Butterfly®
Good for a lifetime

transitioning
transforming
transcending

BUTTERFLY GANDHIMATHI APPLIANCES LIMITED
ANNUAL REPORT 2021 - 22

Corporate Overview

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Cautionary Statement

Certain Statements made in the Management Discussion and Analysis Report relating to the company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make a significant difference to the Company's operations. These include climatic conditions and macroeconomic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on, over which the company does not have any direct control.

Butterfly
Good for a lifetime

2021-22

for Butterfly it was a
milestone-marking year,
of seeding new synergies

&

Transitioning

A destiny-defining year
of building new capabilities,
forming new alliances

&

Transforming

It was also a year of
going beyond, in pursuit
of newer horizons

&

Transcending

About Us

Background

Started in 1986 Butterfly Gandhimathi Appliances Limited (BGMAL) is today amongst the largest manufacturers of domestic kitchen and electrical appliances in India.

Products

Reputed for quality and durability the Company's wide range of products marketed under the 'BUTTERFLY' brand include LPG Stoves, Mixer Grinders, Table Top Wet Grinders, Pressure Cookers, Stainless Steel Vacuum Flasks and Non-Stick Cookware. Other products comprise Juicers, Hand Blenders, Electric Irons, Power Hobs, Electric Rice Cookers, Water Heaters (Geysers), Air Coolers, Electric Water Kettle, Electric Sandwich Maker, Electric Bread Toaster, Fans and Washing Machine.

Integrated Manufacturing

The Company is ranked among the very few integrated manufacturers of Household appliances in India with state-of-the-art manufacturing facilities, a dedicated R&D wing and in-house tooling, mould and die making expertise which ensure consistency in product design and quality.

A pan India presence with a strong distribution and channel network together with a dynamic, on-line platform enables the Company to cater to a wide and varied customer spectrum across the country.

Global Footprint

The Company has enlarged its global footprint with a growing customer base in the United Kingdom, Canada, Australia, Japan, Middle East and East Asian countries, among others.

1st in India to introduce health-friendly, Stainless Steel Pressure Cookers

1st in India to introduce fuel efficient Stainless Steel LPG Stoves

1st in India to introduce Vacuum Flasks with high heat retention properties.

New Synergies

BGMAL's acquisition by Crompton Greaves Consumer Electricals Limited in February 2022 marks a new milestone in the Company's journey and its strategies for greater growth.

Our Philosophy

Our Company's philosophy is to provide high quality kitchen and electrical appliances which offer ergonomic features and attractive design at great value for money to our customers and provide service that gives satisfaction to them, while upholding the core values of transparency, integrity, honesty, accountability and compliance with laws. We consider stakeholders at all levels as partners in our success and we remain committed to maximizing value of shareholders.

Highlights FY 21-22

FY 2021-22 - Butterfly transitioned into a vibrant organisation countering challenges with a vigour born out of resilience.

Despite the hurdles of disrupted operations due to the pandemic lock-down, the Company transformed into growth engine recording a creditable performance.

Building capability in people, process and products, the Company continued its journey of transformation, readying itself for a new future.

REVENUE
15.6%
1005
(₹ in Crore)

ROCE
12%
FY 21-22

EBITDA
51.3
(₹ in Crore)

PBT
24.8
(₹ in Crore)

Our Core Values

TRANSPARENCY

INTEGRITY

HONESTY

ACCOUNTABILITY

COMPLIANCE WITH LAWS

CHAIRMAN'S MESSAGE

Dear Shareholders,

It is with pleasure that I present the Annual Report of your Company for the financial year ended 31st March, 2022.

The most significant event of the year was the acquisition at the end of FY 2021-22 of the shareholding of the promoters of Butterfly Gandhimathi Appliances Ltd (BGMAL) by Crompton Greaves Consumer Electricals Ltd, (CGCEL), a leader in Consumer Electrical Appliances, Lighting and Pumps.

