

## Stove Kraft

Website	<a href="https://stovekraft.com/">https://stovekraft.com/</a>
Industry	Consumer Durables - Domestic Appliances - Kitchen Appliances
Market Size	It is large and scattered. Refer to Industry Market Size section below.
Company Sales	1,134 Cr. (Mar 2022)
Started on	1994
Incorporated	1999
Listed on	January 2021 ( 413 Cr. IPO )
Market Cap	1,534 Cr.
Debt	91.9 Cr.
Equity	400 Cr.
Promoters	Rajendra Gandhi (55%) - MD Sunitha Rajendra Gandhi Neha Gandhi - ED
Some Great Execution	Created great brands such as Pigeon (value), Gilma (semi-premium) and sales 38.40 million unites per year globally.
Future Growth Plan	To expand its branded product portfolio and move away from low-margin segments.

Stove Kraft Limited **started manufacturing kerosene wick stoves** in 1994. By 1997, it became the **largest manufacturer of LPG stoves in India**. It was finally incorporated as a company in 1999 with brands like BPL, Marlex, and Inalsa as its OEMs.

Within the next two years, the company worked hard to reposition itself in the kitchen solutions market and **launched the brands, Pigeon and Gilma in 2001**. By 2003, the company had set up a cooktop manufacturing unit at Baddi in Himachal Pradesh.

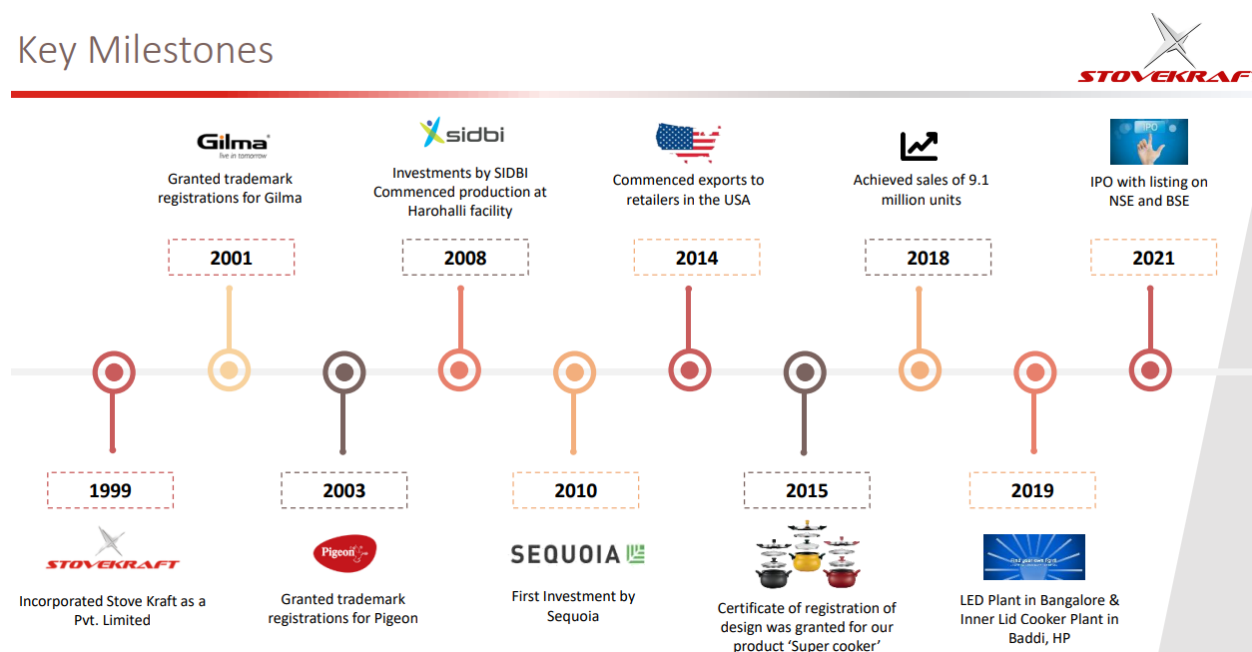
Once its manufacturing processes were in place, the company **tied up with petroleum marketing companies to increase its presence in the country**. In 2007, Stove Kraft moved to India's largest single-location manufacturing unit in Bangalore.

It **manufactures a wide range of kitchen solutions** under Pigeon (value), Gilma (semi-premium) brands and acts as an exclusive partner for kitchen appliances of the BLACK + DECKER (premium) brand. The products comprise cookware and cooking appliances, while the home solutions consist of various household utilities, including the **recently introduced LED bulbs, oxymeters, etc.**

The company received a **private equity infusion by Sequoia Capital in 2010 and the second round of infusion in 2013**. The **private equity sold their stake** in IPO and in public market post IPO and exited the stock.

In 2014, Stove Kraft **bagged major orders from huge American chain stores** like Walmart, Big Lots, etc. Apart from the USA, the company has also garnered an **extensive global presence** across the Middle East, Mexico, Kenya, Uganda, Qatar, Sri Lanka, Fiji, Bahrain, Kuwait, Oman, and Tanzania which contributes to **9% of the company's sales**.

## Key Milestones



## Subsidiaries / Associate Companies:

The Company **does not have any** Subsidiaries, Associates or Joint Ventures etc.

Stove Kraft India ("partnership firm" or "firm" or "Associate") where Company and Mr. Rajendra Gandhi, Managing Director, were partners in the Firm was dissolved on September 22, 2020.

Therefore, from FY 21-22 the company **only creates standalone financial statements**.

## **Manufacturing Units:**

It has **manufacturing units in Bangalore and at Baddi, Himachal Pradesh**. It commenced **manufacturing LED products at its Bengaluru Facility** in 2019. [1] It has a nationwide distribution network of 400 distributors, 40,000 retailers and is present on e-commerce platforms like **Flipkart and Amazon which contributed to 25% of revenues** in FY2020.

Our manufacturing facilities are located in Bengaluru (Karnataka) and Baddi (Himachal Pradesh). Both facilities have a **high level of backward integration, and our manufacturing process is not dependent on third-party suppliers and OEMs**. The Bengaluru facility is spread across more than ~43 acres, out of which **25 acres is available for future expansion**. It is also **one of the few facilities in India to have a fully automated roller coating line** for the manufacture of non-stick cookware. Both our manufacturing facilities are ISO 9001:2015 certified for implementing quality management systems.

Stove Kraft **relies on third-party OEMs for the sourcing of some of its products, which are not manufactured by it in India**. For certain product categories and sub-categories **which do not enjoy economies of scale in India**, Stove Kraft engages in sourcing from third party OEMs outside India. For sourced products, they have a dedicated team to undertake inspection and ensure that such products are built to suit their specifications in terms of design and quality.

## **Distribution Network:**

The company has a widespread, **well-connected distribution network** with a presence across multiple retail channels and a dedicated after-sales network. It can use this distribution network to distribute any type of home appliances quickly and can gain market share but the challenge is to do it profitably and reducing debt. The Company has expanded its distribution reach to over 79,000 retail outlets. Its distribution network includes 9 C&F agents and over 700 distributors. It has 31,000 touch points across 18 states which will provide distribution synergies for electrical products.

The company sells Pigeon and Black & Decker products through network of distributors and dealers whereas the **Gilma products are sold through its own franchisees**.

Company announced the opening of its first owned and operated retail store in Frazer town of Bengaluru. Stove Kraft said the store will offer entire range of products including cookware, cooktops, small appliances and LED products sold under Pigeon brand.

Company is consistently adding **company owned and company operated retail stores** for the Pigeon brand. During the quarter, we have successfully added 12 additional stores in Bengaluru taking the total count to **31 stores** till 31-Dec-22 with new stores opened in AP, Telangana markets. 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.

The number of retail outlets as on 30-Sep-2020 where the products are available are given below:

Brand	No. of outlets
Pigeon	32,669
Pigeon LED	12,033
Gilma (Franchise)	65
Black & Decker	773

Pros:

**Promoter is buying shares.** Stove Kraft Ltd managing director Rajendra Gandhi on 9th March 2022 bought company shares worth Rs 50 crore through an open market transaction. According to the bulk deal data on BSE, he purchased 7.75 lakh shares at an average price of Rs 645 apiece.

