

Stove Kraft Ltd

Emerging Home Solutions Brand

Stove Kraft is a kitchen solutions and an emerging home solutions brand. Further, Company 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.

Positives: (a) A one stop shop for well recognized, award winning portfolio of kitchen solutions brands with a diverse range of products across consumer preferences (b) Widespread, well connected distribution network with a presence across multiple retail channels and a dedicated after-sales network (c) Manufacturing capability with efficient backward integration (d) Professional management and extensive experience in the kitchen solutions industry, and a young and dynamic workforce.

Investment concerns: (a) The trademark for their marquee brand 'Pigeon' is the subject matter of litigation (b) Company source their raw materials from third parties with whom they do not have long term contract (c) Company rely heavily on their brand portfolio, and their inability to successfully maintain and promote their brand portfolio may adversely affect their results (d) There are various proceedings involving the Company, their Promoters and their Director.

Outlook & Valuation: Company has priced its issue at 34.5x PE on a trailing basis, its peers TTK Prestige and Hawkins Cookers are currently trading at 61.0x and 47.5x respectively. On FY20 basis, the Company priced its issue at 301.5x PE. Due to cost cutting measures, Company margins improved in the H1FY21 which is not sustainable. Cost such as travelling, advertisement reduced in H1FY21 due to Covid-19 are going to come back once business comes back to normalcy. Company's brand value, margins and return on capital are lower than its peers so it won't get such premium valuation like its peers, so **we recommend "NEUTRAL" rating to the Stove Kraft IPO issue.**

Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20
Net Sales	529.0	640.9	669.9
% chg	-	21.2	4.5
Net Profit	-12.0	0.7	3.2
% chg	-	-106.1	327.6
EBITDA (%)	1.9	4.6	5.1
EPS (Rs)	(6.4)	0.3	1.3
P/E (x)	NA	1,289.4	301.5
P/BV (x)	NA	NA	NA
ROE (%)	6.7	NA	NA
ROCE (%)	2.1	7.8	9.2
EV/EBITDA	111.4	41.3	37.2
EV/Sales	2.1	1.9	1.9

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

Neutral

Issue Open: January 25, 2021

Issue Close: January 28, 2021

Face Value: Rs 10

Present Eq. Paid up Capital: Rs 30.1 cr

Offer for Sale: 0.83 cr share

Fresh issue: Rs 95 cr

Post Eq. Paid up Capital: Rs 32.5 cr

Issue size (amount): Rs 412.6 cr

Price Band: Rs 384-385

Lot Size: 38 shares and in multiple thereafter

Post-issue implied mkt. cap: *Rs 1,250 cr - **Rs 1,253 cr

Promoters holding Pre-Issue: 61.3%

Promoters holding Post-Issue: 54.4%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Promoters	54.4%
Others	45.6%

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Company background

Company is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under the 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. Their kitchen solutions comprise of cookware and cooking appliances across their brands, and their home solutions comprise various household utilities, including consumer lighting, which not only enables them to be a one stop shop for kitchen and home solutions, but also offer products at different pricing points to meet diverse customer requirements and aspirations.

During the six month periods ended September 30, 2020 and September 30, 2019 and for Fiscals 2020, 2019 and 2018 their Pigeon branded products contributed 76.90%, 80.86%, 86.20%, 81.24% and 86.89% to their overall sales, respectively and were amongst the leading brands in the market for certain products such as free standing hobs, cooktops, non-stick cookware, LPG, gas stoves and induction cooktops.

Issue details

Company issues comprises ₹95 cr through fresh issue & 82,50,000 equity shares through offer for sale in the price band of ₹384-385.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	18,443,920	61.3	17,693,920	54.4
Public	11,636,711	38.7	14,854,243	45.6
Total	30,080,631	100.0	32,548,163	100.0

Source: Company, Angel Research & RHP.

Note: Calculated at upper price band.

Objectives of the Offer

- Repayment/prepayment of the borrowings
- General Corporate Purposes

Key Management Personnel

Rajendra Gandhi is the Managing Director of the Company. He has cleared the S.S.L.C. examination conducted by the Karnataka Secondary Education Examination Board. He is the founder of the Company and has been on the Board since 1999. He is involved in the day to day affairs of the Company.

