# "Butterfly Gandhimathi Appliances Limited Q3 Earnings Conference Call"

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

**Moderator:** Ladies and gentlemen, good day. And welcome to Butterfly Gandhimathi Appliances Limited Q3 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 – VP of Corporate Strategy. Thank you and over to you, sir.

**VMG Mayuresan:** Thank you. Good afternoon, everyone. Thanks a lot for joining this call. I welcome all of you on behalf of the company. This is the first conference call; I would like to share with you the background of the company. We are into kitchen appliances, with the brand name Butterfly headquartered in Chennai. The brand is more than 30 years old. The key products of the company our gas stoves, mixer grinders, pressure cookers, tabletop wet grinder, vacuum flasks and others. We have a 12 acre manufacturing facility in Chennai. We have our own R&D and design team for new product development. Over the last nine years, our revenue has grown up from Rs. 180 crores in FY10 to Rs. 650 crores in FY19 at a CAGR of 15%. Some more color on the breakup of the revenue.

80% of our revenue is from the southern markets. 80% of the revenue we sell are manufactured in house. Our largest product would be gas stoves and mixer grinders, followed by pressure cookers and tabletop wet grinder**.** We have about 500 plus distributors and we touch about 27,000 plus retail points as on December.

Now coming to the financial performance for nine months and then December 2019. The company has done a revenue of Rs. 568 crores against Rs. 502 growth last year, with a growth rate of 13% year-on-year. Gross margin is 42.16% nine months FY20 as compared to 40.1% in nine months FY19. The margins are higher due to better product mix, raw material prices decrease, as well as channel mix. EBITDA margin has increased to 8.1% as compared to 7.3% last year. The total debt as on December 2019 is Rs. 142 crores as compared to Rs. 181 crores as on September 2019.

If you go to working capital, the debtor days as on December 2019 is 75 days, as compared to 76 days in December 2018, and 103 days in September 2019. Inventory days is also about 75 days as on December 2019, compared to 81 days in December 2018 and 69 days in September 2018. If you see the sales channel wise growth, the traditional retail has grown by 7.3%, the majority of huge growth has happened through the new channels like online and the modern trade. OMC, the oil marketing channel, has degrown by 34%. The degrowth of oil marketing company channel is due to the discontinuation of Ujwalla Scheme, and we feel that the revenue of oil marketing channel has come to a minimal level and may not degrow from this level.

With this, I will request you to start questions and answers. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Akash Jain from Moneycurve. Please go ahead.

**Akash Jain:** I think I will want to first thank you for starting this conference call thing, because I think it's very useful. And my urge will be to continue this going forward and not do it on a seasonal basis.

**VMG Mayuresan:** Definitely.

**Akash Jain:** I have a couple of questions, Mayuresan. One is, on this revenue traction, I think it's very apparent from your presentation that the oil marketing companies' channel has slowed down, but our retail sales has actually done very, very. I just want to understand what is the trend that you are seeing over there? In the sense that the first nine months traction seemed to be much higher than the last three months traction. So are we now seeing some slowdown in the retail sales also? What is the experience on the ground in terms of end consumer sales on the retail side? That is the first question.

The second question is on the gross margin side. I can ask the two questions together or we can ask one by one, whatever you are comfortable with.

**VMG Mayuresan:** I will answer the first question. If you see, the retail channel, on the oil marketing channel it has degrown by 34% and this year looks to be we will be going with that only. We don't see any change in that. But if you take the retail channel, in the last few months the market was very slow and that we feel that it is a challenge to continue with that growth for this year. But one hope is, we are hoping from next financial year the market should come back to normal ways. And with this scenario it looks like we will be growing at 10% to 12%. And if the market is better, we will definitely grow at more than 15%.

**Akash Jain:** So, if I am not wrong, Mayuresan, the overall demand for the full year was slightly slower, but we would have grabbed some market share from other players in the region. Is that a right understanding?

