



“Butterfly Gandhimathi Appliances Limited Q1 FY '21  
Earnings Conference Call”

**August 06, 2020**



**MANAGEMENT: MR. VMG MAYURESAN – VICE PRESIDENT -  
CORPORATE STRATEGY, BUTTERFLY GANDHIMATHI  
APPLIANCES LIMITED  
MR. ANAND MUNDRA –BUTTERFLY GANDHIMATHI  
APPLIANCES LIMITED**

**Moderator:** Good morning, ladies and gentlemen. Welcome to Butterfly Gandhimathi Appliances Limited Q1 FY '21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. VMG Mayuresan. Thank you and over to you, sir.

**VMG Mayuresan:** Thank you very much. Good morning, everyone. Welcome to the conference call of Butterfly Gandhimathi Appliances for Q1. Hope everyone is healthy and safe. The COVID-19 has impacted the performance of the quarter significantly, as we operated only for 50% of the time in the last quarter. We gradually resumed activity in the second week of May and gained momentum in June 2020. Currently the manufacturing facility is operating close to full capacity as we speak. We have seen good improvement for the month of June as well as July across all the categories.

For the quarter ended June, revenue was down by about 50% resulting into EBITDA and PAT loss of Rs. 3.8 crores and Rs. 8.79 crores. We managed to reduce the loss by reducing the salary of everyone and the other costs also. We are expecting to recover the losses which happened in Q1 over the next three quarters and expect to be PBT positive by year end.

Now we can go to questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sanjay Shah from Alfaline Wealth Advisors. Please go ahead.

**Sanjay Shah:** Can you help us to understand how do you see, as you are confident of second quarter onwards of good performance, what are the green shoots you see? And our plant is running at full capacity, what is the capacity right now at what you are running, can you highlight on that?

**VMG Mayuresan:** Sanjay, if you see the current situation in the market, June was actually good, July actually was very good. And now as we speak, the market is coming close to normal case. If you see the current situation, we are very, very positive about reaching breakeven, one of the main reasons is we estimate even our sales to go up to 85% or 90% of last year, even with what happened with Q1. And, if you see our plant, currently we run with 75% of manpower, but our capacities are running at 85% to 90% even with 75% manpower. The restrictions have all been lifted, the lockdown is over since our plants are outside the city limits, and we are not seeing any problems as of now. But there is also another thing which is that we don't know will there be any more lockdowns at the regional level. So that is something which we are looking at and are working on day-to-day, so it's a little hard to estimate what will be for the full year, but we are very flexible in bringing down cost as well.

**Sanjay Shah:** Okay. And what are the green shoots you feel where we can grow? Are we growing on digital side or which are the regions geography wise where you see that demand can come up?

**VMG Mayuresan:** The new channel is working well, even in the situation. One of the main area where we have seen growth is the e-commerce. We have done very good in e-commerce without sacrificing our margins, even our gross margins are at a very healthy level even in Q1, e-commerce have grown significantly well. Modern trade has not grown because most of the times most of the shops are not functioning. Retail, during the month of June is coming slowly back to normal. But the main growth happened in the e-commerce side.

**Sanjay Shah:** Right. And what are the strategy of management to grow from here? Right now we are struggling even to survive or coming to a profit level, but how do you see, how we can see Butterfly as a company for next three years? And what are the management strategies, have you changed any strategies or any ideas about bringing new products or new ideas, can you highlight something?

**VMG Mayuresan:** During the lockdown, the entire focus of management was when the market comes back close to normal the idea was how to bring better products. We have been bringing a lot of new products, even this year under this situation we will be launching a very good number of new products as per plan, that is going on. And there are many new products which is also done for new categories, like online and like modern trade. So we have we are better prepared in that way. And we hope that kitchen appliances being one of the most necessary items in the home, we feel that the demand will come back and even the market is looking positive at this point.

**Anand Mundra:** If you have seen our numbers from last two, three years, we have grown every year, except last year because of COVID. So we were growing for the last three years, and this year because of COVID sales are impacted. From next year they will again start growing, depending on market growth. But all the current products have a lot of potential to grow. So current five, six products and their new channel, which is online channel, there is a huge potential for them to grow over there also. So, as you were saying we were struggling, we were struggling because of the size of the business which have reached a critical size last year. Unfortunately because of COVID there was some impact. We will recover from next year in terms of profitability, so this would be the last year in terms of breakeven in profitability.

