

Q1FY24 Result Highlights

- **Revenue grew ~10%/7% YoY/QoQ to ₹2.99bn with price hikes across categories, raw matl cost coming down and new products being sold** – Stove Kraft Ltd (SKL) witness sales growth of ~10%/7% YoY/QoQ to ₹2.99bn in Q1FY24 with strong YoY growth from Induction cooktop segment by 13.4% and Small appliances grew by 67.5%. Gas cooktops, Non-Stick Cookware and Cooker declined 22.9%, 5.1% and 0.5% respectively. As per the management, price hikes were taken during the quarter across categories along with raw material cost coming down and further enabled by new product introduction which showed good growth in Tier 2-3 cities & towns. ECom sales grew 24% YoY. EBITDA was at ₹253.2mn grew 28.1% YoY and 3.4x QoQ with margin at 8.5% grew 123/578 bps YoY/QoQ as employee expenses and other expenses grew 23.8% YoY and 25.5% YoY respectively. Gross margin saw improvement of 474/465 bps YoY/QoQ to 37.2% enabled by YoY volume growth in pressure cooker by 38%, growth in Induction Cooktop; Exports growth in Non-Stick Cookware, Small appliances witnessing growth starting from 20% along with some of the cost reduction and back integration benefits which were retained. Exports Order book strong at ₹1bn for next two quarters. PBT grew 4.6% YoY and from loss of ₹79.7mn QoQ to ₹110.7mn with increase in depreciation/ interest cost to ₹102.7mn/ ₹42.4mn respectively while other income was at ₹2.7mn down 32.5% YoY. PAT grew marginally ~2YoY and from loss of ₹60mn to profit ₹82mn QoQ. ₹750mn Capex for FY24 which includes Warehousing, retail stores and Automated Cast Iron Plant in Bengaluru. As per the management, 60-70% of new plant work done with warehouse to start operation in Q3FY24.
- The management remain committed to continue its growth trajectory by bringing valued products to its customer. It has improved its offering by bringing indigenous manufactured products like Stainless Steel Bottles, Kettles & Electric Rice Cooker along with established Air Fryer from the Bangalore Unit which will provide the next leg of growth & create long-term value for all our stakeholders.
- **The Company plans to add 8-12 stores per month going forward with ₹1.7-1.9mn investment per store.** It has been consistently adding company owned company operated retail stores for the Pigeon brand. Added 25 new stores in South India taking the count to 77 stores till 30 June 2023 and 90% of the stores achieved operational breakeven within 3 months of opening. 65,000 new customers were added with 19% repeat purchase. 117,000 units sold with ASP ₹1530 almost double the company average.
- **Channel mix in Q1FY24** – Revenue from General trade at ₹1120mn, Modern retail at ₹380mn, E-commerce at ₹920mn and branded exports at ₹25mn (growth of 38%). As per the management most of the channels have moved to channel financing with E-Commerce having + 30 credit days. Additional ECL worth ₹30mn provided for online sales.
- 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 33-35% and guided EBITDA margin of 11% for FY24.
- The management plans Ad spend no more than 3.5% for FY24 and 25% of PAT for FY25.

Important Statistics

MCAP (₹ bn)	16.3
52 Week H/L (₹)	740/354
NSE Code	STOVEKRAFT
BSE Code	543260

Shareholding Pattern	Jun'23 (%)
Promoters	55.9
DII's	1.2
FII's	1.0
Public	41.9

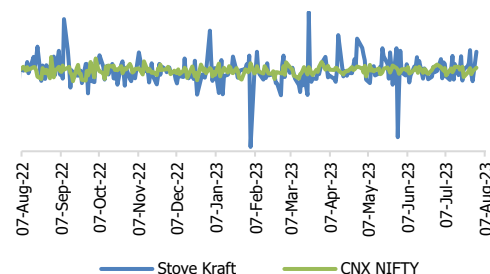
Financials

Particulars	FY20		
	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)	515.7	20.1	29.0
EV/EBITDA (x)	58.7	14.8	19.4
P/BV (x)	(26.9)	5.4	4.5
RoE (%)	(5.3)	26.8	15.4
RoCE (%)	4.5	17.3	10.0

