

Stove Kraft Ltd (STOVEKRA)

Consumer Durables | 4QFY24 Result Update

ACCUMULATE

CMP: Rs497 | Target Price (TP): Rs500 | Upside: 0.6%

May 25, 2024

COCO stores to drive both topline and margins

Key Points

- While topline was in line with our estimates, EBITDA margin was above our estimates by 299bps due to lower-than-expected staff cost.
- The company opened 117 stores in FY24 v/s a target of 7-8 stores per month. The current total store count (as on 31st Mar'24) stands at 171.
- Sales channels such as GT (38% contribution), E-Commerce (31%), Modern Trade (12%), Exports (11%), Institutional/Corporate (5%), and Retail (3%) showed strong volume growth. Going forward, the focus will be on growing the Retail channel (Company Owned & Company Operated stores – COCO) as it is a comparatively higher margin segment.
- The management's strategy is to cater to the mass segment and offer them branded products at reasonable price points.
- FY25 topline guidance stands at ~19% (past 4-5 years topline CAGR), and the company aspires to touch a double digit margin – in the range of 10-11% – by FY25.
- We maintain ACCUMULATE with a revised TP of Rs500, valuing it at 17x Mar'26E EPS.

4QFY24 performance update: Topline increased by 17.0% YoY, mainly led by Induction Cooktop (up 63.0% YoY), Non-Stick Cookware (up 33.0% YoY) and Mixers / Small Appliances / Others (up 33.0% YoY). While gross margin expanded by 496bps YoY due to softer input costs and optimization of operations, EBITDA margin expanded by 550bps YoY due to lower than expected increase in staff cost (up 9.8%). A&P spend stood at Rs450mn in FY24 (similar to FY23 levels).

Higher backward integration enhanced gross margin: The company has been incurring capex for setting up manufacturing facilities for backward integration (capex for FY25 pegged at ~Rs500mn – including concluding capex, and thereon, a maintenance capex of ~Rs250mn FY26 onwards). This has aided gross margin expansion (up 496bps YoY to 36.9% in FY24). Gross margin is expected to remain at ~36-37% going forward.

Moves from COCO to COFO model to reduce capex going forward: The current COCO stores stand at 171 as at 31st March 2024 – added 31 stores in 4QFY24, and the average sales per store stood at ~Rs0.4mn per month. All new additional stores would be opened in the COFO model (along with conversion of the existing stores). The company plans to maintain a run rate of 30-35 COFO stores (15-18 stores already handed over to the COFO model YTD FY25). The Capex required for COFO stores would be funded from the deposits given by the franchise owner. The company is not expected to incur any cash outflow on COFO stores.

Est Change	Downward
TP Change	Upward
Rating Change	No Change

Company Data and Valuation Summary

Reuters	STOE.BO
Bloomberg	STOVEKRA IN
Market Cap (Rsbn / US\$mn)	16.4 / 196.6
52 Wk H / L (Rs)	579 / 410
ADTV-3M (mn) (Rs / US\$)	64.9 / 0.8
Stock performance (%) 1M/6M/1yr	15.4 / 3.6 / 1.7
Nifty 50 performance (%) 1M/6M/1yr	2.8 / 3.3 / 25.3

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	55.9	55.9	55.9
DII's	2.4	3.0	3.4
FII's	0.5	0.4	0.8
Others	41.2	40.7	39.9
Pro pledge	13.0	13.5	14.6

Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24E	FY25E	FY26E
Net Sales	12,838	13,643	16,218	19,275
Growth YoY (%)	13.0	6.3	18.9	18.9
Gross Margin (%)	32.7	36.9	37.0	37.2
EBITDA	990	1,188	1,573	2,043
EBITDA Margin (%)	7.7	8.7	9.7	10.6
Adj. PAT	358	341	567	962
Adj. PAT Margin (%)	2.8	2.5	3.5	5.0
Adj. PAT YoY Growth (%)	(36.7)	(4.7)	66.2	69.7
Adj. EPS (Rs)	10.8	10.3	17.2	29.1
ROCE (%)	13.9	12.5	16.1	21.6
ROCE (Post-Tax) (%)	10.5	9.4	12.0	16.2
ROE (%)	9.3	8.1	12.2	18.1
P/E	45.9	48.2	29.0	17.1
EV/EBITDA	17.7	14.9	11.7	8.5
P/B	4.1	3.7	3.4	2.9

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links –

[4QFY24 Results](#)

[4QFY24 Investor PPT](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1: 4QFY24 Consolidated Performance

