

BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

RESULTS PRESENTATION

Q1 FY16
www.butterflyindia.com

Certain statements in this presentation concerning our future growth prospects are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, our ability to manage growth, competitive intensity in our industry of operations including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, sufficient availability of raw materials, our ability to successfully complete and integrate potential acquisitions, liability for damages on our contracts to supply products, the success of the companies in which Butterfly Gandhimathi Appliances Ltd has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Butterfly Gandhimathi Appliances Ltd may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company

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1

Company Overview

About Us..

Leading manufacturer of Kitchen and Electrical Appliances

Market Leader in India for LPG Stoves & Table Top Wet Grinders and major supplier of Mixer Grinders & Pressure Cookers

The 'Butterfly' brand is a highly respected brand synonymous with quality

Established in 1986 by Shri V. Murugesu Chettiar – currently helmed by 2nd and 3rd generation of promoter family

Headquartered in Tamil Nadu with Pan India presence

Strong R&D focus which has led to several pioneering initiatives and continues to drive in-house development of new products

Healthy Balance Sheet with continuously improving Financial Indicators

Mix of industry growth and Company initiatives has led to traction in Revenues in last few years

Quick Facts

#1

IN INDIA
FOR LPG STOVES
& TABLE TOP WET GRINDERS

17%

REVENUE CAGR
FY10-15

IN THE TOP

3

IN INDIA FOR DOMESTIC
KITCHEN APPLIANCES

NOW PRESENT IN ALL

28

STATES IN INDIA

SALES OF BRANDED
PRODUCTS IN FY15

485

CRORE

400+

EXCLUSIVE
DISTRIBUTORS ACROSS
INDIA

<1.0

NET DEBT / EQUITY
RATIO

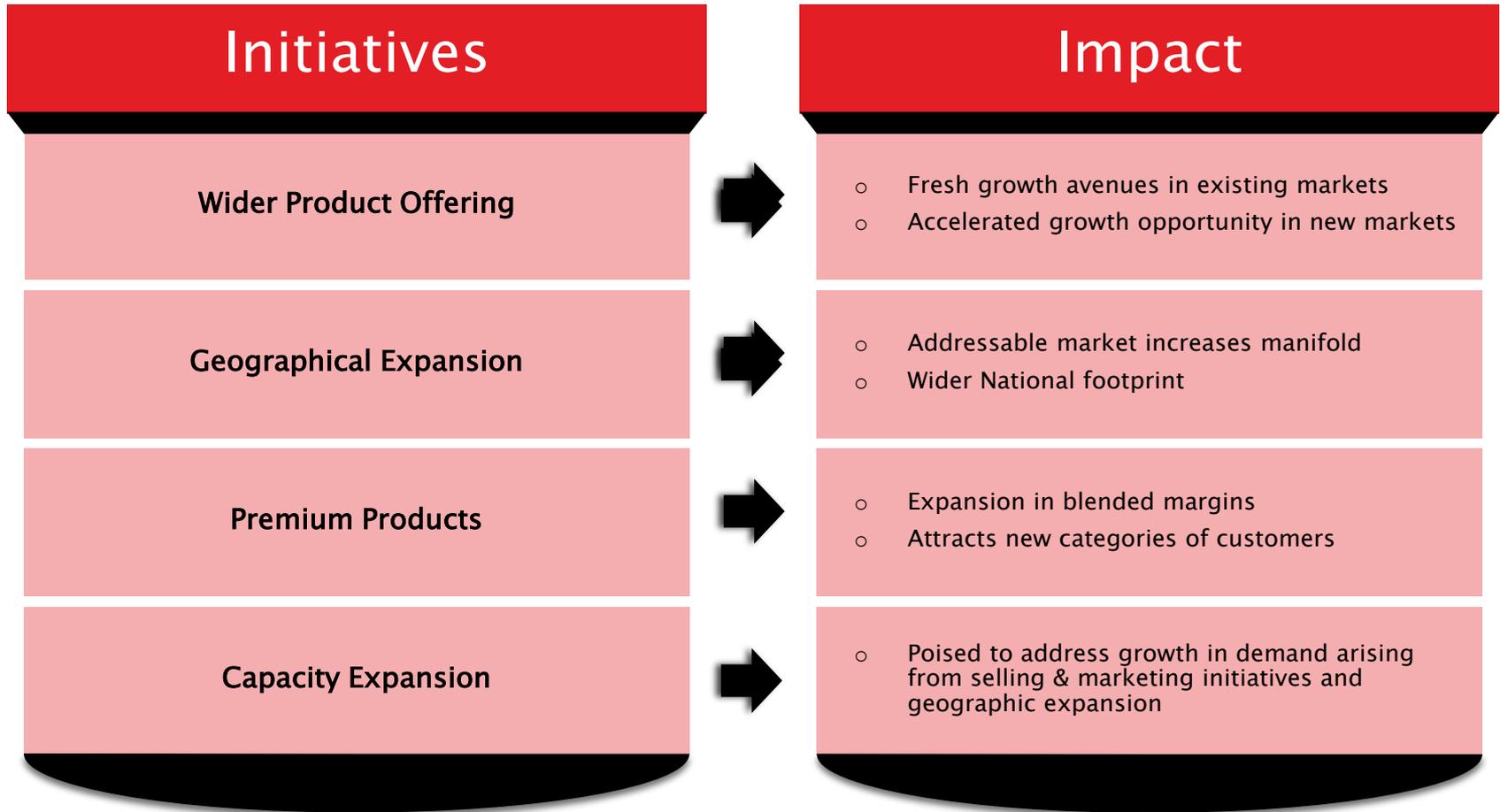
17%

OF FY15
REVENUES FROM NON-
SOUTH STATES

3x

EXPANSION IN PRODUCT
CATEGORIES IN LAST 24
MONTHS

Growth Levers



Product Portfolio

Every product exhibits the highest standards in Safety, Durability, Efficiency, Aesthetics & Reliability



