



Stove Kraft Limited is trading at a P/E of 16.54x (annualized) against its peers TTK Prestige and Hawkins Cookers (trading at 46x and 42x respectively for FY20), making it attractive. Considering, the company's product portfolio and leadership in cooktops due to its cobranding initiatives with oil marketing companies , we believe that the company gets a leverage by marketing its other products backed by its well connected distribution network. We recommend to **SUBSCRIBE** the IPO for long term gains.



About Company

Stovekraft limited is one of the leading brands for kitchen appliances in India and is one of the dominant players for pressure cookers and amongst the market leaders in the sale of free standing hobs and cooktops. It is engaged in manufacturing of diverse suite of kitchen solutions under Pigeon and Gilma brands .

The company has a separate distribution network for each of Pigeon, Gilma and BLACK+DECKER brands. The company has 651 distributors in 27 states and five union territories of India and 12 distributors for the products that are exported. Stove Kraft Ltd has entered into agreements with ecommerce platforms such as Flipkart India for sale of products through their portals . It also exports to retail stores in USA and Mexico.

Issue details	
Price Band (in ₹ per share)	384-385
Issue size (in ₹ Crore)	412.63-411.80
Fresh Issue (in ₹ Crore)	95.00
Offer for Sale (in ₹ Crore)	317.63-316.80
Offer for Sale (Shares in lakhs)	82.50
Issue open date	25-01-2021
Issue close date	28-01-2021
Tentative date of Allotment	03-02-2021
Tentative date of Listing	05-02-2021
Total number of shares (lakhs)	107.18-107.24
No. of shares for QIBs (75%) (lakhs)	80.38-80.43
No. of shares for NII (15%) (lakhs)	16.08-16.09
No. of shares for retail investors (10%) (lakhs)	10.71-10.72
Minimum order quantity	38
Face value (in ₹)	10.00
Amount for retail investors (1 lot)	14592-14630
Maximum number of shares for Retail investors at lower Band	494(13 Lots)
Maximum number of shares for Retail investors at upper band	494(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,89,696-1,90,190
Exchanges to be listed on	BSE, NSE

Promoters

Mr. Rajendra Gandhi

Mrs. Sunita Rajendra Gandhi

Objective of the Offer

1. Repayment/prepayment in full or part of certain borrowing availed by the company
2. General Corporate Purposes
3. The sale of up to 8,250,000 Equity Shares by the Selling Shareholders



Brief Financials					
Particulars (Rs. Cr)	H1FY21	H1FY20	FY20	FY19	FY18
Share Capital	24.72	24.72	24.72	24.72	18.90
Net Worth	(29.94)	(59.03)	(60.18)	(63.95)	(180.10)
Revenue from Operation	328.84	315.51	669.86	640.94	528.95
PBT	28.78	4.75	3.53	1.22	(12.56)
PAT	28.78	4.39	3.17	0.74	(12.02)
Basic EPS(Rs)	11.64	1.77	1.28	0.33	(6.35)
NAV	51.89 (Restated)	(59.03)	41.84(Restated)	(63.95)	(180.10)
P/E #	16.54^	NA	300.78	NA	NA
P/B #	7.42	NA	9.20	NA	NA

Source: RHP # Calculated at the upper price band ^annualized . NAV is restated for FY20 & H1FY21

Industry Review

Packaged Food Market

Globally, the kitchen appliances market comprises instruments or devices designed for smooth functioning of kitchen activities. Kitchen appliances are used mainly for food preparation, cooking, storage and cleaning function. The Global Kitchen Appliances Market is expected to touch USD 253.40 billion by 2020, registering a CAGR of 6.4% during the forecast period 2014-2020.

The global kitchen appliances market can be segmented based on product structure into two categories- 'Large/Major appliances' which include refrigerator, dishwasher, microwaves, cooktops, oven, hobs and kitchen chimneys; and 'Small/ Minor appliances' which include food processors, mixer grinders, blenders and juicers, coffee machines, kettles, grills and fryers.

