

Q4FY22 Result Highlights

- **ECom sales grew 23% with offline sale growth of 10% in Q4FY22**
– Stove Kraft Ltd (SKL) posted sales growth of ~10% YoY/-13.1% QoQ to ₹2.59bn in Q4FY22 with ECom growing by 23% YoY and offline sales growth of 10% (flat Modern Trade performance due to challenges with one large retailer). Growth was led by Induction cooktop (+62% YoY), LED (+28% YoY) and Small Appliances including Mixer grinders (+9% YoY). Pressure cookers revenue declined by 1% YoY, while Non-stick cookware (+3% YoY) and Gas Cooktop (+2% YoY) exhibited moderate growth. Gross margin shrank 520bps YoY/230bps QoQ to 29.4% with rising commodity prices. Employee costs fell by 26% QoQ as Q3FY22 included one-time support of ₹25mn provided to employees and ₹27mn impact due to regrouping of contract labour in other expenses. Other expenses grew by 26% as it included ₹55mn provision on ageing receivables which led to EBITDA margin shrinking 569bps YoY to 5.1%. Adjusting for this, EBITDA margin was 9.2%. PBT declined 64% YoY/31% QoQ to ₹69mn. However, tax provision reversal resulted in PAT at ₹86mn, -55% YoY/-22% QoQ.
- In FY22, Revenue grew by 32.1% YoY with volume growth of 13.4% YoY led by Induction cooktop (+57% YoY), Pressure cooker (+26% YoY), LED (+18% YoY) and Small Appliances including Mixer grinders (+17% YoY) while Non-stick cookware and Gas cooktop declined by 3% YoY and 1.4% YoY respectively. Gross margin declined by 316bps YoY to 31.8% while EBITDA margin fell by 501bps YoY to 8.2%, impacted by RM inflation and delayed pricing. PAT declined by ~31% YoY to ₹562.1mn. Working capital cycle remained flat at 29 days. Total debt increased from ₹525mn to 1784mn while Cash and equivalents decreased from ₹373mn to ₹121mn, resulting in net debt rising to ₹663mn. SKL generated negative OFC of ₹53mn while it incurred a capex of ₹1.12bn, leading to negative FCF of ₹1.17bn.
- **EBITDA margin to recover to at least 11% as per the management**
– The commodity inflation has led to 18% increase in cost for the company of which SKL has passed on 11% in FY22 through pricing action and 4% through backward integration benefits. The company hiked prices by 7-8% since Jan'22 (3-4% each in 4QFY22 and Apr'22), and the company believes it has fully passed on the input cost inflation basis prevailing RM prices. The management has indicated that it is confident of maintaining at least 31% gross margin and 11% EBITDA margin in FY23 compared to the earlier guidance of 31-32% gross margin and 11-13% operating margin.
- **ECom revenue growth to normalise in line with industry rate** – SKL has exhibited strong ECom sales over the past few years (growing in +40%). However, the management expects growth rate to normalise and is targeting 25% growth from this channel, in line with the company's overall growth rate.
- **Exports sales declined by 8% YoY due to logistical challenges** – However, the situation has improved in Q1FY23 with the company shipping pending inventory from Q4FY22 along with regular orders. As a result, exports sales could spike in Q1FY23.
- SKL continues to strengthen its offline presence and has added over 27,000 retail outlets in FY22 taking the total count to +77,000 retail outlets.

Important Statistics

MCAP (₹bn)	₹18.0
52 Week H/L (₹)	1135/525
NSE Code	STOVEKRAFT
BSE Code	543260

Shareholding Pattern	Mar'22 (%)
Promoters	56.4
FIIs	8.4
DIIIs	9.3
Public	25.9

Financials

Particulars	<i>(₹ mn)</i>			
	FY19	FY20	FY21	FY22P
Revenue	6,409	6,699	8,584	11,342
EBITDA	298	338	1,132	927
EBITDA Margin (%)	4.7	5.0	13.2	8.2
Net Profit	6	32	812	562
EPS (₹)	0.3	1.3	24.9	17.1
P/E (x)	2,851.5	570.1	22.0	32.1
EV/EBITDA (x)	70.3	63.8	16.3	21.3
P/BV (x)	(28.8)	(29.9)	6.0	5.0
RoE (%)	(1.0)	(5.3)	26.8	15.4
RoCE (%)	4.1	4.5	17.3	10.0

Particulars	FY23E	FY24E
Revenue	13,378	15,671
EBITDA	1,394	1,698
EBITDA Margin (%)	10.4	10.8
Net Profit	749	1,081
EPS (₹)	22.8	32.9
P/E (x)	24.1	16.7
EV/EBITDA (x)	14.6	10.5
P/BV (x)	4.4	3.7
RoE (%)	18.1	22.4
RoCE (%)	18.5	22.8

Source: Company, Way2Wealth

2nd June 2022

CMP – ₹548.3/-

View – **ACCUMUALTE**

- The company has started power generation through additional solar panels and windmill at Chitradurga, thereby 50% of its power requirements will be met through these sources. The management expects 35% savings in power costs in FY23.

View

For SKL, Q4FY22 saw a strong YoY quarter even though it was impacted in 1st half due to omicron variant and RM pressures resulting in weak QoQ numbers. Unlike earlier years where ECom sales grew in excess of 40%, the management expects ECom growth to normalise in line with overall growth of 20-25% (+37% YoY in FY22). Volume rose by over 13.4% in FY22, despite commodity price headwinds and large base. It remains confident of at least maintaining 31% gross margin and 11% EBITDA margin in FY23 as it has largely covered its input cost inflation (~18%) through 11% pricing action in FY22, 4% savings through backward integration, and another round of price hike of 3-4% in Apr'22. With opening of new stores and gain in market share from unorganised players, we continue to view it as an **ACCUMULATE** stock trading at **P/E 16.7x FY24E EPS of ₹32.9**.

