

Gandhimathi Appliances Ltd

Q2FY12 first cut – Results in line with expectations

Fundamental Grade **3/5 (Good fundamentals)**

Valuation Grade **4/5 (CMP has upside)**

Industry **Household Durables**

Gandhimathi Appliances Ltd's (Gandhimathi's) Q2FY12 results were in line with CRISIL Research's expectations. Revenue grew at ~63% y-o-y and ~62% q-o-q driven by strong consumer demand. PAT grew by ~142% y-o-y and ~52% q-o-q driven by strong revenue growth and improvement in margins. We maintain the fundamental grade of **3/5**.

Q2FY12 result analysis

- Revenues grew by 63.3 y-o-y and 61.6% q-o-q to Rs 1.1 bn driven by strong consumer demand for the branded kitchen appliances products. Of total revenues, only Rs ~100 mn has been booked from the Tamil Nadu's government order of Rs 2.85 bn. The company has started supplying the table-top wet grinder and mixer grinder to the government since early September 2011 and, hence, the coming quarters will likely see significant growth in revenues.
- EBITDA margin improved by 131 bps y-o-y though declined 49 bps q-o-q.
- PAT grew by 142.4% y-o-y and 52.4% q-o-q to Rs 83 mn driven by strong revenue growth and improvement in EBITDA margin. The company has not created any provision for income tax during the quarter. The merger of Gangadharam Appliances Ltd with Gandhimathi has enabled the latter to benefit from carry forward losses of the former and, hence, Gandhimathi is not liable for taxes on its profit in this quarter.

Valuations: Current market price has upside

We continue to value Gandhimathi based on the discounted cash flow method and maintain our fair value at Rs 378 per share. At the current market price of Rs 312, the valuation grade is **4/5**.

KEY FORECAST

(Rs mn)	FY08	FY10	FY11	FY12E	FY13E
Operating income	1,463	2,551	2,057	5,765	6,647
EBITDA	159	303	223	601	695
Adj PAT	69	169	96	381	380
Adj EPS-Rs	4.8	11.7	13.3	24.7	24.7
EPS growth (%)	285.7	145.7	13.8	85.8	(0.1)
Dividend yield (%)	-	-	0.3	1.0	1.0
RoCE (%)	45.8	33.2	27.9	42.5	37.8
RoE (%)	66.0	57.8	37.4	63.0	39.8
PE (x)	65.5	26.6	23.4	12.6	12.6
P/BV (x)	38.6	20.4	4.4	6.0	4.3
EV/EBITDA (x)	29.6	17.9	12.2	9.1	7.8

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

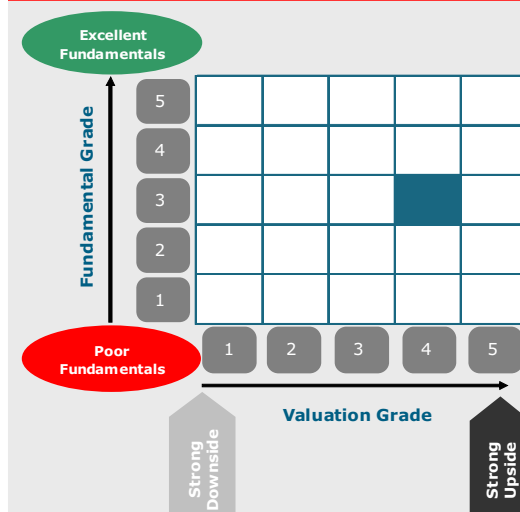


November 15, 2011

Fair Value **Rs 378**

CMP **Rs 312**

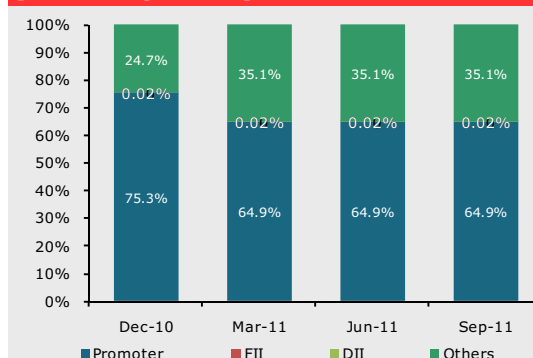
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5069/16883
BSE ticker	GANDHIAP
Face value (Rs per share)	10
Shares outstanding (mn)	9.6
Market cap (Rs mn)/(US\$ mn)	3,002/59
Enterprise value (Rs mn)/(US\$ mn)	3,632/72
52-week range (Rs) (H/L)	374/75
Beta	0.45
Free float (%)	35.1%
Avg daily volumes (30-days)	6,891
Avg daily value (30-days) (Rs mn)	2.1

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Gandhimathi	2%	2%	48%	98%
NIFTY	-1%	0%	-9%	-17%

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