It has a **widespread, well-connected distribution network** with a presence across multiple retail channels and a dedicated after-sales network.

The company has **strong manufacturing capabilities** with efficient backward integration.

**Large land parcel** in Bangalore (55 acre+) **makes Capex lighter for new expansion** thus healthy RoCE.

It seems the company is **concentrating and gaining market share** where market size is large.

Cons:

**Debt** has reduced after IPO but **increasing** thereafter.

**Rajendra Gandhi has pledged his shares(15%)** and used that money to buy out remaining stake of SCI Growth (i.e. Sequoia).

The company's operations are **significantly dependent on third parties for the distribution and sales** of its products.

Due to the **geographic concentration** of its sales in the Southern regions of India, Stove Kraft's results of operations and financial condition are subject to fluctuations in regional economic conditions

Under its brand license agreement **with Black & Decker, the company is required to achieve a certain minimum number of sales**, failing which B & D may terminate the agreement. However, details of how much these sales are is not clear.

There are **many pending litigations** involving the promoters and company but they seem of low severity except below.

Besides the usual business risk factors, we find that the company has an **ongoing dispute with Pigeon Appliances Pvt Ltd (PAPL), an associate company where the promoter Mr. Rajendra Gandhi is a Director**. PAPL is a defunct company which has not filed its financials with the RoC for several years, and is facing the risk of being struck off the government's company database. It has one more director besides Mr. Gandhi, who is not co-operating due to which there is an impasse. If the matter is eventually decided against Mr. Gandhi, he runs the risk of becoming ineligible to occupy the post of Director in any company, which will adversely affect Stove Kraft. The matter is currently deadlocked and stuck in litigation. Details of the case are given in the RHP as below.

An original suit bearing number O.S. 2997/2015 ("Petition") dated March 30, 2015 has been **filed by our Company** before the Additional City Civil Judge, at Bengaluru ("Court") **against our Associate, PAPL ("Defendant"), in relation to infringement of our 'PIGEON' trademark**. Our Company has alleged that such infringement was a result of unauthorised sale and manufacture of kitchen electrical and non-electrical appliances and utensils under the trademark 'PIGEON' by the Defendant. Our Company further alleged that, during 2003, our Company, had permitted the Defendant to use our 'PIGEON' trademark in relation to certain products manufactured by it. Subsequently in 2015, our Company and our Promoter, Rajendra Gandhi, who is currently a director on the board of directors of PAPL, had requested the Defendant to stop using our trademark for the manufacture of its products. Upon becoming aware of the unauthorised sale and manufacture of kitchen electrical and non-electrical appliances and utensils under our mark, our Company has filed this Petition. The Defendant, by way of objections, alleged that, inter alia, the said trademark is a generic name and the use of same was known to our Company. Subsequently, the Court vide its order dated April 17, 2015 granted an ex parte ad-interim injunction in favour of our Company, restraining the Defendants from, inter alia, infringing and passing off our 'PIGEON' trademark, in relation to the manufacture and sale of kitchen electrical and non-electrical appliances bearing our 'PIGEON' trademark, and also ordered the court commissioner to seize the products bearing our trademark 'PIGEON' from the premises of the Defendants. Subsequently, the **Court, pursuant to an order dated August 18, 2015, granted temporary injunction and restrained the defendant from infringing and passing off the trademark 'PIGEON'** in relation to selling and manufacturing household electrical and non-electrical kitchen appliances, utensils, spare parts, components

and accessories under the brand name 'PIGEON' pending disposal of the petition. **This matter is currently pending.**

Also, please see **industry specific risk factors** below in the sections Risk Factors.

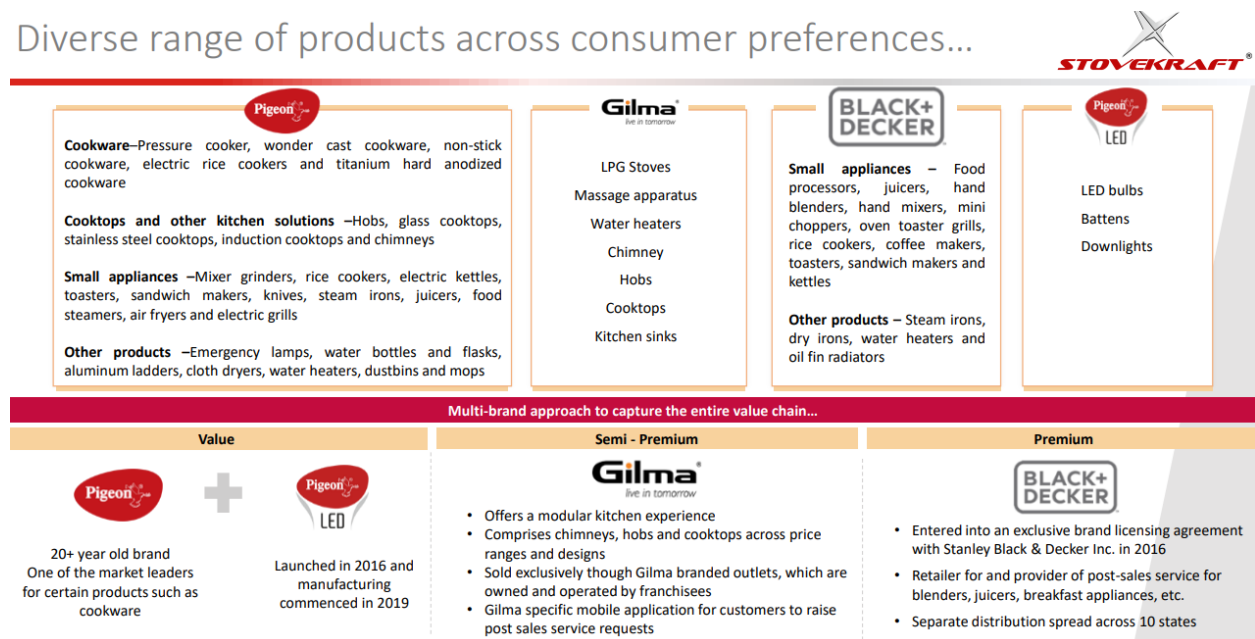
## Business & Industry Analysis:

### Products / Services:

The **award-winning Pigeon brand** is well established in the Indian kitchen appliances industry. Led by companies co-branding initiatives of over eight years with LPG companies to utilise their sale and distribution channels, **Pigeon enjoys a wide consumer outreach**, especially in the interior regions of the country, and has a high brand recall value. **Gilma** is recognised as a brand offering a semi-premium experience, while **BLACK+DECKER** is a globally trusted name in small domestic appliances.

It **entered the premium segment in 2016 through the BLACK + DECKER Brand** Licensing agreement which enabled it to exclusively retail, and provide post-sales services in a wide range of products such as breakfast appliances, small cooking appliances, etc., in India under the **BLACK + DECKER brand, up to December 31, 2027.**

Diverse range of products across consumer preferences...

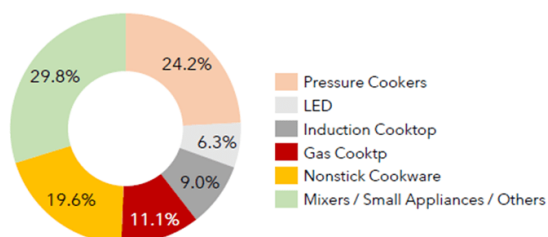


Its revenue contribution was **Kitchen Appliances (88%)** and **Home Appliances (12%)** in FY20. The improved product mix resulted in profit expansion. The **Pigeon brand contributed to 86% of total revenue in FY20** and the demand for its LED products is also increasing especially in Karnataka.

