



STOVE KRAFT LIMITED

Issue highlights

- Incorporated on June 28, 1999, **Stove Kraft Limited** (“Stove Kraft”) is the kitchen solutions and an emerging home solutions brand and one of the leading brands for kitchen appliances in India and one of the dominant players for pressure cookers and a market leader in the sale of free standing hobs and cooktops. Stove Kraft is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under the **Pigeon** and **Gilma** brands, and proposes to commence manufacturing of kitchen solutions under the **BLACK + DECKER** brand, covering the entire range of value, semi-premium and premium kitchen solutions, respectively.
- The kitchen solutions comprise of cookware and cooking appliances across their brands, and the home solutions comprise various household utilities, including consumer lighting. **Pigeon** branded products 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. The **Gilma** portfolio comprises chimneys, hobs and cooktops across price ranges and designs.
- In addition to their established presence in the value and semi-premium segments through the **Pigeon** and **Gilma** brands, Stove Kraft also entered the premium segment in 2016 pursuant to their exclusive **BLACK + DECKER** Brand Licensing Agreement with Stanley Black & Decker, Inc. and The Black and Decker Corporation.
- Stove Kraft has 2 manufacturing facilities, one each in Bengaluru, Karnataka and Baddi, Himachal Pradesh. As of September 30, 2020, they manufacture 79.75% of their **Pigeon** and **Gilma** branded products (in terms of number of units) at their well-equipped and backward integrated manufacturing facilities.
- Stove Kraft has a separate distribution network for each of their **Pigeon**, **Gilma** and **BLACK + DECKER** brands. Further, there is a separate distribution network for the **Pigeon** LED products. They have 651 distributors in more than 27 states of India and 5 union territories of India and 12 distributors for their products that are exported as of September 30, 2020.

Brief Financial Details*

(₹ In Cr)

	As at Sep'30,		As at Mar' 31,		
	2020(6)	2019(6)	2020(12)	2019(12)	2018(12)
Equity Share Capital	24.72	24.72	24.72	24.72	18.90
Reserves as stated	(54.66)	(83.75)	(84.90)	(88.66)	(199.00)
Net worth as stated	(29.94)	(59.03)	(60.18)	(63.95)	(180.10)
Long Term Borrowings	205.44	206.18	204.83	210.03	311.31
Short Term Borrowings	94.13	111.41	122.06	99.94	80.96
Revenue from Operations	328.84	315.51	669.86	640.94	528.95
Revenue Growth (%)	4.27%	-	4.51%	21.17%	-
EBITDA as stated	45.06	18.76	33.79	29.82	9.97
Profit Before Tax	28.78	4.75	3.53	1.22	(12.56)
Net Profit for the period	28.78	4.39	3.17	0.74	(12.02)
Net Profit (%) as stated	9.02%	2.79%	3.99%	4.23%	5.17%
EPS –Basic (₹) as stated	11.64	1.77	1.28	0.33	(6.35)

Source: RHP, * Restated Statement, Ratios calculated for 30th Sep' 2020 & 30th Sep' 2019 are not annualised

Issue Details

Fresh Issue of Equity shares aggregating upto ₹ 95 Cr and Offer for sale of upto 8,250,000 Equity Shares.

Issue highlights

Issue size: ₹ 411.80 Cr – 412.65 Cr
No. of shares: 10,723,958-10,717,532 Shares
Face value: ₹ 10

Issue summary

Price band: ₹ 384 - 385
Bid Lot: 38 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 1,250 Cr – 1,253 Cr

BRLMs: Edelweiss Financial, JM Financial
Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Monday, 25th Jan' 2021

Issue closes on: Wednesday, 28th Jan' 2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	02-02-2021
Refunds/Unblocking ASBA Fund	03-02-2021
Credit of equity shares to DP A/c	04-02-2021
Trading commences	05-02-2021

Listing : BSE and NSE

Issue break-up

Cat	No. of Shares		₹ In Cr		% of Issue
QIB*	8,042,970	8,038,150	308	309	75%
NIB	1,608,593	1,607,629	62	62	15%
Retail	1,072,395	1,071,753	41	41	10%
Total	10,723,958	10,717,532	412	413	100%

* Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.