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%.

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.

Major players currently operating in the Indian kitchen appliances market include TTK Prestige, Stove Kraft Limited, Gandhimathi Appliances Ltd, Hawkins, Bajaj Electricals, Preethi Industries Ltd., Glen, Faber, Kaff Appliances, Inalsa, IFB, Panasonic, and Phillips, etc.

Large Cooking Appliances

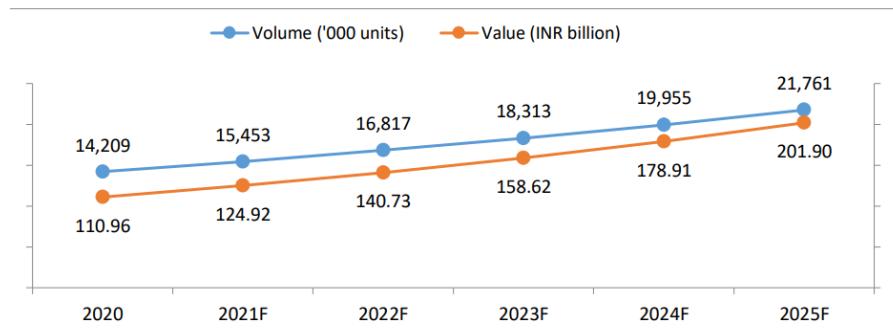
Large cooking appliances include Cooker Hoods, Cooking Hobs (either built-in or freestanding) and Cooktops. Retail Volume sales of Large Cooking Appliances category as a whole, has witnessed a growth at a CAGR of 6.0% through 2015-2020, to reach sales of 14.2 million units in 2020. In terms of Retail Sales 'Value' growth, the category has grown at an even higher CAGR of 9.2% through the same period, to reach sales of about INR 111 billion in 2020

The overall growth momentum of the 'Large Cooking Appliances category' Retail sales is expected to continue the forecast period of 2020 to 2025. In terms of Retail Volume, the category is expected to grow at a CAGR of about 8.7% through 2021-2025, to clock 21.7 million unit sales by end of 2025. Retail Value sales, also is expected to continue on its higher growth trajectory, at a CAGR of 12.5% through 2021-2025, to reach INR 201 billion by end of 2025.



Industry Review

Exhibit 26: Large Cooking Appliances: Market Size (by Volume and Value)



Source: Euro-monitor and Frost & Sullivan analysis. Time Series represents Calendar years. F=Forecast

Large Cooking Appliances: Market Size value by subsegments

COOKER HOODS (colloquially referred to as 'Kitchen Chimney')

Cooker Hoods	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	1,742	3,296	13.6%
Retail Value (INR Million)	25,344	52,388	15.6%
Average Price (in INR)	14,549	15,896	2.4%
Market Leader (2020)	Faber	(23.0% Retail Volume Share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon, Gilma	(3.8% Retail Volume Share)	

'Cooker Hoods' or 'Kitchen Chimneys' has become an almost essential appliance in modern Indian kitchens as they help to avoid the fumes of the food from spreading into the kitchen and to other attached rooms.

COOKING HOBS ('Built-in' and 'Free Standing' versions)

Built-In Hobs	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	284	440	9.1%
Retail Value (INR Million)	4,732	7,924	10.9%
Average Price (in INR)	16,640	18,026	2.2%
Market Leader (2020)	Faber	(23.0% Retail Volume Share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon, Gilma	(4.8% Retail Volume Share)	

Free-Standing Hobs*	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	10,432	14,721	7.1%
Retail Value (INR Million)	55,276	89,022	10.0%
Average Price (in INR)	5,299	6,047	3.4%
Market Leader (2020)	Stove Kraft Ltd.	(20.3% Retail Volume Share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon	(20.3% Retail Volume Share)	

*Including LPG Gas Stoves

'Cooking Hobs' are built-in appliance and are to be set in the kitchen counter by cutting the slab according to the dimension of the gas hob.