LPG Stove



Mixer Grinder



Table Top
Wet Grinder



Electric Chimney



Pressure Cooker



Non Stick Cookware



Induction Cooktop



Electric Rice Cooker



Juicer Mixer Grinder



Electric Kettle



Sandwich Maker



Air Cooler

Product Portfolio

Other Pioneering Products



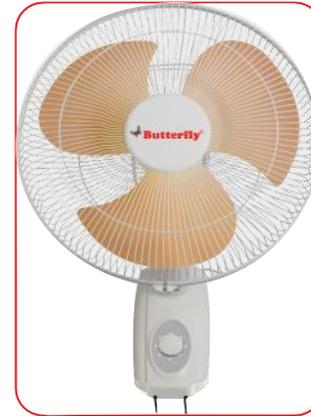
Washer



Juicer



Hand Blender



Fan



Water Heater

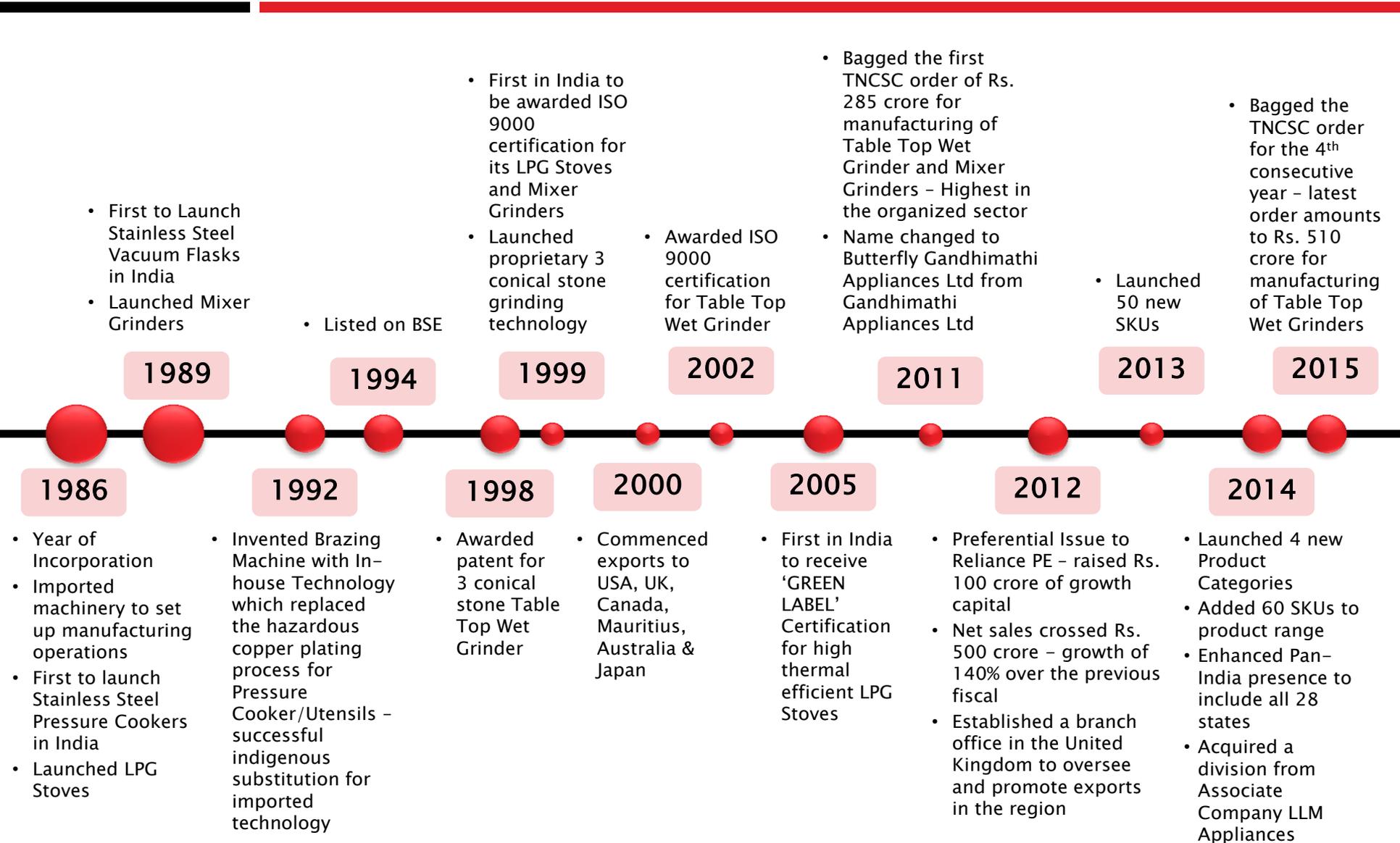


Electric Iron

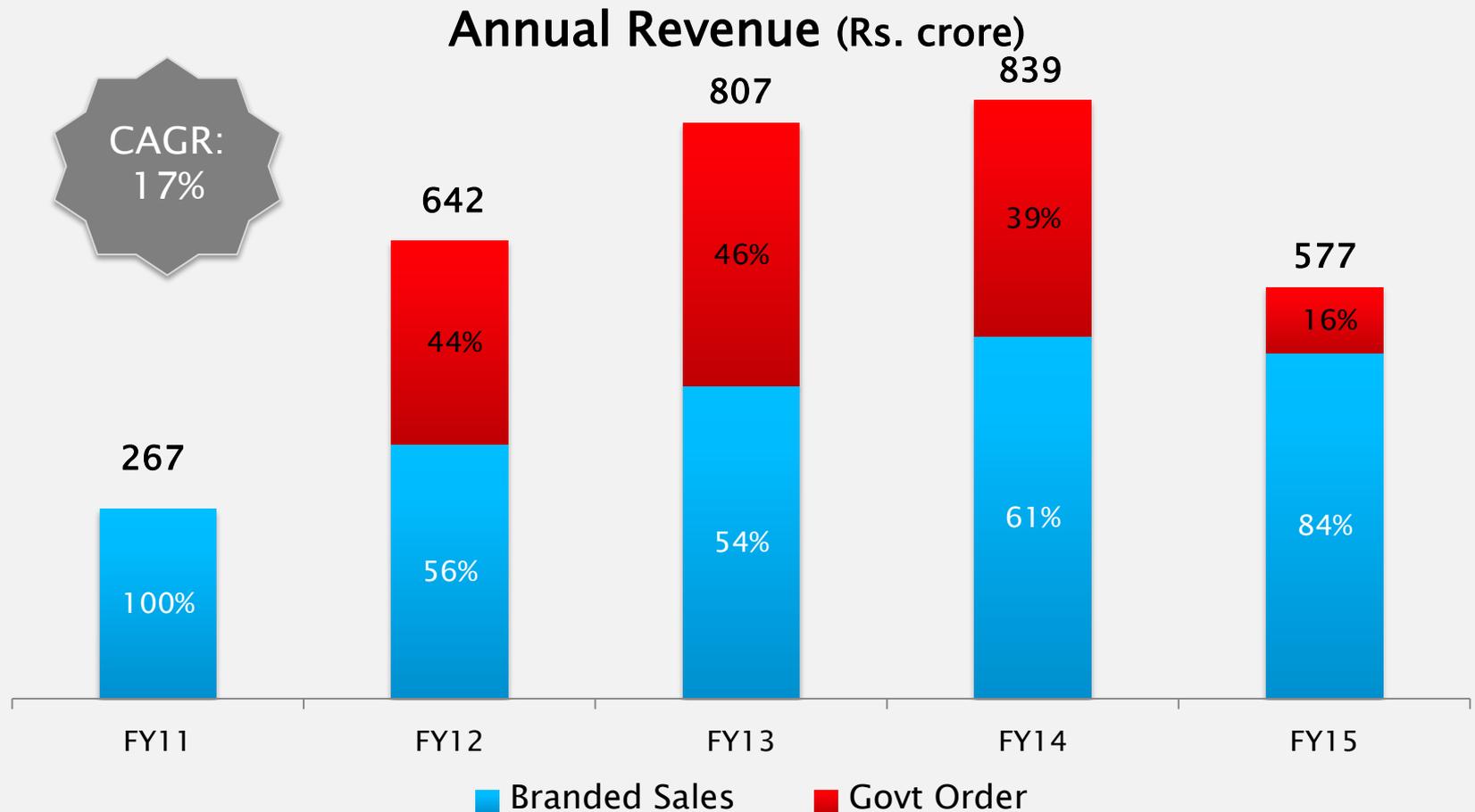


Pop-up Toaster

Milestones



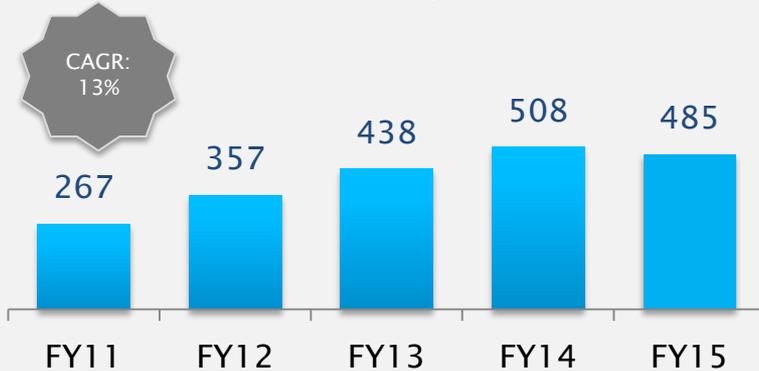
Revenue Profile



Note: FY15 Government Tender was deferred and combined with FY16 tender which resulted in realization of revenue for only part of the year

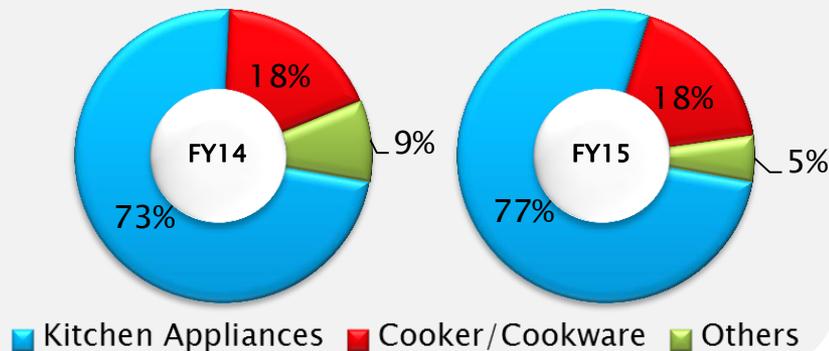
Branded Retail Sales

Branded Sales (Rs. crore)



Note: Excluding spare / component sales, Branded Revenue sales were largely stable at Rs. 478 crore in FY15 compared to as against Rs. 477 crore in FY14

Branded Product Distribution (%)



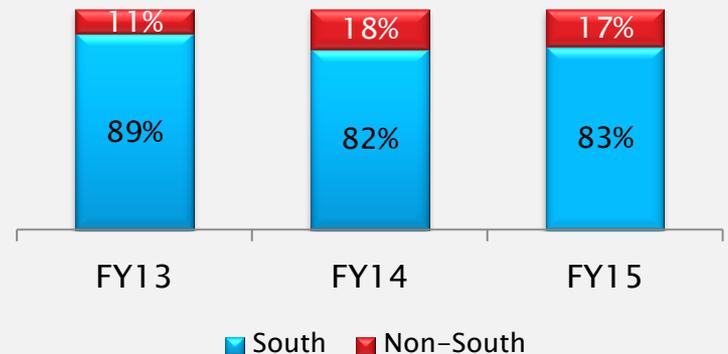
Through Institutions

- Tie ups with Gas dealers of IOCL, BPCL and HPCL
