

# Gandhimathi Appliances Ltd

## Q3FY12 First cut – Robust growth momentum

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

Valuation Grade **3/5 (CMP is aligned)**

Industry **Household Durables**

Gandhimathi Appliances Ltd's (Gandhimathi's) Q3FY12 revenue is in line with CRISIL Research's expectations. Revenue grew ~160% y-o-y to Rs 2,275 mn, indicating that growth momentum is robust. We believe that it benefitted from a large order from the Tamil Nadu (TN) government this quarter. Gandhimathi reported EBITDA margin of 12.1%, which was better than our expectations. PAT grew by ~97% y-o-y and ~44% q-o-q in line with our estimates, and would have been higher if not for higher interest costs, depreciation and taxes. We may change our estimates post interaction with the management. We maintain the fundamental grade of '3/5'.

### Q3FY12 result analysis

- Revenue grew by ~160% y-o-y and ~100% q-o-q to Rs 2,275 mn driven by strong consumer demand for branded kitchen appliances. We believe that there were two key factors: 1) the company had bagged an order worth ~Rs 2,850 mn from the TN government, and we believe to have contributed significantly to Q3 revenue though we will give more visibility post our interaction with the management. The company started supplying table-top wet grinders and mixer grinders to the government since early September 2011 and had earlier booked just ~Rs 100 mn of revenue in Q2FY12. 2) Strong consumer demand.
- EBITDA margin improved by ~81 bps y-o-y and ~150 bps q-o-q to 12.1%. This was slightly better than our expectations. EBITDA grew by ~178% y-o-y to Rs 275 mn.
- Adjusted PAT grew by ~97% y-o-y and ~44% q-o-q to Rs 119 mn driven by strong revenue growth and improvement in EBITDA margin. This was in line with our estimates, despite higher-than-expected EBITDA margin, because of higher depreciation and interest costs. We believe that it is largely because of higher-than-expected capital expenditure for capacity expansion. We will get more clarity on it post management interaction.

### Valuation: Current market price is aligned

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 383, the valuation grade is **3/5**.

### 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	0.8	0.8
RoCE (%)	45.8	33.2	27.9	42.5	37.8
RoE (%)	66.0	57.8	37.4	63.0	39.8
PE (x)	80.6	32.8	28.8	15.5	15.5
P/BV (x)	47.5	25.1	5.4	7.4	5.3
EV/EBITDA (x)	36.2	21.3	14.5	11.0	9.4

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

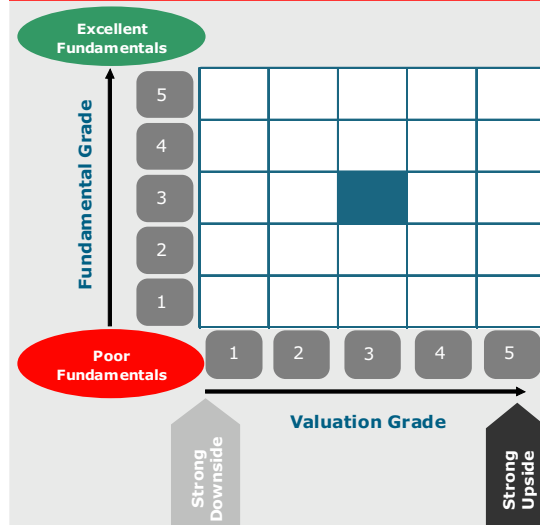


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Fair Value **Rs 378**

CMP **Rs 375**

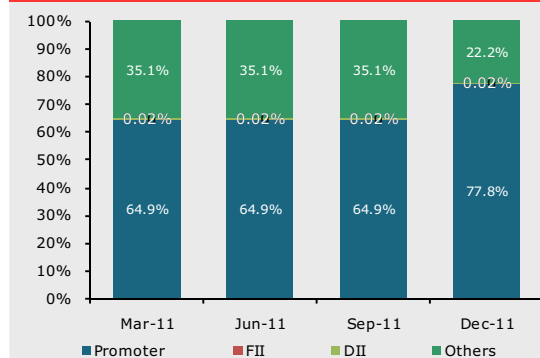
### CFV MATRIX



### KEY STOCK STATISTICS

NIFTY / SENSEX	5532/18202
BSE ticker	GANDHIAP
Face value (Rs per share)	10
Shares outstanding (mn)	9.6
Market cap (Rs mn)/(US\$ mn)	3,698/75
Enterprise value (Rs mn)/(US\$ mn)	4,328/88
52-week range (Rs) (H/L)	401/129
Beta	1.07
Free float (%)	22.2%
Avg daily volumes (30-days)	7,163
Avg daily value (30-days) (Rs mn)	2.2

### SHAREHOLDING PATTERN



### PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Gandhimathi	42%	20%	26%	163%
NIFTY	14%	9%	9%	1%

### ANALYTICAL CONTACT

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