

BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

RESULTS PRESENTATION

Q4 & FY14
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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Outlook



1

Company Overview

About Us..

Leading manufacturers 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

Strong Balance Sheet with continuously improving Financial Indicators

Mix of industry growth and Company initiatives has led to high double-digit growth in Revenues & profitability in the last 5 years

Quick Facts

#1

IN INDIA
FOR LPG STOVES
& TABLE TOP WET GRINDERS

44%

REVENUE CAGR
FY10-14

IN THE TOP

3

IN INDIA FOR DOMESTIC
KITCHEN APPLIANCES

NOW PRESENT IN ALL

28

STATES IN INDIA

SALES OF BRANDED
PRODUCTS IN FY14

508

CRORE

400+

EXCLUSIVE
DISTRIBUTORS ACROSS
INDIA

<1.0

NET DEBT / EQUITY
RATIO

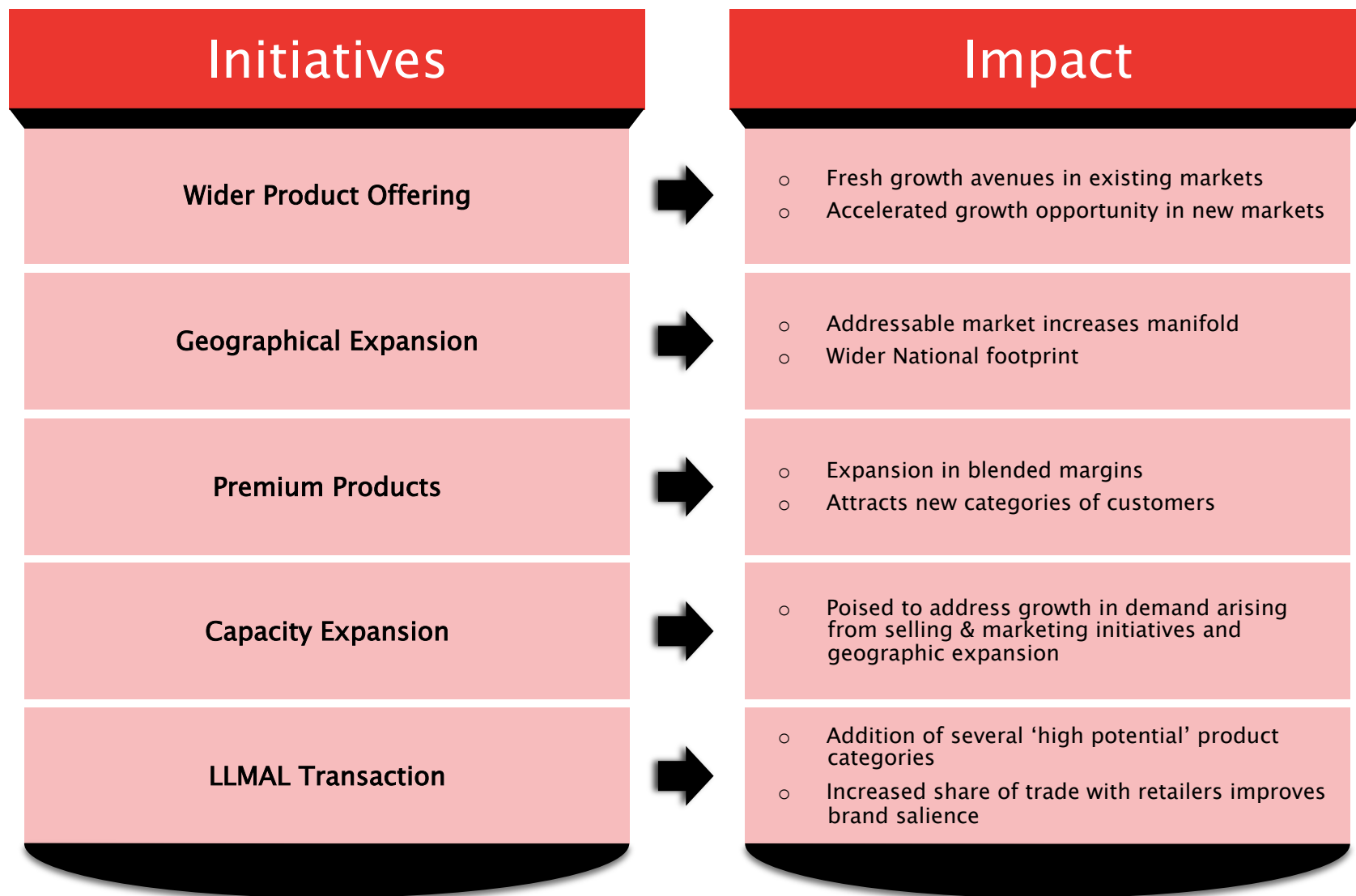
18%

OF FY14
REVENUES FROM NON-
SOUTH STATES

3x

EXPANSION IN PRODUCT
CATEGORIES IN LAST 12
MONTHS

Growth Levers



Product Portfolio

Every product is manufactured on the pillars of Safety, Durability, Efficiency, Aesthetics & Reliability