- Customers for new gas connection are provided with co-branded products manufactured by BGMAL
- This provides the Company a ready market for primary sales at the point of Gas connections itself

Through Retail Marketing

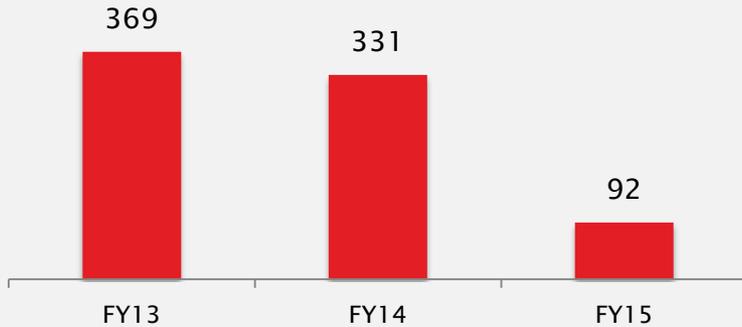
- Network of 400+ exclusive distributors
- Distributors supply to dealer network which is customer facing
- 3 Company retail stores in Chennai, Hyderabad and Bengaluru and one franchisee store at Pondicherry
- 18,000+ retail points across the Indian map

Region-wise Break-up



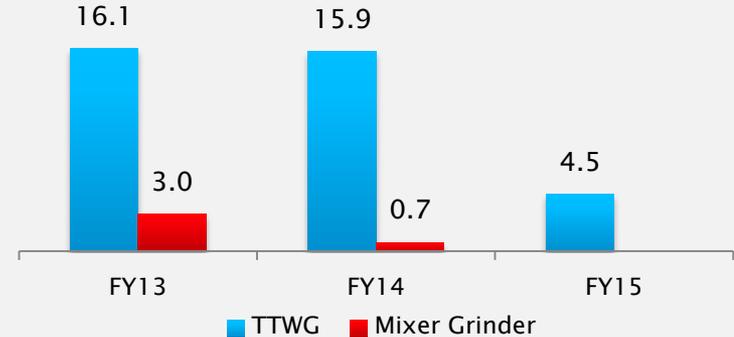
Government Orders

Government Order Sales (Rs. crore)



Note: Govt. Order for FY15 was received only in Jan, 2015 hence the revenues will accrue primarily in FY16

Products supplied (in lakh units)



- ❑ For the last 4 years in succession, BGMAL has participated and won orders in the annual tender of Tamil Nadu Civil Supplies Corporation
- ❑ In January 2015, the Company bagged orders worth Rs. 510 crore for supply of Table Top Wet Grinders in CY2016
- ❑ The order marks the conclusion of the TNCSC scheme as envisaged under the current government

