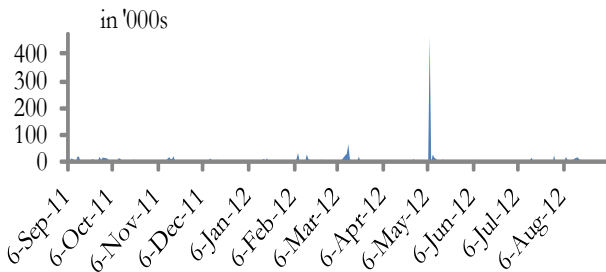


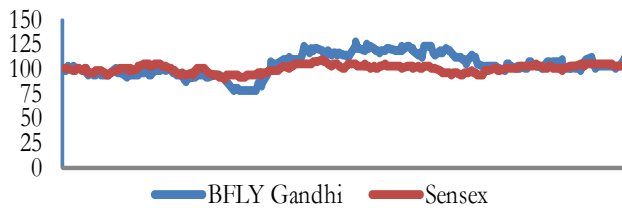
Equity Statistics

Current Market Price	Rs.	355.0
52 Week High / Low	Rs.	420/240
Market Capitalisation	Rs. crores	547.7
Free Float	Rs. crores	136.5
Dividend Yield	%	0.6
One Year Regression Beta	Times	0.3

BSE Volumes Trend - Average = 9.18 Thousand

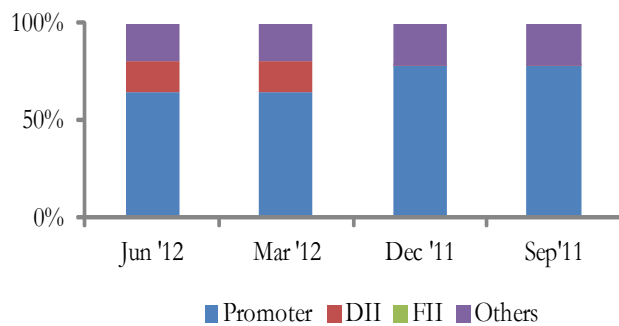


Relative Returns



Returns (%)	1M	3M	6M	1Yr
Absolute	11%	12%	-2%	12%
Relative to Sensex	13%	8%	-3%	9%

Shareholding Pattern



Business Summary

Butterfly Gandhimathi Appliances Ltd. (BFLY Gandhi) is the flagship entity of the Butterfly Group and manufactures and sells traditional kitchen appliances, such as LPG stoves, mixer-grinders, and table-top wet grinders under the brand 'Butterfly'. The company has a state-of-the-art manufacturing facility in Kelambakkam on the outskirts of Chennai (Tamil Nadu). In May 2012, Reliance Alternative Investments Fund invested Rs.100 crore in GAL for a 13.71% stake. The company reported net sales of Rs. 590.2 crores and an adjusted PAT of Rs. 30.4 crores in FY12 (refers to the period April 01 to March 31).

In house manufacturing and R&D facility, wide distribution network and tie ups with three major gas distribution companies to sell its gas stove through their dealers are amongst the key strength of the company. The company however faces risk of low cost Chinese imports and the unorganized sector. Going ahead, the company plans to extend its reach in the northern and western regions in India.

BFLY Gandhi is currently trading at 19.5 times FY12 EPS and 7.3 times FY12 adjusted book value.

Board of Directors

Person	Role	Qualification
V. Lakshminarayanan	Chairman, MD	Matriculation
V. Balasubramaniam	VC, NED	NA
V. Sheshadari	MD	NA
V.Gangadharam	ED	NA
V. Kumaresan	ED-Technical	B. Tech. (Mechanical)
K Ganesan	NED	C.A
R.Laxminarayanan	NED	IPS
M.Padmanabhan	NED	C.A
A.Balasubramanian	NED	CA
K.J.Kumar	NED	B.E
G.S. Samuel	NED	MBA
R.S.Prakash	NED	M.Com, CA

Source: AR and CARE Research

Note: MD: Managing Director, VC: Vice Chairman ED: Executive Director, NED: Non Executive Director, WTD: Whole time Director

Source: BSE, Capitaline and CARE Research

Background

BFLY Gandhi, is the flagship entity of the Butterfly Group and manufactures and sells traditional kitchen appliances, such as LPG stoves, mixer-grinders, and table-top wet grinders under the 'Butterfly' brand. The company was incorporated in 1986 as Gandhimathi Appliances Ltd and was merged with an associate entity Gangadharan Appliances Ltd. Subsequently, the name was changed to Butterfly Gandhimathi Appliances Ltd. In May 2012, Reliance Alternative Investments Fund invested Rs.100 crore in BFLY Gandhi for a 13.71% stake in the company.