Particulars (Rsmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	FY23	FY24
Net Sales	2,751	4,062	3,245	2,781	2,977	3,798	3,616	3,252	12,838	13,643
YoY Change (%)	28.4	11.9	8.9	6.4	8.2	(6.5)	11.4	17.0	13.0	6.3
Gross Profit	905	1,319	1,086	894	1,099	1,341	1,392	1,207	4,204	5,040
Margin (%)	32.9	32.5	33.5	32.2	36.9	35.3	38.5	37.1	32.7	36.9
EBITDA	216	460	254	59	240	400	301	248	990	1,188
YoY Change (%)	7.0	13.4	37.1	(62.0)	11.1	(13.2)	18.3	320.6	4.3	20.1
Margin (%)	7.8	11.3	7.8	2.1	8.0	10.5	8.3	7.6	7.7	8.7
Depreciation	66	73	83	94	103	116	129	146	317	493
Interest	30	34	40	62	42	64	59	75	165	240
Other income	(15)	(8)	(29)	17	16	3	(14)	(5)	(35)	1
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	105	345	102	(80)	111	223	99	22	472	456
PBT	105	345	102	(80)	111	223	99	22	472	456
Tax	25	86	24	(20)	29	58	32	(4)	115	114
ETR (%)	23.8	24.9	23.4	24.8	26.0	26.0	31.9	(19.1)	24.3	25.1
Reported PAT	80	259	78	(60)	82	165	68	27	357	341
Adj. PAT	80	259	78	(60)	82	165	68	27	357	341
YoY Change (%)	(40.6)	13.0	(29.9)	NA	2.1	(36.2)	(13.3)	NA	(36.4)	(4.5)
Adj. EPS	2.4	7.9	2.4	(1.8)	2.5	5.0	2.0	0.8	10.8	10.3

Source: Company, Nirmal Bang Institutional Equities Research; BEI = Before exceptional Items

Exhibit 2: 4QFY24 Segmental Performance

Particulars (Rsmn)	4Q23	3Q24	4Q24	YoY(%)	QoQ(%)	FY23	FY24	YoY(%)
Net Sales								
Pressure Cookers	712	698	698	(2.0)	(0.0)	3,085	2,867	(7.0)
LED	114	151	73	(36.1)	(51.8)	771	546	(29.2)
Induction Cooktop	317	559	517	63.0	(7.6)	1,557	1,785	14.7
Gas Cooktop	267	299	227	(15.0)	(24.1)	1,202	1,047	(12.9)
Non-Stick Cookware	375	592	499	33.0	(15.7)	2,273	2,538	11.7
Mixers / Small Appliances / Others	995	1,489	1,324	33.0	(11.1)	3,952	5,115	29.4
Sales Mix (%)								
Pressure Cookers	25.6	18.4	20.9	-	-	24.0	20.6	-
LED	4.1	4.0	2.2	-	-	6.0	3.9	-
Induction Cooktop	11.4	14.8	15.5	-	-	12.1	12.8	-
Gas Cooktop	9.6	7.9	6.8	-	-	9.4	7.5	-
Non-Stick Cookware	13.5	15.6	15.0	-	-	17.7	18.3	-
Mixers / Small Appliances / Others	35.8	39.3	39.7	-	-	30.8	36.8	-

Source: Company, Nirmal Bang Institutional Equities Research

Key Concall Highlights:

- The management expects to maintain a topline growth rate of ~19% (past 4-5 years CAGR) for FY25.
- It is positive on achieving ~10%-11% EBITDA margins in the medium term.
- Currently the company has 171 COCO stores (added 31 stores in 4QFY24). The management states that this number will remain constant and newly added stores will be based on the COFO model to reduce the capex. Average sales/store has increased to Rs0.392mn/month for the quarter.
- In 4QFY24 general trade emerged as the primary revenue contributor, accounting for 38% of the total revenue. E-commerce was 31%, Modern trade 12% and Exports 11%. And corporate sales and direct retail business made smaller contributions of 5% and 3%, respectively.
- Cookers showed volume growth of 18%, gas cooktops -3%, nonstick cookware 61%, induction cooktops 37% and small appliances 17% for the quarter on YoY basis.
- Softening of input costs,--aluminum affected growth on value basis but helped improve gross margins.
- In 4QFY24 the company expanded its product offering by introducing new variants of products, such as Pigeon Healthify+ - Air Fryer 1400W -, Pigeon Cast Iron Cookware, and Pigeon Hobs.
- The management states that in terms of value, currently ~91%-92% of the products are being manufactured in-house.
- It does not expect any conflict between company owned stores and other distribution channels. The management highlighted that regions with new store additions also saw an increase in revenue from general trade.
- WC days as on March'24 stood at 59 days as compared to 63 days on March'23.
- The management said that they will conclude the capex cycle in FY25 with capex of ~Rs500mn for that year and going forward expects to maintain the capex rate at ~Rs250mn/year.
- The management added that the surplus cash as a result of limiting capex, will be used to repay debt.
- Going forward, it does not expect any significant increase in the staff cost.

