

**Q2FY22 Result Highlights**

➤ **Strong volume growth across segments with ~10% price hike taken YTD** – Stove Kraft Ltd (SKL) posted a strong sales growth of +53.3% YoY/+69.4% QoQ to ₹3.62bn in Q2FY22 led by 44% YoY volume growth across categories and channel with strong demand momentum. The management believes that the volume growth in Q2FY22 is not sustainable with likely normative volume growth of ~20-25% going forward. The company had taken ~5% price hikes in Apr'21 and further 5% price hikes in Oct'21. While the peers have taken upto 20% price hikes in appliances, SKL's price hikes are lower in the category and thus the pricing gap between Pigeon brand and its peers has increased further. However, management intends to maintain its value-positioning and gain market share while also maintaining its margins. Gross margins contracted by 300bps YoY/210bps QoQ to 32.2% (below management guidance of 33-34%) with rising commodity prices. Employee costs/other expenses grew 49%/65% YoY with increase in activity levels as A&P spends which increased to 2.8% of sales in Q2FY22 compared to 1.1% in Q2FY21. As a result, EBITDA margins contracted by 369bps YoY to 11.2% (management guidance of 13-14% for FY22). EBITDA grew 15.3% YoY/101.3% QoQ to ₹406mn. Depreciation increased 41% YoY/16% QoQ with ₹1.0bn net capex over Sep'20-Sep'21 as the company continues to focus on in-house manufacturing. With rise in-house manufacturing contribution, traded goods sales fell from 22% in Q2FY21 to 14% in Q2FY22. With higher effective tax rate (28.5% for Q2FY22; 20% or 1HFY22) meant PAT fell ~15% YoY (+70% QoQ) to ₹229.3mn. During 1HFY22, E-Commerce was 43.5% of total sales (Sales: ₹2.5bn). Exports was ~13% of total sales. Export sales which was at ₹750mn was marginally impacted due to rising commodity prices. While the freight costs were high, SKL's export prices are in FOB basis so thus was not impacted. Black & Decker and GILMA together contribute ~3% each to total sales of the company. Electric Kettle/Mixer grinder sales grew 147%/168% YoY to ₹413mn/₹320mn in Q2FY22. SKL is the market leader in Kettles and Choppers, as per management. While SKL has plans to launch plastic modular storage containers, it also intends to expand the range of LEDs i.e. from 0.5 Watts to 50 Watts going ahead.

➤ **Incremental growth expected from gain in share from unorganised segment and distribution expansion** – In a matured market of Pressure Cooker, high level of volume growth (+51.4% YoY/105.7% QoQ) indicates that SKL is gaining share from the unorganized market. It is steadily becoming the preferred brand of choice when a consumer is shifting from the unorganised branded play to an organised branded play. Distribution expansion will be a key catalyst for growth going forward, particularly in Western/Northern regions. In 1HFY22, the company has added over 11,400 retail outlets taking its reach to 63,428 outlets, which is equal to addition of ~20% of the outlets at the end of FY21. In Pigeon, it added 7,000 retail outlets (40% in West and 15% in South). In Pigeon LED, it has added 4,400 retail outlets (50% in South, rest in Western region, WB and UP). Further, it has implemented Distribution Management System (DMS) for Pigeon products for its outlets across the country that can help it manage inventory better while also enabling it assess and plan distributor partnerships and stocking patterns. As per the management the channel inventory has normalised.