BFLY Gandhi has a manufacturing plant Kelambakkam on the outskirts of Chennai (Tamil Nadu).

Business Overview

BFLY Gandhi derives its revenue primarily from single segment i.e. domestic appliances. Within the segment, sales was driven by LPG stoves (48.9% of FY12 sales) and mixer grinder (23% of FY12 sales), while cookers contributed 14.3% of FY12 sales. Geographically, the domestic market continues to be the key market contributing to around 99% of net sales in FY12. As per the tender floated by the Tamil Nadu Civil Supplies Corporation (TNCSC) on behalf of the Government of Tamil Nadu, BFLY Gandhi supplied highest number of table top wet grinders and mixer grinders in the organized sector to low income group families.

Aluminum and stainless steel are the key raw material (formed around 63% of the total cost of raw materials consumed in FY12) for BFLY Gandhi.

Strengths and growth drivers

- Four decades hands on experience of the promoters group
- Well spread out network of distributors
- Tie-up with three major oil companies (IOCL, BPCL and HPCL) for distribution of products through their gas dealers
- In-house facility for the manufacture of majority of the components
- In-house research and development facility
- Focused on indigenization of imported technology

Risk and concerns

- Competition from the unorganized sectors
- Import of similar cheap products from China

Future strategy and expansion plans

- The company is now focusing the Western and Northern Indian markets for penetration of its product range.
- New technologies and products are being developed by the company to increase its share in the domestic appliances markets.

Industry outlook

Over the past few years, the domestic kitchen appliances industry has been experiencing a rapid shift in preference from the unorganised to organised players. The primary reasons for this are rising disposable income, changing demographic profile and increasing urbanization. India is witnessing a shift from the traditional joint families to nuclear families which are translating into more kitchens and hence higher demand for kitchen appliances. Since rural India uses fewer kitchen appliances, there is strong growth potential for branded players in rural India. With the government agenda of increasing gas connection penetration in rural India the demand for branded kitchen appliances can increase further. Further, the National Rural Employment Guarantee Act (NREGA) has led to a rise in disposable income in rural India, which is also driving the demand for branded kitchen appliances.

Indian kitchens have also improved in aesthetics which also drives the demand for branded kitchen appliances due to its aesthetic appeal and better features which are preferred by the younger generation as branded products are crucial for modular kitchens. Besides, with the younger generation becoming health conscious the demand for products like non-stick cookware, juicer grinders and mixer grinders is rising rapidly. Some State Governments have started providing select domestic electrical appliances like mixer-grinders, fans etc. free of cost to low income groups. While the free supplies by State Government will tend to commoditize the concerned product segment, the entry of multinationals and large domestic companies can lead to the growth of organized branded players.

Peer comparison		Year ended March 31, 2012			
Income statement (Rs. Crore)	BFLY Gandhi	TTK	Bajaj	IFB	
Total income	604.2	1,162.0	3,161.1	966.7	
Net sales	590.2	1,103.4	3,099.0	942.1	
EBITDA	57.1	176.8	237.1	41.2	
Ordinary PAT	30.4	113.4	117.9	30.5	
Adjusted PAT	30.4	113.2	117.9	31.0	
Per share data (Rs.)					
Adjusted BVPS	48.5	249.9	70.2	59.8	
Diluted EPS*	18.2	97.6	11.4	8.4	
Growth (Y-o-Y) (%)					
Growth in total income	175.9	45.3	11.5	21.0	
Growth in net sales	190.5	44.5	13.0	21.2	
Growth in EBITDA	182.9	41.6	(5.1)	(34.7)	
Growth in adjusted PAT	100.3	34.6	(20.0)	NM	
Growth in EPS*	(12.3)	35.8	(19.2)	NM	
Profitability ratio (%)					
EBITDA margin	9.7	16.0	7.7	4.4	
Adjusted PAT margin	5.0	9.7	3.7	3.2	
Valuation ratios (Times)					
Price/EPS (P/E)	19.5	34.1	15.2	10.7	
Price/Book value (P/BV)	7.3	13.3	2.5	1.5	
Enterprise value (EV)/EBITDA	9.8	21.3	7.2	7.6	

Source: BSE, Capitaline and CARE Research

Note: TTK: TTK Prestige Ltd., Bajaj: Bajaj Electricals Ltd., IFB: IFB Industries Ltd.