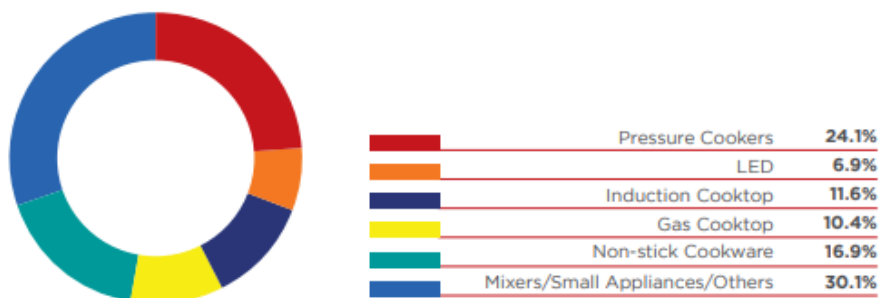
80% of the products sold under the Pigeon & Gilma brands are manufactured in-house, with the rest being sourced from outside.

In 2016, the company entered a new segment by launching the Pigeon brand of LED products. Pressure cookers, mixers & small appliances and non-stick cookware such as frying pans constitute the main sources of revenues for the company.

For the half year ended 30-Sep-2022, the revenue of Rs.577 crores was distributed as follows:



#### REVENUE BREAKUP: FY22



**Each of our brands has a separate distribution network for effective reach.**

#### Company's Product Contribution to overall Sales:

	As on Sep'30		Fiscal 2020	Fiscal 2019	Fiscal 2018
	2020	2019			
<i>Pigeon</i> branded products	76.90%	80.86%	86.20%	81.24%	86.89%
<i>Gilma</i> branded products	5.43%	2.36%	2.54%	3.75%	5.58%
<i>BLACK + DECKER</i> products	1.50%	2.37%	2.70%	2.67%	0.88%

#### Industry Market Size:

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

The **global household cooking appliance market** was valued at **US\$ 261.22 billion**( INR 2089700 Cr. ) in 2020.

The **Indian household appliances** market is valued at **US\$ 68.75 billion( INR 550000 Cr. ) in 2022** with per capita revenue of US\$ 48.88. The market's largest segment is large appliances with US\$ 45 billion share.

The **small kitchen appliances** segment was valued at **US\$ 13.18 billion( INR 105440 Cr. ) in 2022.**

The primary market for **small kitchen appliances** is largely **unorganized and dominated by local players** and low-cost imports.

The **Indian electrical kitchen appliances** market was valued at **US\$ 5.7 billion( INR 45600 Cr. ) in 2021** and is expected to grow at 6.7% CAGR of 6.66% during 2022-2027 to reach **US\$ 8.3 billion by 2027.**

**India cooktops market** stood at **INR 25.6 billion( INR 2560 Cr. ) 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. **In India**, the kitchen appliances industry has traditionally been skewed toward unorganized players while a handful of organized players have dominated major regions and key urban markets. Urban markets account for a major share of total revenues in the consumer durables sector in India whereas rural markets have only now begun to contribute recently. The key **'Large' and 'Small' cooking appliances** categories, the **current market value is estimated at about INR 148.5 billion( INR 14850 Cr. ), which is set to reach INR 238.0 billion by end 2022**, growing at a CAGR of about 9.9%.

The **Indian LED lighting market** reached a value of **US\$ 2.8 Billion( INR 22400 Cr. ) in 2021.** Looking forward, IMARC Group expects the market to reach US\$ 9.7 Billion by 2027, exhibiting a CAGR of 23.31% during 2022-2027.

The **Global Electric Switches Market** Size was over **USD 13 billion( INR 104000 Cr. ) in size in 2021.**

The market size of **indian Electric Switches** was estimated to be **INR 56,394.79 million( INR 5639 Cr. ) in 2022.**

The **global modular kitchen market** reached a value of **US\$ 34.4 Billion( INR 275200 Cr. ) in 2021.** The market expects to reach US\$ 46.2 Billion by 2027.

**India's modular kitchen market** size was valued at **USD 0.023 billion( INR 184 Cr. ) in 2021** and is expected to reach USD 0.03 billion by 2029. Commenting on the growth opportunity of modular kitchen industry, AK Goel, MD, Hettich India, said, **"The modular kitchen business is a fragmented market with an estimated size of about Rs 2,500 crores.** There are a few large players, however, the largest one will have a turnover well under 150 crores."



Juergen Wolf, MD, Häfele India Pvt Ltd, said, “Imports account for 30 per cent of modular kitchen market (dominated by Italy-55 per cent; Germany-25 per cent). And retail sales dominate the modular kitchen market in India accounting for 73 per cent of the total market size, while project sales constitute the rest of the 27 per cent.”

## Company Market Share

Kitchen Appliance is a broad-level term and includes various things. These appliances can be categorized into two primary categories –

1. **Large kitchen appliances** like chimneys, cooktops, etc. **Stove Kraft’s Pigeon brand leads the market in the cooktops product.** With an expected growth at a CAGR of around 11.9%, Stove Kraft is positioned to benefit from it.
2. **Small kitchen appliances** like pressure cookers, blenders, etc. This is a highly fragmented market with many players. **Stove Kraft is a minor player in this segment with around 5-6% market share.**

### 9. SNAPSHOT: KEY PRODUCT CATEGORIES IN INDIAN KITCHEN APPLIANCES MARKET

Product Categories:		Market Size: Retail Volume (2020) '000 units	Market Size: Retail Volume (2025F) '000 units	CAGR* (2020-2025F) %	Market Size: Retail Value (2020) INR million	Market Size: Retail Value (2025F) INR million	CAGR* (2020-2025F) %	Market Leader Company (2020)	Market Share of Market Leader (2020) %	Market Share of Stove Kraft Ltd. (2020) %
<b>Large Cooking Appliances</b>		<b>14,209</b>	<b>21,761</b>	<b>8.7%</b>	<b>1,10,958</b>	<b>201,898</b>	<b>12.5%</b>			
1	Cook Tops	1,751	3,305	13.6%	25,606	52,564	15.5%	Stove Kraft Ltd.	25.0%	25.0%
2	Free-Standing Hobs	10,432	14,721	7.1%	55,276	89,022	10.0%	Stove Kraft Ltd.	20.3%	20.3%
3	Built in Hobs	284	440	9.1%	4,732	7,924	10.9%	Faber	23.0%	4.8%
4	Cooker Hoods	1,742	3,296	13.6%	25,344	52,388	15.6%	Faber	23.0%	3.8%
<b>Non-Stick Cookware</b>										
1	Non-Stick Cookware	7,117	11,389	9.9%	9,646	20,977	16.8%	TTK Prestige	58.2%	18.9%
<b>Small Cooking Appliances</b>		<b>52,613</b>	<b>74,511</b>	<b>7.2%</b>	<b>86,098</b>	<b>1,27,247</b>	<b>8.1%</b>			
1	Pressure Cooker	31,697	45,273	7.4%	17,728	27,239	9.0%	TTK Prestige	48.2%	11.4%
2	Electric Kettle	757	1,024	6.2%	1,482	2,307	9.3%	Bajaj	23.8%	21.1%
3	Electric Rice Cooker	2,186	2,995	6.5%	4,421	6,140	6.8%	Panasonic	35.0%	4.7%
4	Coffee Maker	327	455	6.8%	1,238	2,333	13.5%	Bajaj	29.1%	6.6%
5	Juice Extractor	249	348	6.9%	970	1,431	8.1%	Bajaj	25.7%	3.8%
6	Mixer Grinder	13,860	19,484	7.1%	44,352	64,477	7.8%	Bajaj	21.1%	2.7%
7	Blender	1,229	1,713	6.9%	3,623	5,063	6.9%	Phillips	44.6%	0.5%
8	Food Processor	2,309	3,218	6.9%	12,283	18,257	8.3%	Phillips	25.6%	-

\*Forecast Period: 2017-2022 (Data Source: Euro-monitor and Frost & Sullivan Analysis)

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

## Competitors

Bajaj Electricals ( 4768 Cr, Sales - Mar 2022 )

TTK Prestige Ltd ( 2532 Cr, Sales - Mar 2022 )

Stove Kraft ( 1134 Cr, Sales - Mar 2022 )

Butterfly Gandhimathi Appliances Ltd ( 996 Cr, Sales - Mar 2022 )

Hawkins Cookers Ltd ( 958 Cr, Sales - Mar 2022 )

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.