CGCEL has said, "The Butterfly acquisition, will add scale and extend the 'Core Product Portfolio' of Crompton's current range of kitchen products and accelerate its long-term strategic goal of becoming a leading player in the small domestic appliances segment. The acquisition is in alignment with Crompton's long-term vision of becoming a leading pan-India Kitchen Appliances player. Butterfly's proven channel and brand presence will form the base for a complete kitchen play, through a most extensive distribution network and a wider range of competitive and innovative products."

I fully expect that the combined entity will successfully realise that ambition.

.

Macro-Economic Overview

The year 2021-22 provided many challenges. The second wave of the pandemic and the resultant lock-down disrupted operations and dampened market sentiment. The Russia- Ukraine war led to supply chain imbalances and a surge in prices of fuels, raw materials and commodities. The IMF estimates that global GDP growth which was at 6.1 percent in 2021 will drop to 3.6 percent in 2022 and remain at that level in 2023. For India, RBI has projected GDP growth at 8.9 percent for FY 2021-22 and 7.2 percent for FY 2022-23.

At Butterfly, we are excited about the immense possibilities for growth in the fast evolving kitchen appliances space and have mapped out strategic plan to mine the opportunities in the domestic market.

However key economic indications point to the revival of the Indian economy; a rebound on the back of supportive Government policies - the 'Make in India' and productivity incentivisation schemes for industries, the ambitious 'Gati Shakthi program with large outlays in transportation, infrastructure and rural development projects and the focus on a self-reliant or 'Atmanirbhar Bharat'. All of this augur well for the growth of the Kitchen Appliances industry in the country.

Sectoral Performance - India.

During the year, the Kitchen Appliances industry, like all other businesses in India, was affected by the lock-down restrictions, the subdued consumer sentiment, the challenges of supply chain disruptions and surging raw material costs. Yet, the industry is upbeat about the large potential for growth and the investments reflect the positive sentiment.

Industry Growth Drivers

The Kitchen Appliances industry is estimated to grow strongly due to rapid urbanization, increase in nuclear families and a growing middle class with high disposable incomes and aspirational living standards. In addition, the health consciousness with preference for home cooked food and work from-home trends are seen as major demand drivers. An increased shift in consumer preference for sustainability and energy efficient, connected products, embedded with advanced AI technologies, is marking the next stage of market growth for the Kitchen Appliances industry.

BGMAL Performance

Despite the difficult business environment, the Company recorded a robust growth in revenue during the fiscal year, by introducing new products across key categories (Mixie, Cooker and Gas Stoves). This has become possible with Company's strong R&D foundation and technology that helped launch a range of innovative and consumer centric products in each of the product segments: Kitchen Appliances, Cooker / Cookware and others which includes both the electric and non- electric verticals.

In line with our growth strategies we invested in automation and capacity expansion at our manufacturing plants at Pudupakkam, Mambakkam and Urapakkam during the year.

Strategic market storming initiatives with product differentiation and segmentation were deployed to enhance sales and market penetration. Dealer support initiatives helped to deepen channel partnerships, streamline inventories and promote sales.

The Butterfly brand consolidated its leadership in its served segments, enlarging its geographical footprint and customer touchpoints, with a pan India, omni-channel presence, in e-commerce,modern trade and rural segments. The Company deepened its on-line engagement with multi-channel, direct-to-consumer programmes, earning the highest ranking by e-commerce majors in turn-around-time, customer responsiveness and for the fastest new product launches.

Our Total Income stood at ₹1,005.30 crores a growth of 15.6 percent on sales of ₹ 869.64 crores in FY 2020-21. Profit After Tax was ₹ 16.13 crores, a reduction from ₹ 36.16 crores in the previous fiscal. The decline in profit levels was mainly due to the reduction in channel offtake during the ownership transition impacting revenue, the lag between the steep increase in commodity prices and pricing action denting Gross Margins and the additional provisions made based on Management assessment, including provisions for old and ageing inventory.