**Important Statistics**

<b>MCAP (₹bn)</b>	₹33.8
<b>52 Week H/L (₹)</b>	1135/400
<b>NSE Code</b>	STOVEKRAFT
<b>BSE Code</b>	543260

<b>Shareholding Pattern</b>	<b>Sep'21 (%)</b>
<b>Promoters</b>	54.3
<b>FIIIs</b>	9.1
<b>DIIIs</b>	7.3
<b>Public</b>	29.3

**Financials**

<b>Particulars</b>	<b>(₹ mn)</b>			
	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>1HFY22</b>
<b>Revenue</b>	<b>6,409</b>	<b>6,699</b>	<b>8,590</b>	<b>5,770</b>
<b>EBITDA</b>	<b>298</b>	<b>338</b>	<b>1,130</b>	<b>608</b>
<b>EBITDA Margin (%)</b>	<b>4.7</b>	<b>5.0</b>	<b>13.2</b>	<b>10.5</b>
<b>Net Profit</b>	<b>6</b>	<b>32</b>	<b>815</b>	<b>365</b>
<b>EPS (₹)</b>	0.3	1.3	25.0	11.2
<b>P/E (x)</b>	4,054.1	810.6	41.5	
<b>EV/EBITDA (x)</b>	123.1	110.4	30.3	
<b>P/BV (x)</b>	(31.3)	(32.5)	6.5	
<b>RoE (%)</b>	(1.0)	(5.3)	27.1	
<b>RoCE (%)</b>	4.1	4.5	17.3	

Source: Company Filing, Way2wealth Research


 11<sup>th</sup> November 2021

CMP – ₹1036.6/-

 View – **BUY**
**View**

SKL has grown faster than competition in the last 7 years. Although gross margin is lower than competitors, EBITDA margin is comparable with peers. It also has better working capital management compared to its peers. With festive season, opening of new stores, increase in vaccination coverage, gain in market share from unorganised players and positive outlook from the management, we continue to view it as a **BUY** stock trading at *P/E 30.8x FY23E* EPS of **₹33.7**.

**Financial Performance**

(₹mn)								
Particulars	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	1HFY22	1HFY21	YoY (%)
<b>Operating Revenues</b>	<b>3,628.4</b>	<b>2,367.7</b>	<b>53.3</b>	<b>2,142.1</b>	<b>69.4</b>	<b>5,770.5</b>	<b>3,288.4</b>	<b>75.5</b>
Cost of Matl	2,173.7	984.3	120.8	1,291.6	68.3	3,465.3	1,600.5	116.5
Stock Purchases	323.8	505.3	(35.9)	184.9	75.1	508.7	614.8	(17.2)
Inventory Changes	(36.7)	44.5	(182.5)	(68.8)	(46.6)	(105.5)	(70.1)	50.6
<b>Gross Margin (%)</b>	<b>32.2</b>	<b>35.2</b>	<b>(303)</b>	<b>34.3</b>	<b>(210)</b>	<b>33.0</b>	<b>34.8</b>	<b>(180)</b>
Employee Exps	302.6	202.6	49.4	238.4	26.9	541.0	312.5	73.1
Other Exps	459.1	278.8	64.6	294.2	56.0	753.2	382.5	96.9
<b>EBITDA</b>	<b>406.0</b>	<b>352.2</b>	<b>15.3</b>	<b>201.7</b>	<b>101.3</b>	<b>607.7</b>	<b>448.2</b>	<b>35.6</b>
<b>EBITDA Margin (%)</b>	<b>11.2</b>	<b>14.9</b>	<b>(369)</b>	<b>9.4</b>	<b>177</b>	<b>10.5</b>	<b>13.6</b>	<b>(310)</b>
Other Income	1.4	4.9	(72.4)	4.4	(69.0)	5.7	5.8	(1.4)
Depreciation	47.9	33.9	41.3	41.2	16.2	89.1	68.0	30.9
Interest Cost	38.9	54.5	(28.7)	29.6	31.3	68.4	101.0	(32.2)
PBT	320.7	268.8	19.3	135.3	137.0	455.9	285.0	60.0
Tax	91.4	-	-	-	-	91.4	-	-
Minority Interest	-	-	-	-	-	-	-	-
<b>Net Profit</b>	<b>229.3</b>	<b>268.8</b>	<b>(14.7)</b>	<b>135.3</b>	<b>69.5</b>	<b>364.5</b>	<b>285.0</b>	<b>27.9</b>
EPS (₹)	7.0	10.9		4.2		11.2	11.5	