It seems they have also partnered with e-commerce retailers such as Flipkart India Pvt. Ltd. for the sale of their Pigeon branded products on their portals therefore the Flipkart displays them as Bestseller.

I searched “induction cooktop” on FlipKart and found below competitors.

The screenshot shows the Flipkart search results for "induction cooktop". The search bar at the top contains "induction cooktop" and a magnifying glass icon. Below the search bar, there are navigation tabs for "Home", "TVs & Appliances", "Men", "Women", "Baby & Kids", and "H". The main content area shows "Showing 1 - 40 of 528 results for 'induction cooktop'" and a "Sort By" dropdown menu with options: "Relevance", "Popularity", "Price - Low to High", "Price - High to Low", and "Newest First".

Four products are displayed in a grid:

- Pigeon Acer plus Induction Cooktop**: Black, Touch Panel. 4.3 stars (36,364 reviews). Assured. Price: ₹1,749 (₹3,595, 51% off). Free delivery. Bank Offer.
- Prestige Atlas 3.0 Induction Cooktop**: Black, Push Button. 4.2 stars (62,442 reviews). Assured. Price: ₹1,599 (₹2,895, 44% off). Bank Offer.
- Butterfly Rapid Plus Induction Cooktop**: Black, Push Button. 4.3 stars (18,791 reviews). Assured. Price: ₹1,499 (₹3,399, 55% off). Free delivery. Bank Offer.
- USHA CJ1600WPC Induction Cooktop**: Black, Push Button. 4.2 stars (3,333 reviews). Assured. Price: ₹2,149 (₹4,198, 48% off). Free delivery. Bank Offer.



Prestige PIC 20.0 1600 W Induction Cooktop

Black, Push Button

4.2 ★ (49,744) Assured

₹1,999 ~~₹3,645~~ 45% off

Free delivery

**Bank Offer**



PHILIPS HD4928/01 Induction Cooktop

Black, Push Button

4.3 ★ (1,28,194) Assured

₹2,999 ~~₹5,995~~ 49% off

Free delivery

**Bank Offer**



USHA IC 3616 Induction Cooktop

Multicolor, Push Button

4.3 ★ (40,875) Assured

₹2,549 ~~₹4,799~~ 46% off

Free delivery

**Bank Offer**



Pigeon Rapido Cute Induction Cooktop

Black, Push Button

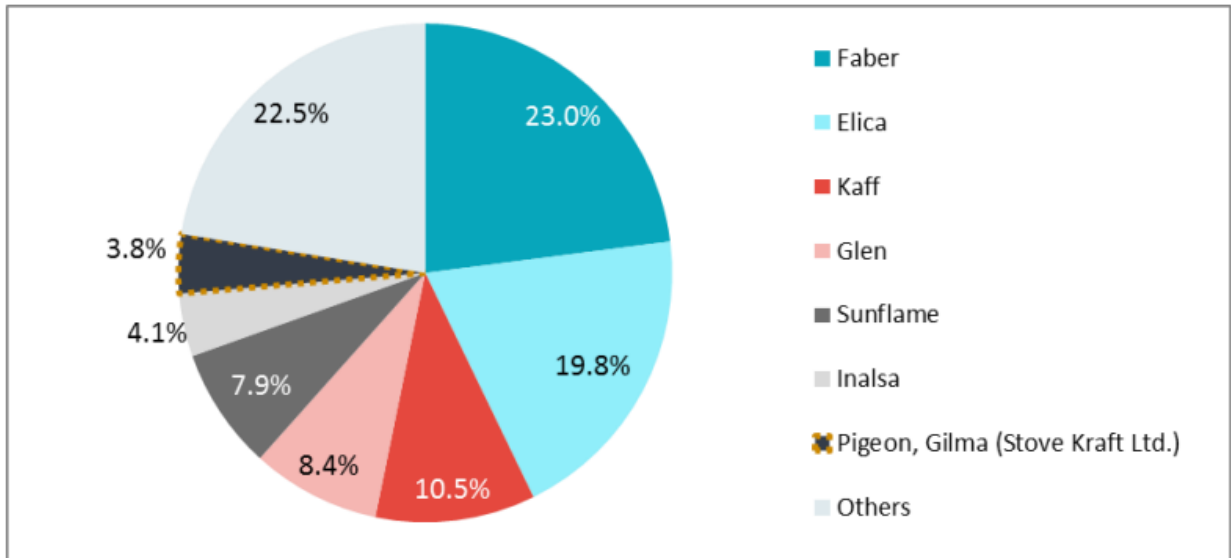
3.9 ★ (5,047) Assured

₹1,718 ~~₹2,595~~ 33% off

Free delivery

**Bank Offer**

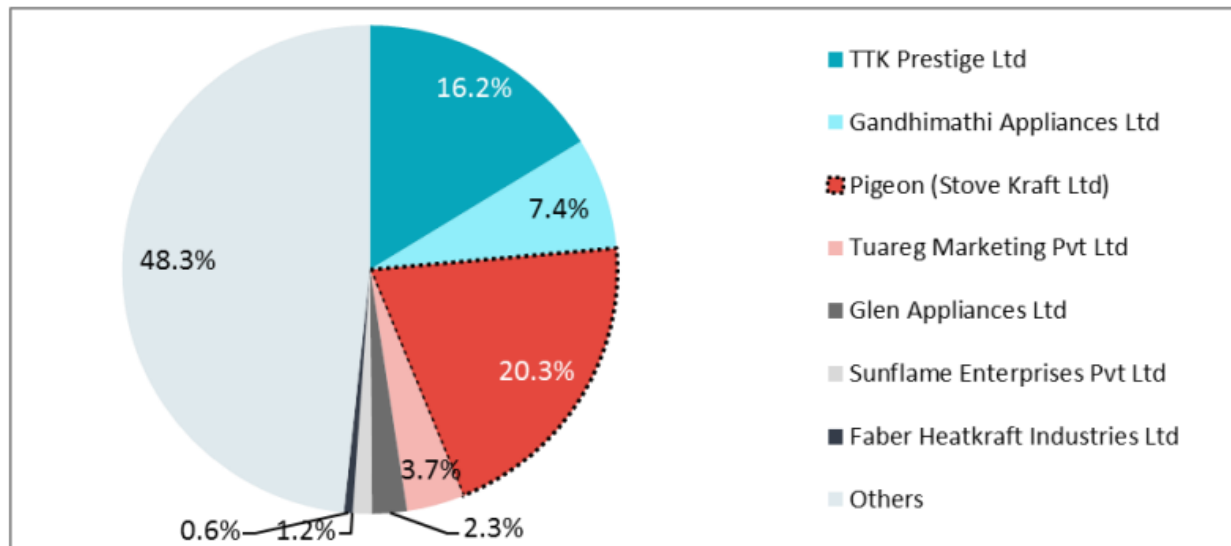
Brand Share 2020 (by Volume): Cooker Hoods (Kitchen Chimney):



Source: Euro-monitor and Frost & Sullivan analysis

**In year 2020, Cooker Hoods (Kitchen Chimney) market recorded 0.17 million units' retail volume sales clocking total retail sales value of INR 25 billion( INR 2500 Cr. ).**

