



**SMC Ranking**

★ ★ ☆ ☆ ☆ (2/5)

**Issue Highlights**

Industry	Kitchen appliances
Offer for sale (Shares)	8,250,000
Fresh Issue (Shares)	2,467,532
<b>Net Offer to the Public</b>	<b>10,717,532</b>
Total Offer	10,717,532
Issue Size (Rs. Cr.)	411-413
Price Band (Rs.)	384-385
Offer Date	25-Jan-21
Close Date	28-Jan-21
Face Value	10
Lot Size	38

**About the Company**

Stove Kraft is one of the largest Kitchen appliance suppliers in India, which manufactures and sells kitchen solutions under the brand name of "Pigeon" and "Gilima" brands. The company is planning to manufacture value, premium, and semi-premium kitchen supplies under the "Black + Decker" brand. Its product portfolio has 660+ kitchen solutions including cookware, cooking appliances, household utilities, and others. The company has a strong distribution network as under the "Pigeon" brand, it has 651 distributors in 27 states and 5 union territories and 12 distributors for exports and under the "Gilima" brand, it has 65 stores across 4 states and 28 cities. It exports its products to countries like the USA, Mexico, Kenya, Qatar, Sri Lanka, Fiji, Bahrain, Kuwait, etc. Stove Kraft has manufacturing facilities at Bengaluru (Karnataka) and Baddi (Himachal Pradesh). All Pigeon and Gilima branded appliances are manufactured at its Bengaluru unit and the Baddi facility focuses on Oil Company Business (OCB) to manufacture products like LPG stoves, inner lid cooker, etc.

**Issue Composition**

	In shares
Total Issue for Sale	10,717,532
QIB	8,038,149
NIB	1,607,630
Retail	1,071,753

**Strength**

**A one stop shop for well recognized, award winning portfolio of kitchen solutions brands with a diverse range of products across consumer preferences:** Its brand portfolio, comprising of the Pigeon, Gilma and BLACK +DECKER brands caters to the value, semi-premium and premium customer segments in the kitchen solutions industry, and allows customers to engage with the brand specifically designed for their budget and lifestyle. Its award winning Pigeon brand is well established in the Indian kitchen appliances industry. As a result of its co-branding initiatives of over eight years with LPG companies such as Indian Oil Company Limited and Hindustan Petroleum Corporation Limited to utilize their sale and distribution channels, the Pigeon brand has enjoyed a wide customer outreach and continues to have a high brand recall value. It believes that it has undertaken the diversification of its product portfolio on the basis of the needs of the customers, and it regularly seeks their insights and feedback to ensure that its product range is optimized to suit the needs of its customers.

**Widespread, well connected distribution network with a presence across multiple retail channels:** As on September 30, 2020, Stove Kraft's manufacturing facilities in Bengaluru and Baddi are well connected with 9 strategically located C&F agents. Additionally, it has 651 distributors in more than 27 states and 5 union territories of India. The C&F agents and distributors are, in turn, connected with a dealer network comprising of over 45,475 retail outlets, which are driven through a sales force of 566 personnel. As on September 30, 2020, the Gilma brand products are sold exclusively through 65 Gilma stores located across 28 cities and towns in 4 states. The company exports to 14 countries including UAE, Qatar, Bahrain, Kuwait, Tanzania, Uganda, Nepal, Sri Lanka, Bangladesh, Oman, Ghana, United States of America, Mexico and Saudi Arabia. In Fiscal 2016, The company forayed into a new line of business, i.e. LED products. The company started trading in LED products and in a span of 36 months, achieved a revenue of ₹49.9 crore. This led to The company beginning the manufacturing of LED products in June, 2019 and achieving total revenue of ₹21.86 crore and ₹33.06 crore during the 6 month period ended September 30, 2020 and Fiscal 2020, respectively.

