

Strong performance amid tough scenario...

Butterfly Gandhimathi (BGAL) reported healthy revenue growth of 20% YoY to ₹ 288.9 crore in Q2FY21. The strong growth was on the back of channel filling owing to lower trade inventory levels and renewed customer interest in in kitchen appliances as majority of people preferred home cooked food. EBITDA margins expanded 310 bps YoY to 11.9% owing to positive operating leverage and better gross margins (up 240 bps YoY). On the back of a strong operational performance, PAT doubled YoY to ₹ 17.2 crore.

Improved business metrics to aid profitable growth

BGAL registered strong growth in all product categories in Q2FY21. Kitchen appliance grew 17% YoY to ₹ 221 crore while cooker/cookware segment revenues grew 21% to ₹ 52 crore. Demand for BGAL's products has been high owing to customer preference for home cooked food. Also, with its strong brand presence in south and own manufacturing capacity, the company has been able to garner strong revenue growth. Gross margins also expanded (up 240 bps YoY to ~ 42%) owing to superior product and channel mix. Owing to better working capital management, the company has been able to lower the debt and consequently reduce the interest cost.

Optimised working capital leading to b/s improvement

The company has been relentlessly focusing on managing the working capital. The debtor days have reduced from 102 days in H1FY20 to 63 days in H1FY21. BGAL has implemented a bill discounting facility, which has aided in reducing debtors by ~₹ 30 crore. Also, the company has started real time inventory tracking at distributor/dealer level that has aided in streamlining channel inventory thereby improving the ROI of distributors and, consequently, led to reduction in debtors. Also, BGAL's change in channel mix with reduction in share of gas dealer channel to 7% from 23% three years back has aided in better working capital efficiency.

Valuation & Outlook

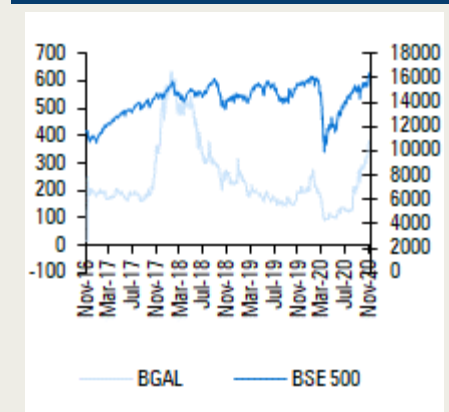
The management indicated that demand has been strong and is expected to sustain owing to enhanced preference of consumers for home cooked food. The management has been focusing on increasing the share of e-commerce that has been among the fastest growing distribution channel for the company. Revenues from the e-commerce space were at ₹ 145 crore in FY20 (vs. ₹ 45.0 crore in FY19). Owing to a strong Q2FY21 performance, we model revenue CAGR of 11% in FY20-23E. We expect a gradual improvement in margin profile (operating leverage and decline in lower margin OMC business) and expect EBITDA margins to increase to 8.1% by FY23E. We value the company on EV/sales and assign a multiple of 0.8x. We maintain **HOLD** rating with a revised target price of ₹ 390.



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	675.8
Debt (FY20) (₹ Crore)	159.2
Cash (FY20) (₹ Crore)	4.5
EV (₹ Crore)	830.5
52 week H/L	397 /85
Equity Capital (₹ Crore)	17.9
Face Value (₹)	10

Price Chart



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Key Financial Summary

(₹ Crore)	FY20A	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	678.7	740.5	833.6	935.5	11.3%
EBITDA	40.7	48.4	61.2	76.2	23.2%
PAT	4.0	11.1	24.9	37.8	
EPS (₹)	2.2	6.2	13.9	21.1	
P/E (x)	169.7	61.1	27.2	17.9	
EV/Sales (x)	1.2	1.1	0.9	0.8	
EV/EBITDA (x)	20.4	16.3	12.4	9.5	
RoCE (%)	7.6	10.2	13.5	16.8	
RoE (%)	2.1	5.4	10.9	14.2	

Financial summary

Exhibit 1: Profit & Loss Statement

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Total operating Income	678.7	740.5	833.6	935.5
Growth (%)	4.1	9.1	12.6	12.2
Raw Material Expenses	390.2	430.7	483.1	542.1
Employee Expenses	78.9	77.8	85.9	96.4
Manufacturing & Other Expense	168.9	183.6	203.4	220.8
Total Operating Expenditure	638.0	692.1	772.4	859.3
EBITDA	40.7	48.4	61.2	76.2
Growth (%)	17.5	18.8	26.5	24.6
Depreciation	13.9	14.1	14.4	15.2
Interest	24.1	18.7	15.2	12.5
Other Income	1.5	1.5	1.7	1.9
PBT	4.1	17.0	33.3	50.5
Growth (%)	-66.7	312.2	95.3	51.7
Total Tax	0.1	6.0	8.4	12.7
PAT	4.0	11.1	24.9	37.8
Growth (%)	-17.1	177.9	124.9	51.7
EPS (₹)	2.2	6.2	13.9	21.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash Flow Statement

