

Q4FY23 Result Highlights

- **Revenue declined 8% YoY to ₹2.79bn** – Stove Kraft Ltd (SKL) witness sales growth of 8% YoY but declined 13.8% QoQ to ₹2.79bn in Q4FY23 with strong sequential growth from Cooker segment by 22% while small appliance and Gas cooktops grew 24% and 12% respectively. No price hikes were taken during the quarter. EBITDA was at ₹75mn down 43% YoY and 71% QoQ with margin at 2.7% down 239/5216 bps YoY/QoQ as employee expenses and other expenses grew 47.3% YoY and 23.4% YoY respectively. Gross margin saw improvement of 319 bps YoY (-92 bps QoQ) to 32.5% as some of the cost reduction and back integration benefits were retained while most of it was passed on to the customers. However, PBT growth declined 215.4% YoY to loss of ₹80mn impacted by 81%/ 5x YoY increase in depreciation/ interest cost to ₹94.3mn/ ₹61.6mn respectively while other income was at ₹1.3mn down 37.3% YoY. PAT fell YoY from profit of ₹86.5mn to loss of ₹60mn. For FY23, Revenue/ EBITDA/ PAT was at ₹12.8bn (+12.8% YoY)/₹947.6mn (+2.2% YoY)/₹357.7mn (-36.4% YoY) with Ad expenses at ₹340mn. Capex for FY23 was at ₹985mn. Given the challenging business demand in Apr-May'23, the management has taken the call to stagger some of the planned capex in FY24 to early FY25.
- In FY23, the Pressure Cooker segment grew by 19.6% YoY, the Non – Stick Cookware by 16.8% YoY, the Induction Cooktops by 13.4% YoY, Gas Cooktops by 4.3% and the Small Appliances by 11.1%.
- Currently 90% of products are manufactured with the rest being traded.
- **The management as staggered planned capex for FY24 to early FY25** – Given the tough overall business environment for the industry overall, the company successfully added 54 stores in southern markets and remain committed to accelerate store reach in FY24, with a target to open seven to eight stores every month. The company is in final stages of formulating a business model to expand retail stores also through franchisees. This model would help reduce the initial cash outlay and recurring fixed cost substantially. As per the management the gross margin for these stores are in the range of 45- 48% with cost to run any store in the range of ₹125,000-300,000 on an average, these stores are delivering revenue upwards of ₹400,000 a month. With further addition of stores the revenue is likely to improve to ₹25mn per store per month.
- **Channel mix in FY23** – General trade at 42% which grew 17.1% YoY. Modern retail at 10% grew by 14%, E-commerce at 30% with de-growth of 2%, corporate sales at 5% and exports at 10% (growth of 38%). As per the management most of the channels have moved to channel financing with E-Commerce having + 30 credit days.
- As per the management demand for Apr-May'23 was tepid with expected improvement in 2HFY24 on the back of festival demand, strong brand and distribution network.
- The management expects gross margin to be in the range of 31-35% and guided EBITDA margin of 11% for FY24.
- The management plans to provide ₹42.5mn and ₹7mn for ECL and materials with Ad spend not more than 3.5% for FY24.

Important Statistics

MCAP (₹ bn)	14.2
52 Week H/L (₹)	740/354
NSE Code	STOVEKRAFT
BSE Code	543260

Shareholding Pattern	Mar'23 (%)
Promoters	55.9
DIIs	6.7
FIIIs	3.2
Public	34.2

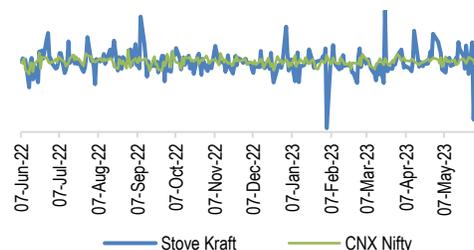
Financials

Particulars	(₹ mn)		
	FY20	FY21	FY22
Revenue	6,699	8,584	11,342
EBITDA	338	1,132	927
EBITDA Margin (%)	5.0	13.2	8.2
Net Profit	32	812	562
EPS (₹)	1.3	24.9	17.1
P/E (x)	450.5	17.5	25.3
EV/EBITDA (x)	52.6	13.0	17.2
P/BV (x)	(23.5)	4.7	3.9
RoE (%)	(5.3)	26.8	15.4
RoCE (%)	4.5	17.3	10.0

Particulars	FY23P	FY24E	FY25E
Revenue	12,796	13,178	17,432
EBITDA	948	1,208	1,798
EBITDA Margin (%)	7.4	9.2	10.3
Net Profit	358	694	934
EPS (₹)	10.8	21.0	28.3
P/E (x)	39.8	20.5	15.2
EV/EBITDA (x)	16.8	10.3	8.2
P/BV (x)	3.5	3.1	2.8
RoE (%)	8.9	12.4	14.1
RoCE (%)	7.0	10.7	12.0