**VMG Mayuresan:** Yes, since we are growing faster than the others, yes, we would have grabbed market share from other peers.

**Akash Jain:** And obviously, there is a limit to what you can grab market share, because the competitors also push back beyond a point and it will not let you take market share. So unless the market picks up, there may be some slowdown in our own sales, possibly, going down the line if the market doesn't pick up?

**VMG Mayuresan:** See, four us what we feel is, yes on a traditional retail channel, in the well establish markets for us, yes, you are right. But for us, we have got a new channels like e-commerce, modern retail where we are very, very small and we are very new, and we have a huge scope of growth from there. And also, from non-south markets where we are getting present.

**Akash Jain:** Okay. The second question is on your gross margin. So, there is clearly a gross margin increase which is very good. I want to understand one thing, see, one is gross margin increase because of raw material costs and product mix, right. And the second year margin increase is purely because of channel mix, because your OMC channel is coming down, and OMC I am assuming is lower gross margin than the retail sales. So, if I want to understand the breakup, how much of it is because of channel mix and how much of it is because of product mix or raw material cost?

**VMG Mayuresan:** See, if you take the mix, one of the main reason why our gross margins have improved is, yes, raw material price have impacted, because of that we have gained about more than about 1%. Then you have product mix and the channel mix, which we feel has brought up about 1.5%. So, if you take the overall percent of 40% to 42%, this is the major breakup.

**Akash Jain:** So, a part of it is coming from channel, a part of it is coming from product mix, and 1%, 1.5% is coming from raw material cost improvements?

**VMG Mayuresan:** Yes.

**Akash Jain:** And one last question from my end, Mayuresan. So, our EBITDA has grown very, very, almost close to 30%, which has not really flown to that extent on the PAT because the deferred tax has gone up quite a bit. So, can I understand, because my understanding is you have not moved to the lower tax regime, right? So, why is there such an increase in deferred tax, can someone just explain that to me?

**Management:** Yes, this was actually because of the previous year carry forward losses, so wherever we created the deferred tax assets, which we have reversed now. We are paying under MAT, not on current tax. So to that extent, we are reversing that deferred tax. So overall, if you see in the nine months, we will be under 30% of bracket only.

**Akash Jain:** And by what time do you think we will complete our MAT credit and move to the 25% tax regime?

**VMG Mayuresan:** During the next financial year it will be completed.

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

**Prashant Kutti:** Firstly, a data point. I think I just moved out the working capital number. You said receivable is 79 days, what was the number last year same period?

**VMG Mayuresan:** See, if you see receivables, on December its 75 days compared to 76 days in December last year. And on the end of September it was around 103 days. So from 103 days it has come to 75 days.

**Prashant Kutti:** So there is a moderation, and the same is the case with inventory also, what is the number like?

**VMG Mayuresan:** Inventory if you see, it is around 75 days compared to 81 days in the last December and September it was around close to 70 days.

**Prashant Kutti:** Okay. So there is a slight increase in inventory days?

**VMG Mayuresan:** Yes.

**Prashant Kutti:** Just on this point it itself, on the working capital side of it, I mean, last quarter you had highlighted that you are trying to push it up, especially in the other channels as far as receivables and inventory is concerned. We kind of got to hear from the other companies that that receivable days for a lot of these companies or the balance sheets are probably ballooning a bit. What is a more comfortable level of inventory and receivables you think we are targeting at, incrementally? And also, if you could give an update on the channel financing part.

**VMG Mayuresan:** Yes. Receivable will come to around 60 to 65 days by March, and that we think on the sustainable basis it will be at 60, 65. And from there our target is to bring it to 45 days in two years' time. Because one of the main reason is, as you said, we are talking with the channel financing partners, and we have got a limit of Rs. 30 crores currently. And we have just started utilizing that and we will add some more limits, many banks are interested. So that will come up and the receivable days will come down significantly when once that is started. If you take the inventory, inventory we feel that it's optimal at 70, 75 days since we are growing.