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Profit after tax	4.0	11.1	24.9	37.8
Add: Depreciation	13.9	14.1	14.4	15.2
(Inc)/dec in Current Assets	-31.5	1.1	-21.0	-25.4
Inc/(dec) in CL and Provisions	9.6	29.4	18.4	23.0
Others	-	-	-	-
CF from operating activities	-4.0	55.8	36.7	50.6
(Inc)/dec in Investments	0.0	-	-	-
(Inc)/dec in Fixed Assets	-15.7	-12.0	-12.0	-15.0
(Inc)/dec in CWIP	3.6	0.0	0.0	0.0
Others	-2.2	0.0	0.0	0.0
CF from investing activities	-14.3	-12.0	-12.0	-15.0
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	15.4	-25.4	-17.1	-20.8
Others	-2.4	0.0	0.0	0.0
CF from financing activities	13.0	-25.4	-17.1	-20.8
Net Cash flow	-5.3	18.4	7.7	14.8
Opening Cash	9.8	4.5	22.9	30.5
Closing Cash	4.5	22.9	30.5	45.3

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Liabilities				662.3
Equity Capital	17.9	17.9	17.9	17.9
Reserve and Surplus	174.8	185.9	210.8	248.5
Total Shareholders funds	192.7	203.7	228.6	266.4
Total Debt	159.2	133.8	116.7	95.9
Deferred Tax Liability	(1.3)	(1.3)	(1.3)	(1.3)
Minority Interest / Others	-	-	-	-
Total Liabilities	350.5	336.2	344.1	361.0
Assets				
Gross Block	264.9	276.9	288.9	303.9
Less: Acc Depreciation	95.9	110.1	124.5	139.7
Net Block	168.9	166.8	164.4	164.2
Capital WIP	3.0	3.0	3.0	3.0
Total Fixed Assets	171.9	169.8	167.4	167.2
Investments	0.2	0.2	0.2	0.2
Inventory	170.1	166.4	178.1	192.2
Debtors	116.9	125.8	132.5	141.0
Loans and Advances	26.2	20.0	22.5	25.3
Other Current Assets	-	-	-	-
Cash	4.5	22.9	30.5	45.3
Total Current Assets	317.8	335.0	363.6	403.7
Current Liabilities	130.8	157.6	172.6	191.3
Provisions	8.6	11.1	14.5	18.8
Total Current Liabilities	139.3	168.7	187.1	210.1
Net Current Assets	178.4	166.2	176.5	193.6
Deferred Tax Assets	-	-	-	-
Application of Funds	350.5	336.2	344.1	361.0

Source: Company, ICICI Direct Research

Exhibit 4: Key Ratios

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	2.2	6.2	13.9	21.1
Cash EPS	10.0	14.1	22.0	29.6
BV	107.8	114.0	127.9	149.0
DPS	0.0	1.7	3.1	4.6
Cash Per Share	2.5	12.8	17.1	25.3
Operating Ratios				
EBITDA Margin (%)	6.0	6.5	7.3	8.1
PBT Margin (%)	0.6	2.3	4.0	5.4
PAT Margin (%)	0.6	1.5	3.0	4.0
Inventory days	91.5	82.0	78.0	75.0
Debtor days	62.9	62.0	58.0	55.0
Creditor days	57.8	66.0	65.0	65.0
Return Ratios (%)				
RoE	2.1	5.4	10.9	14.2
RoCE	7.6	10.2	13.5	16.8
Valuation Ratios (x)				
P/E	169.7	61.1	27.2	17.9
EV / EBITDA	20.4	16.3	12.4	9.5
EV / Net Sales	1.2	1.1	0.9	0.8
Market Cap / Sales	1.0	0.9	0.8	0.7
Price to Book Value	3.5	3.3	3.0	2.5
Solvency Ratios				
Debt/EBITDA	3.9	2.8	1.9	1.3
Debt / Equity	0.8	0.7	0.5	0.4
Current Ratio	2.3	2.0	1.9	1.9
Quick Ratio	1.1	1.0	1.0	1.0

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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