LPG Stove



Mixer Grinder



Table Top Wet Grinder



Pressure Cooker



Electric Chimneys



Non Stick Cookware

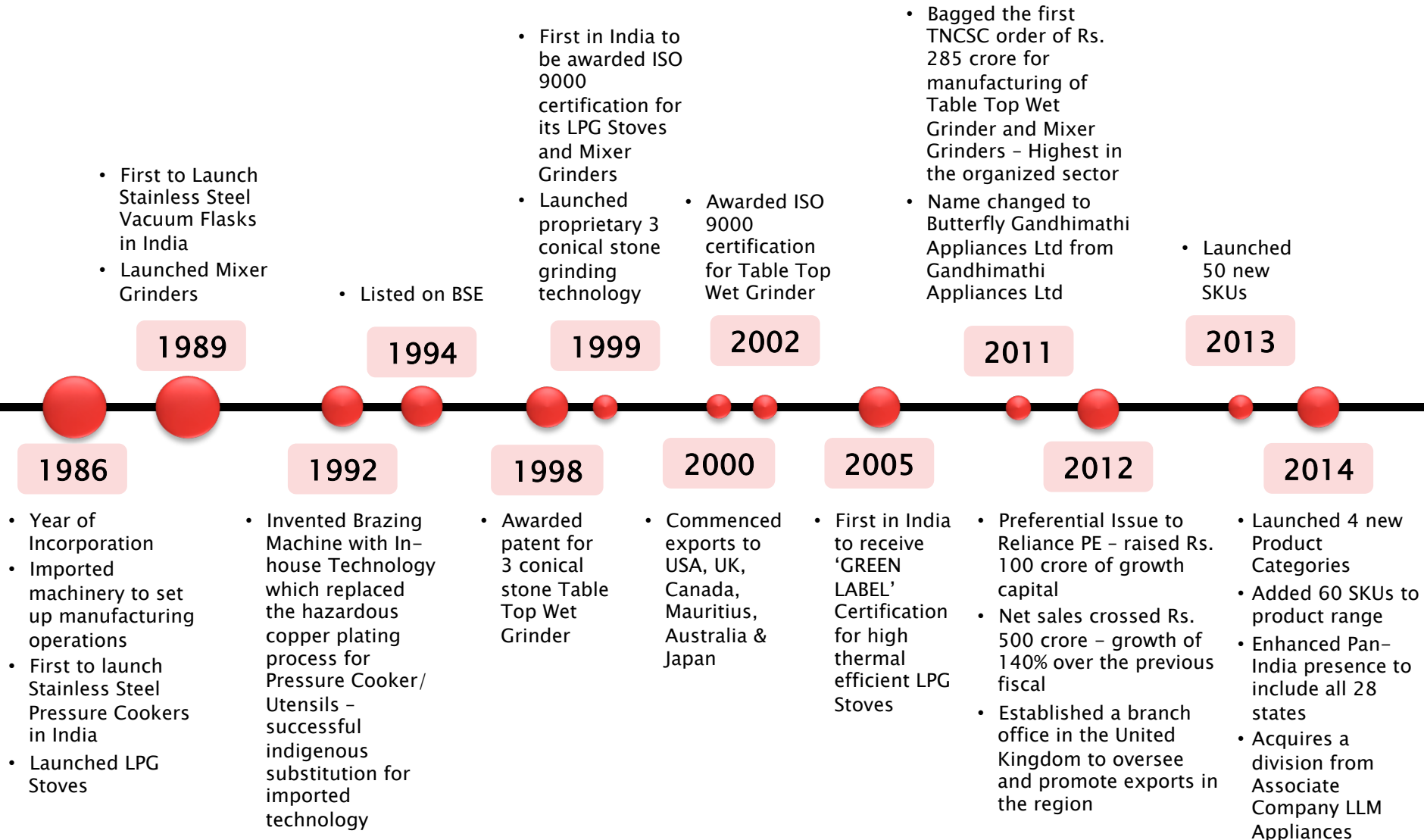
*Other
Products*

Hand Blender

Juicer

Juicer Mixer Grinder

Milestones



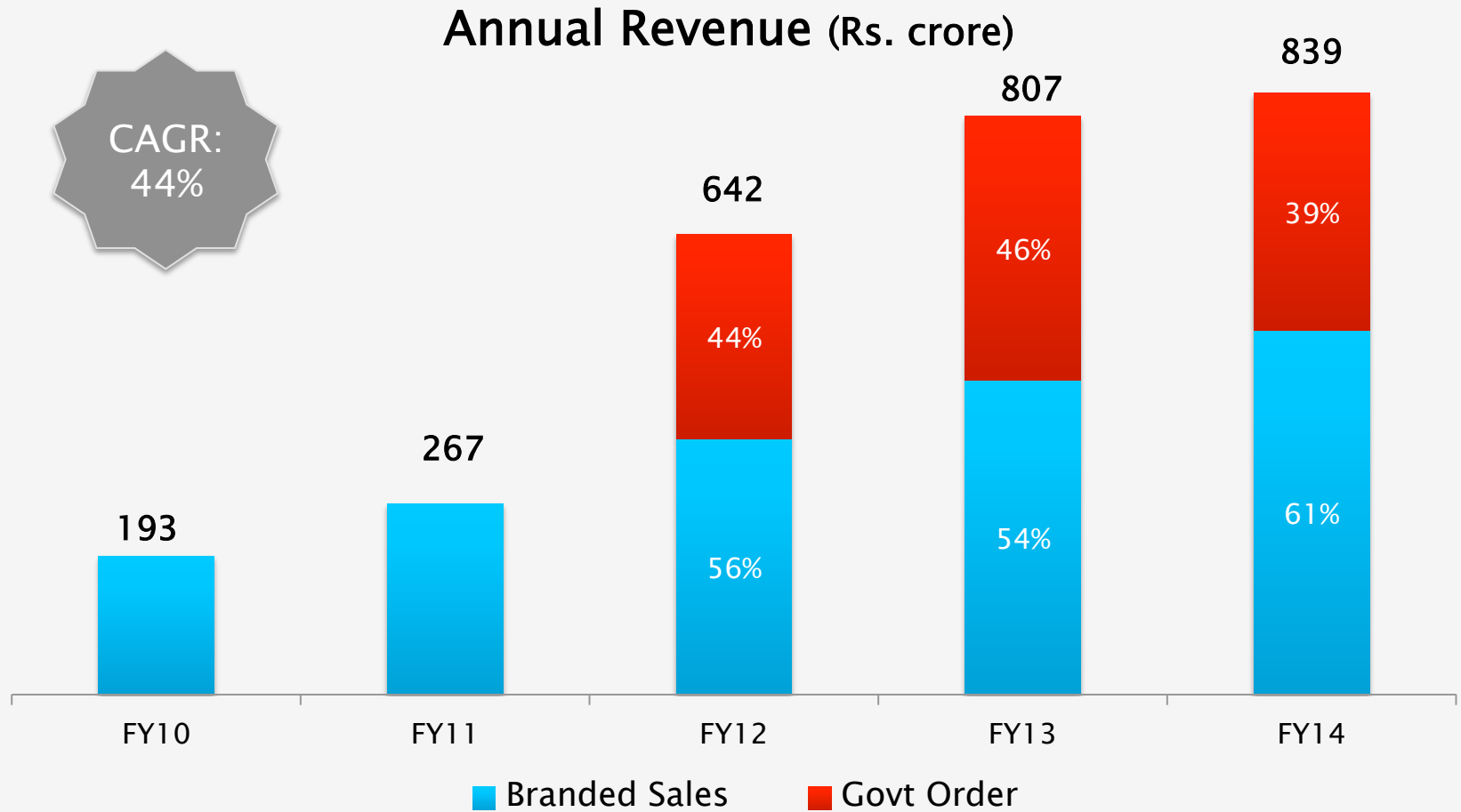
Rapid Expansion

	2007	2009	2011	2013	2014
Market Presence	4 <u>states</u>	6 <u>states</u>	6 <u>states</u>	9 <u>states</u>	28 <u>states</u>
Product Categories	3	6	6	6	20+
SKUs	88	180	250	320	500*