**Prashant Kutti:** Okay. But when you are saying that channel financing is one which you will probably do, but that will be largely for the traditional trade, if I am not wrong, but what about… here if you probably break it down, how is the receivable day different for, let's say, the retail channel and for the other channels?

**VMG Mayuresan:** See, if you see the new channels like e-commerce, e-commerce is 45 days. And if you take modern retail, that is also around 45 to 60 days. So, if you take the receivables, traditional retail is the highest. And when that improves, the major focus for our channel financing is also on the traditional retail, so that will improve.

**Prashant Kutti:** Okay. What is the traditional retail…..

**VMG Mayuresan:** Traditional retail, season to season it changes. During season we extended it on about 70, 75 to 80 days. But offseason it will come to 60 days, less than 60 days.

**Prashant Kutti:** Okay. Is it also because this time the debtors and all came down because your share of OMCs would have come off quite significantly?

**VMG Mayuresan:** Yes, OMC average is about 90 days and above, so that is also improving.

**Prashant Kutti:** And you said that this is the last, I mean, you think this probably dropped out as far as OMC numbers are concerned? From here on you will see a decline over there?

**VMG Mayuresan:** Yes, we feel that it is the lowest number, it can't go beyond that. It can't go below that.

**Prashant Kutti:** Okay. Sir, if you could just give us the details in terms of how have the various channels grown for you, if you could just tell us how have they grown for us specifically?

**VMG Mayuresan:** See, I can't give channel wise, but I can give you an idea. If you take the oil marketing companies, that has degrown by around 34%. If you take the retail part, retail part has grown up by around 7%. And if you take new channels like e-commerce, e-commerce has more than doubled in the last nine months.

**Prashant Kutti:** Okay. And right now is it other channels, as in, e-com channels and modern trade channels, are their growth kind of sustaining still and is retail showing any signs of uptick?

**VMG Mayuresan:** Retail, if you take the channel like online, we feel that there is a lot more scope. Modern trade, we are very, very small even today and there is a lot of scope for growth there. We feel that in another two to three years we can see growth in the new channels in a significant way, then it will come to 15%, 20% levels.

**Prashant Kutti:** Okay. So you are probably full of good growth?

**VMG Mayuresan:** Yes.

**Prashant Kutti:** And next year what are we targeting in terms of growth rate?

**VMG Mayuresan:** So next year, we feel the market situation is very similar like what we see today, when it is little hard situation then we will be targeting a growth of 10% to 20%. But if the market slightly if it's better, it will be more than 15%.

**Prashant Kutti:** Okay. Any outlook on margins?

**VMG Mayuresan:** See, margins, if you take gross margins, this year it will be between 42% to 43% and year-on-year we plan to increase about 0.5%.

**Prashant Kutti:** And EBITDA? EBITDA cost as well in terms of ad spends and so on so forth?

**VMG Mayuresan:** Yes, if you take EBITDA, EBITDA this year we will be closing somewhere around 7.7% to 7.8%. So, that will improve. The target is, when we reach a revenue of Rs. 1,000 crores and about in two years' time, we should be crossing an EBITDA of 10%.

**Prashant Kutti:** But that looks possible now given that he said that the growth rates might probably come off?

**VMG Mayuresan:** It might be delayed by a year, but at the revenue of Rs. 1,000 crores, definitely we will cross 10% EBITDA, that is possible.

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

**Pawan Kumar:** Mayuresan, can you give us an idea on the increases in the finance cost, since you are talking about reduction in working capital and also, I am assuming the debt has come down from Rs. 180 crores to Rs. 140 crores. But on a quarterly basis the interest cost has actually gone up.

**VMG Mayuresan:** See what happened was, the debt was actually high by the end of September, end of Q2. Good amount of happened and in the month of September. So, all the delta which happened, all the sale which was increased, all the data which was increased in the month of September only got settled in the month of October and November and December, mainly majority during November and December. So, a lot of debt was in the month of October. So, what is happening, now it has reduced, now the base will be lower, so Q4 it will be lower.