**Sanjay Shah:** Anandji, thanks for replying my question. By full capacity what turnover this company can do?

**VMG Mayuresan:** We can go up to Rs. 1,000 crores of branded sales.

**Moderator:** Thank you. The next question is from the line of Riddhima Chandra from Roha AMC. Please go ahead.

**Riddhima Chandra:** My question is like, pre-COVID our majorly growth comes from the new channels like e-commerce, modern trade. So before COVID, how much was revenue contribution from new channels? And currently, as all the modern trade there is not much traction due to the closure of the departmental stores. So how much currently they are contributing?

- VMG Mayuresan:** If you see new channels, if you see at the end of 2019-2020, new channels was about 32% to 33%. But laughter during Q1 it has changed because of a non-presence of retail channel. But end of year we estimate the new channel to be around this 31% 32% might go to 40%.
- Riddhima Chandra:** And in the new channels how much e-commerce is currently contributing? And what are the margin difference in the modern trade e-commerce and general trade?
- VMG Mayuresan:** E-commerce last year was about 20%. This year we estimate that to grow by 25%, 30%. And if you take the margins, even with good e-commerce our gross margins were not impacted at all, it is equal to retail, it's been good.
- Riddhima Chandra:** Okay. And currently how much as we have a present across almost 25,000-odd retail outlets, so is there any data that how much are open and what is the current demand as compared to the pre-COVID 50%, 60% as compared to the pre-COVID level?
- VMG Mayuresan:** I don't have that data at me currently, Riddhima.
- Riddhima Chandra:** Okay, no problem. And how much is rural and urban contribution?
- VMG Mayuresan:** Even that has not changed. I don't have the number post-COVID, because we are currently working with lockdowns, we have been working on that. I don't have the numbers currently with me.
- Riddhima Chandra:** Also pre-COVID what it was?
- VMG Mayuresan:** Pre-COVID if you take last year, rural was about 40%, urban was about 60%. But post-COVID I don't have the data with me.
- Riddhima Chandra:** So currently, major traction is coming from rural or urban, currently, what are you seeing?
- VMG Mayuresan:** Because of e-commerce it's been more urban. But the retail is just opening up.
- Riddhima Chandra:** Okay. And just counting kind of question. So, what are we expecting in terms of our CAPEX cycle this year and next year also?
- VMG Mayuresan:** This year we will be investing about Rs. 10 crores and next year we will go back to the normal levels of Rs. 14 crores, Rs. 15 crores.
- Riddhima Chandra:** Okay. And from the oil marketing channels, as in the last year we had given a guidance of approx Rs. 100 crores, Rs. 120 crores. So, is there anything go and this year also?
- VMG Mayuresan:** In the oil marketing channel, the Rs. 120 crores the year before, last year we had a degrowth, this year we estimate it to be similar to last year.
- Riddhima Chandra:** Okay. So that is Rs. 100 crores or Rs. 120 crores approx.?