Benefits to **BGMAL**

- Incremental contribution to profitability, favorable payment terms enabling a positive cash flow business
- Increase in volumes have elevated BGMAL's manufacturing and delivery capabilities
- Increased number of users of the Company's products has led to an increase in the potential market for the Company
- Creates ready customer base which will materialize at the time of product replacement or upgradation
- Delivery experience has led to innovation and launch of economy models which have aided growth in Branded Sales

Strong R&D Capabilities

R&D focused Company with a demonstrated track record in innovation

1st to introduce Stainless Steel Pressure Cookers in India

1st to manufacture Stainless Steel LPG Stoves in India

1st to introduce Stainless Steel Vacuum Flasks in India which deliver enhanced Heat Retention up to 72 hours compared to 8 hours with conventional products

Invented 3 conical stone grinding technology – awarded patent in 1998

Enhanced Fuel efficiency in LPG Stoves from 50% to over 68% at present

In-house design of moulds, tools and dies has resulted in improved manufacturing efficiency

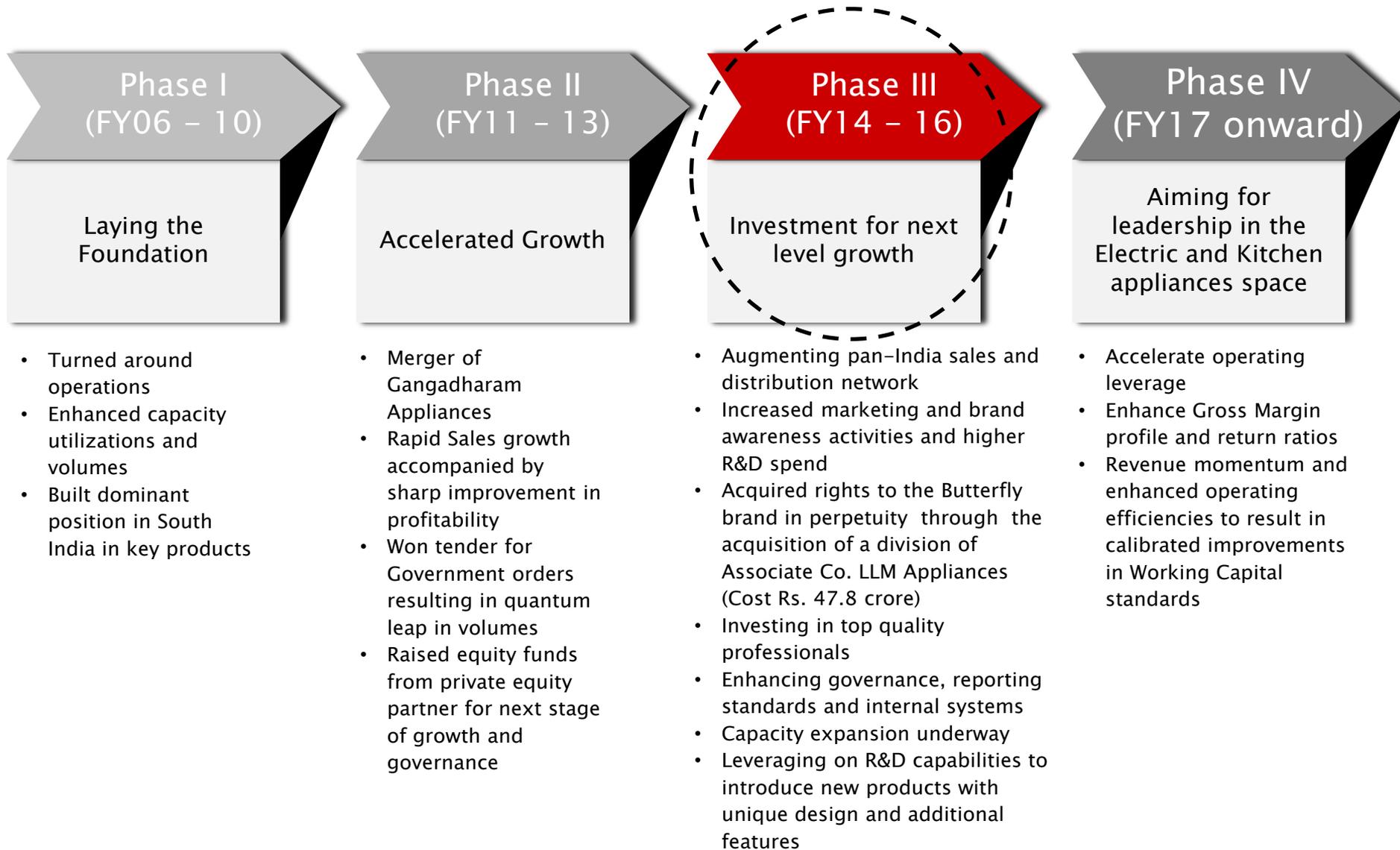
360° R&D efforts focused on product efficiency, longevity and design



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Transformation Strategy & Operational Progress

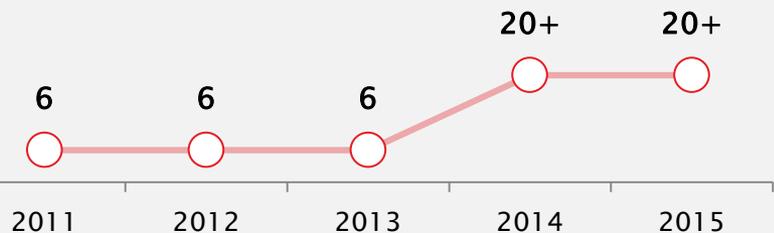
BGMAL Transformation



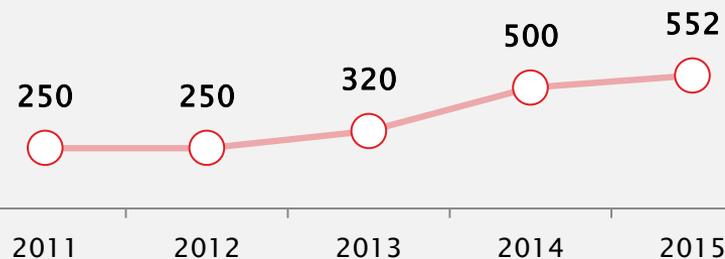
Augmenting Organic Growth

Increased Product Categories For Wider Product Portfolio And Higher Market Share

Product Categories (Nos.)

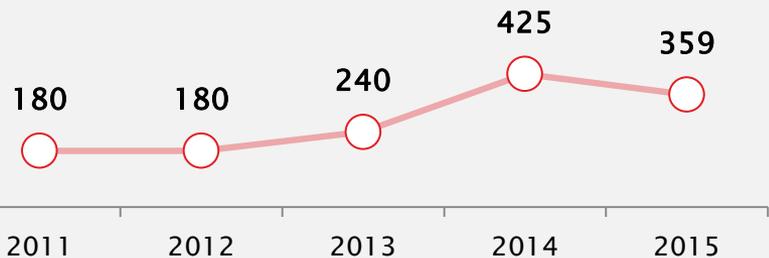


SKUs (Nos.)