Hobs are usually available in 3 burners or 4 burners with one small, one large and two medium-sized burners to adjust different sizes of vessels. The most popular options in India: gas and electric hobs:

'Free-standing' Hobs are much more prevalent in Indian households. The brand Pigeon (from the house of Stove Kraft Ltd.) has grown at 8.4% CAGR over 2015-2020 and Stove Kraft Ltd. is the current market leader with 20.3% retail volume share in 2020. It is followed closely by TTK Prestige Ltd. which garnered 16.2% market share in 2020.



Industry Review

COOKTOPS

Cooktops	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	1,751	3,305	13.6%
Retail Value (INR Million)	25,606	52,564	15.5%
Average Price (in INR)	14,626	15,905	2.4%
Market Leader (2020)	Stove Kraft Ltd.		(25.0% of Retail Volume Share)
Stove Kraft Ltd.'s Share (2025)	Pigeon, Gilma		(25.0% of Retail Volume Share)

Cooktops are essentially Cooking Stoves. They are most frequently used and essential tool in most Indian kitchens. A cooktop can be a free-standing unit or 'built-in' with one or more burners or smooth tops with circular rings. Cooktops are categorized, based on their nature of fuel usage – gas or electricity and their appearance/design.

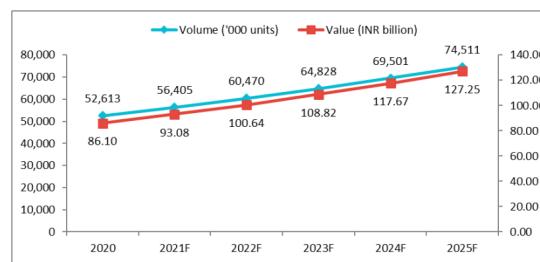
India cooktops market stood at INR 25.6 billion in 2020, and is expected to grow at a CAGR of 15.5%, in retail value terms, to reach INR 52.6 billion by the end of 2025, on the back of increasing consumer spending on smart kitchen appliances due to the increasing number of working women coupled with busy lifestyle, rising awareness for indoor pollution, and increasing demand for innovative smart electrical appliances across the country.

India Cooktops market is dominated by these major players, namely – Stove Kraft Ltd., Franke Faber India Ltd., TTK Prestige Ltd., Sunflame Enterprises Private Limited, Butterfly Gandhimathi Appliances Ltd., Elica PB India Private Limited, Bajaj Electricals Ltd., Philips India Ltd, among others. In this segment, indigenous brands like Stove Kraft Ltd. followed by Sunflame has registered prominent market share in 2020. Stove Kraft Ltd. is the leading brand in this segment with 25.0% retail volume share and it sells its cooktops through the brand routes of Pigeon and Gilma, as well as by OEM and exports.

SMALL COOKING APPLIANCES

Successful marketing by leading companies TTK Prestige, Stove Kraft Limited, Bajaj Electricals etc. and others has created a market for small cooking appliances in India

Exhibit 37: Small Cooking Appliances: Market Size (by Volume & Value)



Small Cooking Appliances are also almost exclusively sold through Store-Based retailing. In 2020, 97.4% of total retail volume sales were registered through Store-based retailing, and the remaining 2.6% only was sold through NonStore based retailing.