- VMG Mayuresan:** Last year wasn't Rs. 120 crores, last year was only around Rs. 70 crores, the year before was only Rs. 120 crores, Rs. 125 crores. So, last year was about only 10% of our revenue, this year we estimate the value to be same.
- Riddhima Chandra:** Okay. And in the segment like LPG stove, our contribution in terms of revenue has decreased. So, across all major categories, four major categories that is LPG stove, mixer grinder, tabletop grinder and pressure cooker, LPG stove revenue contribution has decreased. So, which category is currently major traction as of now?
- VMG Mayuresan:** All the major four categories are doing well. LPG, one of the main reason it has come down is because of the oil marketing channel. But if you take retail, retail is growing for even gas stoves. If you take Q1 to Q1 comparison, all the channels are low, all the products are low because of the COVID situation. But if you take last year, even our gas stove channels grew in retail by more than 30%, but unfortunately oil marketing channel was down. But on the retail channel we have been growing **our major** category which is growing faster is the mixer grinders and pressure cookers.
- Riddhima Chandra:** Okay. So on the cost side, so currently **our** run rate is at Rs. 80 crores, Rs. 81 crores per quarter. So, going forward in the next three quarters or in this year, what run rate we could expect? Because in the last quarter our run rate was Rs. 130 crores or Rs. 140 crores. So how much we could expect in the coming quarters?
- VMG Mayuresan:** See, it is very hard to say for full year at this point because every month the situation is changing, we are also assessing the situation. But it is extremely positive if you see July, and then we are sure that it will be even more. At this point it looks like we will be reaching 85% to 90% of last year sales, even with the Q1 situation.
- Moderator:** Thank you. The next question is from the line of Vinod Navandar from Prithvi FinMart. Please go ahead.
- Vinod Navandar:** Sir, my first question is on other expenses. The other expenses compared to top line are very high compared to other companies. So what are your comments on that?
- VMG Mayuresan:** See, one of our major expenses there would be the advertising and promotion which is, if you take other expense, one of the major expenses would be the advertisement and selling and if you take our entire other expenses, 60% of our expense is variable based on turnover, 40% is fixed. So fixed because we have our entire manufacturing facility, all the manufacturing related costs will be there. But the major costs would be freight and advertising and promotions, which is slightly higher since we are investing on that trend at this point. When we reach a revenue of Rs. 1,000 crores then we will reduce that by 2%, 3% at that point.
- Vinod Navandar:** Okay. But sir, if I compare the advertisement expenses with some of the other companies, sir other companies are spending a bit less on the advertisements and their advertisements are

visible on the national television and other print media platforms. Sir, our advertisements are not visible, I mean, we are spending so much but where are we spending? Where are we doing these advertisements?

**VMG Mayuresan:** So, see in advertisement we spend majorly in two areas, one is the media which is TV and newspaper; the other is at the BT level, below the line level which is spent at the shops. When you go to a shop, you will have shop-in-shops you will have more advertising there. When a customer goes there he needs to see our product more and more. So one part of expenditure is done there, the other part is done in TVs which is more variable. So, if you take our sales, since our majority of our sales is based in south, the majority of advertising is also happening in the house. Since the non-South is growing faster, as a variable cost it is smaller. So the most of the money spent is on the BTL there.

**Vinod Navandar:** You are doing advertisements on the regional channels or the national channels?

**VMG Mayuresan:** More regional channels, because in South you will have to go with more regional channels.

**Vinod Navandar:** Okay. Sir, my second question is on the PAT margins. Sir, our revenue from 2017 has gone up from Rs. 400 crores to Rs. 680 crores in FY '20, but than top-line is not translating into the bottom-line, why is that?

**VMG Mayuresan:** We have been investing a lot in these years. If you see our EBITDA, if you take by FY '19 we have come forward to 7.3%. Unfortunately, last year due to COVID it was affected, it has come down. But this year we expect the EBITDA to grow by a 0.6%, 0.7%. And our target is to take the EBITDA to 10% when we reach a revenue of Rs. 1,000 crores in two years' time.

**Moderator:** Thank you. The next question is from the line of Deepak Mehta, an investor. Please go ahead.

**Deepak Mehta:** Sir, my question is that, as we are seeing enough good growth in the South Indian...

**Moderator:** Mr. Mehta, we are not able to hear you clearly.

**Deepak Mehta:** So, I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

**Prashant Kutty:** Sir, firstly a couple of questions. I do not know if you have shared this or not, but what was July trends in terms of pickup? How was June and July, if you could just give some sense on that.

**VMG Mayuresan:** July was extremely positive. July was something which was closer to last July. So market is coming back. We have done good in July. But we expect that to go towards Q2 and Q3 also.

**Prashant Kutty:** How was June, sir?

**VMG Mayuresan:** June was okay, the trend was normalizing in June. July is much better than June.

**Prashant Kutty:** Can I probably say that June was somewhere about 80% of your last year numbers?

**VMG Mayuresan:** Yes, correct.

**Prashant Kutty:** And you are saying July is flat on a Y-o-Y basis?

**VMG Mayuresan:** Correct.

**Prashant Kutty:** And this is at a company level, nothing to do with any specific channel, it is a company level?

**VMG Mayuresan:** It is at company level.

**Prashant Kutty:** Sir, specifically I did not know if you shared the channel wise growth, if you could just probably tell us what the channel wise growth was for the quarter, and how is it as of now trending in July?