**Pawan Kumar:** Okay. And currently I think we are running at around 8% EBITDA margin, so you are saying we might end up somewhere around 7.7% to 7.8%, so will there be a margin fall in Q4?

**VMG Mayuresan:** Because Q4 is a small quarter. The sales in the Q4 will be like Q1. So generally Q1 and Q4 are smaller quarters, Q2 and Q3 are bigger quarters for us.

**Moderator:** Thank you. The next question is from the line of Pramodkumar Agarwal, as an individual investor. Please go ahead.

**Pramodkumar Agarwal:** Sir, I want to know, as you told our borrowing has come down from Rs. 181 crores to Rs. 142 crores. But in quarterly results we are not getting the effect of that borrowings come down. Also, what is the expectation by the end of the year, how much we can come down in the borrowings?

**VMG Mayuresan:** So, if you take the last year of March, the debt was around Rs. 140 crores. Even this year by end of March, with the growth our debt will be around the similar levels, it will be around Rs. 140 crores, taking care of long term and working capital, all put together.

**Pramodkumar Agarwal:** Okay. It means in the middle of the year we have increased the loan by Rs. 181 crores?

**VMG Mayuresan:** Yes, because of the seasonality.

**Pramodkumar Agarwal:** Okay. Sir, is there any better coronavirus and we can get benefited from that?

**VMG Mayuresan:** Okay. If you take our sales, 80% of our products are manufactured in-house and the remaining outsourced products are mostly procured from Indian companies. So in supply chain, we don't see much effects with respect to our sales. And also, if you take imported products, we have inventory of 60 days. So this we feel should subside and it should come back to normal soon. We hope for that.

**Pramodkumar Agarwal:** One more questions, sir. When I am seeing the quarterly results, I am seeing that we are not consistent on the results, why so it is?

**VMG Mayuresan:** See, this is seasonal based. Q2 is the biggest quarter for us. See, number one quarter would be Q2, followed by Q3, then Q1 and Q4 are small quarters, it's more seasonal products. So that is the reason. If you compare quarter-on-quarter, Q3-to-Q3 last year, we have done a growth.

**Pramodkumar Agarwal:** But in this quarter three we are getting the festival season, Diwali and all these things, even we are getting sales getting down.

**VMG Mayuresan:** See, it depends on timing of Diwali. If Diwali happens in the month of November, we will have some portion of Diwali sales in Q3. If it happens in the month of October, most of the sale will be in Q2.

**Pramodkumar Agarwal:** What is the expectation for Q4?

**VMG Mayuresan:** Q4, it will be like similar to Q. Under current situation the market is very slow. So, we feel that we will have a single-digit growth only in Q4.

**Moderator:** Thank you. The next question is from the line of Disha Sheth from Anvil. Please go ahead.

**Disha Sheth:** Sir, what would be the online sales in nine months? And how are the margins and debtors in online sales?

**VMG Mayuresan:** See, if you see online, online debtor is around 45 days and online is about currently 20% of our sales.

**Disha Sheth:** And sir, you mentioned something, EBITDA at 7.8%, I just missed that point, what was that related to?

**VMG Mayuresan:** Last year we did an EBITDA of 7.3%, this year we had targeted a growth of 0.5% and we are running as per the target.

**Disha Sheth:** Okay. And sir, how much will be de-growth, how much will be OMC sales in YTD nine months?

**VMG Mayuresan:** See, I can't give that umber. But OMC has degrown by 34% compared to last year nine months.

**Disha Sheth:** Sir, Rs. 568 crores is the sales nine months, sir, how much would be OMC sales in that?

**VMG Mayuresan:** See, OMC is always between 10% to 15% of our sales. I can't give you…

**Disha Sheth:** Why so much degrowth?

**VMG Mayuresan:** Yes, there is a degrowth of 34%, it is in that range, between 10% to 15% of our sales.

**Disha Sheth:** Okay. And sir, once the OMC sales revise or grow, then the debtors will again get affected, because it has no debtors? Or you are going to take it to 20%.