Source: Company, Way2Wealth

**Segmental Volume Performance**

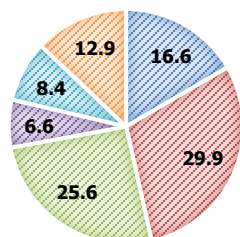
(₹mn)								
	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	1HFY22	1HFY21	YoY (%)
<b>Pressure Cookers</b>	1,090,000	720,000	51.4	530,000	105.7	1,620,000	900,000	80.0
<b>LED</b>	3,090,000	1,820,000	69.8	1,680,000	83.9	4,770,000	2,850,000	67.4
<b>Induction Cooktop</b>	310,000	200,000	55.0	210,000	47.6	520,000	280,000	85.7
<b>Gas Cooktop</b>	300,000	230,000	30.4	110,000	172.7	410,000	260,000	57.7
<b>Non-Stick Cookware</b>	1,110,000	970,000	14.4	990,000	12.1	2,100,000	1,590,000	32.1
<b>Small Appliance/Others</b>	3,000,000	2,240,000	33.9	1,890,000	58.7	4,890,000	2,940,000	66.3
<b>TOTAL</b>	<b>8,900,000</b>	<b>6,180,000</b>	<b>44.0</b>	<b>5,410,000</b>	<b>64.5</b>	<b>14,310,000</b>	<b>8,820,000</b>	<b>62.2</b>

Source: Company, Way2Wealth

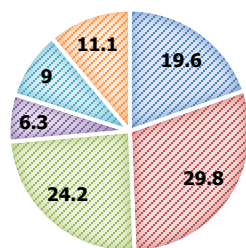
**Segmental Performance - Revenue breakdown**

(₹mn)

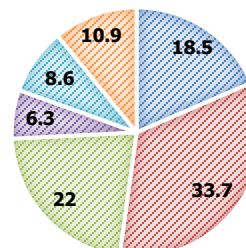
**REVENUE BREAKUP (%) Q2FY22**



**REVENUE BREAKUP (%) 1HFY22**



**REVENUE BREAKUP (%) FY21**



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

Source: Company, Way2Wealth

**Past Performance & Forecasting**

	(₹mn)					
Particulars	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Revenue</b>	<b>5,290</b>	<b>6,409</b>	<b>6,699</b>	<b>8,590</b>	<b>11,747</b>	<b>14,192</b>
<b>EBITDA</b>	<b>100</b>	<b>298</b>	<b>338</b>	<b>1,130</b>	<b>1,327</b>	<b>1,788</b>
<i>EBITDA Margin (%)</i>	<i>1.9</i>	<i>4.7</i>	<i>5.0</i>	<i>13.2</i>	<i>11.3</i>	<i>12.6</i>
<b>Net Profit</b>	<b>(127)</b>	<b>6</b>	<b>32</b>	<b>815</b>	<b>897</b>	<b>1,098</b>
<b>EPS (₹)</b>	(5.2)	0.3	1.3	25.0	27.5	33.7
<b>RoE (%)</b>	7.1	(1.0)	(5.3)	27.1	25.8	26.1
<b>RoCE (%)</b>	(0.5)	4.1	4.5	17.3	28.9	35.1
<b>P/E (x)</b>	(201.0)	4,054.1	810.6	41.5	37.7	30.8
<b>EV/EBITDA (x)</b>	380.0	123.1	110.4	30.3	25.8	17.7
<b>P/BV (x)</b>	(11.0)	(31.3)	(32.5)	6.5	8.7	6.8
<b>Net D/E (x)</b>	(2.3)	(4.7)	(5.9)	0.1	(0.1)	(0.2)
<b>Cash Balances</b>	38	315	194	373	486	1,987
<b>Debtors Days</b>	48	49	56	36	40	38
<b>Inventory Days</b>	76	70	64	66	60	58
<b>Payables Days</b>	86	80	82	75	85	90

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	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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