**VMG Mayuresan:** See, in Q1 the big amount of sale happened was with the help of new channels. Because majority of retail was under lockdown, the shops were not functioning, most of the areas the shops wasn't open for most of the quarter, and lockdown extended even in southern big cities which extended in the month of June also. That is the reason Q1 was affected badly, we needed only 50% of last Q1. But one of the major area of sale which happened was in the new channel. New channel have grown by 6% in Q1 compared to Q1 of last year.

**Prashant Kutty:** And how much is the new channel as a percentage of sales have been?

**VMG Mayuresan:** News channel would be about 40%, if you take a Q1 it will be about 42% to 43%.

**Prashant Kutty:** Okay. So 40% to 45% of the business is grown by 6%, and about 55% of the business is down by 50%

**VMG Mayuresan:** Correct.

**Anand Mundra:** Prashant, this 42% to 43% was actually 36% has become 43%, what Mayur was saying. 6% growth actually it has grown by 20% 25%.

**Prashant Kutty:** Okay, the share of...

**Anand Mundra:** The share has gone up by 6%, 7%. And last quarter channel wise numbers may not be representative of how it will come over the next two, three quarters. We see things to normalize over the next three to four months.

**Prashant Kutty:** Sir, so basically new channel is about 42% as of now?

- Anand Mundra:** Yes, as of now.
- Prashant Kuttly:** And one last bit, any comment that you can share in terms of how is working capital impacted?
- VMG Mayuresan:** If you see working capital, if you net working capital number of days, it is irrelevant because it has gone up since the sales was low. But if you take the debt, debt has actually come down by about Rs. 20 crores from the year end.
- Anand Mundra:** And Prashant, if you want to take absolute amount of net working capital, it has reduced by Rs. 25 crores as compared to March. So, inventory plus receivables minus payable, which was around Rs. 180 crores as on March has become Rs. 155-odd crores.
- Moderator:** Thank you. The next question is from the line of Jaikant Kasture from Way2Wealth Securities. Please go ahead.
- Jaikant Kasture:** Sir, I just wanted to get an understanding. Sir, during June and July month, in terms of the Southern region there were quite a situation wherein there was unlocking, then locking then unlocking kind of a situation. So, did that impact your sales? How do you see it?
- VMG Mayuresan:** Yes, every lockdown impacts sales in that region. But majority in June, lockdown was only releasing more and more. In cities like Chennai there were lockdown only for 10 days, so yes that impacts, that is one of the reason Q1 was 50% lower to last year. But it's getting better day by day because there is a lot of lockdown which is getting lifted day by day and market is coming close to normal.
- Jaikant Kasture:** Sir, and one more question is, if I am getting it right, your North revenue sales are going up, so is it primarily due to your new channels, sales from a new channels, if I can put it that way?
- VMG Mayuresan:** In non-South its happening in new channel as well as it is happening in retail also, because our base is very small, we are getting in to many new retailers also, that is also helping us.
- Jaikant Kasture:** So it would be fair to assume it would be more from your online compared to your retail stores, that can be right way to put it?
- VMG Mayuresan:** Sorry, can you repeat?
- Jaikant Kasture:** In non-South regions, in terms of your sales growth, it would be primarily more from your online e-commerce compared to your retails stores? Even though retail stores would be growing in terms of retail?
- VMG Mayuresan:** Yes, in terms of growth speed, the new channels are faster than the retail channel.
- Moderator:** Thank you. The next question is from the line of Deepak Mehta, an investor. Please go ahead.