The new management team has communicated with all the stakeholders for assuring business continuity during the transition and after. I would like to assure you that business is back to normal levels in terms of offtake across all channels and geographies. This we believe, will also result in operating leverage which coupled with gross margin recovery will deliver operating margins at least in line with historical trends.

In addition, plans for effectively integrating BGMAL with Crompton Greaves Consumer Electricals are planned in detail. These efforts on all fronts, namely, business (revenues & costs), processes and systems and organisational capability have been progressing well.

I would like to reiterate that the growth and structural profitability of BGMAL continues to be robust and recovery in revenue growth and margins is on expected lines based on current trends.

At BGMAL, we are excited about the immense possibilities for growth in the fast evolving kitchen appliances space and have mapped out strategic plans to mine the opportunities in the domestic market.

At BGMAL, we believe our people are our greatest asset. In line with this, we continue to invest in skill and capability building programmes and digital acceleration training, to prepare an empowered and future-ready people force. As part of our people welfare measures, the health and safety of employees was accorded the highest priority with stringent safety protocols and hygiene standards, including Covid-centric supportive measures.

Building an organisation like BGMAL is no mean achievement. I wish to record my deepest admiration and appreciation for Mr. V. M. Lakshminarayanan, former Chairman and his team for building BGMAL as a strong organisation and Butterfly as a trusted brand reputed for its quality and durability. That legacy will be built on in the years to come.

I wish to thank the Board Members for their guidance and unstinting support during the acquisition and after. The Board has been strengthened with the addition of new Directors. Each of them come with deep experience and domain expertise, which I am sure, will contribute to BGMAL's growth and governance.

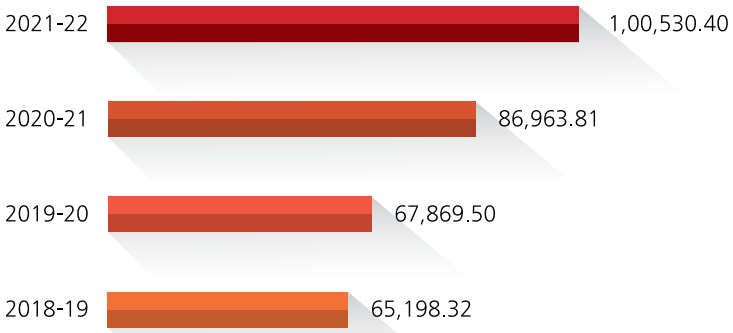
I wish to record my gratitude to our consumers, channel partners, vendors, and our shareholders for their continued support and trust reposed in us.

Sincerely,

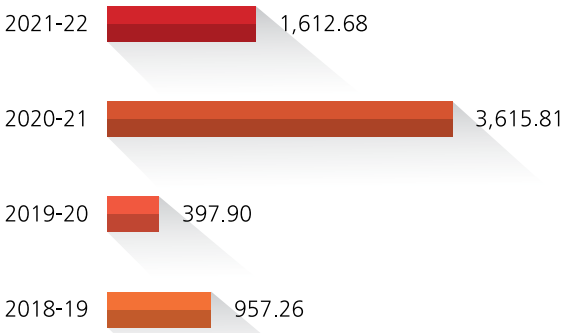
P M Murty
Chairman

Our Performance

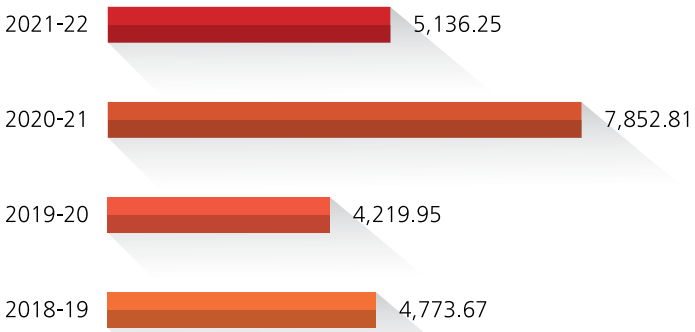
TOTAL REVENUE (₹ in Lakhs)