Sales Team (Personnel)	50	120	180	240	425**
Marketing & Advertisement Spend p.a. (Rs. Cr)	2.5	8.9	15.6	50.0	48.6

* Includes nearly 100 SKUs added through LLM Appliances

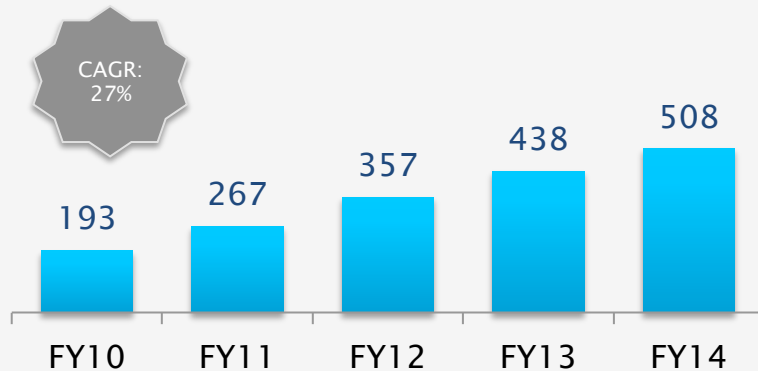
** Includes the sales team of 100 people added through LLM Appliances.

Revenue Profile

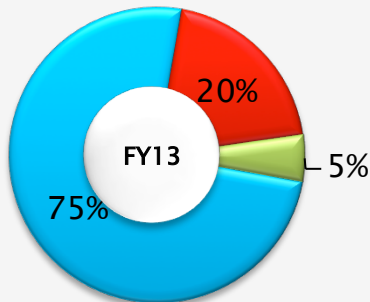


Branded Retail Sales

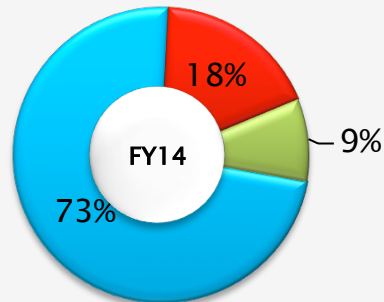
Branded Sales (Rs. crore)



Branded Product Distribution (%)



Branded Product Distribution (%)