Exhibit 3: Change in Earnings Estimates

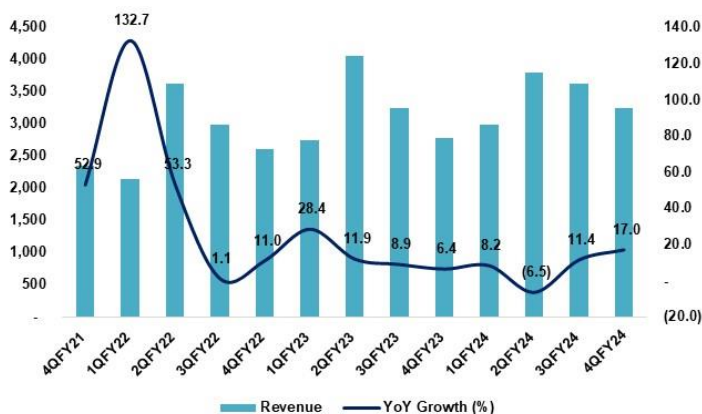
Description (Rsmn)	Changes in Estimates					
	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Net Sales	15,840	16,218	2.4	18,955	19,275	1.7
EBITDA	1,457	1,573	8.0	1,952	2,043	4.7
EBITDA Margin (%)	9.2	9.7	50 bps	10.3	10.6	30 bps
Adj. PAT	633	567	(10.4)	1,003	962	(4.1)
Adj. EPS	19.2	17.2	(10.7)	30.4	29.1	(4.3)

Source: Nirmal Bang Institutional Equities Research

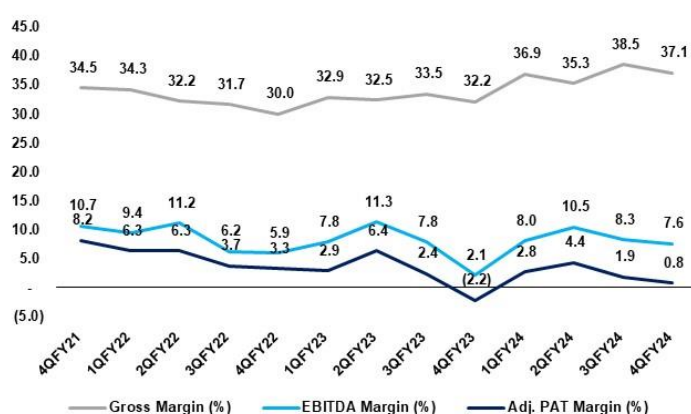
Exhibit 4: Actual Performance v/s NBIE & Consensus Estimates

4QFY24 (Rs Mn)	Actuals	Our Estimate	Deviation (%)	BBG Estimates	Deviation (%)
Net Sales	3,252	3,218	1.1	3,288	(1.1)
EBITDA	248	149	66.4	268	(7.5)
EBITDA Margin (%)	7.6	4.6	299 bps	8.2	(53) bps
Adj. PAT	27	16	70.3	103	(74.2)

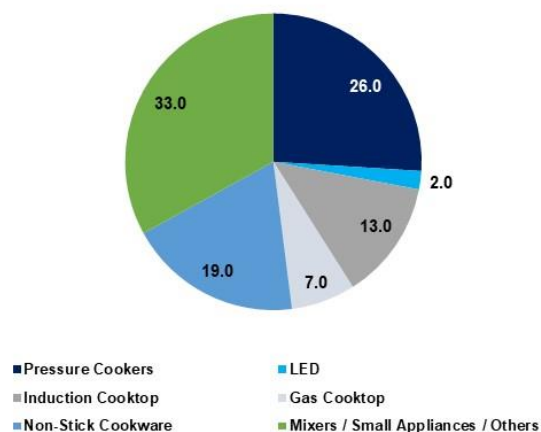
Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 5: Revenue Trend


