

Stove Kraft Ltd : Average Issue

IPO Note : Leading brand for Kitchen Appliances: Higher Valuation based on FY20 EPS and Negative Net worth with Higher debt : Ranking**



Issue details

Price band (Rs)	Rs.384-385
IPO Opening Date	25/01/21
IPO Closing Date	28/01/21
Issue Size	Rs.412.63 Cr.

Recommendation

On the financial performance front, for the last three fiscals, SKL has reported total turnover/net profit (Loss) of Rs. 534.59 cr. / Rs. - (12.02) cr. (FY18), Rs. 642.60 cr. / Rs. 0.74 cr. (FY19) and Rs. 672.91 cr. / Rs. 3.17 cr. (FY20). For the six months of FY21 ended on September 30, 2020, it has earned a net profit of Rs. 28.78 cr. on a turnover of Rs. 329.51 cr. As well as a sudden jump in the bottom line in the IPO year is surprising in a pandemic periods. Will the company be able to sustain such spectacular performance going forward is a million-dollar question. As per the offer documents, SKL has shown TTK Prestige, Hawkins Cookers and Butterfly Gandhimati as its listed peers. They are currently trading at a P/Es of around 56.95, 48.15 and 464.73. Considering annualized FY21 earnings the asking price it at a P/E of around 27.46, but based on FY20 earnings, the asking price is at a P/E of around 500 and is at negative P/E based on last three fiscals negative average. If we consider FY20 performance, **Higher valuation based on FY20 EPS and Negative Net-worth with Higher debt, one can ignore this issue.**

Highlights

- Stove Kraft Ltd. (SKL) is a kitchen solution and an emerging home solutions brand.
- it is one of the leading brands for kitchen appliances in India, and one of the dominant players for pressure cookers and amongst the market leaders in the sale of free-standing hobs and cooktops.
- SKL's flagship brands, Pigeon and Gilma, have enjoyed a market presence of over 15 years and enjoy a high brand recall amongst customers for quality and value for money.
- The issue is priced aggressively based on FY20 performance.
- Sustainability of super-profits shown in H1 FY21 is a major concern.
- SKL's flagship brands, Pigeon and Gilma, have enjoyed a market presence of over 15 years and enjoy a high brand recall amongst customers for quality and value for money

Company Introduction

Stove Kraft is one of the largest Kitchen appliance suppliers in India. The company manufactures and sells kitchen solutions under the brand name of "Pigeon" and "Gilima" brands and planning to manufacture value, premium, and semi-premium kitchen supplies under the "Black + Decker" brand. Its product portfolio has 660+ kitchen solutions including cookware, cooking appliances, household utilities, and others. In 2019, it also started manufacturing Pigeon LED products.

The company has a strong distribution network as under the "Pigeon" brand, it has 651 distributors in 27 states and 5 union territories and 12 distributors for exports and under the "Gilima" brand, it has 65 stores across 4 states and 28 cities. It not just distribute its products in the Indian market but also export them to countries like the USA, Mexico, Kenya, Qatar, Sri Lanka, Fiji, Bahrain, Kuwait, etc.

Stove Kraft has manufacturing facilities at Bengaluru



Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	329.50	672.91	642.59	534.59
Net Profit	28.77	3.17	0.73	-12.09
EPS (Rs)	8.83	0.97	0.22	-

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

(Karnataka) and Baddi (Himachal Pradesh). All Pigeon and Gilima branded appliances are manufactured at its Bengaluru unit and the Baddi facility focuses on Oil Company Business (OCB) to manufacture products like LPG stoves, inner lid cooker, etc.

Company Promoters:

Rajendra Gandhi and Sunita Rajendra Gandhi are the company promoters.

Objects of the Issue:

The IPO proceed will be used for the following purposes;

- To make the repayment or prepayment payment of company's borrowings fully or partially
- To meet general corporate purposes.

IPO Issue Proceed

To part finance its plans of repayment/prepayment of certain borrowings (Rs. 76 cr.) and general corpus fund needs, SKL is coming out with a maiden combo IPO consisting fresh equity (approx 2467568 shares) issue worth Rs. 95 cr.) as well as offer for sale (8250000 equity shares) to mobilize Rs. 411.55 to Rs. 412.63 cr. based on lower and upper price bands. The company has fixed price band of Rs. 384 - Rs. 385 per share for equity shares having face value of Rs. 10. Minimum application is to be made for 38 shares and in multiples thereon, thereafter. The issue opens for subscription on January 25, 2021, and will close on January 28, 2021. Post allotment shares will be listed on BSE and NSE. The issue constitutes 32.93% of the post issue paid-up equity capital of the company. Post issue, SKL's current paid-up equity capital of Rs. 30.08 cr. will stand enhanced to Rs. 32.55 cr. Based on the upper price band of the issue, the company is looking for a market cap of Rs. 1253.11 cr.

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