**VMG Mayuresan:** OMC is something which we want to limit it to. Our idea was to limit it to under 120, between 14% to 15%, but it looks like this is coming to close to around 10% to 12% something like that, so it will be limited, we don't aggressively grow in that product.

**Disha Sheth:** Okay. And sir, I will just repeat. You said debt for FY20 will be Rs. 140 crores, and FY21 also would be in Rs. 140 crores?

**VMG Mayuresan:** Yes, correct.

**Moderator:** Thank you. The next question is from the line of Kalpesh Gothi from Valentus Advisors. Please go ahead.

**Kalpesh Gothi:** Mayuresan, I joined a little bit late. I want to know, you have launched many product SKUs in FY20, so what was the revenue contribution from the new product?

**VMG Mayuresan:** See, I don't have that number with me currently, Kalpesh. But new products are really doing well. Few of the products have been accepted very well in the market and they are doing well. We have launched about close to 45 to 50 new SKUs this year, and most of the products have been received well in the market.

**Kalpesh Gothi:** Right. So I just want to figure out what was the growth of our existing products and what was the growth from the newer product? So I think probably this year the launch is much more compared to previous year.

**VMG Mayuresan:** See, if you see, when we launch a new product we will see growth this year, simultaneously, we will see more growth in the coming years. Because it was launched during the season, so it was only for few months and next year we will see growth for the full year. New product definitely helps us. If you see the sales of the company, around 70% of sales happened with the products which was launched in the last five years. So the new product plays a key role in this industry.

**Kalpesh Gothi:** Mayuresan, can you break up the sales state wise or geography wise?

**VMG Mayuresan:** See, I can't give you a statewide sale. But we do see, 80% of our sales is from the southern market. 20% is from the north and west market.

**Kalpesh Gothi:** So which are the states we are selling to in north?

**VMG Mayuresan:** See, currently we are present in the west, Maharashtra, Gujarat and some pockets of north like Delhi, NCR, Punjab, and a little bit of an East, like Otis and West Bengal.

**Kalpesh Gothi:** Okay. Are all products also available in North?

**VMG Mayuresan:** Yes all the products.

**Moderator:** Thank you. Next question is from the line of Ravi Chandra as an individual investor. Please go ahead.

**Ravi Chandra:** Sir, a housekeeping question. You said 25% of your sales come from online, may I get breakup between the modern retail and the traditional retail?

**VMG Mayuresan:** See, if you see modern retail and online is about 25%, 10% to 15% is online marketing channel, the remaining is still traditional retail.

**Ravi Chandra:** 10% to 15% is online, 20% is modern retail, and remaining is the traditional sales, right?

**VMG Mayuresan:** Oh, no. 25% is online and modern retail, 10% to 15% is oil marketing companies, and the remaining is traditional retail.

**Ravi Chandra:** And in terms of margin, you may not give the exact number, you make better margin in traditional retail sales, in modern retail it is lower as compared to traditional, and online is even more lower, is it right, my understanding is right?

**VMG Mayuresan:** See, at the gross margins, your understanding is right. At EBITDA, all the channels are similar.

**Moderator:** Thank you. The next question is from the line of Hiren Trivedi from Axis Securities. Please go ahead.

**Hiren Trivedi:** Just wanted to ask that you have introduced 45 to 50 new SKUs, are these across your price segments and would they be having a higher margin as compared to the older products?

**VMG Mayuresan:** Yes, it is across all the categories. What happens is, generally, majority of products will be at the economy and mid-segment, this time there is a good amount of product in the premium segment also.

**Hiren Trivedi:** Right. And so they would be coming at a bit of a higher margins?

**VMG Mayuresan:** Yes.

**Hiren Trivedi:** And would it be possible to give a range, like what is the difference between the order and the newer margin, they may be higher by say 50 basis points or something like that, is that the case?