Source: Bloomberg, Nirmal Bang Institutional Equities Research

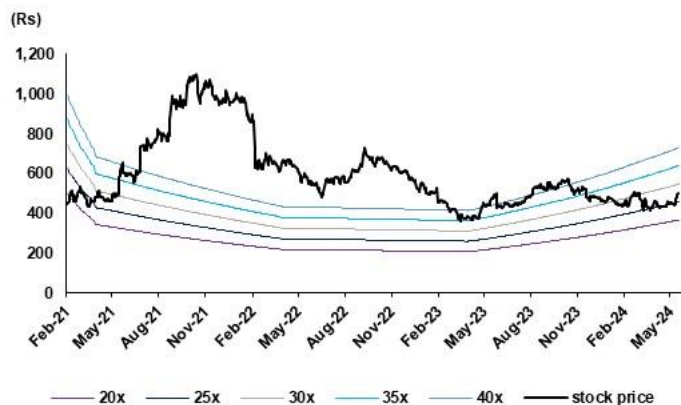
Exhibit 6: Margin Trend


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 7: 4QFY24 Revenue Mix


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 8: 1-Yr Forward PE



Source: Bloomberg, Nirmal Bang Institutional Equities Research



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 9: Income Statement

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	11,364	12,838	13,643	16,218	19,275
% Growth	32.3	13.0	6.3	18.9	18.9
RM Costs	7,734	8,634	8,604	10,217	12,105
Gross Profit	3,629	4,204	5,039	6,001	7,170
Gross Margin (%)	31.9	32.7	36.9	37.0	37.2
Staff Cost	1,124	1,429	1,666	2,076	2,429
Other Expenses	1,557	1,785	2,186	2,352	2,699
EBITDA	948	990	1,188	1,573	2,043
% Growth	(15.9)	4.4	20.0	32.4	29.9
EBITDA Margin (%)	8.3	7.7	8.7	9.7	10.6
Other Income	-16	-35	1	20	20
Interest	110	165	240	286	208
Depreciation	197	317	493	550	570
Profit Before Tax	625	473	455	758	1,285
Tax	63	115	114	191	324
Reported Net Profit	562	358	341	567	962
Adj. Net Profit	562	358	341	567	962
Adj. PAT Margin	4.9	2.8	2.5	3.5	5.0
Adj. EPS (Rs)	17.1	10.8	10.3	17.2	29.1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Cash Flow

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
EBIT	751	673	695	1,023	1,473
(Inc)/Dec in Working Capital	(269)	62	654	(1,180)	(182)
Cash Flow From Operations	482	735	1,349	-157	1,291
Other Income	-16	-35	1	20	20
Depreciation	197	317	493	550	570
Tax Paid (-)	(95)	(97)	(125)	(191)	(324)
Net Cash From Operations	569	920	1,718	222	1,558
Capital Expenditure (-)	(1,016)	(1,206)	(1,784)	(454)	(200)
Net Cash After Capex	-447	-286	-67	-232	1,358
Interest Paid (-)	(110)	(165)	(240)	(286)	(208)
Dividends Paid (-)	-	-	(83)	(83)	(99)
Inc./Dec. in Total Borrowings	280	504	170	592	(1,050)
(Inc.)/Dec. in Investments	(29)	0	61	-	-
Cash from Financial Activities	144	341	(91)	224	(1,357)
Others	51	36	100	0	0
Opening Cash	373	121	198	150	142
Closing Cash	121	198	150	142	143
Change in Cash	-253	77	-47	-8	1

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Balance Sheet

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	329	330	331	331	331
Reserves	3,311	3,703	4,062	4,546	5,409
Net Worth	3,640	4,034	4,392	4,876	5,739
Total Loans	784	1,288	1,458	2,050	1,000
Deferred Tax Liability Net	(32)	(14)	(25)	(25)	(25)
Liabilities	4,392	5,308	5,826	6,902	6,715
Net Block	3,094	3,980	5,071	5,021	4,751
Capital Work-In-Progress	92	95	296	250	150
Intangible Assets	30	42	31	31	31
Long-Term Investments	82	81	20	20	20
Inventories	2,174	2,433	3,203	3,332	3,697
Debtors	967	1,409	1,463	1,555	1,848
Cash	121	198	150	142	143
Other Current Assets	694	723	710	730	867
Total Current Assets	3,955	4,763	5,526	5,759	6,555
Creditors	1,274	1,775	2,606	2,379	2,653
Other Current Liabilities	1,587	1,879	2,513	1,800	2,140
Total Current Liabilities	2,861	3,653	5,119	4,180	4,793
Net Current Assets	1,094	1,110	408	1,580	1,763
Total Assets	4,392	5,308	5,826	6,902	6,715

