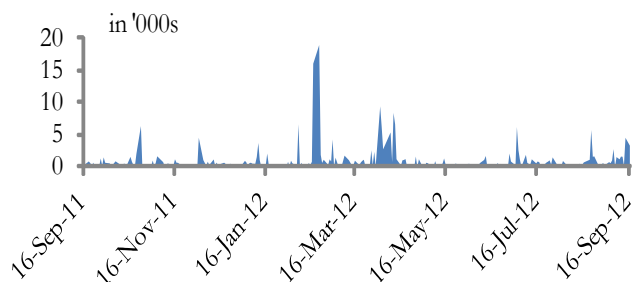


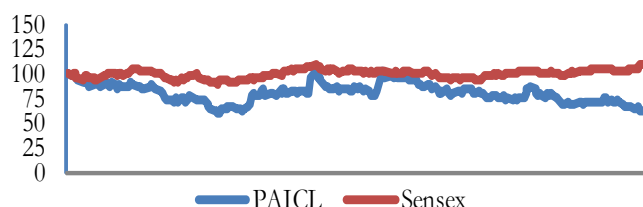
## Equity Statistics

Current Market Price	Rs.	73.0
52 Week High / Low	Rs.	129/61
Market Capitalisation	Rs. crores	69.7
Free Float	Rs. crores	20.2
Dividend Yield	%	-
One Year Regression Beta	Times	0.4

## BSE Volumes Trend - Average = 1.02 Thousand

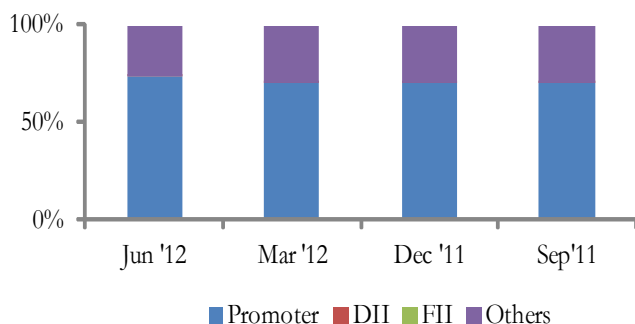


## Relative Returns



Returns (%)	1M	3M	6M	1Yr
Absolute	-12%	-19%	-27%	-34%
Relative to Sensex	-15%	-27%	-32%	-39%

## Shareholding Pattern



## Business Summary

Panasonic Appliances India Company Limited (PAICL) was established in 1988 for manufacture, import, marketing and sales of kitchen appliances and small domestic appliances. PAICL was initially incorporated as Panasonic Home Appliances India Company Limited and the name was changed to PAICL with effect from June 29, 2012. PAICL is headquartered in Chennai, Tamil Nadu.

PAICL is engaged in the manufacture and sale of electric cooker and mixer grinder under "Panasonic" brand and was also engaged in trading of "Panasonic" brand imported products i.e., microwave oven and other kitchen/small appliances, beauty care, and health care/personal care products. However, in FY12, PAICL was forced to discontinue the business in traded products as Panasonic Corporation (PC) decided to shift this business to Panasonic India Private Limited (PI) as part of its strategy to consolidate sales of all Panasonic products in India under PI. The discontinuation of business in traded products affected the business of the company and it was unable to reduce the cost associated with the imported products business as the company had been maintaining a common infrastructure and resources for sales and marketing of both manufactured and traded products.

PAICL is currently trading at 10.28 times FY12 adjusted book value.