■ Kitchen Appliances ■ Cooker/Cookware ■ Others

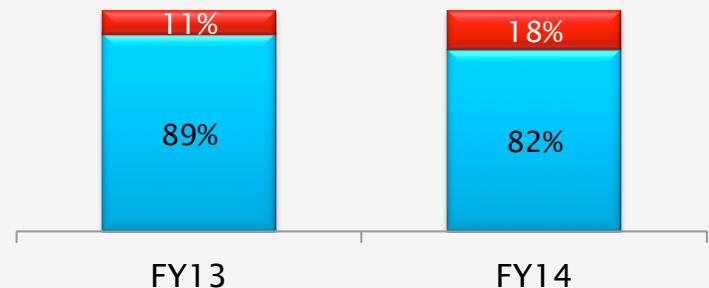
Through Institutions

- 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

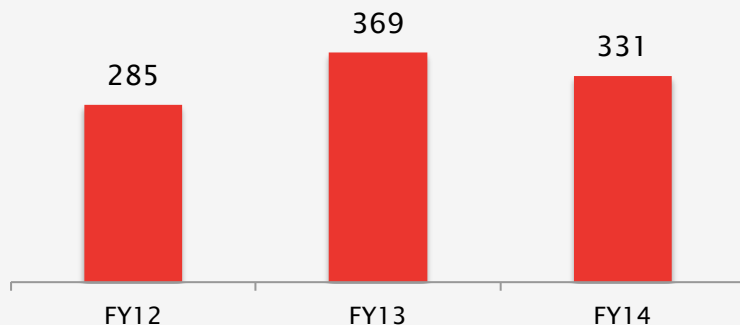
Region-wise Break-up



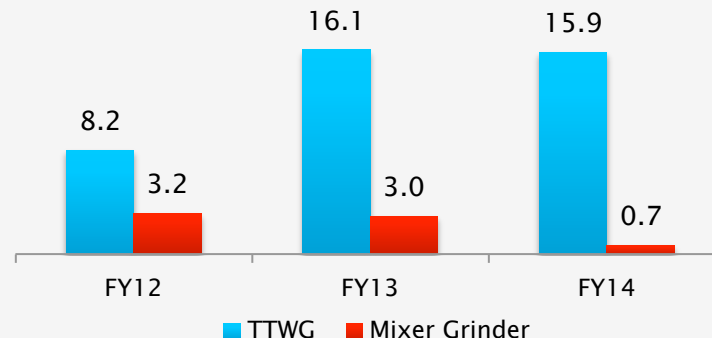
■ South ■ Non-South

Government Orders

Government Order Sales (Rs. crore)



Products supplied (in lakh units)



- ❑ For the last 3 years, BGMAL has participated in the annual tender of Tamil Nadu Civil Supplies Corporation
- ❑ In the third tender, BGMAL undertook orders for the supply of Table Top Wet Grinders only
- ❑ Details of 4th annual tender expected to be announced in August–September, 2014

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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BGMAL-LLMAL Transaction Overview

Transaction Summary

Butterfly Gandhimathi Appliances acquired the Domestic Kitchen and Domestic Electrical Appliances division from its Associate Company – LLM Appliances Ltd. (LLMAL) on March 29, 2014

LLMAL is engaged in the procurement / manufacturing and marketing of Domestic Kitchen and Domestic Electrical appliances under the trade name and trademark “Butterfly”

Through the acquisition, BGMAL secures the perpetual rights to the “Butterfly” brand

The acquisition immediately adds several product categories to BGMAL’s existing product portfolio

BGMAL acquired the business on a slump sale basis for a consideration of Rs. 47.75 crore which consists of a cash payout of Rs. 14 crore

The acquisition cost on capitalization, will lead to a higher rate of depreciation, which will lead to tax and cash flow benefits

BGMAL secures the right to offer the entire range of product categories in the Domestic Kitchen and Domestic Electrical Appliances division globally

Products Added

Key Product categories acquired from the LLMAL transaction



Induction Cooktops



Electric Rice Cookers



Electric Kettle



Sandwich Maker

Other Products including the following

Fans

Yogurt Makers

Air-coolers

Water Heaters

Microwave Ovens

SS Cookware

Toasters

Kitchen Sinks

Synergies / Advantages

- Rights to “Butterfly” brand in perpetuity
- Addition of several popular and high potential product categories – the entire range of electrical and kitchen appliances is now addressable by BGMAL
- Operating styles and organization culture are highly similar – expect rapid integration of acquisition
- Strengthens market position – wider offering to customers and better negotiating power with suppliers as well as distributors
- Will cross-sell product ranges across each companies sales and distribution network resulting in greater leverage of the combined network for a larger product base
- The acquired division is expected to benefit through increased volumes and faster turnaround time for inventory resulting in lower working capital intensity

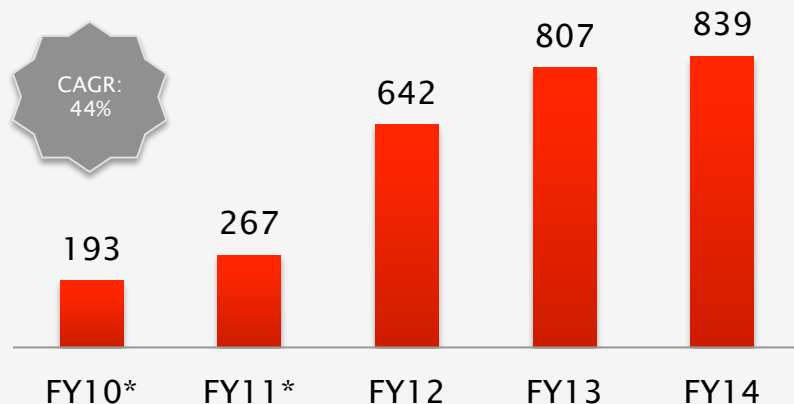


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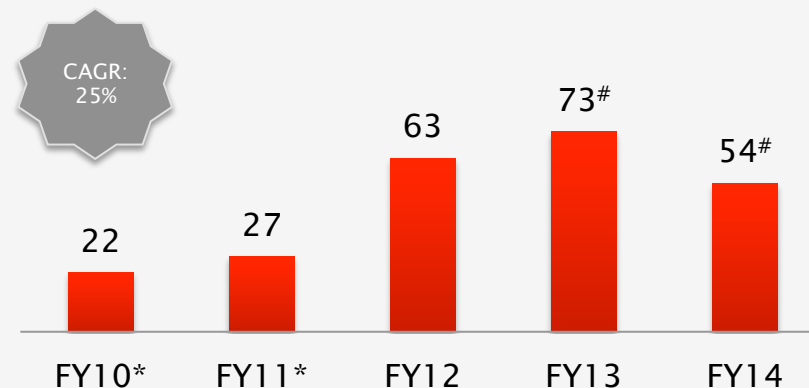
Financial Overview