PRESSURE COOKER

Pressure Cooker	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	31,697	45,273	7.4%
Retail Value (INR Million)	17,728	27,239	9.0%
Average Price (in INR)	559	602	2.1%
Market Leader (2020)	TTK Prestige		(48.2% Retail Volume Share)
Stove Kraft Ltd.'s Share (2020)	Pigeon		(11.4% Retail Volume Share)

A pressure cooker is an airtight cooking device that enables the cooking liquid (mostly water) to heat and build up steam pressure inside the vessel, which in turn makes the food moist and enables quick cooking. Depending on the type of material, Pressure Cookers can be of Aluminium, Stainless Steel or Hard Anodized



Industry Review

ELECTRIC RICE COOKERS

Electric Rice Cookers	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	2,186	2,995	6.5%
Retail Value (INR Million)	4,421	6,140	6.8%
Average Price (in INR)	2,023	2,050	0.9%
Market Leader (2020)	Panasonic	(35.0% Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon, B&D	(4.7% Retail Volume share)	

A rice cooker is an electrical kitchen appliance used essentially for cooking of rice. However, it can be used to make other food that needs to be steamed, such as dumplings, idli, dhokla, steamed vegetables for salads etc.

A key driver of the global rice cookers market is that they cook rice by evenly keeping the grain separate, neither undercooking nor overcooking.

Panasonic Home Appliances led the Electric Rice cooker market in 2020 with about 35.0 market share, followed by TTK Prestige at 26.8%. Stove Kraft Ltd. garners a healthy market share of 4.7% offering Electric Rice Cookers, predominantly through its flagship brand 'Pigeon'. It has also initiated sales of premium category through 'Black & Decker' brand (as per licensing agreement).

FOOD PREPARATION APPLIANCES

BLENDERS

Blenders	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	1,229	1,713	6.9%
Retail Value (INR Million)	3,623	5,063	6.9%
Average Price (in INR)	2,948	2,955	0.7%
Market Leader (2020)	Phillips	(44.6% of Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon	(0.5% of Retail Volume share)	

While Stove Kraft Ltd., offers 'Hand-Blenders' through its flagship brand 'Pigeon', however, it is its premium offering through 'Black & Decker' brand route, that has picked up higher sales value in 2020.

FOOD PROCESSORS

Food Processors	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	2,309	3,218	6.9%
Retail Value (INR Million)	12,283	18,257	8.3%
Average Price (in INR)	5,321	5,673	1.9%
Market Leader (2020)	Phillips	(25.6% Retail Volume Share)	
Stove Kraft Ltd.'s Share (2020)	B&D	Setting footprints in the category	

JUICE EXTRACTORS

Juice Extractors	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	249	348	6.9%
Retail Value (INR Million)	970	1,431	8.1%
Average Price (in INR)	3,895	4,109	1.8%
Market Leader (2020)	Bajaj	(25.7% Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon, B&D	(3.8% Retail Volume share)	



Industry Review

MIXER GRINDER

Mixer-Grinder	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	13,860	19,484	7.1%
Retail Value (INR Million)	44,352	64,477	7.8%
Average Price (in INR)	3,200	3,309	1.3%
Market Leader (2020)	Bajaj	(21.1% Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon	(2.7% Retail Volume share)	

COFFEE MAKER

Coffee Maker	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	327	455	6.8%
Retail Value (INR Million)	1,238	2,333	13.5%
Average Price (in INR)	3,786	5,125	6.9%
Market Leader (2020)	Bajaj	(29.1% Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	B&D	(6.6% Retail Volume share)	

ELECTRIC KETTLE

Electric Kettle	2020	2025F	CAGR (2020-2025F)
Electric Kettle	757	1,024	6.2%
Retail Volume ('000 units)	1,482	2,307	9.3%
Retail Value (INR Million)	1,958	2,254	3.5%
Average Price (in INR)			
Market Leader (2020)	Bajaj	(23.8% Retail Volume share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon, B&D	(21.1% Retail Volume share)	

In year 2020, Electric Kettles market recorded 0.75 million units' retail volume sales clocking total retail sales value of INR 1.48 billion. The category value sale is expected to grow at a CAGR of about 9.3% over forecast period 2021- 2025 to reach value sales of INR 2.30 billion by end 2025.