Particulars	FY23P		
	FY23P	FY24E	FY25E
Revenue	12,796	13,367	17,612
EBITDA	948	1,219	1,823
EBITDA Margin (%)	7.4	9.1	10.4
Net Profit	358	748	986
EPS (₹)	10.8	22.6	29.9
P/E (x)	44.6	21.3	16.2
EV/EBITDA (x)	18.6	11.6	9.2
P/BV (x)	3.9	3.4	3.1
RoE (%)	8.9	12.8	14.6
RoCE (%)	7.0	11.4	12.7

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

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 8th August 2023

CMP – ₹493.6/-

 View – **ACCUMULATE**
View

For SKL, Q1FY24 revenue grew by ~10% YoY which was commendable considering Tepid Apr-May'23 lacklustre demand scenario. 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 16.5x FY25E EPS of ₹29.9.**

8th August 2023

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)								
Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Operating Revenues	2,991.0	2,732.0	9.5	2,796.6	7.0	12,796.1	11,342.2	12.8
Cost of Matl	1,826.9	1,698.3	7.6	1,610.3	13.5	7,460.7	7,026.4	6.2
Stock Purchases	266.6	228.1	16.9	173.4	53.8	1,138.4	1,108.8	2.7
Inventory Changes	(215.2)	(81.1)	165.4	102.7	(309.5)	35.2	(401.0)	108.8
Gross Margin (%)	37.2	32.5	47.4	32.5	46.5	32.5	31.8	7.1
Employee Exps	389.4	314.6	23.8	365.4	6.6	1,429.4	1,123.8	27.2
Other Exps	470.1	374.5	25.5	469.8	0.1	1,784.8	1,557.3	14.6
EBITDA	253.2	197.6	28.1	75.0	237.7	947.6	927.0	2.2
EBITDA Margin (%)	8.5	7.2	12.3	2.7	5.7	7.4	8.2	(7.7)
Other Income	2.7	4.0	(32.5)	1.3	114.3	7.3	5.8	27.2
Depreciation	102.7	66.2	55.3	94.3	8.9	316.9	197.2	60.7
Interest Cost	42.4	29.5	43.7	61.6	(31.1)	165.3	110.1	50.1
PBT	110.7	105.9	4.6	(79.7)	239.0	472.8	625.4	(24.4)
Tax	28.7	25.1	(14.5)	(19.6)	246.3	115.1	63.3	(82.0)
Net Profit	82.0	80.8	1.5	(60.0)	236.6	357.7	562.1	(36.4)
EPS (₹)	2.5	2.5		(1.8)		10.8	17.1	

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE - REVENUE BREAKUP (%)

Revenue Breakup	Q1FY24	FY23	FY22	Q4FY23	Q3FY23	Q2FY23	Q1FY23
Nonstick Cookware	21.8	17.9	16.9	13.5	15.1	19.0	23.1
Mixer/ Small Appliances	36.5	30.8	30.2	35.8	33.5	29.7	24.1
Pressure Cookers	20.1	23.5	24.1	25.6	23.1	25.4	21.5
LED	5.7	6.1	6.9	4.1	6.5	5.9	7.5
Induction Cook top	8.5	12.5	11.6	11.4	13.7	10.5	13.4
Gas Cooktop	7.3	9.2	10.4	9.6	8.1	9.5	10.4

Source: Company, Way2Wealth

8th August 2023

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 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	13,367	17,612
EBITDA	100	298	338	1,132	927	948	1,219	1,823
EBITDA Margin (%)	1.9	4.7	5.0	13.2	8.2	7.4	9.1	10.4
Net Profit	(127)	6	32	812	562	358	748	986
EPS (₹)	(3.9)	0.2	1.0	24.6	17.0	10.8	22.6	29.9
RoE (%)	7.1	(1.0)	(5.3)	26.8	15.4	8.9	21.4	16.3
RoCE (%)	(0.5)	4.1	4.5	17.3	10.0	7.0	11.6	9.3
P/E (x)	(127.9)	2,579.5	515.7	20.1	29.0	45.6	21.8	16.5
EV/EBITDA (x)	204.7	64.5	58.7	14.8	19.4	19.0	11.8	9.4
P/BV (x)	(9.1)	(25.9)	(26.9)	5.4	4.5	4.0	3.5	3.2
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	298	469
Debtors Days	48	49	56	36	31	40	37	36
Inventory Days	76	70	64	66	70	69	65	64
Payables Days	86	80	82	77	72	75	74	73

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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