Rajiv Mehta Nitinbhai is a Whole Time Director designated as the Chief Executive Officer of the Company. He holds a bachelor's degree in chemical engineering from University of Mumbai and master's degree in science from University of Pennsylvania, and in business administration from INSEAD. He has previously served as the chief executive officer of Arvind Limited and managing director of Puma Sports India Private Limited. He also serves as a director on the board of directors of Unicorn Contractors and Developers Private Limited and Kan Dfy Sports Private Limited.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
Total operating income	529.0	640.9	669.9	315.5	328.9
% chg	-	21.2	4.5		4.2
Total Expenditure	519.0	611.1	636.1	296.8	283.8
Cost of material consumed	353.5	438.7	441.9	205.2	214.5
Excise Duty	5.3	-	-	-	-
Employee benefit expense	59.1	69.8	82.0	39.3	31.3
Other Expenses	101.0	102.7	112.2	52.2	38.0
EBITDA	10.0	29.8	33.8	18.7	45.1
% chg	-	197.2	13.6		140.7
(% of Net Sales)	1.9	4.6	5.1	5.9	13.7
Depreciation & Amortization	11.2	12.3	12.4	5.8	6.9
EBIT	-1.2	17.4	21.4	13.0	38.3
% chg	-	-1,547.8	22.8		195.2
(% of Net Sales)	-0.2	2.7	3.2	4.1	11.6
Interest & other Charges	16.9	17.9	20.9	10.1	10.1
Other Income	5.6	1.7	3.0	1.9	0.6
(% of Sales)	1.1	0.3	0.4	0.6	0.2
Recurring PBT	-12.5	1.2	3.5	4.7	28.8
% chg	-	-109.8	187.1		509.5
Tax	-0.5	0.5	0.4	0.4	-
PAT (reported)	-12.0	0.7	3.2	4.4	28.8
% chg	-	-106.1	327.6		560.4
(% of Net Sales)	-2.3	0.1	0.5	1.4	8.7
Basic & Fully Diluted EPS (Rs)	-6.4	0.3	1.3	1.8	11.6
% chg	-	-104.7	327.6		551.7

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
SOURCES OF FUNDS					
Equity Share Capital	18.9	24.7	24.7	24.7	24.7
Other equity	-199.0	-88.7	-84.9	-83.7	-54.7
Shareholders Funds	-180.1	-63.9	-60.2	-59.0	-29.9
Non Controlling interest	0.2	0.2	0.2	0.2	-
Total Loans	392.3	310.0	326.9	317.6	299.5
Other liabilities	18.2	14.2	17.1	16.3	13.8
Total Liabilities	230.6	260.5	284.0	275.1	283.4
APPLICATION OF FUNDS					
Property, plant and equipment	182.1	178.7	192.9	181.5	199.6
Right-of-use assets	-	-	-	3.2	-
Capital work-in-progress	0.6	0.9	4.2	0.3	0.7
Intangible assets	0.6	0.5	0.3	0.4	3.4
Intangible assets under development	-	0.8	3.3	1.5	-
Current Assets	198.7	233.7	263.4	299.9	275.9
Inventories	105.1	97.4	116.6	128.5	136.6
Sundry Debtors	79.6	89.7	103.0	142.8	103.6
Cash & Bank Balance	3.8	31.5	19.4	10.2	10.1
Other Assets	10.2	15.1	24.4	18.4	25.5
Current liabilities	163.0	165.3	187.3	218.4	215.1
Net Current Assets	35.6	68.4	76.2	81.5	60.8
Other Non Current Asset	11.6	11.1	7.1	6.7	19.0
Total Assets	230.6	260.5	284.0	275.1	283.4

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
Loss before tax	(12.6)	1.2	3.5	4.7	28.7
Depreciation	11.2	12.4	12.4	5.8	6.9
Change in Working Capital	(20.5)	(18.8)	(27.5)	(35.9)	2.5
Interest Expense	15.3	17.9	18.2	8.5	9.4
Direct Tax Paid	-	0.1	3.9	4.5	(0.4)
Others	17.9	0.4	5.1	2.7	2.5
Cash Flow from Operations	11.3	13.2	15.6	(9.7)	49.6
(Inc.)/ Dec. in Fixed Assets	(6.3)	(7.4)	(26.1)	(11.1)	(25.1)
Others	0.2	0.6	(1.2)	(1.0)	(0.2)
Cash Flow from Investing	(6.1)	(6.8)	(27.3)	(12.1)	(25.3)
Changes in Borrowings	9.5	40.3	15.6	7.7	(23.6)
Finance cost	(14.8)	(18.5)	(17.5)	(8.4)	(10.4)
Cash Flow from Financing	(5.3)	21.8	(1.9)	(0.7)	(34.0)
Inc./(Dec.) in Cash	(0.1)	28.2	(13.6)	(22.5)	(9.7)
Opening Cash balances	0.5	0.4	28.6	28.6	15.0
Closing Cash balances	0.4	28.6	15.0	6.1	5.3

Source: Company, Angel Research

Key Ratios

Y/E March	FY18	FY19	FY20
Valuation Ratio (x)			
P/E (on FDEPS)	NA	1,289.4	301.5
P/CEPS	NA	72.8	61.1
P/BV	NA	NA	NA
EV/Sales	2.1	1.9	1.9
EV/EBITDA	111.4	41.3	37.2
Per Share Data (Rs)			
EPS (Basic)	(6.4)	0.3	1.3
EPS (fully diluted)	(6.4)	0.3	1.3
Cash EPS	(0.4)	5.3	6.3
Book Value	(18.0)	(6.4)	(6.0)
Returns (%)			
ROE	6.7	NA	NA
ROCE	2.1	7.8	9.2
Angel ROIC (Pre tax)	NA	8.2	8.9
Turnover ratios (x)			
Receivables (days)	54.9	51.1	56.1
Inventory (days)	72.5	55.5	63.5
Payables (days)	149.9	111.6	124.7
Working capital cycle (days)	(22.4)	(5.0)	(5.0)

Source: Company, Angel Research (Valuation at the upper price band)

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