Bajaj Electricals recorded the highest (retail volume) market share in 2020, followed by Phillips India and brand 'Pigeon' from the house of Stove Kraft Ltd. Stove Kraft Ltd. also initiated sales of premium range 'Electric Kettles' through the 'Black & Decker channel.

BRIEF OVERVIEW OF NON STICK COOKWARE MARKET IN INDIA

Non-Stick Cookware	2020	2025F	CAGR (2020-2025F)
Retail Volume ('000 units)	7,117	11,389	9.9%
Retail Value (INR Million)	9,646	20,977	16.8%
Average Price (in INR)	1,355	1,842	7.0%
Market Leader (2020)	TTK Prestige	(58.2% Retail Volume Share)	
Stove Kraft Ltd.'s Share (2020)	Pigeon	(18.9% Retail Volume share)	

The term 'Non-stick' in cookware, usually refers to the surface which is coated with a synthetic polymer called Polytetrafluoroethylene (PTFE) or with ceramic, anodized aluminium, enamelled iron which decreases the ability of other materials to stick to it. The term 'Teflon' coating has become synonymous with Non-stick coating in the market. Hence, non-stick cookware is often also addressed as Teflon coated cookware.



Industry Review

In 2020, Stove Kraft Ltd. sold about 0.77 million non-stick cookware. It sells 'Non-stick cookware' mainly through its 'Pigeon' brand route. In terms of Retail Sales value, Stove Kraft Ltd. registered total sales of INR 776 million for its 'Non-Stick Cookware' category through brand Pigeon.

Most popularly used Non-stick cookware includes Tawa, followed by Kadai and frying pan. The latest trend-setting Hard anodized and ceramic non-stick cookware register prominent usage in Southern India, along with regional cuisine-making cookware like 'Appachetty' and 'Paniyarakkal'.

Nirlep Appliances Limited, established in 1968, marked the launch of Non-Stick technology in India. Today, Nirlep and Stove Kraft Limited are the only players to have a roller coating line. While Stove Kraft Limited's roller coating line is completely automated, that of Nirlep is only partially automated.

In South India, TTK Prestige dominates the market, followed closely by Stove Kraft Limited, both having very strong brand equity in the region.

Stove Kraft Limited enjoys a prominent position in the Non-Stick cookware market, especially in the Southern region. Stove Kraft Limited also offers a special range of non-stick cookware which is induction cook-safe. The range includes the usual Pans, Tawa, and Pots and also offers special cookware like Appachetty and Paniyarakkal, focussed on catering to the regional cuisine of Southern India.

In its continuous bid for innovation aimed at product efficiency and user convenience, Stove Kraft Limited's latest offerings include a new MIOTM non-stick cookware range, which is developed using latest Italian technology that ensures high durability and smoothness of the products. The cookware in this range has 5 layer 'Scandia' coating, comes with 1 year Warranty and includes Tawa, Kadai, Appachetty, Square Griddle as well as 2, 4, 6 and 8 piece gift sets.

BRIEF OVERVIEW OF SOME HOUSEHOLD UTILITY PRODUCTS

Most manufacturers operating in the Kitchen Appliances market in India, especially those which manufacture small kitchen appliances and food preparation appliances, are also involved in manufacturing and trading of some common Household utility items, the market for which is primarily unorganized, dominated by small local/regional players and Chinese manufacturers.

Floor Mop and Bucket

About 21% urban households in India currently use floor mop and bucket, which amounts to about 17 million units of the product being used in urban India. In terms of retail sales value, urban market size is estimated to be around INR 37 billion in 2017-18.

Dustbin

Dustbin usage is almost universal across all urban households in India. Current retail volume of dustbins (all types included), is estimated to be about 114 million. In terms of retail sales value, urban market size is estimated to be around INR 216 billion in 2018-19.

Ladders

Ladders are commonly used in households for attending to ceiling fixtures like lights, fan etc., or for placing or taking off things from shelves/lofts located at significant height. In terms of retail sales value, urban market size is estimated to be around INR 58 billion in 2019-20.