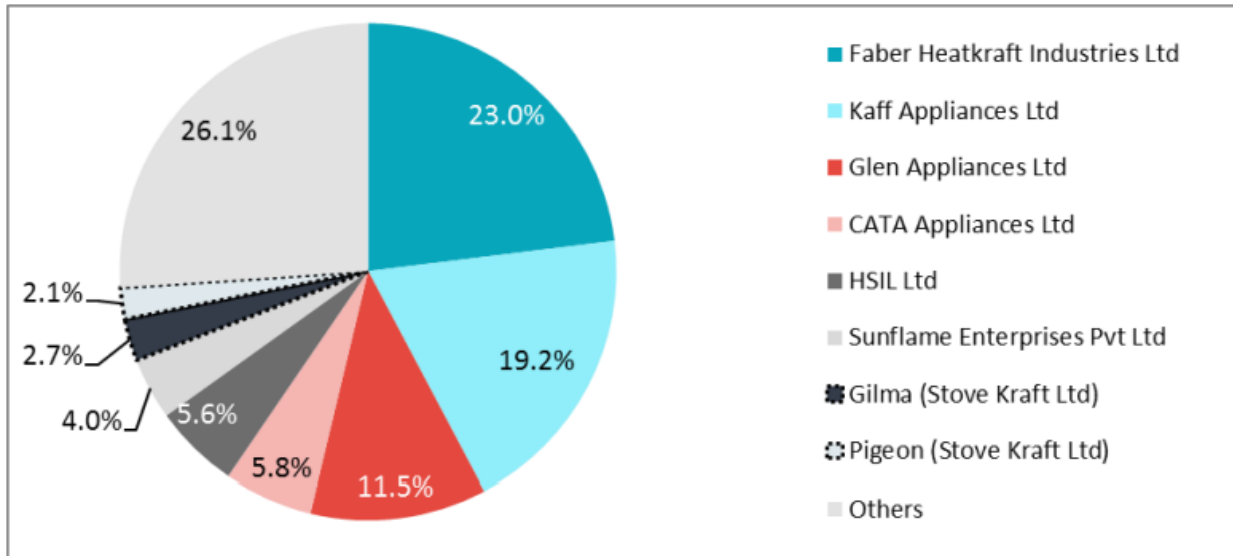
Brand Share 2020 (By Volume): 'Free-Standing' Hobs:



Source: Euro-monitor and Frost & Sullivan Analysis

**In year 2020, 'Free-Standing' Hobs market recorded 10 million units' retail volume sales clocking total retail sales value of INR 55 billion( INR 5500 Cr. ). \*Including LPG Gas Stoves**

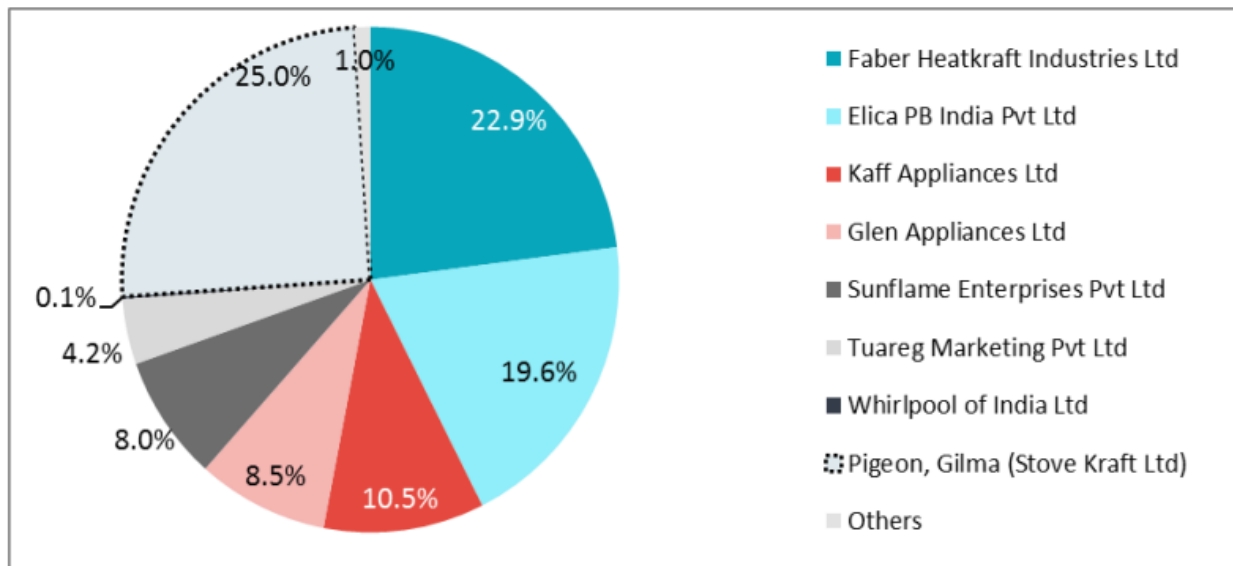
Brand Share 2020 (By Volume): Built-In Hobs:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, Built-In Hobs market recorded 0.28 million units' retail volume sales clocking total retail sales value of INR 4.7 billion( INR 470 Cr. ).

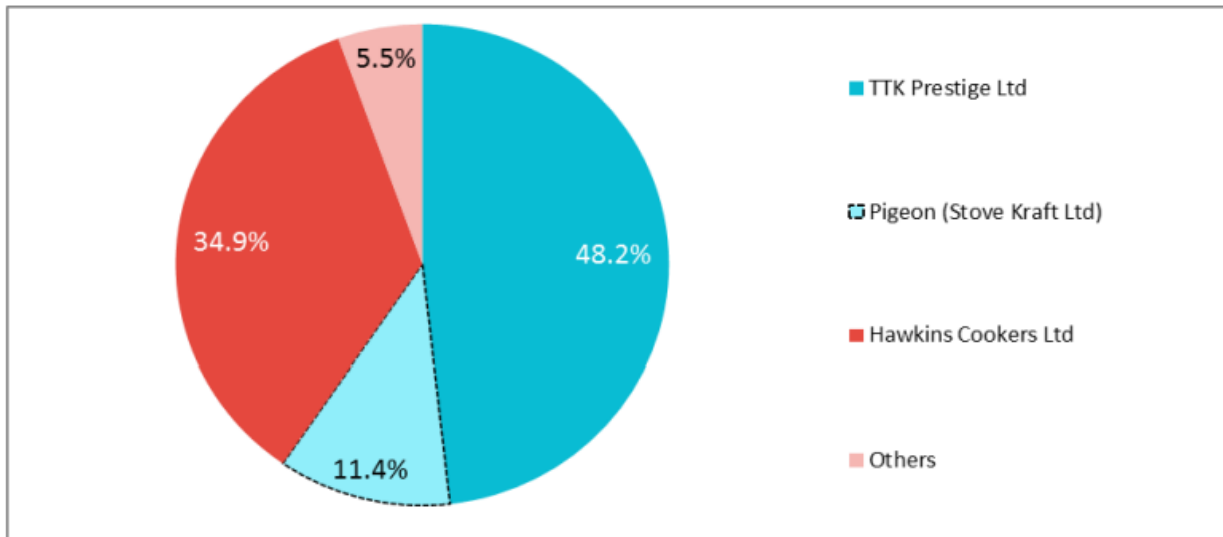
Exhibit 30: Brand Share 2020 (By Volume): Cooktops:



Source: Euro-monitor and Frost & Sullivan Analysis

India cooktops market stood at INR 25.6 billion( INR 2560 Cr. ) 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.