Quarterly financials		Quarter ended June 30, 2012				
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12	
Total income	110.8	220.3	210.5	102.3	63.9	
Net sales	110.1	219.0	210.2	102.0	63.2	
EBITDA	23.7	29.0	43.9	28.3	13.4	
Ordinary PAT	5.2	16.7	11.4	8.4	3.4	
Adjusted PAT	5.8	16.8	11.6	8.3	3.4	
Growth (Q-o-Q) (%)						
Growth in net sales		98.9	(4.0)	(51.5)	(38.0)	
Profitability ratio (%)						
EBITDA margin	21.5	13.3	20.9	27.8	21.2	
Adjusted PAT margin	5.3	7.6	5.5	8.2	5.3	

Source: BSE, Capitaline and CARE Research

Financial analysis

- In FY12, BFLY Gandhi reported net sales of Rs. 590.2 crores – up 190.5% y-o-y. Total income witnessed a growth of 175.9% during the same period.
- Raw materials (stainless steel and aluminium) form the largest portion of cost for BFLY Gandhi. In FY12, raw materials cost as a percentage of total cost of sales was at around 63%.
- The company reported EBITDA margins and adjusted PAT margins of 9.7% and 5.0%, respectively in FY12.
- BFLY Gandhi had low levels of leverage as on March 31, 2012. The total debt as on March 31, 2012 was at Rs. 35.4 crores compared to an adjusted networth of Rs. 74.8 crores.
- BFLY Gandhi exhibited a cash conversion cycle of around 37.3 days in FY12.
- Operating cash flows for the company has been positive in each of the last four years (*i.e. period considered for analysis*).
- The company has paid a dividend of Rs.2 per share for FY12, resulting in a dividend yield of 0.56% at the current market price of Rs. 355 per share.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
Income statement (Rs. crore)					
Total income	65.0	151.3	268.6	219.0	604.2
Net sales	61.0	144.7	253.5	203.2	590.2
EBITDA	4.9	14.0	27.1	20.2	57.1
Depreciation and amortisation	1.4	1.7	1.3	1.0	1.7
EBIT	3.5	12.3	25.8	19.2	55.4
Interest	2.7	3.1	6.7	6.7	17.6
PBT	3.7	13.5	21.0	16.4	44.2
Ordinary PAT	2.9	9.5	15.6	15.2	30.4
Adjusted PAT	1.9	9.5	15.6	15.2	30.4
Balance sheet (Rs. crore)					
Adjusted networth	(1.8)	11.7	27.3	41.4	74.8
Total debt	18.5	25.2	67.5	30.8	35.4
Cash and bank	0.6	0.7	1.8	9.0	22.2
Investments	-	-	-	-	-
Net fixed assets (incl. CWIP)	14.8	14.2	24.5	30.3	79.5
Net current assets (excl. cash, cash equivalents)	(4.2)	20.4	62.0	28.8	6.2
Per share data (Rs.)					
Adjusted BVPS	(1.8)	12.1	28.3	42.9	48.5
Diluted EPS*	4.1	6.6	10.8	20.8	18.2
DPS	-	-	-	1.0	2.0
Growth (Y-o-Y) (%)					
Growth in total income		132.7	77.5	(18.5)	175.9
Growth in net sales		137.1	75.2	(19.8)	190.5
Growth in EBITDA		187.5	93.1	(25.5)	182.9
Growth in adjusted PAT		407.4	63.8	(2.8)	100.3
Growth in EPS*		60.5	64.0	92.5	(12.3)
Key financial ratio					
EBITDA margin (%)	8.0	9.7	10.7	9.9	9.7
Adjusted PAT margin (%)	2.9	6.3	5.8	6.9	5.0
RoCE (%)		35.6	33.0	23.0	47.1
RoE (%)		NM	80.0	44.3	52.4
Gross debt - equity (times)	NM	2.2	2.5	0.7	0.5
Net debt - equity (times)	NM	2.1	2.4	0.5	0.2
Interest coverage (times)	1.3	3.9	3.9	2.9	3.2
Current ratio (times)	0.8	2.1	3.4	1.4	1.2
Inventory days		33.0	41.8	96.1	52.4
Receivable days		39.6	36.4	63.8	42.2

Source: BSE, Capitaline and CARE Research

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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Published on behalf of The Stock Exchange Investors' Protection Fund

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Tel: 22721233/34 | www.bseindia.com