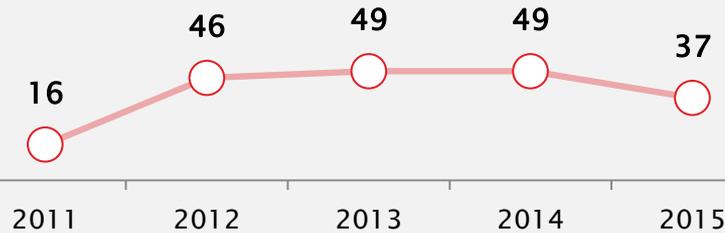


Enhancing Sales and Marketing Efficiency For Better Penetration And Brand Development

Sales Team (Personnel)



Marketing Spend (Rs. Cr)



Abridged Profit & Loss Statement

Rs. crore

Particulars	FY 2012	FY 2013	FY 2014	FY 2015	Q1 FY15	Q1 FY16
Total Net Revenues (Incl. OI)	595.9	730.5	770.7	533.3	108.4	234.6
- Branded Net Revenues	334.0	390.6	460.8	447.5	107.7	100.6
- Government Net Revenues	260.8	338.0	308.2	84.3	-	133.8
- Other Income	1.1	1.9	1.85	1.5	0.8	0.2
Material Cost	388.9	491.2	520.2	317.5	61.8	167.0
- Cost of Materials Consumed	338.6	444.1	483.6	248.3	43.5	147.2
- Purchases of Stock-in-Trade	58.0	73.5	85.3	65.3	5.3	4.3
- Changes in Inventories of Finished Goods , Work-in-Progress and Stock-in-Trade	(7.6)	(26.4)	(48.7)	3.9	13.0	15.5
Gross Profit	207.0	239.3	250.5	215.8	46.6	67.6
Gross Margin (%)	35%	33%	33%	40%	43%	29%
Employee Expenses	32.0	51.6	60.8	60.3	14.8	15.1
Other Expenses	111.5	119.8	128.2	111.5	20.4	36.8
EBITDA	63.2	67.9	61.5	44.0	11.4	15.7
EBITDA Margin (%)	11%	9%	8%	8%	10%	7%
Depreciation	1.7	4.0	5.1	10.2	2.5	2.8
Finance Cost	17.6	15.3	22.1	29.6	8.6	6.7
Profit Before Tax	44.2	48.6	34.3	4.2	0.3	6.2

Change in product-mix during the quarter impacted the Contribution, Gross and EBITDA margins

Key Focus Areas

- Optimize investment on expansion of distribution network and brand building activities
- Continued focus on enhanced working capital position
- Inventory de-stocking efforts undertaken by the Company are nearly complete and is expected to further boost efficiency and cash flow, while also improving the health of the balance sheet
- Maximizing cost efficiencies at all levels of operations
- Long-term growth in primary sales to accrue from the various strategic initiatives undertaken by the Company
- To launch several innovative and ergonomic kitchen and domestic electrical appliances – world class products with immaculate design and added utility features developed through in-house R&D
- To further improve perception of product quality synonymous with the “BUTTERFLY” brand



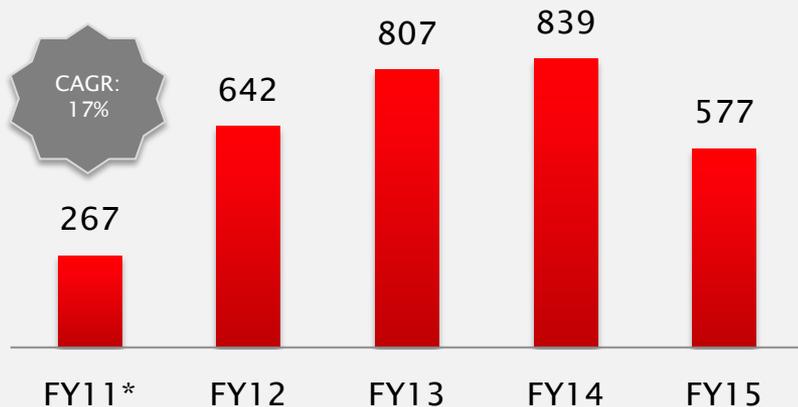
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Financial Overview

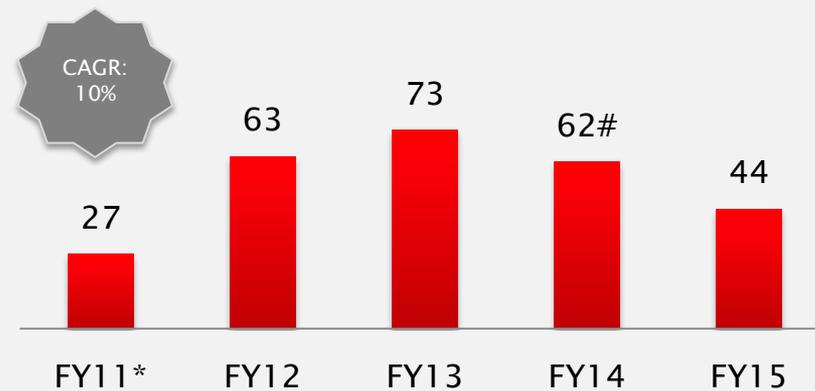


Performance Track Record – Annualized

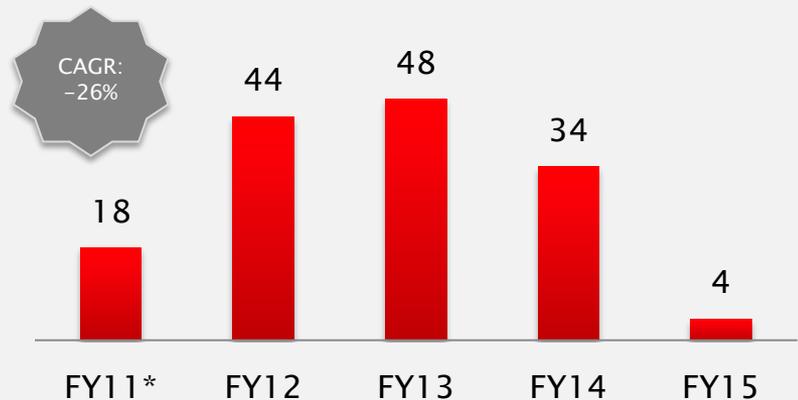
Total Revenue (Rs crore)