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

View

For SKL, Q4FY23 revenue grew by 8% YoY which was lower than the management expectation given the lacklustre demand scenario. Notwithstanding the near-term miss, the management has guided for maintaining margins at least 11% in the coming years which we believe is a tall ask given the significant employee cost ramp-up, initiatives on backward integration, distribution expansion and brand building. The management is banking upon the festival demand starting from late Sep'23 for demand improvement with target to open seven to eight stores every month. Hence, we continue to view it as an **ACCUMULATE** stock trading at **P/E 15.2x** **FY25E EPS** of **₹28.3**.

8th June 2023

CMP – ₹431.2/-

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)								
Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
Operating Revenues	2,796.6	2,589.4	8.0	3,245.3	(13.8)	12,796.1	11,342.2	12.8
Cost of Matl	1,610.3	1,494.5	7.7	2,000.3	(19.5)	7,460.7	7,026.4	6.2
Stock Purchases	173.4	201.1	(13.8)	223.1	(22.3)	1,138.4	1,108.8	2.7
Inventory Changes	102.7	133.6	(23.1)	(64.2)	(260.0)	35.2	(401.0)	108.8
Gross Margin (%)	32.5	29.4	319	33.5	(92)	32.5	31.8	71
Employee Exps	365.4	248.0	47.3	387.6	(5.7)	1,429.4	1,123.8	27.2
Other Exps	469.8	380.9	23.4	444.0	5.8	1,784.8	1,557.3	14.6
EBITDA	75.0	131.2	(42.9)	254.4	(70.5)	947.6	927.0	2.2
EBITDA Margin (%)	2.7	5.1	(239)	7.8	(516)	7.4	8.2	(77)
Other Income	1.3	2.0	(37.3)	(29.3)	(104.3)	7.3	5.8	27.2
Depreciation	94.3	52.1	81.0	83.3	13.2	316.9	197.2	60.7
Interest Cost	61.6	12.1	407.7	40.0	54.1	165.3	110.1	50.1
PBT	(79.7)	69.0	(215.4)	101.8	(178.3)	472.8	625.4	(24.4)
Tax	(19.6)	(17.4)	(12.6)	23.9	(182.3)	115.1	63.3	(82.0)
Net Profit	(60.0)	86.5	(169.4)	77.9	(177.0)	357.7	562.1	(36.4)
EPS (₹)	(1.8)	2.6		2.4		10.8	17.1	

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE - REVENUE BREAKUP (%)

Revenue Breakup	FY23	FY22	Q4FY23	Q4FY22	Q3FY23	Q2FY23	Q1FY23
Nonstick Cookware	17.9	16.9	13.5	16.1	15.1	19.0	23.1
Mixer/ Small Appliances	30.8	30.2	35.8	29.8	33.5	29.7	24.1
Pressure Cookers	23.5	24.1	25.6	22.8	23.1	25.4	21.5
LED	6.1	6.9	4.1	7.5	6.5	5.9	7.5
Induction Cook top	12.5	11.6	11.4	14.2	13.7	10.5	13.4
Gas Cooktop	9.2	10.4	9.6	9.6	8.1	9.5	10.4

Source: Company, Way2Wealth

8th June 2023

CMP – ₹431.2/-

 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Revenue	5,290	6,409	6,699	8,584	11,342	12,796	13,178	17,432
EBITDA	100	298	338	1,132	927	948	1,208	1,798
EBITDA Margin (%)	1.9	4.7	5.0	13.2	8.2	7.4	9.2	10.3
Net Profit	(127)	6	32	812	562	358	694	934
EPS (₹)	(3.9)	0.2	1.0	24.6	17.0	10.8	21.0	28.3
RoE (%)	7.1	(1.0)	(5.3)	26.8	15.4	8.9	12.4	14.1
RoCE (%)	(0.5)	4.1	4.5	17.3	10.0	7.0	9.7	12.0
P/E (x)	(111.7)	2,253.4	450.5	17.5	25.3	39.8	20.5	15.2
EV/EBITDA (x)	184.0	57.6	52.6	13.0	17.2	16.8	10.3	8.2
P/BV (x)	(7.9)	(22.6)	(23.5)	4.7	3.9	3.5	3.1	2.8
Net D/E (x)	(2.3)	(4.7)	(5.9)	0.1	0.5	0.4	0.2	0.1
Cash Balances	38	315	194	373	121	198	271	406
Debtors Days	48	49	56	36	31	40	38	37
Inventory Days	76	70	64	66	70	69	66	65
Payables Days	86	80	82	77	72	75	75	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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