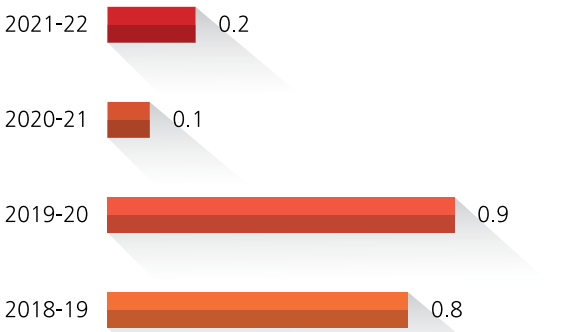
PROFIT AFTER TAX (₹ in Lakhs)



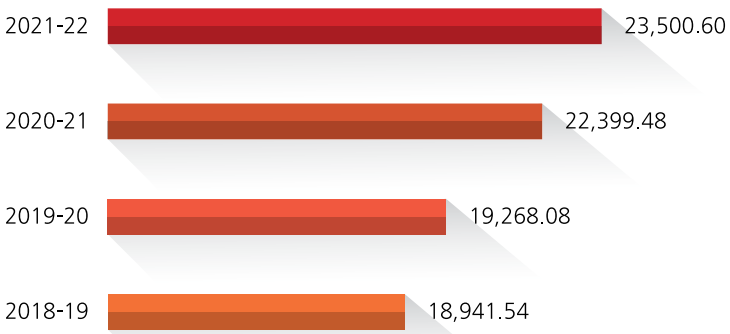
EBITDA (₹ in Lakhs)



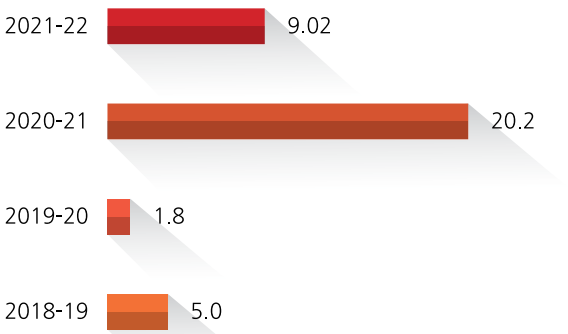
NET DEBT- EQUITY RATIO



NETWORTH (₹ in Lakhs)



EARNING PER SHARE (₹)



Transforming with capability building and operational excellence

Long before 'Atmanirbhar Bharat' and 'Make in India' became a clarion call for a resurgent India, we have believed in being self-reliant. A business philosophy which has stood us in good stead, providing us the capability to address any surge in market demand besides buffering us from supply chain disruptions and quality shortfalls from import dependent components and products.

Butterfly is among the very few integrated manufacturers of kitchen appliances in India, with multi-plant, multi-modal, indigenous production capabilities, operational on SAP platforms with a stringent, five-stage quality control system.

The manufacturing plants are certified for ISO 9001:2015 and ISO 14001: 2015 Environment Management Systems and meet the highest standards in sustainable processes and manufacturing efficiencies.

A dedicated R&D wing spearheads the Company's robust, innovation-led, product development with almost 80% of the products manufactured in-house.

At Butterfly, 2021-22 was a year of transforming, of seeding new synergies in business processes and manufacturing capabilities.

Despite staggered operations due to the the lockdown in the first quarter of the year, BGMAL's manufacturing plants turned out record production meeting the burgeoning market demand in addition to completing the capacity expansions and modernisation projects on time. This was made possible due to the stringent safety protocol, the disciplined work culture and the

Mixie-Motor Manufacturing Line at Pudupakkam