Shareholding (No. of Shares)

Pre issue*	Post issue~	Post issue^
30,080,631	32,554,589	32,548,163

~@ Lower price Band ^ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoters Gr	61.31%	54.36%
Public	38.69%	45.64%
Total	100.00%	100.00%

BACKGROUND

The company was incorporated as “Stove Kraft Private Limited” on June 28, 1999 at Bengaluru, Karnataka, India. Rajendra Gandhi and Sunita Rajendra Gandhi are the Promoters of the company. The Promoters hold an aggregate of 18,443,919 Equity Shares, aggregating to 61.31% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Shareholding of the Promoters and the Selling Shareholders

Selling Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Rajendra Gandhi– Promoter Selling Shareholder	18,184,619	60.45	690,700	17,493,919	53.75%
Sunita Rajendra Gandhi- Promoter Selling Shareholder	259,300	0.86	59,300	200,000	0.61%
Neha Gandhi – Promoter Group Shareholder	1	-	-	1	0.00%
Total for Promoter Shareholder	18,443,920	61.31	750,000	17,693,920	54.36%
SCI -Investor Selling Shareholder	9,252,967	30.76	6,007,920	3,245,047	9.97%
SCI-GIH - Investor Selling Shareholders	2,297,995	7.64	1,492,080	805,915	2.48%
Public – Others	85,749	-		10,803,281	33.19%
Total for Public Shareholder	11,550,962	38.69%		14,854,243	45.64%
Total Equity Share Capital	30,080,631	100.00%	8,250,000	32,548,163	100.00%

No. of shares offered are @ upper price band

Average cost of acquisition of Equity Shares of the Promoter and each of the Selling Shareholders as on the date.

Name	No. of Equity Shares held	Average cost of acquisition per equity share (in ₹)*
<i>Promoters and Promoter Selling Shareholders</i>		
Rajendra Gandhi	18,184,619	8.49
Sunita Rajendra Gandhi	259,300	3.18
<i>Investor Selling Shareholders</i>		
SCITN V LLP	9,252,967	113.48
SCI-GIH	2,297,995	239.34

Rajendra Gandhi is the Promoter, Managing Director of the company. He is founder of the company and has been on the Board since 1999.

Bharat Singh is the Nominee Director of SCI and SCI-GIH on the Board of the company. He has previously worked as the chief financial officer of Pilani Soft Labs Pvt. Ltd.(also known as redBus) and SBI Business Process Management Services Pvt. Ltd. (formerly known as GE Capital Business Process Management Service Pvt. Ltd.

Neha Gandhi is the Executive Director of the company.

Rajiv Mehta Nitinbhai is the Whole Time Director designated as the Chief Executive Officer of the company. He has previously served as the chief executive officer of Arvind Ltd. managing director of Puma Sports India Pvt. Ltd. He has also been a director of Fourseven Services Pvt. Ltd. He also serves as a director on the board of directors of Unicorn Contractors and Developers Pvt. Ltd. and Kan Dfy Sports Pvt. Ltd.

Lakshmikant Gupta is an Independent Director of the company. He has previously been associated with Ibibo Group Pte Limited, Procter & Gamble Gulf FZE, LG Electronics India Pvt. Ltd. and Girnar Software Pvt. Ltd. He is also a partner of CMOnow Marketing Consulting LLP.

Shubha Rao Mayya is an Independent Director of the company. She has previously worked with ICICI Ltd, ICICI Prudential Life Insurance Company Ltd. and Tata Consultancy Services Ltd. She also serves as a Director on the board of Ace Manufacturing System Limited and Happiest Minds Technologies Ltd.

Key Management Personnel

Shashidhar SK is the Chief Financial Officer, Company Secretary and Compliance Officer of the company. He has over 25 years of experience in the corporate finance and corporate secretarial field. He joined the company on July 2, 2018.

Venkitesh N. is the Head – Corporate Planning of the company. He has more than 25 years of experience in the manufacturing sector. Prior to joining the company, he was associated with BPL Ltd. for 13 years. He joined the company on January 4, 2007.

Senthil Kumar R. is the Head – Manufacturing of the company. He has over 30 years of experience in manufacturing. He joined the company on April 1, 2011.

Rohit Mago is the Chief Executive Officer of the company's manufacturing unit located at Baddi. He has over 18 years of experience in various industries. He joined the company on October 10, 2017.

Hemant Kumar Kothari is the Chief Business Analyst of the company. He has 11 years of experience in planning and corporate affairs. He joined the company on May 18, 2015.

Manoj N.G. is the National Sales Head – Pigeon division of the company. He has more than 16 years of experience in the durable consumer goods sector. He joined the company on April 2, 2018.