**Strong manufacturing capability with efficient backward integration:** The scale at which Stove Kraft undertakes the manufacture of its products, combined with its raw material sourcing, packaging, transportation practices and quality control, enables it to

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	61.31%	54.36%
QIB	38.69%	37.41%
NIB	0.00%	4.94%
Retail		3.29%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

1. To make the repayment or prepayment payment of company's borrowings fully or partially.
2. To meet general corporate purposes.

**Book Running Lead Manager**

- Edelweiss Financial Services Limited
- JM Financial Limited

**Name of the registrar**

- KFin Technologies Private Limited

derive higher margins from the sale of its products. Their Bengaluru Facility is a large facility for the manufacture of kitchen solutions, which is spread over approximately 46 acres and 5 guntas out of which 30 acres and 1 gunta is available for future expansion. It is an integrated facility comprising of 12 manufacturing units, tailored to manufacture pressure cookers, non-stick cookware, hard anodized cookware, mixer grinders, induction cooktops, LPG stove and glass cooktops. Its Baddi Facility, which has been operational since 2005 and engaged with its Company ever since, and has an annual installed capacity of 2.80 million units per annum as of Fiscal 2020, with the capability to manufacture products in the LPG stove and glass cooktop categories. Both its manufacturing facilities are ISO 9001:2015 certified for implementing quality management systems.

**Consistent focus on quality and innovation:** The company believes that quality is a pre-requisite for a positive consumer experience and long-term brand loyalty. This philosophy has formed the foundation of the expansion and diversification of its product portfolio since its inception. Its focus on quality is maintained at all stages – right from the sourcing of raw materials, which is undertaken from manufacturers to the product development and manufacturing stage, which is subject to a rigorous review and monitoring process undertaken at its Bengaluru Facility. As a result of its focus on innovation, it has developed the 'Super Cooker' which has a registered design and is customizable into products with multiple utilities. It has also developed the 'Super Storm Advanced' mixer grinder, technology, and the 'Infinity' glass cooktops with a fastener free body.

**Strong track record and financial stability:** The company has maintained a strong track record of growth over the years through expansion of brand portfolio, distribution network, improved procurement costs and increase in sales growth. Its operational efficiencies and efficient supply chain network has resulted in better control of operational expenses and thereby enabled rise in profits after tax. Further, it has been able to capitalize on its existing logistics, supply chain network and backward integrated manufacturing facilities to utilize its capital efficiently. Over the past few years, it has added manufacturing and warehousing infrastructure, scaled up its retail franchise operations, added a number of new product categories and entered new customer segments. It believes that these initiatives have prepared a strong base for future growth.

## Strategy

**Scale up branding, promotional and digital activities:** The company seeks to continue to enhance brand awareness and customer loyalty through its promotion and marketing efforts such as increased advertising in print and social media, retail branding, product branding, hyper local activities, factory visits for its trade partners, substantially increasing its digital presence and engagements, generating contemporary educational content and engaging in brand associations. The digital platform and social media has enabled The company to reach and engage with a wider audience and also customise product offering to their prospective customers.

**Expand the portfolio in the existing product categories:** The company's product portfolio under the brand Pigeon consists of 4 categories - cookware, cooktops and other solutions, small kitchen appliances and home utilities aiding different functions and utilities in the kitchen and home. It seeks to utilise its research and development capabilities to develop new products to cater to the evolving requirements of a large customer base and cover newer customer segments. The company proposes to expand its presence in existing product categories by increasing the emphasis on manufacturing a greater proportion of their products, and reducing the reliance on traded products.

Invest in new plants and increase automation in existing manufacturing facilities : Stove Kraft has 2 backward integrated manufacturing facilities in Bengaluru and Baddi with dedicated plants for each of their core product categories - LPG cooktops, aluminium pressure cookers, non-stick cookware, induction cooktops and mixer grinders. The company proposes to increase the level of automation at its facilities which enable The company to achieve greater efficiency in reducing time taken for and the cost of manufacturing its products, from design to commercial production and, in its in-house testing and quality assurance processes, resulting in higher profit margins.