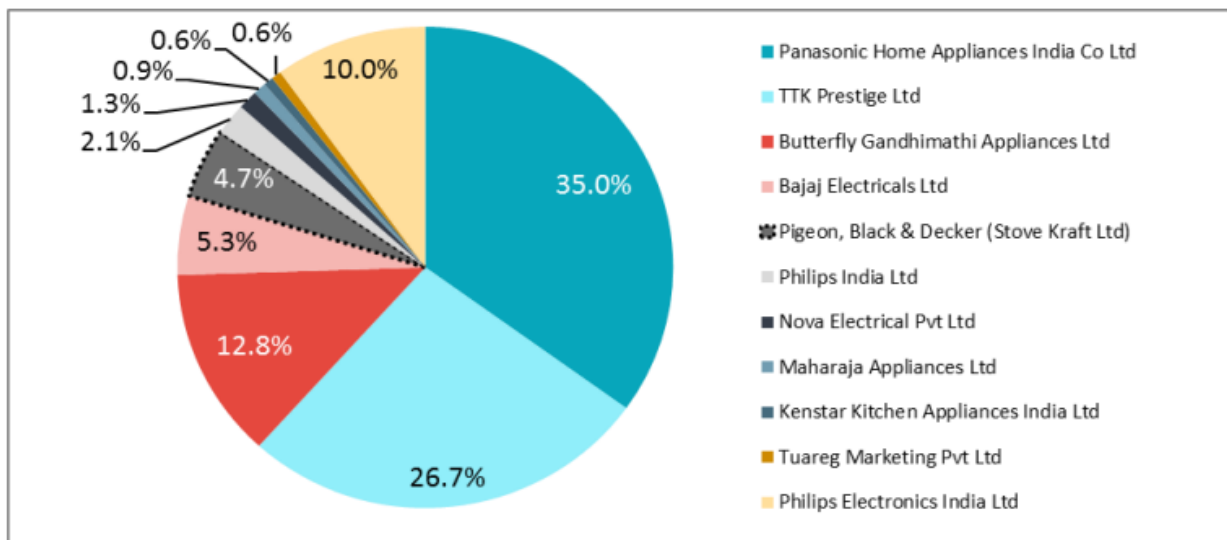
Brand Share (by Volume) 2020: Pressure Cookers:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, **Pressure Cookers market** recorded 30.1 million units' retail volume sales clocking total retail sales value of **INR 17.73 billion( INR 1773 Cr. )**.

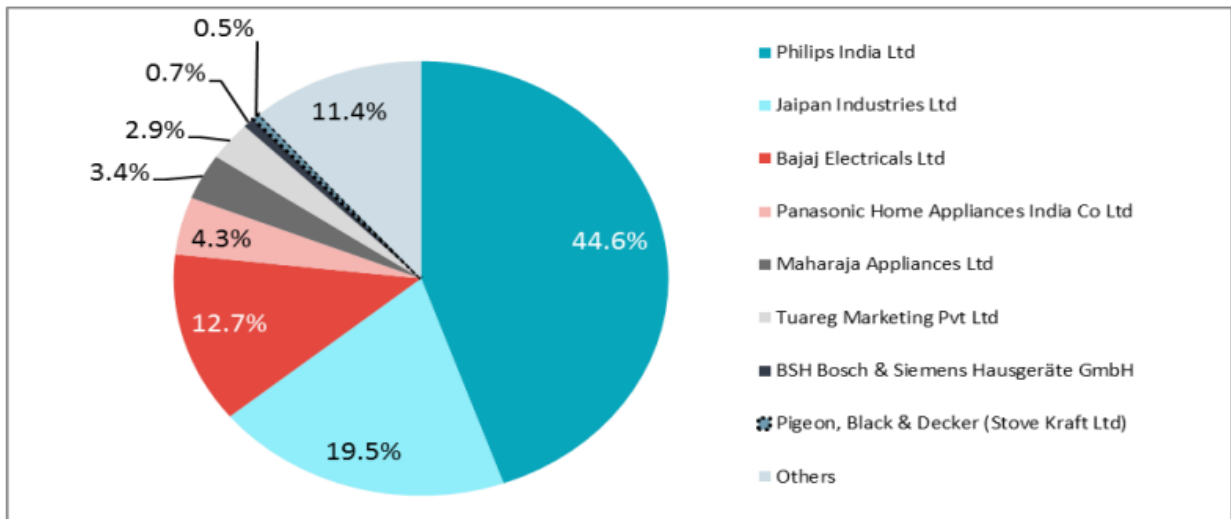
Brand Share (by Volume) 2020: Electric Rice Cookers:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, **Electric Rice Cookers market** recorded 2.1 million units' retail volume sales clocking total retail sales value of **INR 4.42 billion( INR 442 Cr. )**.

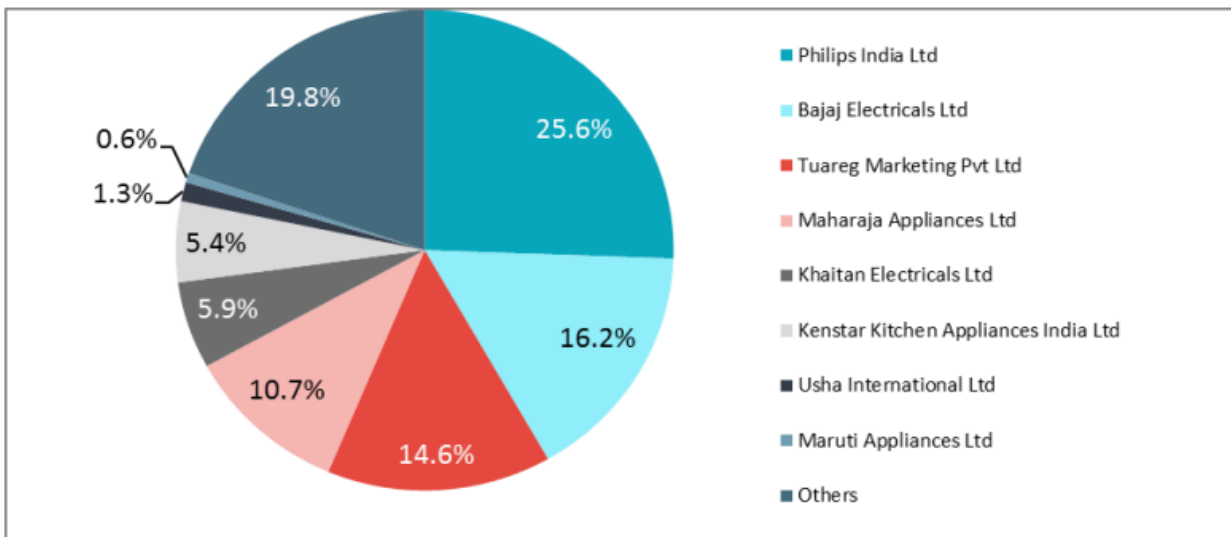
Brand Share (by Volume) 2020: Blenders:



Source: Euro-monitor and Frost & Sullivan Analysis

**In year 2020, Blenders market** recorded 1.2 million units' retail volume sales clocking total retail sales value of **INR 3.62 billion( INR 362 Cr. )**.

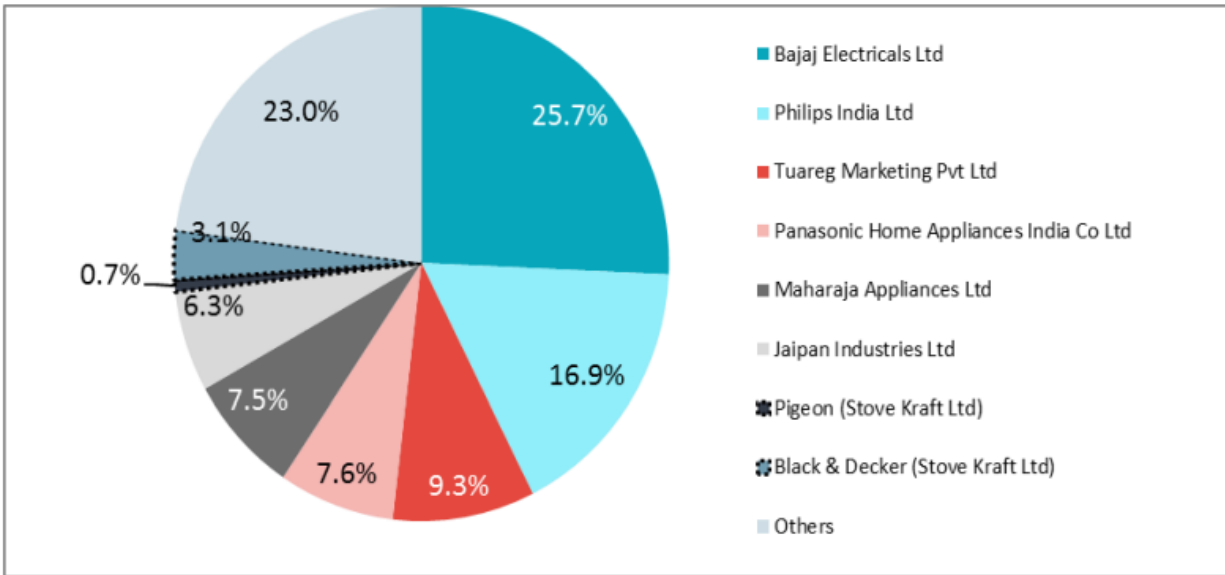
Brand Share (by Volume) 2020: Food Processors:



Source: Euro-monitor and Frost & Sullivan Analysis

**In year 2020, Food Processors market** recorded 2.3 million units' retail volume sales clocking total retail sales value of **INR 12.28 billion( INR 1228 Cr. )**.