**VMG Mayuresan:** See, I can't give you that. It's a little hard to give that. But tis being more premium, it is delivering better margins for us.

**Moderator:** Thank you. The next question is from the line of Pawan Kumar from Ratnakar Capital. Please call it.

**Pawan Kumar:** Mayuresan, I wanted to understand how big is the sales channel with kitchen appliances, especially online? In the sense, do we have any idea of how much bigger competitors might be doing from this online sales channel and what is the scope for you specifically going forward in maintaining this particular kind of growth rate, whatever you have shown in last year?

**VMG Mayuresan:** See, currently, I don't have the market size for online, it's very, very hard to say, because online is growing faster. Generally speaking, online is growing faster than the other the traditional channels, it's very hard to say that. But we will be getting into more newer products for that category, and we are very confident because our base we feel that is smaller even today.

**Moderator:** Thank you. The next question is from the line of Akash Jain from Moneycurve, as a follow-up questions. Please go ahead.

**Akash Jain:** I have one follow-up question. In this current budget the government has increased customer import duties on the kitchenware. We, obviously, manufacture everything in-house, so to that extent it doesn't impact us much. But my understanding is, some large players in the region import a lot of their products from China. Does that lead to an increase in prices for competitor, and in that sense will help us either to gain market share or improve our margin?

**VMG Mayuresan:** See, I can't give a comment on that, because whatever is imported, yes, the duties have gone up in all the product categories. So, the prices will definitely go up from them or the margins will decrease for them. But if you take majorly most of the product which is used in kitchen appliances are manufactured in India. There are very few products which are being imported. Yes, and the duty from 10% for some products has gone to 20%, so it has increased, yes, it will impact for them. For us it will not be a big impact since we do a lot of manufacturing in-house.

**Pawan Kumar:** But at the industrial level is there a lot of products which are imported or at an industry level also a lot of products are manufactured in India?

**VMG Mayuresan:** See, if you take the industry level, most of the products, if you take the product like gas stoves, mixer grinders, pressure cookers, they are all mostly manufactured in India. There are some products, some electrical products like induction stoves, electric rice cooker, even today they are all imported. But major product categories which I said before are all manufactured in India.

**Pawan Kumar:** So, to that extent there will not be a real impact on prices in India for the majority of the products from a value perspective?

**VMG Mayuresan:** Yes, right.

**Moderator:** Thank you. There is follow-up question from the line of Ravi Chandra as an individual investor. Please go ahead.

**Ravi Chandra:** I have a questions. Without taking the name, have we gained major market share from one of the largest player in the industry in D-Mart or in Big Bazar?

**VMG Mayuresan:** See, it is very hard to say that, we are actually getting into modern retail, we weren't present until two, three years back, so we are getting into all the channels and we are growing. But I can't comment on the competitive side.

**Ravi Chandra:** Okay. You don't want to say that you have displayed somebody or not, you don't want to comment on that?

**VMG Mayuresan:** It's hard to say, because we have not been present until now. We are getting present and we are increasing. We are just starting; our base is very small.

**Moderator:** Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

**Dhiral Shah:** Sir, my question is regarding, what percentage of sales is coming from e-commerce and modern retail?

**VMG Mayuresan:** Around 25% of sales is from e-commerce and modern trade.

**Dhiral Shah:** And sir, what is your target, let's say, to take this percentage in next two to three years?

**VMG Mayuresan:** See, modern trade, base is very small, we will be growing aggressively. Same with e-commerce, but it's very hard to say how the market is moving. If the market revives and the retail channel is growing, it gets to a better level, then it's a little hard to say. But what we feel that this 25% can go to 30% in two years.