Clothes Drying Stand

Use of clothes-drying stands in Indian households is still in its preliminary stage, as most still prefer to use the balcony or roof railings and ropes attached to them, for hanging washed clothes to dry. Currently, just about 28% of urban 118 Indian households use clothes drying stand, which amounts to about 24 million units of the product being used in urban India. In terms of retail sales value, urban market size is estimated to be around INR 52 billion in 2018-19.

Clothes Drying Stands are usually made of metal – iron, steel, or aluminium. Average Retail unit price starts from around INR 1,000, and can range up to INR 10,000.



Industry Review

Water Bottle and Flasks

Water bottles are used for transporting and storage of drinking water, and almost all urban households currently have at least one or more water bottles. In terms of retail sales value, the current market estimates of the overall Water Bottle and flask categories are INR 242 billion and INR 250 billion and INR 144 billion, respectively, in 2019-20.

Emergency Lamps

With the increasing adoption of emergency lighting in residential areas, companies are focusing on increasing their portfolios dedicated to this sector. Small (portable) emergency lamps usage penetration in urban Indian households is estimated to be about 23%, which translates to market volume of 20 million. In value terms it's estimated at INR 71 billion in 2019-20

Company Review

Stovekraft is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under Pigeon and Gilma brands, and propose to commence manufacturing of kitchen solutions under the BLACK + DECKER brand, covering the entire range of value, semi premium and premium kitchen solutions, respectively .

Company has a separate distribution network for each of Pigeon, Gilma and BLACK+DECKER brands. The company has 651 distributors in 27 states and five union territories of India and 12 distributors for the products that are exported. Stove Kraft Ltd has entered into agreements with ecommerce platforms such as Flipkart India for sale of products through their portals . It also exports to retail stores in USA and Mexico.

Competitive Strengths

Diverse range of products across customer preferences:

Since its inception in the year 1999, company has grown from a single brand small LPG stove manufacturing company to become one of India's leading manufacturers of kitchen appliances. Company's 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. As a result of company's 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. In this regard, the Pradhan Mantri Ujjwala Yojana, which is a scheme of the Ministry of Petroleum & Natural Gas, GoI for providing LPG connections to women from BPL households, has enabled company to increase volume sales and reach the interior regions of the country.

Widespread, well connected distribution network with a presence across multiple retail channel and a dedicated after sales network:

Company believes that the integration of supply chain and distribution network with manufacturing facilities provides it with a competitive advantage over other players in the Indian kitchen appliances industry. As of September 30, 2020, company's manufacturing facilities in Bengaluru and Baddi are well connected with nine strategically located C&F agents. Additionally, it has 651 distributors in 27 states and five union territories of India as of September 30, 2020. 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. Company has also partnered with e-commerce retailers such as Flipkart India Private Limited for the sale of Pigeon branded products on its portals. As of September 30, 2020,Gilma brand products are sold exclusively through 65 Gilma stores located across 28 cities and towns in four states. Internationally, products were exported 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 2020 and the six month period ended September 30, 2020. Further, it supplies its products to retail chains in the United States of America and Mexico and also undertakes original equipment manufacturing for retail chains in the United States of America under their brands. Company started trading in LED products and in a span of 36 months, achieved a revenue of ₹499 million.

Strong manufacturing capability with efficient backward integration:

Company's Bengaluru Facility is a large facility for the manufacture of kitchen solutions, which is spread over approximately 46 acres and five guntas out of which 30 acres and one 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, glass cooktops, IR thermometer and handy vegetable chopper. Further, Company has also commenced manufacturing LED products in Bengaluru Facility. For Fiscal 2020, it had an aggregate production capacity of 19.50 million units per annum and as of September 30, 2020, the aggregate production capacity increased to 38.40 million units per annum. It is also one of the few facilities in India to have a fully automated roller coating line for the manufacture of non-stick cookwares. Stovekraft's manufacturing facilities are backward integrated and has the ability to manufacture components such as bakelite handles, sheet metal components, moulded parts, die cast parts, moulds, dies and fixtures in house for the manufacture of products. The backward integration of manufacturing facilities has reduced dependence on third party suppliers and OEMs for such components.