Financial Performance

(₹mn)								
Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
Operating Revenues	2,589.4	2,355.6	9.9	2,979.8	(13.1)	11,342.2	8,584.0	32.1
Cost of Matl	1,494.5	1,377.1	8.5	2,066.5	(27.7)	7,026.4	4,424.2	58.8
Stock Purchases	201.1	182.7	10.1	398.9	(49.6)	1,108.8	1,251.9	(11.4)
Inventory Changes	133.6	(18.1)	838.8	(429.1)	(131.1)	(401.0)	(93.7)	327.9
Gross Margin (%)	29.4	34.6	(520)	31.7	(230)	31.8	35.0	(316)
Employee Exps	248.0	257.8	(3.8)	334.8	(25.9)	1,123.8	806.2	39.4
Other Exps	380.9	302.8	25.8	423.2	(10.0)	1,557.3	1,063.5	46.4
EBITDA	131.2	253.3	(48.2)	185.5	(29.3)	927.0	1,131.9	(18.1)
EBITDA Margin (%)	5.1	10.8	(569)	6.2	(116)	8.2	13.2	(501)
Other Income	2.0	6.8	(70.5)	0.6	265.5	5.8	10.5	(45.3)
Depreciation	52.1	36.2	43.9	56.1	(7.0)	197.2	142.4	38.5
Interest Cost	12.1	31.8	(61.9)	29.6	(59.0)	110.1	188.3	(41.5)
PBT	69.0	192.1	(64.1)	100.4	(31.3)	625.4	811.8	(23.0)
Tax	(17.4)	-	NM	(10.7)	63.8	63.3	-	NM
Net Profit	86.5	192.1	(55.0)	111.1	(22.2)	562.1	811.8	(30.8)
EPS (₹)	2.6	5.9		3.4		17.1	24.9	

Source: Company, Way2Wealth

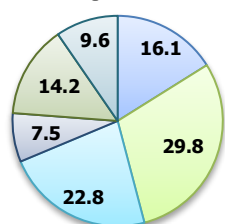
Segmental Volume Performance

(₹mn)								
	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY22	FY21	YoY (%)
Pressure Cookers	980,000	1,080,000	(9.3)	1,110,000	(11.7)	4,470,000	3,550,000	25.9
LED	2,520,000	2,670,000	(5.6)	2,630,000	(4.2)	9,920,000	8,410,000	18.0
Induction Cooktop	330,000	180,000	83.3	410,000	(19.5)	1,270,000	810,000	56.8
Gas Cooktop	130,000	250,000	(48.0)	160,000	(18.8)	700,000	710,000	(1.4)
Non-Stick Cookware	1,400,000	1,740,000	(19.5)	1,500,000	(6.7)	8,060,000	8,310,000	(3.0)
Small Appliance/Others	1,920,000	1,950,000	(1.5)	2,250,000	(14.7)	9,060,000	7,730,000	17.2
TOTAL	7,280,000	7,870,000	(7.5)	8,060,000	(9.7)	33,480,000	29,520,000	13.4

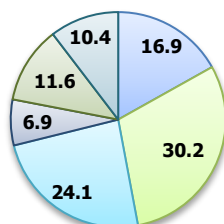
Source: Company, Way2Wealth

Segmental Performance – Revenue breakdown

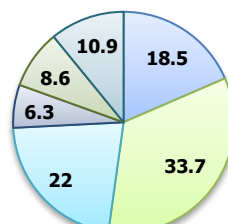
Revenue Breakup (%) Q4FY22



Revenue Breakup (%) FY22



Revenue Breakup (%) FY21



- Nonstick Cookware
- Mixer/ Small Appliances
- Pressure Cookers
- LED
- Induction Cook top
- Gas Cooktop

Source: Company, Way2Wealth

Financials & Valuations

	(₹mn)						
Particulars	FY18	FY19	FY20	FY21	FY22P	FY23E	FY24E
Revenue	5,290	6,409	6,699	8,584	11,342	13,378	15,671
EBITDA	100	298	338	1,132	927	1,394	1,698
<i>EBITDA Margin (%)</i>	<i>1.9</i>	<i>4.7</i>	<i>5.0</i>	<i>13.2</i>	<i>8.2</i>	<i>10.4</i>	<i>10.8</i>
Net Profit	(127)	6	32	812	562	749	1,081
EPS (₹)	(3.9)	0.2	1.0	24.9	17.1	22.8	32.9
RoE (%)	7.1	(1.0)	(5.3)	26.8	15.4	18.1	22.4
RoCE (%)	(0.5)	4.1	4.5	17.3	10.0	18.5	22.8
P/E (x)	(141.4)	2,851.5	570.1	22.0	32.1	24.1	16.7
EV/EBITDA (x)	221.9	70.3	63.8	16.3	21.3	14.6	10.5
P/BV (x)	(10.1)	(28.8)	(29.9)	6.0	5.0	4.4	3.7
Net D/E (x)	(2.3)	(4.7)	(5.9)	0.1	0.5	0.2	0.1
Cash Balances	38	315	194	373	121	181	708
Debtors Days	48	49	56	36	31	32	31
Inventory Days	76	70	64	66	70	70	70
Payables Days	86	80	82	77	72	73	72

Source: Company, Way2Wealth

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Name of the Security	Stove Kraft Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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