**Dhiral Shah:** Okay. And how does it impact our margins?

**VMG Mayuresan:** No, it will not. At EBITDA level it is similar to traditional.

**Dhiral Shah:** And this modern retail is purely in the south or do we have other presence in West or North also?

**VMG Mayuresan:** Majorly in the South, since we are present more in South our major presence even is in South.

**Dhiral Shah:** Sir, what is our target to take this to North and South? Because 80% of your business is coming from the South, so is there any target in your mind to take maybe North and West 30%, 35% in coming years?

**VMG Mayuresan:** Yes, non-south markets are growing faster since the base is very small. We feel that in two to three years it will become 25% of our sales.

**Dhiral Shah:** Margins are same again in North and West as compared to South, because South you might be in a very strong player but maybe in order to capture market in North and West you have to forgo some kind of profits?

**VMG Mayuresan:** There is a difference of 2% to 3% in margins for non-South market.

**Moderator:** Thank you. The next question is from the line of Shivan from JHP Securities. Please go ahead.

**Shivan:** Sir, if you could just elaborate on the strategies that you are undertaking, things that you are doing on the ground to improve your presence in the Northern and the Western and Eastern part of India? If you could give some color on that.

**VMG Mayuresan:** See, currently we are focusing on the bigger cities. The idea is not to double our revenue with the lower base, the idea is to get into major cities, from there go into Tier B, Tier C cities, that is the idea. And with we want to grow without affecting our sale price. Because in a new market you need to give better credit terms, so we want to make sure that we are comfortable in doing that in achieving good amount of revenue with the comfortable working capital levels.

**Shivan:** Sir, and you said you have got 27,000 retail points. So off that, how many are there in the non-South markets, if you could give us that?

**VMG Mayuresan:** Around 5000 dealer. I don't have the exact number with me, it should be around 5000 in the non-South markets.

**Shivan:** Okay. And sir you said that the margins are 2% to 3% different in the non-South market, so it's lower that's what you trying to say, that it is lower in the non-South markets?

**VMG Mayuresan:** Yes.

**Moderator:** Thank you. The next question is on the line of Mehul Shah as an individual investor. Please go ahead.

**Mehul Shah:** Sir, the thing is that, you recently launched flask as a new product, can you just sort of inform us as to how is the product doing in the market?

**VMG Mayuresan:** We have just relaunched vacuum flasks very recently; it has been received very well. It's doing really well. We are also ramping up our capacities to cater to the market. Next year would be the first full year where the product will be available. We have launched SKUs with colored vacuum flasks which is doing really well. And with the same product manufacturing line, we are also manufacturing stainless steel water bottles.

**Mehul Shah:** And from what I believe you also started sort of advertising a bit more in terms of advertisements. What is the impact of that on the sales?

**VMG Mayuresan:** Yes, we have been growing as per targets. And our advertisements spend is actually increasing with respect of sales. So it will only improve year-on-year, it will only go higher year-on-year.

**Moderator:** Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

**Rahul Ranade:** Just to continue on the earlier questions. So, can you give us the percentage of what advertisements spends are right now and where do you want to take it, say, in the next two, three years?

**VMG Mayuresan:** See, if you take the total advertisement spend, it is currently between 10% to 12%. Out of which we take care of pure advertising, TV, newspaper and things which is around 5%, and there is a below the line activities which will be around 3% to 4%, and we will run some product schemes which will be around 3% during the season. So, the total will be around 10% to 12%.

**Rahul Ranade:** Okay. And where do you want to take this forward? Since you said that it will kind of grow, right, as a percentage.

**VMG Mayuresan:** It will be variable. So with growth that will also grow.

**Rahul Ranade:** Okay. But as a percentage would be kind of similar then?

**VMG Mayuresan:** Will be same, yes.

**Rahul Ranade:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. VMG Mayuresan for closing comments. Thank you. And over to you, sir.

**VMG Mayuresan:** Thank you all for participating the first conference call for Butterfly Gandhimathi Appliances Limited. And we would like to invite you for all the future calls. Thanks a lot. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Butterfly Gandhimathi Appliances Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.