**Focus on and augment the LED consumer lighting business:** Owing to the increasing government initiatives to boost LED adoption and growing awareness regarding lower power consumption of LED lighting products, the LED lighting market is expected to grow significantly in India. Stove Kraft seek to capture this growing demand for LED lighting products with its range of consumer lighting products including bulbs, battens, downlight and panels. The company will continue to introduce a wider range of LED lighting products for different end-use segments and expand to newer and broader geographies.

**Increase exports:** During the 6 month period ended September 30, 2020 and in Fiscal 2020, its export sales contributed to 17.90% and 7.64%, respectively, of its revenue from operations. With its manufacturing and technological competence in non-stick cookware, it is globally competitive to cater to both the developed and the developing markets. At present, The company has its presence in 14 countries including USA, Mexico, UAE, Qatar, Bahrain, Kuwait, Tanzania, Uganda, Nepal, Sri Lanka, Bangladesh, Oman, Ghana and Saudi Arabia. The company seeks to expand their global reach, through constant innovation and increased customer acceptance of their products in international markets.

### Risk Factor

- Company source raw materials from third parties with whom they don't have long term contracts neither price guarantees
- Its operations are significantly dependent on third parties for the distribution and sales of its products
- The company relies on third party OEMs for the sourcing of some of its products, which are not manufactured by The company in India
- Company relies heavily on brand portfolio. Its inability to successfully maintain a brand portfolio can affect results of operations.

### Peer comparison

Co_Name	Net Sales	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
TTK Prestige	1868.77	137.92	103.30	58.05	6.17	972.34	10	5996.25	8311.64
Hawkins Cookers	633.22	64.29	121.53	46.73	23.23	244.52	10	5678.95	3004.16
Butterfly/Gandhimathi Appliances	650.68	2.00	1.12	448.35	4.49	111.92	10	502.15	897.84
Stove Kraft Limited	669.86	3.17	17.68	21.77	13.35	28.83	10	385.00	1253.10

\*Peer Companies comparative financials are based on TTM  
Stove Kraft Limited Price valuation based on FY20

### Valuation

Considering the P/E valuation of expected annualised FY21, on the upper end of the price band of Rs. 385, the stock is priced at pre issue P/E of 20.12x on its FY21 EPS of Rs. 19.13. Post issue, the stock is priced at a P/E of 21.77x on its EPS of Rs. 17.68.

Considering the P/E valuation of expected annualised FY21, on the upper end of the price band of Rs. 384, the stock is priced at pre issue P/E of 20.07x on its FY21 EPS of Rs. 19.13. Post issue, the stock is priced at a P/E of 21.72 x on its EPS of Rs. 17.68.

### Industry overview

Indian appliance and consumer electronics (ACE) market reached INR 2.05 trillion (US \$31.48 billion) in 2017. It is expected to increase at 9% CAGR to reach INR 3.15 trillion (US \$48.37 billion) in 2022. Urban markets account for the major share (65%) of total revenues in the consumer durables sector in India The key 'Large' and 'Small' Cooking Appliances categories, which are covered in the scope of this report, the current market value is estimated at about INR 148.5 billion, which is set to reach INR 238.0 billion by end 2022, growing at a CAGR of about 9.9%. The kitchen appliances

industry has traditionally been skewed toward unorganized players while a handful of organized players have dominated major regions and key urban markets. Urban markets account for a major share of total revenues in the consumer durables sector in India whereas rural markets have only now begun to contribute recently. Considering 'zonal' market representation, 'South' India contributes to about 35% of the total kitchen appliance market in India, followed by 'West' zone. 'East' zone, currently, has the least penetration of Kitchen appliances market with ~10-12% contribution, where, high-value and niche products like food processor, air fryer etc. have negligible sales due to affordability issues which pose a challenge for growth in the region

### Outlook

The company is one of the largest kitchen appliances suppliers in India with strong brand name "Pigeon" and "Gilima". However, its operations are significantly dependent on third parties for the distribution and sales of its products. Besides, the company relies on third party OEMs for the sourcing of some of its products, which are not manufactured by the company in India.

