

Outperforming industry revenue growth...

Butterfly Gandhimathi (BGAL) reported strong revenue growth of 70% YoY to ₹ 298 crore in Q3FY21. The healthy growth was on the back of enhanced customer interest in kitchen appliances due to accentuated preference for home cooked food. Revenue growth was visible across all channels except gas dealers. Though gross margins were lower (change in product, channel mix) by 400 bps YoY to 41.7%, EBITDA margins expanded 480 bps YoY to 12% due to positive operating leverage. On the back of strong operational performance, PAT rose from ₹ 1.1 crore in Q3FY20 to ₹ 18.7 crore in Q3FY21.

Strong demand across channels driving revenue growth

BGAL registered strong growth in all product and channel categories in Q3FY21 except the gas dealer channel. Kitchen appliance grew 73% YoY to ₹ 231 crore while cooker/cookware segment revenues grew 72% YoY to ₹ 58 crore. Demand for BGAL's products has been high owing to customer preference for home cooked food. The management indicated that it was the beneficiary of stress faced by small local/regional players who did not have strong manufacturing capability and were dependent on imports that got disrupted due to pandemic. The company has enhanced its focus on modern retail and e-commerce channels and expects these two channels to drive its growth over the next few years.

Significant working capital reduction aiding b/s improvement

The company has focussed on managing the working capital. The debtor days have reduced from 102 days in H1FY20 to 52 days in 9MFY21. BGAL's strategy of real time inventory tracking at distributor/dealer level has aided in streamlining channel inventory thereby improving the RoI of distributors and, consequently, led to a reduction in debtors. Also, BGAL's change in channel mix with reduction in share of gas dealer channel to 6% from 30% three years back has aided in better working capital efficiency.

Valuation & Outlook

Strong demand enabled the company to run at near full utilisation level. The management guided that it could exit FY21E with more than 20% revenue growth. The company is also planning a capex of ₹ 30 crore to enhance the plant capacity. The new capex would enable BGAL to have a peak revenue potential of ~ ₹ 1400 crore over the next few years. Factoring in the strong performance in 9MFY21, we model revenue CAGR of 15% 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 10.7% by FY23E. BGAL has shown consistent improvement on financial performance parameters. Owing to enhanced revenue visibility and improved margin profile we revise the rating from HOLD to **BUY** with a revised target price of ₹ 750 (1.3x FY23E EV/sales, previous TP: ₹ 390).



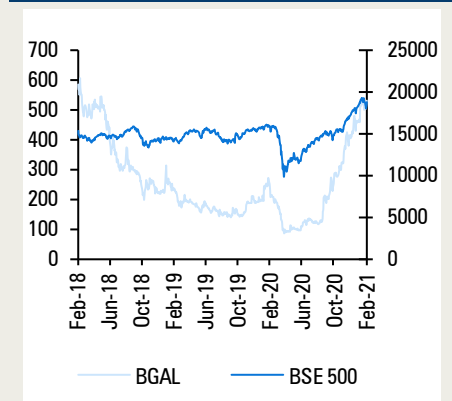
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,099.6
Debt (FY20) (₹ Crore)	159.2
Cash (FY20) (₹ Crore)	4.5
EV (₹ Crore)	1,254.3
52 week H/L	640 /85
Equity Capital (₹ Crore)	17.9
Face Value (₹)	10

Key Risks

- Any significant raw material cost inflation can impact margins negatively
- Lower than estimated revenue growth

Price Performance



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Key Financial Summary

(₹ Crore)	FY20A	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	678.7	833.0	929.0	1,043.3	15.4%
EBITDA	40.7	83.7	98.9	111.2	39.7%
PAT	4.0	33.7	53.6	62.0	
EPS (₹)	2.2	18.8	30.0	34.7	
P/E (x)	276.1	32.6	20.5	17.7	
EV/Sales (x)	1.8	1.4	1.3	1.1	
EV/EBITDA (x)	30.8	13.7	11.8	10.1	
RoCE (%)	7.6	22.3	22.6	21.9	
RoE (%)	2.1	14.9	19.1	18.1	