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E
Per share (Rs)					
EPS	17.1	10.8	10.3	17.2	29.1
Book value	110.7	122.1	132.9	147.5	173.6
Valuation (x)					
P/E	29.1	45.9	48.2	29.0	17.1
P/BV	4.5	4.1	3.7	3.4	2.9
EV/EBITDA	18.0	17.7	14.9	11.7	8.5
EV/Sales	1.5	1.4	1.3	1.1	0.9
Return ratio (%)					
RoCE	19.0	13.9	12.5	16.1	21.6
RoCE (Post Tax)	17.0	10.5	9.4	12.0	16.2
RoE	16.9	9.3	8.1	12.2	18.1
RoIC	20.6	14.6	13.0	16.5	22.2
Profitability ratio (%)					
EBITDA margin	8.3	7.7	8.7	9.7	10.6
EBIT margin	6.6	5.2	5.1	6.3	7.6
PAT margin	4.9	2.8	2.5	3.5	5.0
Turnover ratio					
Total asset turnover ratio (x)	2.6	2.4	2.3	2.3	2.9
Fixed asset turnover ratio (x)	3.3	2.8	2.2	2.4	2.7
Debtor days	31	40	35	35	35
Inventory days	70	69	70	75	70
Creditors days	60	75	75	85	80
Solvency ratio (x)					
Net Debt-equity	0.2	0.3	0.3	0.4	0.1
Debt-equity	0.2	0.3	0.3	0.4	0.2
Interest coverage	6.8	4.1	2.9	3.6	7.1

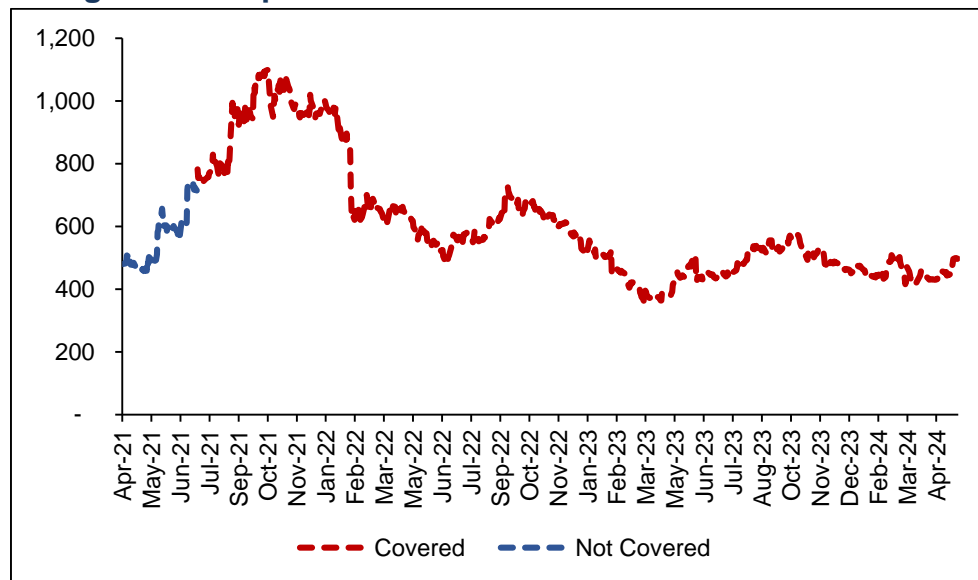
Source: Company, Nirmal Bang Institutional Equities Research

Rating Track

Date	Rating	Market price	Target price (Rs)
13 July 2021	Buy	723	900
01 August 2021	Buy	772	900
25 September 2021	Buy	961	1,123
03 November 2021	Buy	1,023	1,200
09 February 2022	Buy	724	1,000
21 February 2022	Buy	669	960
02 June 2022	Buy	548	760
05 August 2022	Buy	552	810
19 September 2022	Buy	703	960
09 November 2022	Buy	635	980
03 February 2023	Buy	525	720
22 March 2023	Buy	356	535
31 May 2023	Buy	438	535
31 July 2023	Accumulate	488	525
08 November 2023	Accumulate	501	525
11 February 2024	Accumulate	464	470
25 May 2024	Accumulate	497	500

Coverage was transferred to Natasha Jain with effect from 1st July 2023

Rating Track Graph



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BUY > 15%

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