Performance Track Record – Annualized

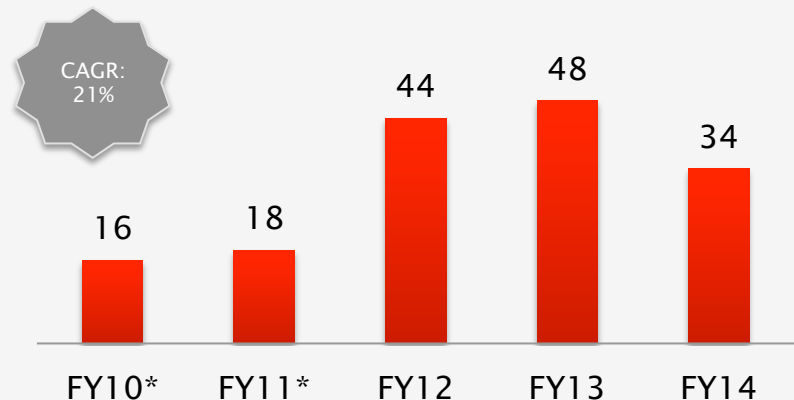
Total Revenue (Rs crore)



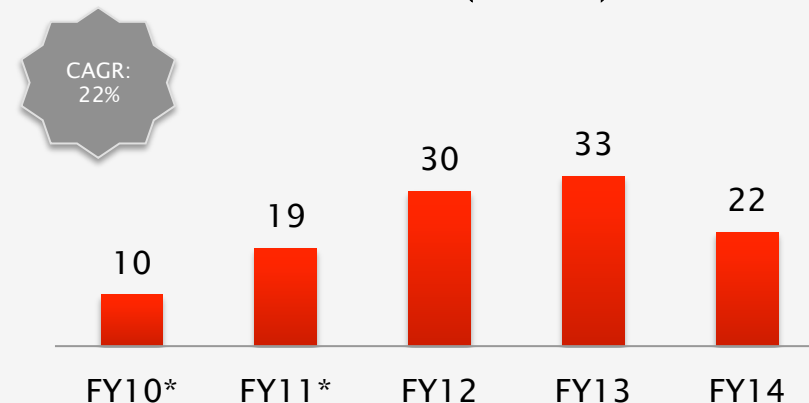
EBITDA (Rs crore)



Profit Before Tax (Rs crore)



Profit After Tax (Rs crore)

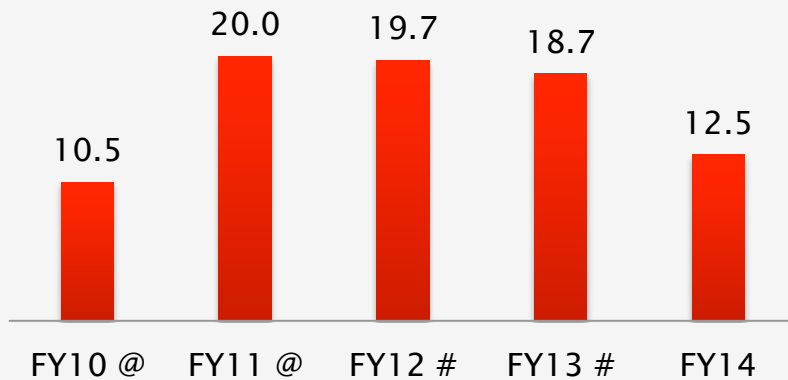


NOTE : * FY10 was extended to 18 months ended on 30.06.2010 and FY11 was for period of 9 months ended on 31.03.2011. The figures above represent the annualized numbers in order to facilitate a comparison.

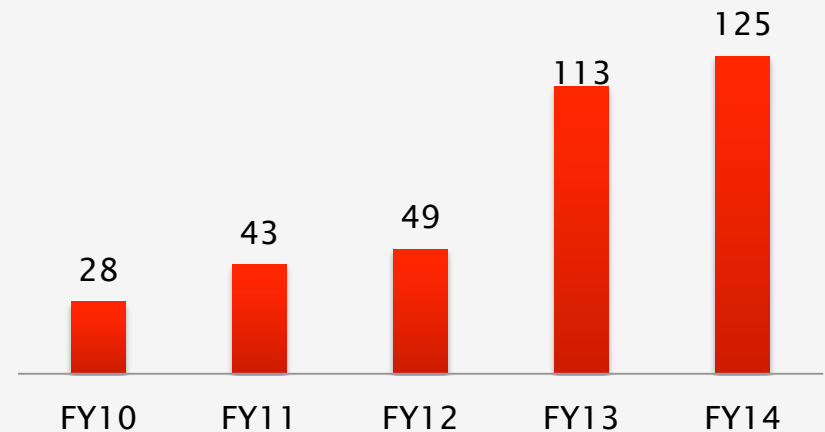
[#] Foreign exchange loss was not included in EBITDA calculation until FY13. In FY14, foreign exchange loss has been included in EBITDA calculation

Key Financials

Earning Per Share (Rs) – Annualized



Book value per share (Rs)