- Deepak Mehta:** Sir, my question is that, what is the revenue mix for urban and rural? Do you define it, so how much we are getting from urban areas and how much from rural area?
- VMG Mayuresan:** Urban is 60%, rural is 40%. But this post-lockdown I don't have the current situation.
- Deepak Mehta:** Okay. And as our company is seeing good growth in the North India, so are we expanding retail dealership? So most of the sales is coming online or what is the...?
- VMG Mayuresan:** We are expanding our retail network. That is the major focus.
- Deepak Mehta:** Okay. And what about the margin for online sales through Amazon, Flipkart, is the margin higher in online platform than retail or...?
- VMG Mayuresan:** No, it is similar, there is a difference of maybe maximum 1%, 2% but it is very similar.
- Deepak Mehta:** And what kind of return we can see in the new CAPEX which we are doing in our new portfolio such as water thermas and all, so I think we are extending in this kind of segment, right?
- VMG Mayuresan:** See, major CAPEX is for new products, tool and dyes of new products.
- Deepak Mehta:** Okay. So what kind of return we can see in this CAPEX and going forward what is your estimate?
- VMG Mayuresan:** New product plays a key role. If you take our revenue today, majority of revenue is from the products which is launched in the last three, four years. So new product play a key role.
- Deepak Mehta:** So in terms of percentage do we define what we are getting from new products, what is the revenue?
- VMG Mayuresan:** The revenue last year about 65% to 70% of sale is on the new product which just launched in the last three to four year. So when we are seeing new product, we are saying variation of the current products also.
- Anand Mundra:** Mayur, mainly he is asking about the flask, I guess.
- VMG Mayuresan:** See, the major CAPEX is happening on new product in the same category, especially mixer grinders, gas stoves and pressure cookers.
- Deepak Mehta:** Okay. So most of the CAPEX is going for a mixer grinder and pressure cooker, right?
- VMG Mayuresan:** The pressure cooker, yes.
- Deepak Mehta:** Okay. And we are going to manufacture this electric cooker as well in Make in India initiative?

- VMG Mayuresan:** Yes. Most of our sales, about 80% of our revenue is made in-house by ourselves. If you take the remaining 20%, even that the majority is bought from Indian companies. Very, very few product categories are important which is getting lower day by day, less than 5% of our sales are imported.
- Moderator:** Thank you. The next question is from the line of Anuj Sharma from MC Investments. Please go ahead.
- Anuj Sharma:** Just trying to look at this company for the first time. We are an old and established brand, yet when we look at the financials, we don't see that getting reflected. So, historically what has been the reasons for us being already very low, basically our margins reflect a commodity, not a brand. So what has been their reasons? I understand future might be better, but historically what has been the key reasons for the same.
- Anand Mundra:** Sir, with respect to margins, if you look at gross margin, we are at par with competitors. So, it's a function of we are increasing our distribution network, investing more on brand and after a critical size we would be able to reach to the double-digit 10% odd margins. So I think better comparison is to do for gross margin, if you are saying commodity margin that is right, if you look at PAT and EBITDA margins, but that is because of the increased expenditure which the company is doing for the last four, five years.
- Anuj Sharma:** Right. You know, in hindsight, do you think it would have been better for us if you had, let's say, focused on one or two products, instead of diversifying the entire range? Do you think that would have been a better strategy, if you think in hindsight?
- Anand Mundra:** Sir, who knows what will happen. If you have a single product it's very difficult to sell through retail network, why will they keep our products, first. Any product category is not so large that a company can become Rs. 1,000 crores revenue in one single product category. Then the size of the revenue of the company will be very small.
- Anuj Sharma:** Yes, but even then, if you look at turnover, we might have lot of turnover, let's say, Rs. 700 crores is not a small number or Rs. 600 crores, despite that if you are not earning on the bottom-line, wouldn't it would have been better that you had one product and have more margins rather than having a huge range and having nothing on the bottom-line. So what I am trying to understand is, going forward any thoughts on this?
- VMG Mayuresan:** Sir, none of our product is more than 20% of our top-line. So, in that case, just think about the size of the company would have been, Rs. 100 crores, Rs. 150 crores. The potential over here we are talking about is it can become a large brand. So, when we are talking about large brand and it has multiple products, so it can aim to become Rs. 1,000 crores revenue. In that scenario if you have a single product, ultimately you have to invest for other products and profitability may not come. Had it been only a Tamil Nadu product and single product the margin would have been much higher, but that will not give visibility from a stock market investor perspective.