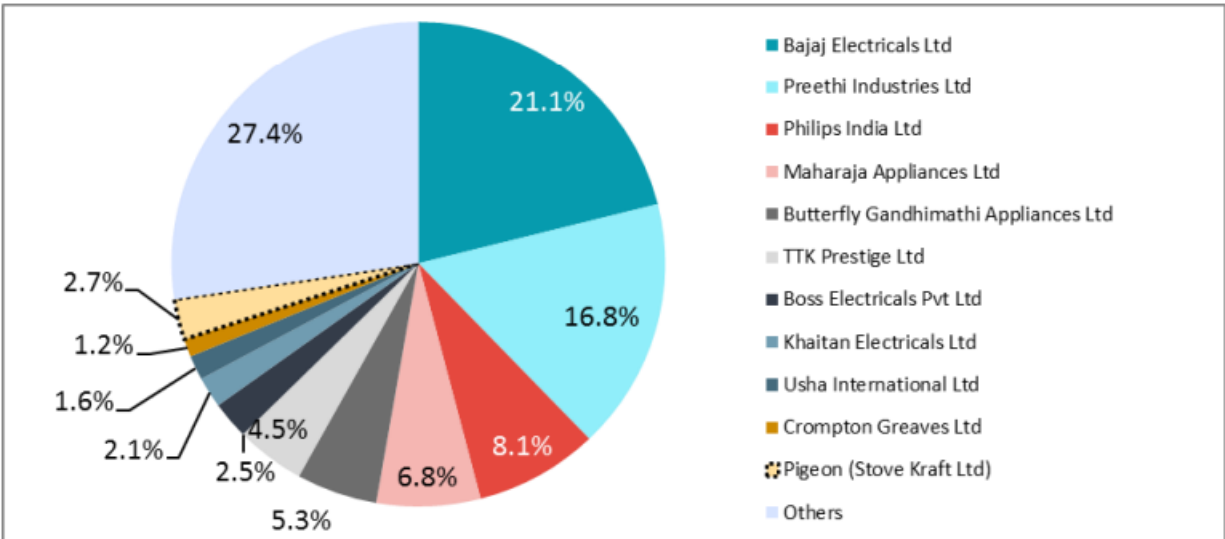
Brand Share (by Volume) 2020: Juice Extractors:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, Juice Extractors market recorded 0.24 million units' retail volume sales clocking total retail sales value of INR 0.97 billion( INR 97 Cr. ).

Brand Share (by Volume) 2020: Mixer-Grinder

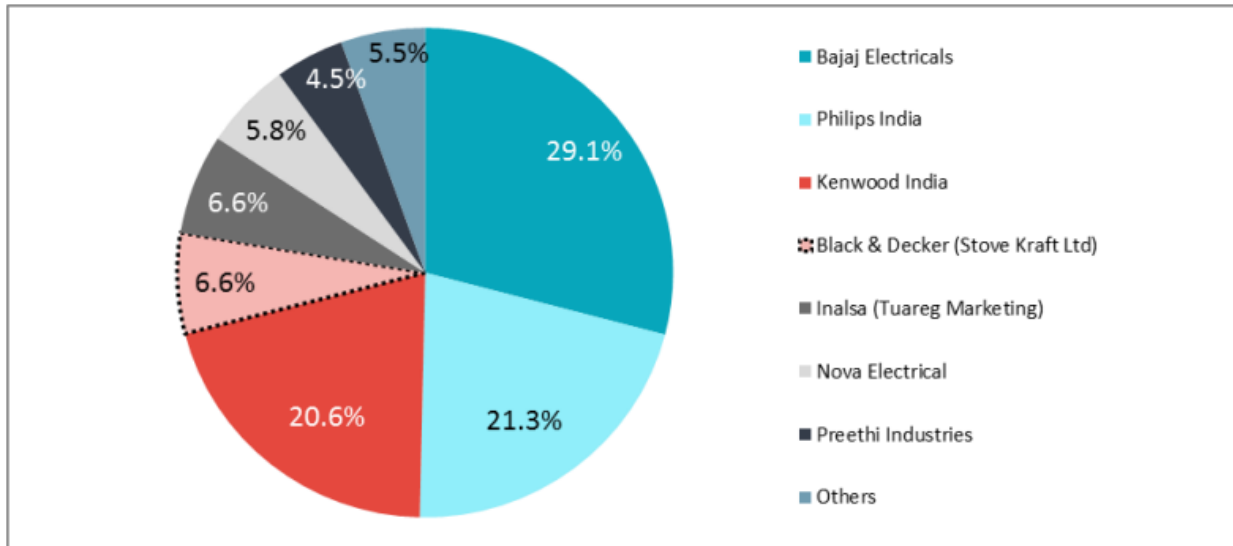


Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, Mixer-Grinder market recorded 13.8 million units' retail volume sales clocking total retail sales value of INR 44.35 billion( INR 4435 Cr. ).



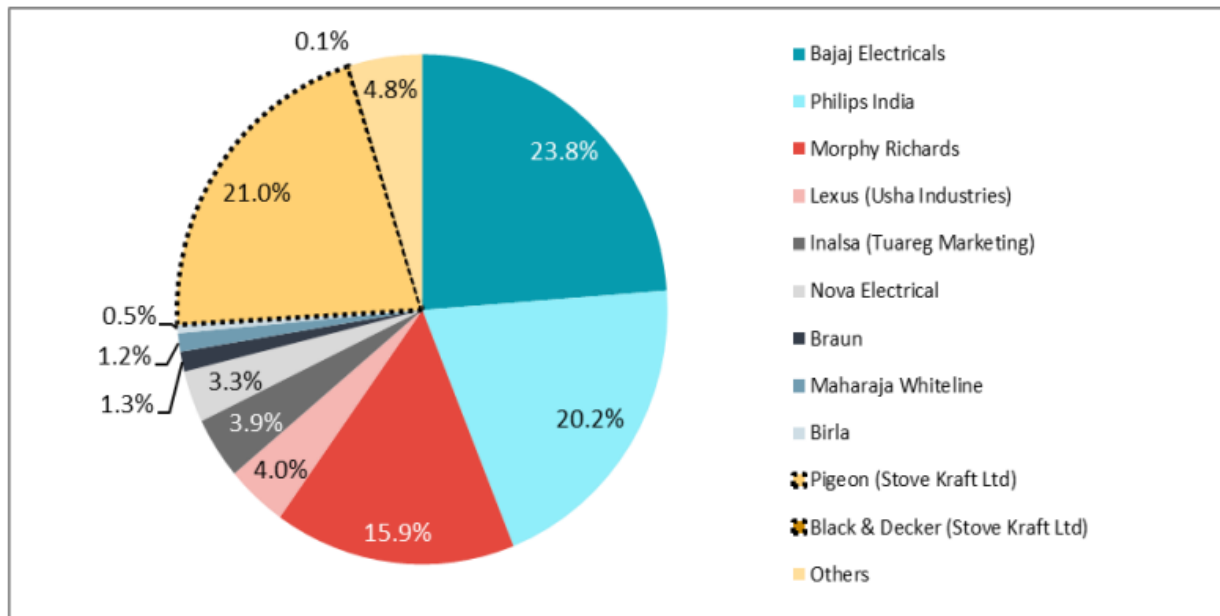
Brand Share (by Volume) 2020: Coffee Maker:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, Coffee Maker market recorded 0.32 million units' retail volume sales clocking total retail sales value of INR 1.24 billion( INR 124 Cr. ).