Financial summary

Exhibit 1: Profit & Loss Statement

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Total operating Income	678.7	833.0	929.0	1,043.3
Growth (%)	4.1	22.7	11.5	12.3
Raw Material Expenses	390.2	484.4	538.4	604.5
Employee Expenses	78.9	75.0	83.6	93.9
Manufacturing & Other Expense	168.9	189.9	208.1	233.7
Total Operating Expenditure	638.0	749.3	830.1	932.1
EBITDA	40.7	83.7	98.9	111.2
Growth (%)	17.5	105.3	18.3	12.4
Depreciation	13.9	14.8	17.1	18.2
Interest	24.1	18.3	11.6	11.7
Other Income	1.5	1.2	1.4	1.6
PBT	4.1	51.8	71.6	82.9
Growth (%)	-66.7	1,154.3	38.2	15.7
Total Tax	0.1	18.1	18.0	20.9
PAT	4.0	33.7	53.6	62.0
Growth (%)	-17.1	745.8	59.1	15.7
EPS (₹)	2.2	18.8	30.0	34.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash Flow Statement

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Profit after tax	4.0	33.7	53.6	62.0
Add: Depreciation	13.9	14.8	17.1	18.2
(Inc)/dec in Current Assets	-31.5	51.2	-68.4	-40.7
Inc/(dec) in CL and Provisions	9.6	18.8	20.6	22.0
Others	-	-	-	-
CF from operating activities	-4.0	118.4	22.9	61.6
(Inc)/dec in Investments	0.0	-	-	-
(Inc)/dec in Fixed Assets	-15.7	-12.0	-40.0	-20.0
(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	-40.0	-20.0
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	15.4	-76.1	-0.2	0.4
Others	-2.4	0.0	0.0	0.0
CF from financing activities	13.0	-76.1	-0.2	0.4
Net Cash flow	-5.3	30.3	-17.4	42.0
Opening Cash	9.8	4.5	34.8	17.4
Closing Cash	4.5	34.8	17.4	59.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	17.9	17.9	17.9	17.9
Reserve and Surplus	174.8	208.5	262.1	324.1
Total Shareholders funds	192.7	226.4	280.0	342.0
Total Debt	159.2	83.0	82.8	83.2
Deferred Tax Liability	(1.3)	(1.3)	(1.3)	(1.3)
Minority Interest / Others	-	-	-	-
Total Liabilities	350.5	308.1	361.5	423.9
Assets				
Gross Block	264.9	276.9	316.9	336.9
Less: Acc Depreciation	95.9	110.8	127.9	146.1
Net Block	168.9	166.1	189.0	190.8
Capital WIP	3.0	3.0	3.0	3.0
Total Fixed Assets	171.9	169.1	192.0	193.8
Investments	0.2	0.2	0.2	0.2
Inventory	170.1	114.1	152.7	171.5
Debtors	116.9	125.5	152.7	171.5
Loans and Advances	26.2	22.5	25.1	28.2
Other Current Assets	-	-	-	-
Cash	4.5	34.8	17.4	59.4
Total Current Assets	317.8	296.9	347.9	430.6
Current Liabilities	130.8	147.0	164.2	181.9
Provisions	8.6	11.1	14.5	18.8
Total Current Liabilities	139.3	158.1	178.7	200.7
Net Current Assets	178.4	138.8	169.3	229.9
Deferred Tax Assets	-	-	-	-
Application of Funds	350.5	308.1	361.5	423.9

Source: Company, ICICI Direct Research

Exhibit 4: Key Ratios

(Year-end March)	FY20A	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	2.2	18.8	30.0	34.7
Cash EPS	10.0	27.1	39.5	44.9
BV	107.8	126.6	156.6	191.3
DPS	0.0	5.3	6.6	7.6
Cash Per Share	2.5	19.4	9.7	33.2
Operating Ratios				
EBITDA Margin (%)	6.0	10.0	10.6	10.7
PBT Margin (%)	0.6	6.2	7.7	7.9
PAT Margin (%)	0.6	4.0	5.8	5.9
Inventory days	91.5	50.0	60.0	60.0
Debtor days	62.9	55.0	60.0	60.0
Creditor days	57.8	54.0	55.0	55.0
Return Ratios (%)				
RoE	2.1	14.9	19.1	18.1
RoCE	7.6	22.3	22.6	21.9
Valuation Ratios (x)				
P/E	276.1	32.6	20.5	17.7
EV / EBITDA	30.8	13.7	11.8	10.1
EV / Net Sales	1.8	1.4	1.3	1.1
Market Cap / Sales	1.6	1.3	1.2	1.1
Price to Book Value	5.7	4.9	3.9	3.2
Solvency Ratios				
Debt/EBITDA	3.9	1.0	0.8	0.7
Debt / Equity	0.8	0.4	0.3	0.2
Current Ratio	2.3	1.9	1.9	2.1
Quick Ratio	1.1	1.2	1.1	1.3

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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