- Anuj Sharma:** I understand from a stock market. But I am just saying that Rs. 500 crores, Rs. 600 crores are not a small number, it's a huge number.
- VMG Mayuresan:** So, if today they stop the investment, they stop the expansion, the business can be profitable, but the growth may not come then, growth will be only in 5%, 6% range. That's the challenge.
- Anuj Sharma:** But you will have profits and cash on your books, right? Okay. The next question is, do we have revenues from garment segment today currently or there is nothing much?
- VMG Mayuresan:** Sir, it is nil.
- Anuj Sharma:** Okay. What has been the experience of government tenders if we just go back, do you think it was a good opportunity, would we delve into again if opportunity comes or that is something which we have given a pass?
- VMG Mayuresan:** No, we will not be getting in to any more government orders, the company has decided that it will focus only on the retail and on branded business.
- Anuj Sharma:** Okay. And what percentage of sales comes from CSD segment?
- VMG Mayuresan:** CSD is very, very small. It's very small for us even today, maybe around 1% to 2%.
- Anand Mundra:** And if you also see, in 2010, 2011, 50% - 60% of the revenue was coming from OMC channels. So, I will just take you back, that numbers may not be there, in 2011-2012 if the size of the company was Rs. 200 crores, Rs. 100 crores was coming from OMC. If you remove the OMC amount, that Rs. 100 crores has effectively become Rs. 600 crores last year. So company has grown 6x in the last six, seven years. And that OMC part has degrown by 40%, Rs. 100 crores has become Rs. 60 crores, Rs. 70 crores. So, the company has transformed from an OMC and a government order to a full branded Rs. 600 crores, Rs. 650 crores revenue business. And if you look at gross margin, it's at par with TTK and other competitors. It's because of the other expenses because we have not reached the critical size for which we are laying out the process. For example, our manufacturing capacity is for Rs. 1,000 crores. So, we must set up a capacity like that, it's South based brand, now they are exploring in North India and West India. So, we must see from that perspective, it's a 6x, 7x brand over the last six, seven years.
- Anuj Sharma:** And what are the key parameters you keep in mind when you introduce a new product or a new category? What are the basic things you look at before you venture out into a new segment?
- VMG Mayuresan:** Sir, we look at what is the potential of that product. First we try the product by not doing in-house manufacturing, by importing the products from China or other regions from India only and we will sell through our channel, if the response is good we get into that product. So there are only six, seven main products of the company, balance is a tailwind of 10, 15 products which we are exploring. Whichever product looks good to us, we will get into manufacturing of that

product and more distribution and revenue. For example, flask, flask we have set up a capacity last year.

**Anuj Sharma:** But you might see an opportunity, but that space might get commoditized soon. So again, you will have a problem that you got into a product, you are subscale, and then you are maybe waiting for a scale, but the segment becomes commoditized. So if you keep on playing this strategy...

**VMG Mayuresan:** But we have never stopped any products. For example, since the company's inception there are only six, seven products that we are operating in. So, you name any product where we have discontinued, we have not discontinued. Suppose we are doing some trading, there is hardly any investment in that product.

**Moderator:** Thank you. The next question is from the line of Pawan Kumar from **0:37:37.1**. Please go ahead.

**Ratan Kumar:** Sir, first, you have said something about the working capital reduction because of channel financing in this year. So, is there any kind of number that we are looking at in terms of working capital numbers going in this year?

**VMG Mayuresan:** Yes. If you see last year, FY '20 we had a net working capital of about 95, 96 days. This year, our target is to bring it to at least six, seven days lower compared to last year.

**Ratan Kumar:** And this will be because of channel finances?

**VMG Mayuresan:** Channel finance will also help, majorly on the receivable side. Yes, you are right.

**Ratan Kumar:** And do we still hold on to our new thing? We will try to breakeven at least around the PAT level in this year.

**VMG Mayuresan:** Definitely.

**Ratan Kumar:** Okay. So what does this factor in, a broader pick up in H2, second half of the year? And how are the sales going in July?

**VMG Mayuresan:** Slowly we will get into seasonal sales, that will also help us. And the lockdown is also lifting in majority of the country, that will also help us. And being in industry of kitchen appliances, it is one of the most essential products. And the concept of healthy home cooking is getting more awareness, that is also helping this industry.

**Ratan Kumar:** Okay. And as of now do we still hold that view of trying to get to Rs. 650 crores of revenue that we stated in the last call?

**VMG Mayuresan:** Last year we did a revenue of Rs. 680 crores, it's very hard to say how it will go for this year. Because every month the situation is changing, it's getting better. And, there are some regional lockdowns, so it might change, it's very hard to give an idea of revenue for this year. But at this situation it looks like it will be 85% to 90% of last year.