## Board of Directors

Person	Role
H.Aso	MD, Promoter
Justice S. Natarajan	NED, Independent
A.Raghavendra Rao	NED, Independent
K.Subramanian	NED, Independent
Harshad Reddy	Promoter, NED
Norifumi Matsui	Promoter, NED

Source: AR and CARE Research

Note: MD: Managing Director, NED: Non Executive Director,

Source: BSE, Capitaline and CARE Research

## Background

PAICL was established in 1988 for manufacture, import, marketing and sales of kitchen appliances and small domestic appliances. PAPICL was initially incorporated as Panasonic Home Appliances India Company Limited and the name was changed to PAICL with effect from June 29, 2012. PAICL is headquartered in Chennai, Tamil Nadu. PAICL has a manufacturing plant in Chennai, Tamil Nadu and currently employs about 260 people. The company has been certified under ISO 14001 Environment Management System Standards. PAICL is engaged in the manufacture and sale of electric cooker and mixer grinder under “Panasonic” brand and was also engaged in trading of “Panasonic” brand imported products i.e., microwave oven and other kitchen/small appliances, beauty care, and health care/personal care products.

In FY12, PAICL was forced to discontinue the business in traded products as PC decided to shift this business to PI as part of its strategy to consolidate sales of all Panasonic products in India under PI. In 2009, the shareholders of PAICL considered a proposal to integrate sales and marketing activities with PI. It was decided to have a “routing arrangement” with effect from July 01, 2009, under which all the sales of PAICL were routed through PI. However the negotiations could not successfully be completed till now due to differences between PAICL and PI, on the terms and conditions in respect of transfer of sales and marketing activities of the company to PI. In view of this, PAICL decided to discontinue the routing arrangement with effect from November 01, 2011. Considering the delay in arriving at a mutually acceptable proposition regarding the proposed transfer and the deteriorating financial position, PAICL has requested PC to extend its support to overcome the present difficulties and bring the business of PAICL back to profitability.

## Business overview

PAICL derives its revenue primarily from only one segment i.e. household appliances. In FY12, manufactured goods contributed about 89% of the total revenue as compared to 71% in FY11, while traded goods contributed about 11% to total sales in FY12 as compared to 29% in FY11.

## Strengths and growth drivers

- Strong brand image on account of the ‘Panasonic’ brand
- Dominant position in the electronic cooker market

## Risk and concerns

- Discontinuation of traded products business as explained above
- Competition from the unorganized sectors
- Import of similar cheap products from China

## Future strategy and expansion plans

- Development of new protective frame and thermostat for electric cooker to reduce cost of production
- Development of new products for export market

## 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. Furthermore, 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)	Panasonic	TTK	Bajaj	IFB
Total income	176.9	1,162.0	3,161.1	966.7
Net sales	179.6	1,103.4	3,099.0	942.1
EBITDA	(6.1)	176.8	237.1	41.2
Ordinary PAT	(12.8)	113.4	117.9	30.5
Adjusted PAT	(12.8)	113.2	117.9	31.0
Per share data (Rs.)				
Adjusted BVPS	7.1	215.6	70.2	59.8
Diluted EPS*	-	97.6	11.4	8.4
Growth (Y-o-Y) (%)				
Growth in total income	(7.0)	45.3	11.5	21.0
Growth in net sales	(3.6)	44.5	13.0	21.2
Growth in EBITDA	NM	41.6	(5.1)	(34.7)
Growth in adjusted PAT	NM	34.6	(20.0)	(38.9)
Growth in EPS*	NM	35.8	(19.2)	(39.4)
Profitability ratio (%)				
EBITDA margin	NM	16.0	7.7	4.4
Adjusted PAT margin	NM	9.7	3.7	3.2
Valuation ratios (Times)				
Price/EPS (P/E)	NM	37.2	16.7	10.8
Price/Book value (P/BV)	10.2	16.9	2.7	1.5
Enterprise value (EV)/EBITDA	NM	26.9	7.9	7.7

Source: BSE, Capitaline and CARE Research

Note: TTK: TTK Prestige Limited; Bajaj: Bajaj Electricals Limited; IFB: IFB Industries Limited