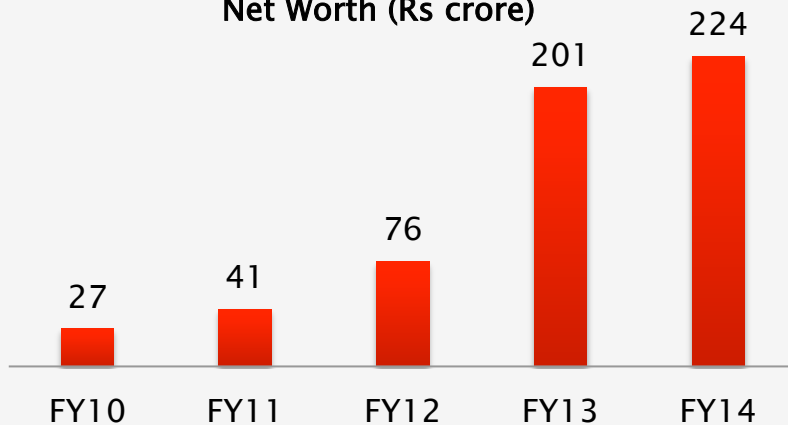


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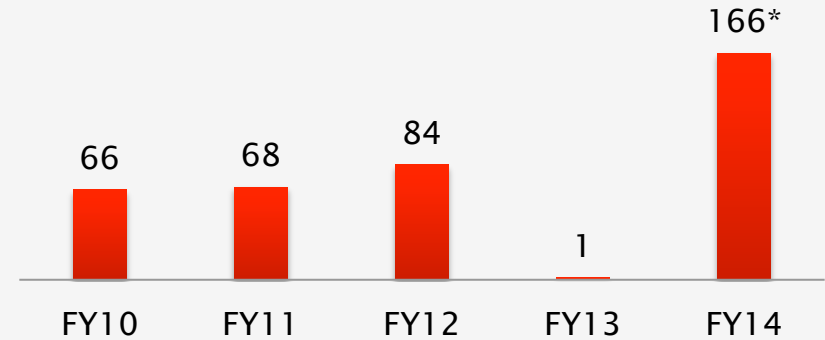
EPS for FY12 and FY13 have reduced due to expansion of the Equity Base

Key Financials

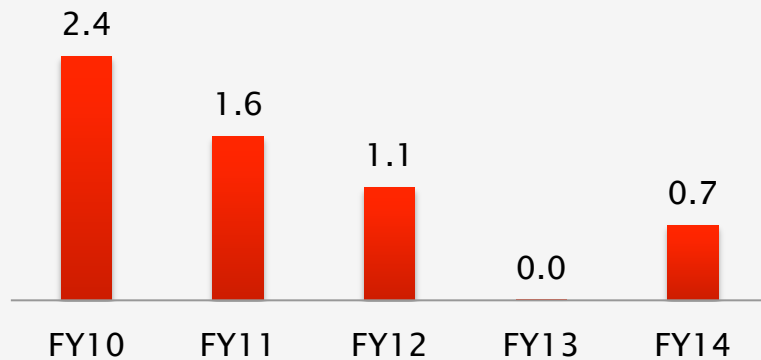
Net Worth (Rs crore)



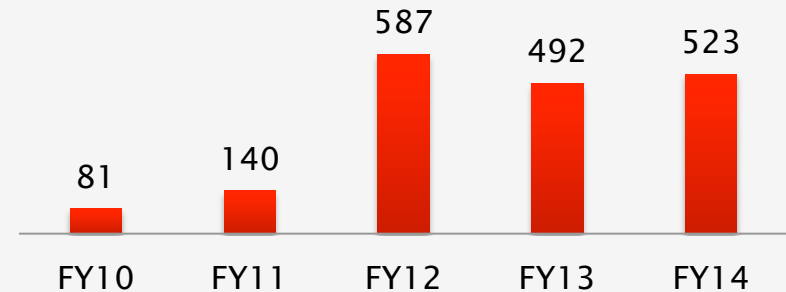
Net Debt (Rs crore)



Net Debt – Equity Ratio



Market Cap (Rs crore)



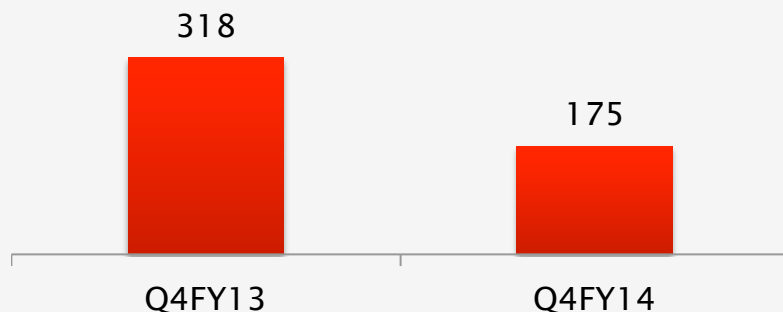
- Increase in Net debt was on account of delayed payment of Government orders. Rs. 120 crore was due in March 2014, out of which Rs. 80 crore was received in April 2014
- The total receivables from the Government orders is Rs. 177 crore

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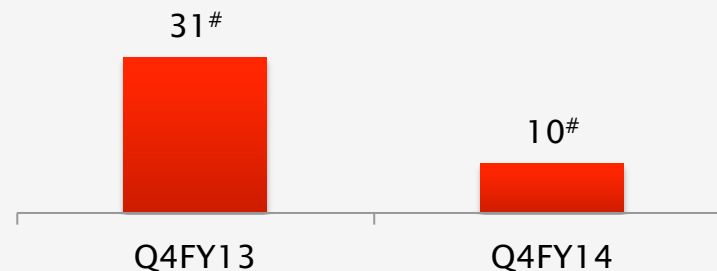
Q4 & FY14 Performance