- Ratan Kumar:** Okay. And can you quantify what would be the losses that you are incurring on account of the new products that you are launching? Because just to get some colour on last participant's question.
- VMG Mayuresan:** See, the investment for new product is a maximum of Rs. 10 crores and we will be launching about 25 to 30 new products majorly if you take the major product categories would be gas stoves, mixer grinder, pressure cookers and wet grinder these are the core major product categories for us. These are where we will have the most focus on. We know the market very well for these products, so all the products are doing well. If you take the products which are launched in the last two years, they are doing very, very well; and with that estimate we are currently launching some more products.
- Ratan Kumar:** And this year any CAPEX guidance?
- VMG Mayuresan:** Rs. 10 crores.
- Ratan Kumar:** And advertisements, what would be the guidance for this year?
- VMG Mayuresan:** Advertisement is generally variable for us; we spend anywhere between 10% to 12%. So, this year it looks like it will be around that number.
- Ratan Kumar:** Okay. And your other costs, employee costs and other expenses, whatever levels were shown in Q1 are they sustainable if the situation remains tight or would it be very difficult to keep them down at current level?
- VMG Mayuresan:** It will be very difficult to keep them down, because one of the major areas of expenditure which is happening is linked to production as well as sales. So, there when the market is coming back to normal, it will slowly come back to normal levels. But on the senior management level, whatever we have reduced it will remain almost for the full year. That's what we are working on.
- Ratan Kumar:** And another last question, OMC sales, what would we be targeting this year because there was a major reduction in the OMC channel sales last year also.
- VMG Mayuresan:** The revenue numbers will be similar to last year.
- Ratan Kumar:** And we have that visibility, or we have to get it from some new products?
- VMG Mayuresan:** No. We are working very closely; we are launching some products there also. We estimate that it will be like last year, it will be very hard to grow in that area. Even our company in the last few years, we have been focusing on retail channels and new channels more.
- Ratan Kumar:** And any debt target?
- VMG Mayuresan:** Debt we want to reduce it by six to seven days compared to last year.

- Ratan Kumar:** No, I am asking about debt level.
- Anand Mundra:** Debt level we are targeting to do around Rs. 140 crores to Rs. 145 crores by March end.
- Moderator:** Thank you. The next question is from the line of Arshit Shah from Prabhudas Lilladher. Please go ahead.
- Arshit Shah:** Sir, just a couple of questions. First I one clarification is, you had mentioned that you reduced your debt by Rs. 20 crores from March levels, right?
- VMG Mayuresan:** Right.
- Arshit Shah:** And secondly, are there any change in terms of trades or in terms of distributors and dealers because of COVID or anything like that, have we witnessed anything?
- VMG Mayuresan:** No. You are asking about receivables or you are asking about the number of distributors?
- VMG Mayuresan:** No, the terms like any number of credit days or in terms of credit, like they are asking for moratorium credit or something?
- VMG Mayuresan:** If you take direct dealers and distributors, it is extended by 30 days to 45 days for this COVID period.
- Anand Mundra:** Only for this COVID period, only for a temporary basis?
- VMG Mayuresan:** Correct.
- Arshit Shah:** Okay. Thank you. And your expense you said will be 10% to 12% of revenue for FY '21?
- VMG Mayuresan:** Correct.
- Moderator:** Thank you. The next question is from the line of Riddhima Chandak from Rohan AMC. Please go ahead.
- Riddhima Chandak:** Just two, three clarification. So, how much is our exclusive distributor network as of now?
- VMG Mayuresan:** We have about 520 or 530 distributors.
- Riddhima Chandak:** So, from the last year we had reduced overall, because in FY '19 it was approx. 550 or more than that, right? And in the pricing and the discounting, so is there any reduction in pricing or any discounting thing happening in the market or in our market in which we are present?
- VMG Mayuresan:** No, we never do that. Even if you see, our revenue came down by 60%, our gross margins were not impacted, we never do discounting.