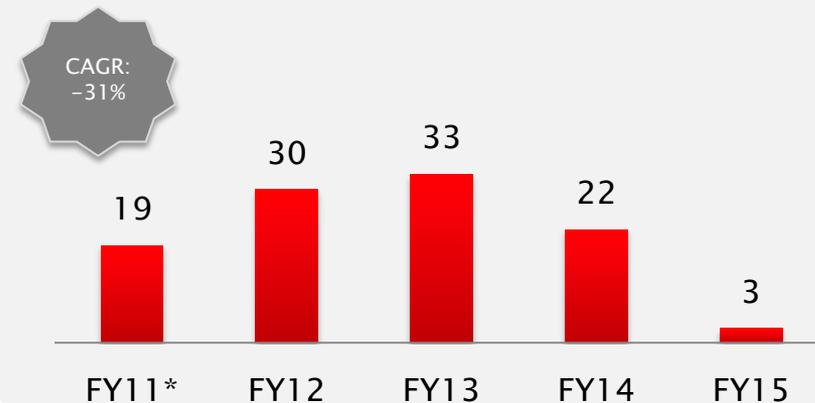
EBITDA (Rs crore)



Profit Before Tax (Rs crore)



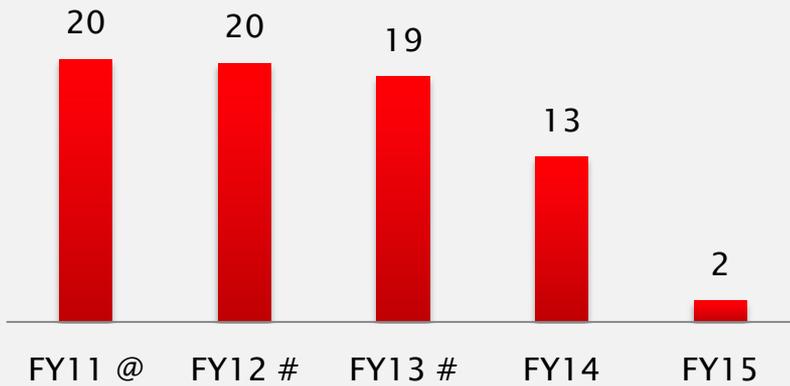
Profit After Tax (Rs crore)



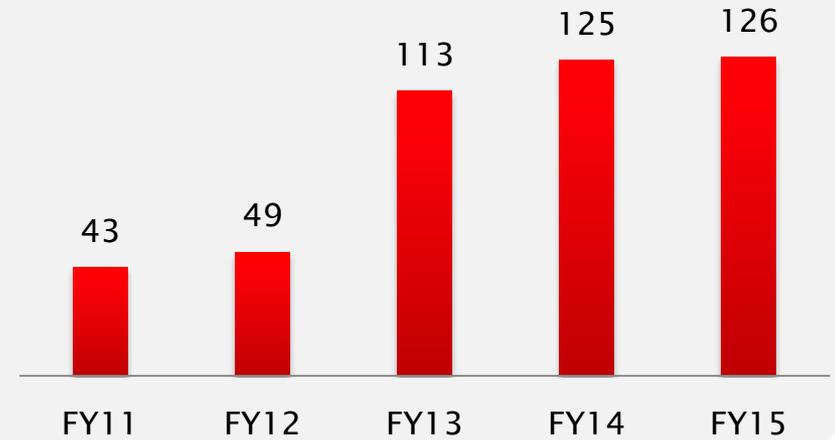
NOTE : * FY11 was for period of 9 months ended on 31.03.2011. The figures above represent the annualized numbers in order to facilitate a comparison.
Foreign exchange loss was not included in EBITDA calculation until FY13. From FY14, foreign exchange loss has been included in EBITDA calculation

Key Financials

Earning Per Share (Rs) – Annualized



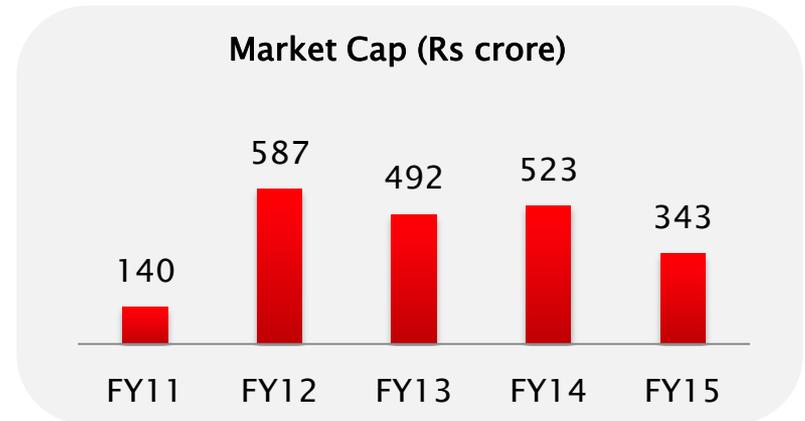
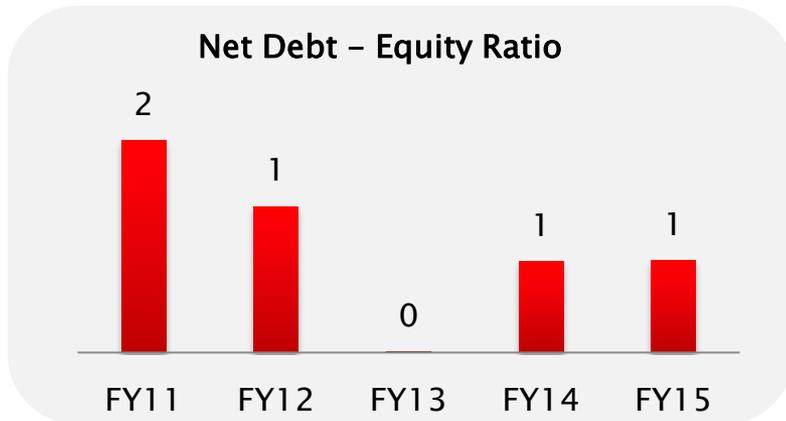
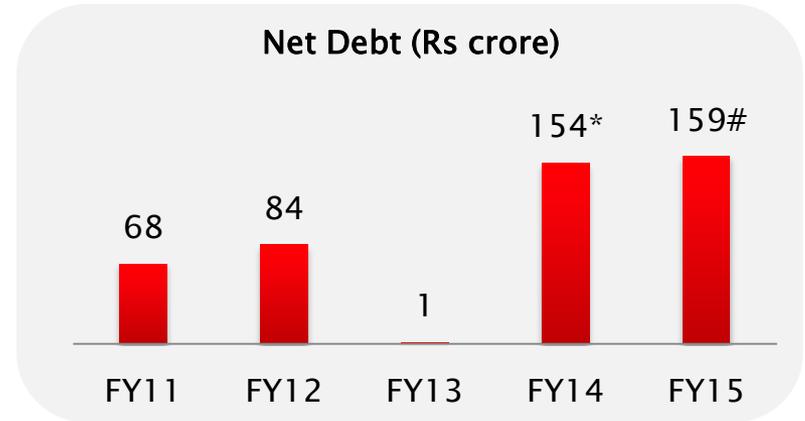
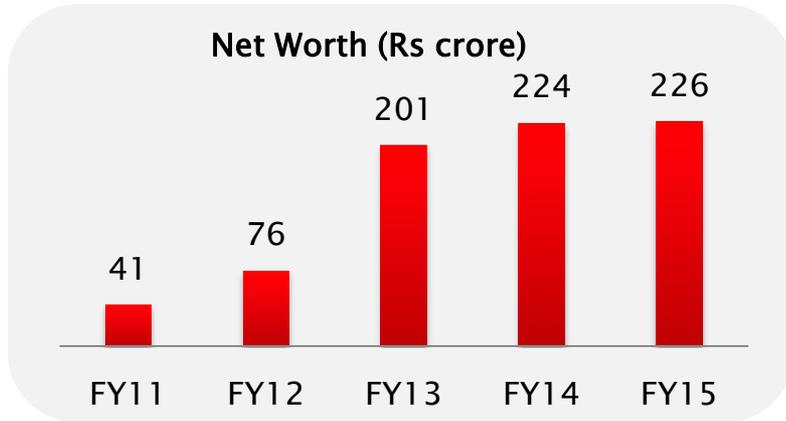
Book value per share (Rs)