NM: Non Meaningful

Quarterly financials	Quarter ended June 30, 2012				
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12
Total income	27.9	38.8	56.2	52.3	32.8
Net sales	27.7	38.7	56.1	52.3	32.8
EBITDA	0.3	5.5	11.0	10.5	4.5
Ordinary PAT	(6.5)	(4.0)	(4.2)	(1.7)	(2.9)
Adjusted PAT	(6.5)	(4.0)	(4.2)	(1.7)	(2.9)
Growth (Q-o-Q) (%)					
Growth in net sales	(28.6)	(30.9)	7.3	59.5	
Profitability ratio (%)					
EBITDA margin	1.1	14.3	19.7	20.0	13.6
Adjusted PAT margin	NM	NM	NM	NM	NM

Source: BSE, Capitaline and CARE Research

## Financial analysis

- In FY12, PAICL reported net sales of Rs.179.6 crore – down 3.6% y-o-y. Total income witnessed a decline of 7.0% during the same period.
- The company reported losses at both EBITDA and PAT levels in FY12.
- PAICL had high levels of leverage as on March 31, 2012. The total debt as on March 31, 2012 was at Rs.10.9 crore compared to an adjusted networth of Rs.6.8 crore.
- PAICL exhibited a cash conversion cycle of around 7.3 days in FY12.
- Operating cash flows for the company have been positive for the past four years (*i.e. period considered for analysis*).
- The company has not paid any dividend in FY12.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
<b>Income statement (Rs. crore)</b>					
Total income	82.2	100.1	136.2	190.1	176.9
Net sales	78.5	98.8	135.1	186.4	179.6
EBITDA	3.3	4.0	6.2	7.3	(6.1)
Depreciation and amortisation	1.5	1.9	2.3	2.8	3.2
EBIT	1.8	2.2	4.0	4.5	(9.3)
Interest	0.6	0.6	1.1	2.4	3.8
PBT	2.5	2.6	3.0	2.6	(12.7)
Ordinary PAT	1.5	1.4	1.9	1.8	(12.8)
Adjusted PAT	1.4	1.4	2.0	1.8	(12.8)
<b>Balance sheet (Rs. crore)</b>					
Adjusted networth	17.6	17.8	18.8	19.6	6.8
Total debt	2.6	1.8	6.6	9.5	10.9
Cash and bank	5.4	2.1	0.4	0.9	0.2
Investments	0.2	-	-	-	-
Net fixed assets (incl. CWIP)	11.3	13.4	18.6	28.4	32.8
Net current assets (excl. cash, cash equivalents)	3.8	4.5	7.1	0.3	(15.1)
<b>Per share data (Rs.)</b>					
Adjusted BVPS	18.3	18.5	19.5	20.3	7.1
Diluted EPS*	1.5	1.5	2.1	1.9	-
DPS	1.0	1.2	1.0	1.0	-
<b>Growth (Y-o-Y) (%)</b>					
Growth in total income		21.7	36.0	39.6	(7.0)
Growth in net sales		25.8	36.7	38.0	(3.6)
Growth in EBITDA		20.8	56.0	16.8	NM
Growth in adjusted PAT		(0.7)	37.1	(7.7)	NM
Growth in EPS*		(3.9)	43.2	(7.2)	NM
<b>Key financial ratio</b>					
EBITDA margin (%)	4.2	4.0	4.6	3.9	NM
Adjusted PAT margin (%)	1.8	1.4	1.4	1.0	NM
RoCE (%)		4.8	12.6	13.0	NM
RoE (%)		8.0	10.5	9.4	NM
Gross debt - equity (times)	0.1	0.1	0.3	0.5	1.6
Net debt - equity (times)	NM	NM	0.3	0.4	1.6
Interest coverage (times)	3.2	3.4	3.5	1.9	NM
Current ratio (times)	1.5	1.3	1.2	1.0	0.8
Inventory days		66.0	56.5	45.5	43.8
Receivable days		25.2	30.5	36.1	51.8

Source: BSE, Capitaline and CARE Research

Financial Year (FY) refers to period from April, 1 to March, 31; NM: Non Meaningful

## 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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