- Riddhima Chandak:** Okay. So we would not do any pricing increase in this year at least, it would be at the same level?
- VMG Mayuresan:** Price increase most probably will not happen; it is majorly dependent on raw material prices that is more stable. And for this year we have not decided on increasing.
- Riddhima Chandak:** Okay. And just one clarification that how much is our contribution from our premium products and lower like value related products, what is the contribution?
- VMG Mayuresan:** Generally premium is about 20% and mid-range will be around 60%, the value products will be at 20%. But I don't have the data currently.
- Riddhima Chandak:** Okay. And in the premium products, what would our price range like, it is Rs. 2,000 plus or?
- VMG Mayuresan:** It will be 25% to 30% higher than the mid-range products, product to product it will change.
- Moderator:** Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** A couple of questions. If you take about the gross margin side, we have a benefit of in-house manufacturing versus peers who are importing from the China and another country, mainly on organized side also. And this time, I think, raw material price is also benign in terms of crude. So, do you think that there is a further scope of improvement in the gross margin in current scenario or it will be passed on to the end user to drive the sales?
- VMG Mayuresan:** So it will be similar compared to last year, we feel that it will be similar for this year.
- Jignesh Kamani:** And second thing you already mentioned that from July onwards we already started doing flat Y-o-Y, so probably if trend continues from August and all we will be in growth path and we will reduce our overhead and other expense. So safe to assume that if you remove the first quarter balance in nine months, we will be able to do 7% to 8% kind of EBITDA margin?
- VMG Mayuresan:** Last year was 6.1%, we are targeting about 7% this year.
- Jignesh Kamani:** Which includes the first quarter low margin?
- VMG Mayuresan:** Correct.
- Jignesh Kamani:** Understood. And how much is our receivables right now from the OMC channel?
- VMG Mayuresan:** It will be around Rs. 10 crores or less than rs10 crores, it is not high.
- Jignesh Kamani:** So outstanding we have already receive large part?
- VMG Mayuresan:** Yes. See, OMC has been under control for the last 18 months.

**Jignesh Kamani:** Understood. Any sticky receivable which is more than one year old, right now?

**VMG Mayuresan:** No, our receivables are all much under control.

**Moderator:** Thank you. The next question is from the line of Pawan Kumar from **0:49:39.7** Capital. Please go ahead.

**Pawan Kumar:** Sir, what would be the gross debt number as of now, today?

**VMG Mayuresan:** Rs. 150 crores.

**Pawan Kumar:** And can I get some colour on what could be the working capital levels as of today that are in your inventory curve combined?

**VMG Mayuresan:** See, it has come down by Rs. 25 crores from Q4.

**Pawan Kumar:** That is the data plus inventory combined?

**VMG Mayuresan:** Yes correct.

**Pawan Kumar:** Okay. And has there been any increase in creditor?

**VMG Mayuresan:** No. Creditor is around similar level.

**Pawan Kumar:** And any outlook on raw material front that you see going forward?

**VMG Mayuresan:** It looks very, very stable today. And we feel that it will be stable at least for the next few quarters.

**Moderator:** Thank you. The next question is from the line of Deepak Mehta, an investor. Please go ahead.

**Deepak Mehta:** Sir, if we consider the last three years, we had a CAGR of 19%, right? So, if we assume that FY '21 will be a wash out, so what CAGR we can expect for the next three or five years, any ballpark number?

**VMG Mayuresan:** After this year we estimate that the growth will be 10% to 15% year on year.

**Deepak Mehta:** So, this is estimate for next three years or five years?

**VMG Mayuresan:** Five years.

**Deepak Mehta:** Next few years we can expect on higher side 15% and on lower side 10%?

**VMG Mayuresan:** Yes.

- Deepak Mehta:** And are we doing any business in international market, especially in Sri Lanka or in Singapore, this kind of region where we have target population?
- VMG Mayuresan:** Yes, we have started focusing on exports. Exports is actually a very, very small portion for us, it's around 2.5%, but we want that to grow to 5% in two years' time.
- Deepak Mehta:** Okay. And are we considering international or e-commerce platforms such as Amazon or other platform for this?
- VMG Mayuresan:** The first focus would be getting distributors and getting our presence there. So that we will have our distributor there and we will be sending these service also. And then it will go to online channel there.
- Deepak Mehta:** Okay. And can you provide breakup of other expenses what different components?
- VMG Mayuresan:** Major expenses are advertisement and promotion, then you will have freight and warehouse, these are the major expenditures there, remaining all other expenses would be small portion.
- Moderator:** Thank you. As there are no further questions, I now hand the confidence over to Mr. VMG Mayuresan for his closing comments.
- VMG Mayuresan:** Thank you all for attending our Q1 Earnings Calls. If have any more queries you can contact us directly. Thank you for attending. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Butterfly Gandhimathi Appliances Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.