@ FY11 was for period of 9 months ending 31.03.2011. The figures above represent the annualized numbers in order to facilitate a comparison.

EPS for FY12 and FY13 have reduced due to expansion of the Equity Base

Key Financials



- *Increase in Net debt in FY2014 was on account of delayed payment of Government orders.
- #Net debt remained higher mainly due to the recent Govt. order and loan towards LLM acquisition



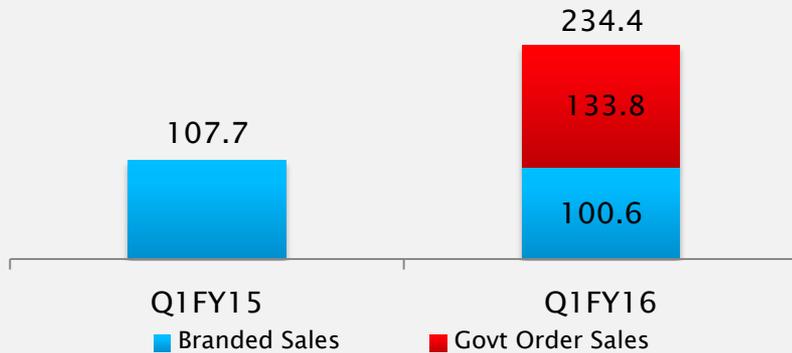
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Q1 FY16 Operating Performance & Highlights

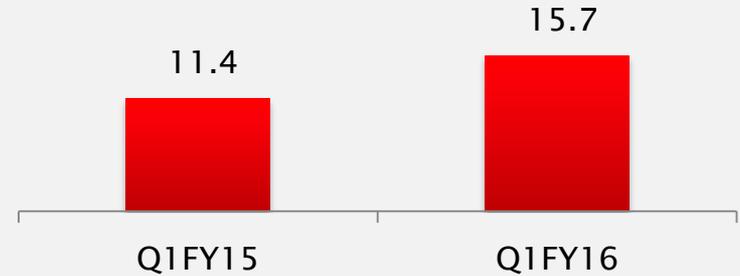


Q1 FY16 – Performance highlights

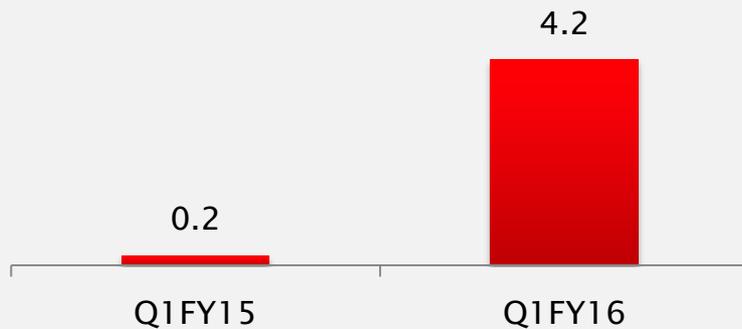
Total Income (Net) (Rs. crore)



EBITDA (Rs. crore)



PAT (Rs crore)



- Total Income (Net) during Q1 FY16 stood at Rs. 234.4 crore as against Rs. 107.7 crore, of which Branded sales were lower by 6.6% from Rs. 107.7 crore in Q1 FY15 to Rs. 100.6 crore in Q1 FY16
- EBITDA improved by 37.7% and stood at Rs. 15.7 crore in Q1 FY16 as against Rs. 11.4 crore in Q1 FY15
- PAT stood at Rs. 4.2 crore in Q1 FY16, translating into an EPS of Rs. 2.3

Detailed Performance Overview discussed on Slide 26

Performance Overview for Q1 FY16

A combination of the following factors influenced the revenue performance and profitability trend on a y-on-y basis

- Branded Sales were hit mainly due to the dampened consumer sentiment that prevailed in the first half of current quarter
- Situation seems to have improved from June and an appreciable recovery is expected from the second quarter onwards
- The strategic initiatives taken in the previous quarters are expected to show considerable improvement in the coming quarters

- *The Company has already undertaken initiatives like new market consolidation, focus on products with value added features, entry into modern retail and ecommerce business formats , focus on Export business and enhanced Marketing & Brand Awareness Activities, which are expected to gain renewed momentum in performance in the upcoming quarters*
- *Execution of the Government order (Awarded in Jan 2015) has been going on at a brisk pace. As of Q1 FY16, Rs. 238 crores worth of orders have been executed, which have resulted in a positive impact on the financial performance of the Company*

Product Categories

Kitchen Appliances

- LPG Stove
- Mixer Grinder
- Table Top Wet Grinder
- Electric Chimney
- Hand Blender
- Induction Cooktop
- Electric Kettle
- Juicer
- Juicer Mixer Grinder
- Yogurt Maker
- Slice Toaster
- Sandwich Maker

Cookers/Cookware

- Pressure Cooker
- Non-Stick Cookware
- Electric Rice Cooker

Others

- Air Cooler
- Water Heater (Geyser)
- Other Trading Goods
- Electric Iron
- Fan

Key Highlights

Branded Gross Sales (including excise)

	(Rs crore)				
Product	Q1 FY16	Q1 FY15	Q4 FY15	Y-o-Y Growth	Q-o-Q Growth
Branded Market					
Kitchen Appliances	75.7	85.4	45.6	-11.4%	66.0%
Cooker/Cookware	15.1	19.9	11.7	-24.1%	29.1%
Others	5.8	8.6	8.2	-33.7%	-29.3%
Total-Branded	96.6	113.9	65.5	-15.3%	47.5%
Others (Components / Spares)	15.3	-	6.0	-	-
Grand Total	111.9	113.9	71.5	-1.8%	56.5%