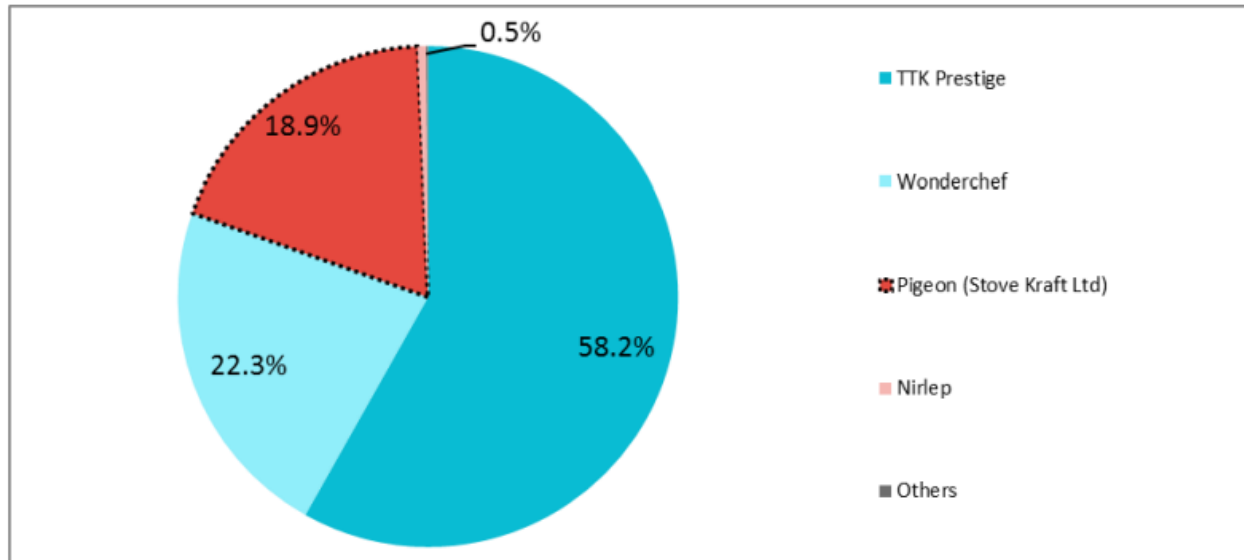
Brand Share (by Volume) 2020: Electric Kettles:



Source: Euro-monitor and Frost & Sullivan Analysis

In year 2020, Electric Kettles market recorded 0.75 million units' retail volume sales clocking total retail sales value of INR 1.48 billion( INR 148 Cr. ). 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.

### Brand Share (by Volume) 2020: Non-Stick Cookware:



Source: Euro-monitor and Frost & Sullivan Analysis

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( INR 77.6 Cr. ) for its 'Non-Stick Cookware' category through brand Pigeon.**

### Competitive Advantages / MOAT

The **integration of our supply chain and distribution network with our manufacturing facilities provides us with a competitive advantage** over other players in the Indian kitchen appliances industry. Our manufacturing facilities in Bengaluru and Baddi are well connected with nine strategically located C&F agents. Additionally, we have 646 distributors across India. The C&F agents and distributors are, in turn, connected with a dealer network comprising over 61,400+ retail outlets, which are driven through a sales force of 560+ personnel.

Our focus on **quality is maintained at all stages** - right from the sourcing of raw materials, which is undertaken from manufacturers to the product development and manufacturing stage, which is subject to rigorous review and monitoring process. We have a dedicated sourcing team and quality assurance team to closely monitor the quality of products that are sourced by us from third-party OEMs. A **dedicated in-house R&D facility and progressive R&D investments** have enabled us to deliver relevant product innovations and add segments based on shifts in consumer preferences and market demand.

### Risk Factors

Being a manufacturing company, Stove Kraft **has high expenses**. The company **sources its raw materials from third parties** with whom it does **not have long-term contracts** or price guarantees. The primary raw materials for the company are steel and aluminium, and is to that

extent **exposed to commodity price risk. Cost of Goods Sold comprises of around 65% of revenues** for the last 12 months. Therefore, an increase in the cost of acquiring raw materials for any reason can impact its profitability.

In general, kitchen appliances is a **very competitive field** since the products are low on technological sophistication and **does not require heavy capital investment**. Hence **margins are low** and companies need to constantly innovate and bring out newer and newer products into the market. Companies also need to spend a lot on advertising, promotions and brand building.

## Financial Analysis:

The company **operating profit margin is increasing** gradually.

**The receivables and inventories are increasing.**

The company has experienced **negative cash flows from operating activities in the past**. Sustained negative cash flow could impact its growth and business.

## Management Analysis:

Founder and CEO

The founder of the Company, Rajendra Gandhi, is a first-generation entrepreneur with over 21 years of experience in the kitchen appliances and home appliances industry.

Rajendra Gandhi

Designation: Managing Director

Address: 203, Olympus 1, Prestige Acropolis, No. 20, Hosur Road, Bengaluru, 560 029, Karnataka, India

Date of Birth: December 27, 1967

Age: 53 years

Occupation: Business

Term: Liable to retire by rotation

Period of Directorship: Director since 1999

DIN: 01646143

Other directorships : Pigeon Appliances Private Limited

Compensation and benefits( 2020 ):

Total gross compensation of ₹9.28 million per annum includes, inter alia, house rent allowance of ₹0.14 million per month, medical allowance of ₹0.015 million and conveyance allowance ₹0.019 million per annum.

Promoter is buying company share and also **increasing share pledging**.

## Valuation Analysis:

Currently **valuation is high** compared to industry margin and lower barrier to entry.

## Important Info/Updates:

Recently, company has announced an **entry into electric switches and accessories segment through acquisition of business of Bengaluru-based Skava Electric Pvt Limited** through slump sale for a consideration of Rs.4 crores. This will help the company foray into the business of manufacturing low voltage switchgear solutions like electrical switches, sockets, distribution boxes, switch boards, M.C.B, bulb holders, etc. For FY21, Skava recorded revenues of Rs.10 crores.

With this acquisition, Stove Kraft will cater to the mid-segment Electric Switches & Accessories segment and **aims to capture a market share of 3 per cent in the next three fiscal years (Jan 2022-25)**.

The company **acquired a manufacturing facility for modular furniture from Metsmith Innovations**, along with the entire operations and design team, for a consideration of D86 lakhs. The facility is in Bengaluru and additional investments of 4/5 Cr have been made in automating lines to enable higher productivity. The manufacturing of our **Ready to Assemble (RTA) kitchens** has commenced and they are being sold under the Pigeon and Gilma brands.

Company has also announced **foray into Branded Modular Kitchen Segment**. In a press release, the company said a Pigeon Ready-to-assemble (RTA) kitchen with plywood kitchen cabinets, granite top, kitchen sink, chimney, cooktop & accessories shall be available to the customer from April 2022 at an all delivered starting price of Rs.69,990/-.

The **modular kitchen industry** is currently highly **unorganised** so **provides huge growth potential**.

Asian Paints forays into Modular kitchen space. TTK Prestige also announced a foray into Modular Kitchen business.

Crompton Greaves Consumer Electricals completes 55% acquisition of Butterfly Gandhimathi Appliances( Stove Kraft peer ).

Thesis:

**If the company concentrates on the product segments having large market size or expanding market or market moving from unorganised to organised and use its well-connected distribution network and promoter expertise to capture market then the potential for the company is huge but it has to do it with keeping expenses low, making profit, generating positive cash flow and low debt/equity.**

Expected Execution( Few Quarters ):

The company **is not profitable** compared to its peers and has high debt so the company should **reduce its debt by increasing its profit.**

The company should **reduce receivables, inventories and promoter pledged shares** which are increasing.

The **valuation is too high** compared to industry.