### An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	January 25, 2021
Bid/Offer Closing Date	January 28, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about February 2, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about February 3, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about February 4, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about February 5, 2021

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-20 (9 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Revenue from operations	328.84	669.86	640.94
Total expenditure	283.77	636.07	611.12
<b>Operating Profit</b>	<b>45.06</b>	<b>33.79</b>	<b>29.82</b>
OPM%	13.70	5.04	4.65
Other Income	0.67	3.05	1.66
<b>PBDIT</b>	<b>45.74</b>	<b>36.84</b>	<b>31.48</b>
Depreciation	6.87	12.41	12.34
<b>PBIT</b>	<b>38.87</b>	<b>24.43</b>	<b>19.14</b>
Interest	10.10	20.90	17.92
<b>PBT</b>	<b>28.78</b>	<b>3.53</b>	<b>1.22</b>
Tax	0.00	0.36	0.49
<b>Profit After Tax</b>	<b>28.78</b>	<b>3.17</b>	<b>0.74</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-20	As on 31-Mar-20	As on 31-Mar-19
<b>Non-current assets</b>			
Property, plant and equipment	199.57	192.89	178.72
Capital Work-in-Progress	0.66	4.23	0.95
Intangible assets	3.43	0.30	0.47
Intangible assets under development	0.00	3.34	0.78
Other financial assets	3.75	5.03	5.10
Non-current tax asset (net)	0.22	0.25	4.66
Other non-current assets	15.03	1.82	1.37
<b>Total non-current assets</b>	<b>222.65</b>	<b>207.85</b>	<b>192.04</b>
<b>Current assets</b>			
Inventories	136.63	116.59	97.41
Trade Receivables	103.63	103.03	89.66
Cash and cash equivalents	5.29	15.01	28.52
Bank balances other than cash and cash equivalents as above	4.78	4.41	2.96
Loans	1.84	0.35	0.45
Other financial assets	2.76	1.33	1.91
Other current assets	20.92	22.72	12.78
<b>Total current assets</b>	<b>275.85</b>	<b>263.44</b>	<b>233.69</b>
<b>Total Assets</b>	<b>498.50</b>	<b>471.29</b>	<b>425.73</b>
<b>Non-current liabilities</b>			
Borrowings	205.44	204.83	210.03
Other financial liabilities	7.41	10.83	9.60
Provisions	6.41	6.27	4.61
<b>Total Non-Current Liabilities</b>	<b>219.25</b>	<b>221.93</b>	<b>224.24</b>
<b>Current liabilities</b>			
Borrowings	94.13	122.06	99.94
Lease Liabilities	0.26	0.25	0.00
Total outstanding dues of micro enterprises and small enterprises	3.62	4.66	5.99
Total outstanding dues of creditors other than micro enterprises and small enterprises	172.52	146.28	128.11
Other Financial Liabilities	31.22	29.20	23.77
Provisions	1.82	1.68	1.50
Other Current Liabilities	5.63	4.84	5.39
Current tax liabilities (net)	0.00	0.36	0.51
<b>Total current liabilities</b>	<b>309.19</b>	<b>309.32</b>	<b>265.22</b>
<b>Total Liabilities</b>	<b>528.44</b>	<b>531.25</b>	<b>489.46</b>
<b>Networth</b>	<b>-29.94</b>	<b>-59.95</b>	<b>-63.73</b>
Net worth represented by:			
Share capital	24.72	24.72	24.72
Other equity	-54.66	-84.90	-88.66
Equity attributable to owners of the Company	-29.94	-60.18	-63.95
Non-controlling interests	0.00	0.23	0.22
NET Worth	-29.94	-59.95	-63.73

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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