Q4 FY14 – Performance highlights

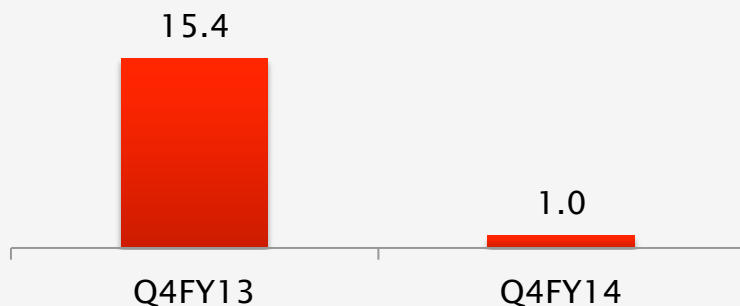
Net Revenue (Rs crore)



EBITDA (Rs. crore)



PAT (Rs crore)

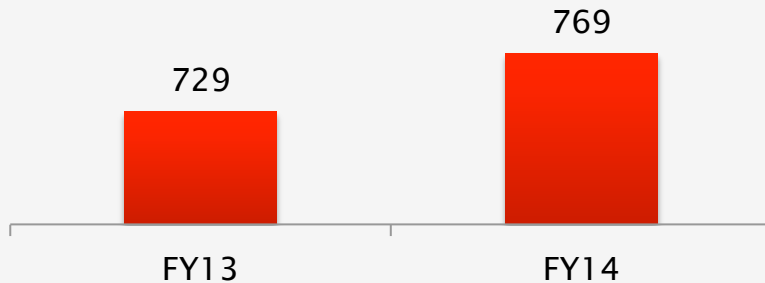


NOTE : # Foreign exchange loss was not included in EBITDA calculation until FY13. In FY14, foreign exchange loss has been included in EBITDA calculation

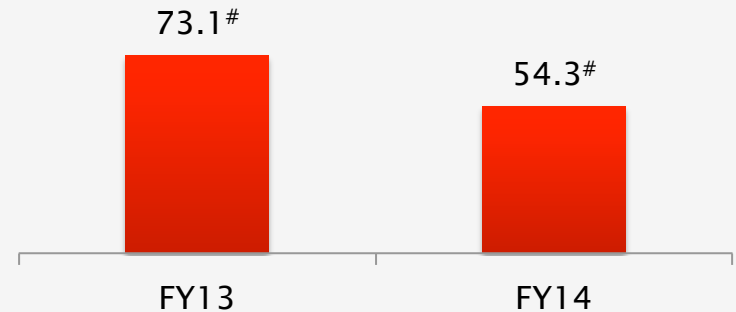
- Total Net Revenue de-grew by 45% on a Q-o-Q basis from Rs.318 crore in Q4FY13 to Rs. 175 crore in Q4FY14, of which branded sales de-grew by 14.3% and Govt. sales de-grew by 65%
- Sales in the South India market were affected by continued fallout of Telangana issue, impact of schemes by the Tamil Nadu government and overall weakness in consumer sentiment during the festive season
- In view of the challenges faced by distribution network due to above factors and to rein in total debtors, the Company did not aggressively push primary sales.
- Profit after tax de-grew on a Q-o-Q basis due to lower branded sales

FY14 – Performance Highlights

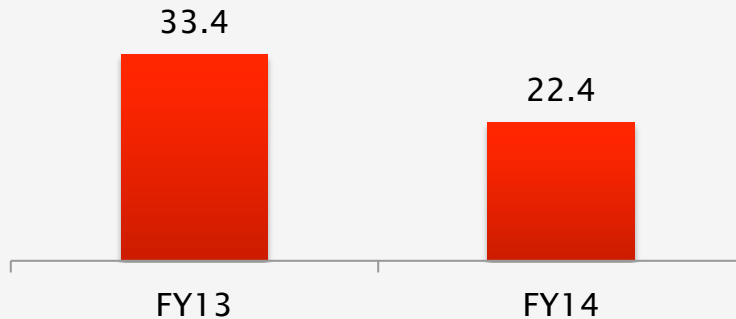
Net Revenue (Rs crore)



EBITDA (Rs crore)



PAT (Rs crore)



NOTE : # Foreign exchange loss was not included in EBITDA calculation till FY13. In FY14, foreign exchange loss has been included in EBITDA calculation

- Total Net Revenue grew by 5.5% on a Y-o-Y basis from Rs.729 crore in FY13 to Rs. 769 crore in FY14, of which branded sales grew by 12.5% and Govt. sales de-grew by 10.2%
- Due to un-remunerative pricing, the company did not bid for supply of mixer grinders in the FY14 government tender. The de-growth in volumes and revenues (by 10.2%) from the Government order was anticipated and mitigated through growth in sales of branded products (+12.5%)
- Growth in sales of branded products would have been higher but for weak sentiment in South India markets and the planned stock correction in the distribution network which led to weaker primary sales despite reasonable secondary sales
- Profit after tax de-grew by 32.9% in FY14 over FY13 mainly due to lower sales in Q4 FY14, increased expenditure towards new market development and unavoidable foreign exchange loss of Rs. 5.35 crore in FY14

Key Highlights

Branded Gross Sales

(Rs crore)