- Q1FY16 sales were primarily impacted due to dampened consumer sentiment that prevailed in the first half of current quarter as compared to Q1 FY15
- Retail channel sales in Q1 FY16 were lower on a Y-o-Y basis primarily due to inventory destocking undertaken by primary sales channel which is now complete – growth is expected to resume going forward
- Institutional channel sales have shown a revival in demand and showed a growth of 14% on a Y-o-Y basis

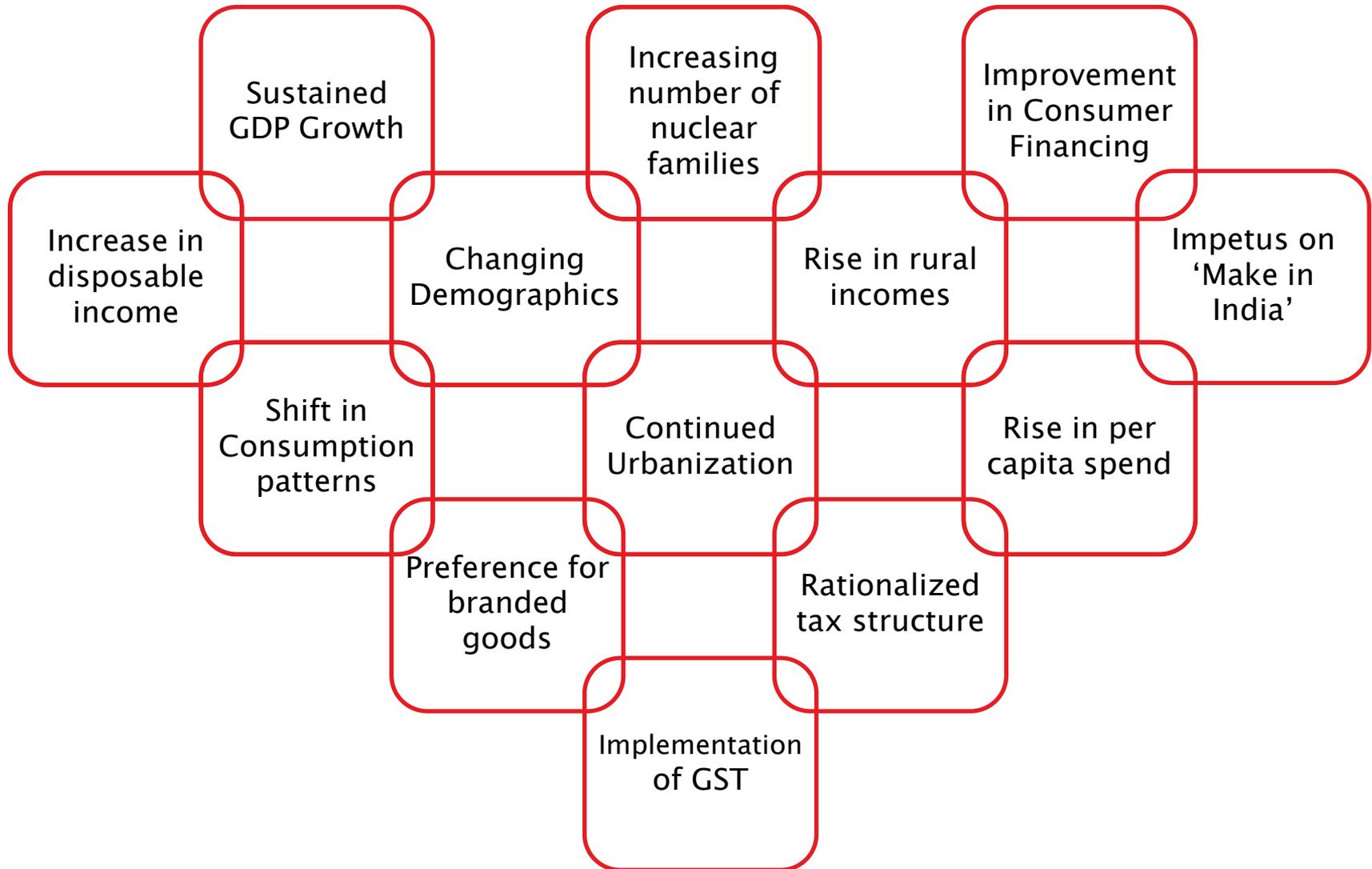


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Outlook



Industry Growth Drivers



Attractive Growth Prospects



Improved Distribution & Sustained Presence

- Currently concentrated in South India which represents over 80% of Branded sales
- Have already extended distribution set-up to western India, increasing maturity is driving sales momentum
- Scaling up distribution network in Central, North & East India
- Pan-India presence being augmented leading to improved market penetration



New Product Pipeline

- Revenues currently dominated by 6 key products
- Total offerings now at more than 20 product categories
- Enhancing product options for mass market as well as premium category



Capacity Expansion

- The Company commenced expansion of its manufacturing capacity at a total cost of Rs. 45 crore
- Planned enhancement of capacity for Pressure Cookers, LPG Stoves and Mixer Grinders
- Capacity expansion will meet projected medium term growth



Enhanced Marketing & Brand Awareness Activities

- Have launched strong advertisement and brand awareness campaign
- Across multiple media such as newspaper, magazines, television and web
- Investments in advertising & marketing was Rs. 37 crore in FY15
- Advertising and marketing activities will help to leverage the enhanced distribution network and wider market reach

Outlook

CATEGORY	Q1 FY16 CONTRIBUTION	MARKET ENVIRONMENT	OUTLOOK
Retail Channel Sales*	75–80% of Branded Sales in Q1FY16	<ul style="list-style-type: none"> The market scenario is showing signs of improvement from June 2015 	Improved consumer landscape and a likely buoyant festive season is expected in Q2 FY16
Institutional Channel Sales	20–25% of Branded Sales in Q1FY16	<ul style="list-style-type: none"> Institution sales is dependent on release of new LPG gas connections Issuance of new LPG gas connections has improved in Q1 FY16, which is expected to continue for the rest of FY16 	Consumer demand is gradually improving in this segment
TOTAL BRANDED SALES	Rs. 112 crore		
Government Order Sales	Rs. 146 crore	<ul style="list-style-type: none"> In Jan 2015, BGMAL bagged TNCSC Order worth Rs. 510 crores for supply of Table Top Wet Grinders As of Q1 FY16, Rs. 238 crore worth of TNCSC order has been completed. Remaining order in hand is expected to be completed by Q3 FY16 	Healthy accrual in FY16
GROSS REVENUES	Rs. 258 crore		

NOTE : *New product categories added through acquisition has also been included in the Retail channel sales

Thank you
