.8	2.5
Debt / Equity	1.0	0.8	0.7	0.7
Current Ratio	3.1	2.2	2.3	2.3
Quick Ratio	1.8	1.2	1.2	1.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA; Cheragh Sidhwa MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.