Product	Q4FY14	Q3FY14	Q4FY13	Growth	FY14	FY13	Growth
Branded Market							
Appliances	69.1	90.9	84.7	-18.4%	347.9	326.1	6.7%
Cooker/ cookware	18.3	25.8	27.4	-33.2%	85.4	89.4	-4.5%
Others	10.5	14.7	2.3	356.5%	44.1	8.7	407.7%
Total-Branded	98.0	131.4	114.4	-14.3%	477.4	424.2	12.5%
Others (Spares/Components)	9.8	9.8	9.0	8.89%	30.2	14.0	116.1%
Grand Total	107.8	141.2	123.4	-12.6%	507.6	438.2	15.8%

- Sales of branded products grew by 12.5% in FY14 over FY13 in line with the Company's projected growth of branded sales by around 10% to 20% in FY14
- Sales of branded products de-grew by 14.3% Q-o-Q in Q4 FY14 due to weak consumer sentiment
- In Q4FY14, the Company introduced additional SKUs bringing the total number of SKUs introduced in FY14 (YTD) to 75
- BGMAL continues to make steady progress in enhancing its presence in new markets in North and East India

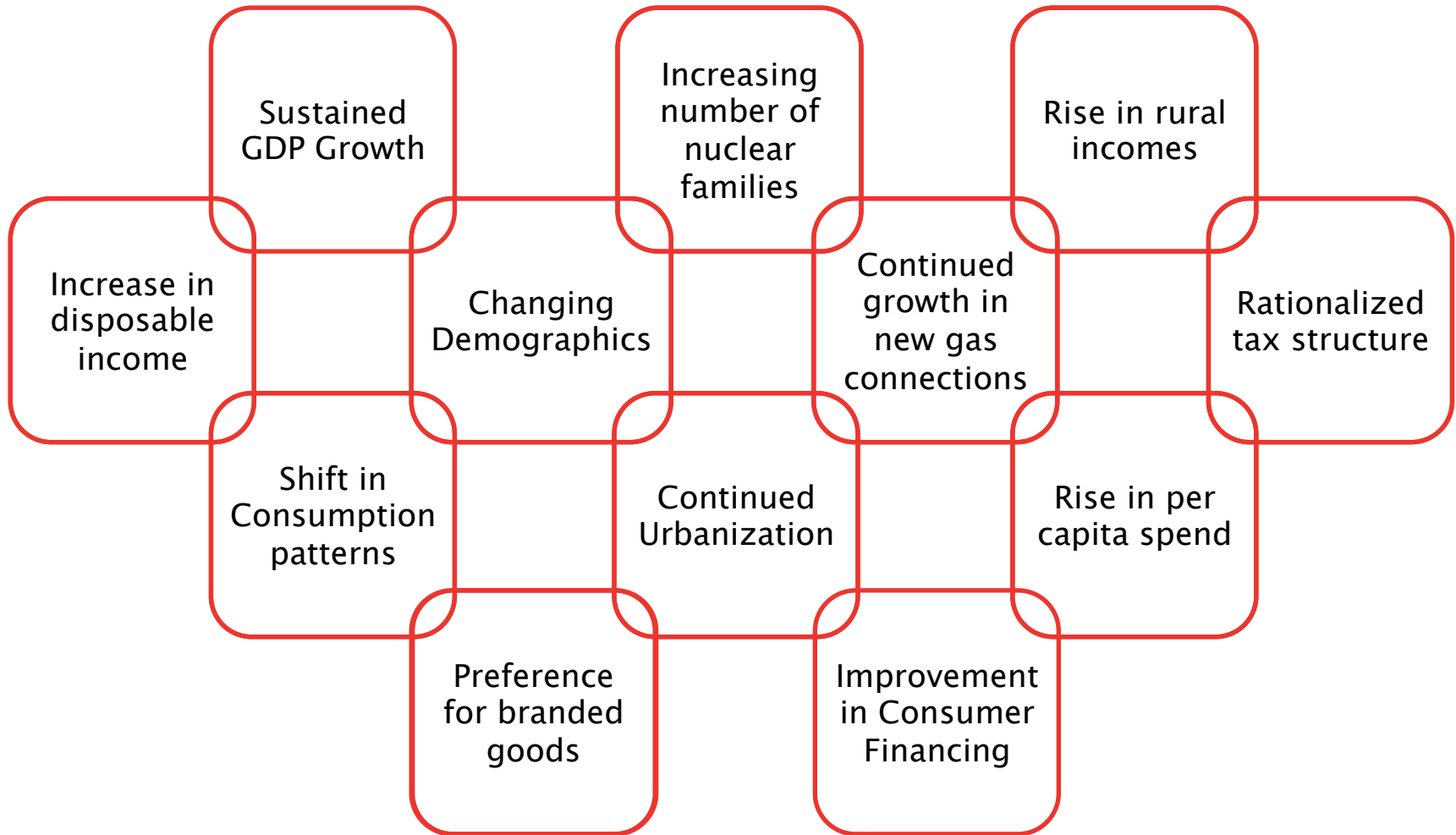


4

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 including products added via acquisition of a division of LLMAL
- Enhancing product options for mass market as well as premium category
- Addition of 75 SKUs by BGMAL in FY14; total SKUs at 400+ as of April 2014. LLM division acquisition has added approx. 100 SKUs



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 remained steady at Rs. 48 crore in FY14 from Rs. 49 crore in FY13
- Advertising and marketing activities will help to leverage the enhanced distribution network and wider market reach

Thank you