Risk Factors

May continue to be affected by Covid 19 outbreak:

Given the dynamic nature of this outbreak, the extent to which the COVID-19 and associated responses, the impact on business, results of operations and financial condition will depend on future developments, which remain highly uncertain and cannot be accurately predicted at this time. If the outbreak continues for an extended period, reoccurs or increases in severity, it could have an adverse effect on economic activity and financial markets in India, and could materially and adversely affect company's business, financial conditions and results of operations and the trading price of the Equity Shares and other securities.

Entered markets for non core products in which company has limited experience :

Further, for the six month period ended September 30, 2020, company's IR thermometer business contributed 2.34%, pulse oximeter business contributed 0.74% and floor mops business contributed 1.39% to the total revenues of Company. Stovekraft did not have any prior experience in the LED products market before this venture, and therefore there can be no assurance that it will be able to maintain and expand LED product portfolio in a sustainable manner. Further, company has also entered other noncore markets with products such as chairs, heating products, etc. in which it has no prior experience, and there can be no assurance that we will be able to operate in the markets for these products in a sustainable and profitable manner. In the event that it is required to expend additional resources towards establishing and consolidating presence in non-core markets, it may have an adverse impact on business condition and results of operations.

Servicing debt obligations in timely manner:

Company cannot assure that it will be able to obtain debt amendments or waivers on satisfactory terms, or at all, and the relevant lenders could, inter-alia, impose penal and default interests, accelerate the maturity of obligations and declare all amounts payable in respect of the facility to be due and payable immediately or otherwise on demand. Further, during any period in which company is in default, it may be unable to obtain further financing or any refinancing of debt could be at higher rates of interest with more onerous covenants.

Peer Comparison

Name of the Company	Revenue (Crores)	FV	Basic EPS	NAV	P/E	P/B	RONW
Stove Kraft Ltd.	329	10	1.28	41.84	300.78	9.20	2.51%
TTK Prestige Ltd.	2073	10	133.13	942.56	45.55	6.43	14.12%
Hawkins Cookers	674	10	137.09	264.11	42.15	21.89	51.91%
Butterfly Gandhimathi Appliances	679	10	1.83	107.32	281.15	4.79	1.70%

*P/E & P/B ratio based on closing market price as on January 21st, 2020, At the upper price band of IPO, financial details consolidated audited results as on FY20



Our Views

Stove Kraft limited is one of the leading kitchen appliances in India with Pigeon as its leading brand that contributes to majority of the revenues. However the company has two more brands Gilma, which is focused on semi premium customer segment and BLACK + DECKER that is renowned internationally for its kitchen appliances. StoveKraft is the leader in the free standing hobs and cooktops with a volume share of 20% and 25% respectively.

The company has reported revenues that are growing faster as it is expanding its offerings backed by improving margins. (INR 669 crores in FY20 from INR 528 crores in FY18) with EBITDA margin growing by 300 bps from 1.9% in FY2018 to INR 5% in FY2020. This is being reflected in the balance sheet as the company is consistently able to reduce its loss reflected in reserves. The company is trading at a P/E of 16.54x (annualized) against its peers TTK Prestige and Hawkins Cookers (trading at 46x and 42x respectively for FY20), making it attractive. Considering, the company's product portfolio and leadership in cooktops due to its cobranding initiatives with oil marketing companies , we believe that the company gets a leverage by marketing its other products backed by its well connected distribution network. We recommend to SUBSCRIBE the IPO for long term gains.

Source: Company RHP



Analyst Certification

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