OFFER DETAILS

The Offer	
Fresh Issue (₹ 95 Cr)	Upto 24,73,958[~] - 24,67,532[^] Equity Shares
	([~] at Lower price band and [^] Upper price band)
* Offer for sale by:	Upto 8,250,000 Equity Shares
Rajendra Gandhi– The Promoter Selling Shareholder	upto 690,700 Equity Shares
Sunita Rajendra Gandhi – The Promoter Selling Shareholder	upto 59,300 Equity Shares
SCI Growth Investments II (“SCI”) – The Selling Shareholder	upto 6,007,920 Equity Shares
Sequoia Capital India Growth Investment Holdings I (“SCI-GIH”) – The Selling shareholder	upto 1,492,080 Equity Shares

OBJECTS OF THE ISSUE

Objects	Amount
Repayment/pre-payment, in full or part, of certain borrowings availed by the company	76.00
General Corporate Purposes	[•]
Total	[•]

BUSINESS OVERVIEW

Stove Kraft Limited (“Stove Kraft”) is a kitchen solutions and an emerging home solutions brand. Further, they are one of the leading brands for kitchen appliances in India and are one of the dominant players for pressure cookers and a market leader in the sale of free standing hobs and cooktops. Stove Kraft is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under the **Pigeon** and **Gilma** brands, and proposes to commence manufacturing of kitchen solutions under the **BLACK + DECKER** brand, covering the entire range of value, semi-premium and premium kitchen solutions, respectively. The kitchen solutions comprise of cookware and cooking appliances across their brands, and the 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.

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%
BLACK + DECKER products	1.50%	2.37%	2.70%	2.67%	0.88%

Pigeon branded products 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. The *Gilma* portfolio comprises chimneys, hobs and cooktops across price ranges and designs.

Stove Kraft'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. *Pigeon* has been listed as one of the "India's Most Admired Brands 2016" by White Page International. As a result of their co-branding initiative over 8 years with LPG companies such as Indian Oil Corporation Ltd and Hindustan Petroleum Corporation Ltd to utilize their sale and distribution channels, their *Pigeon* brand has enjoyed a wide customer outreach and continues to have a high brand recall value. Stove Kraft manufactures and retail a wide and diverse range of affordable (value segment), quality products under the *Pigeon* brand, including, *inter alia*, cookware, cooking appliances and household utilities (including consumer lighting). They currently offers a wide range of products such as chimney, hobs and cooktops under the *Gilma* brand, which is targeted at the semi-premium segment.

In addition to their established presence in the value and semi-premium segments through the *Pigeon* and *Gilma* brands, Stove Kraft also entered the premium segment in 2016 pursuant to their exclusive BLACK + DECKER Brand Licensing Agreement with Stanley Black & Decker, Inc. and The Black and Decker Corporation, which enables them to exclusively retail, and provide post-sales services in relation to, a wide range of products such as blenders and juicers, breakfast appliances, small cooking appliances and small domestic in India under the BLACK + DECKER brand, up to December 31, 2027. They are yet to commence manufacturing under the BLACK + DECKER brand.

As of September 30, 2020, Stove Kraft manufactures 79.75% of their *Pigeon* and *Gilma* branded products (in terms of number of units) at their well-equipped and backward integrated manufacturing facilities at Bengaluru (Karnataka) and Baddi (Himachal Pradesh), which enables them to control and monitor the quality and costs. The Bengaluru Facility is spread over approximately 46 acres and 5 guntas, out of which 30 acres and 1 guntas is available for future expansion. As of September 30, 2020, it had an installed annual production capacity of 3.84 crore units, with the capability to manufacture products in the pressure cookers, non-stick cookware (roller coated and spray coated), LPG stoves, mixer grinders and induction cooktops categories. The Baddi Facility, which is focused on the Oil Company Business, which includes manufacturing and co-branding of products with such Companies, ("OCB") has an installed capacity of 0.28 crore units per annum, with the capability to manufacture products such as LPG stoves.

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. For the 6 month periods ended September 30, 2020 and September 30, 2019 and for Fiscals 2020 and 2019, such products which are retailed under company's brands but sourced from third-party manufacturers, such as chimneys, hobs, irons, air coolers, kettles, water bottles, flasks, chairs, rice cookers, etc., contributed 19.20%, 29.80%, 27.60% and 31.40% to their turnover, respectively

Stove Kraft has a separate distribution network for each of their *Pigeon*, *Gilma* and BLACK + DECKER brands. Further, there is a separate distribution network for the *Pigeon* LED products. As on September 30, 2020, their manufacturing facilities in Bengaluru and Baddi are well connected with 9 strategically located C&F agents. Additionally, they have 651 distributors in more than 27 states of India and 5 union territories of India and 12 distributors for their products that are exported as of September 30, 2020. 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. Stove Kraft has entered into commercial arrangements with retail chains such as Metro Cash And Carry India Pvt. Ltd. for the sale of their *Pigeon* branded products from several of their retail outlets in India. Further, Stove Kraft has also entered into agreements with e-commerce platforms such as Flipkart India Pvt. Ltd. for the sale of their products on their portals. Outside of India, they export their products which are manufactured by them to retail chains in the United States of America.

The *Gilma* brand products are sold through exclusively branded outlets owned and operated by franchisees. As on September 30, 2020, there were 65 such stores spread across 4 states and 28 cities and towns, with a presence in the urban market in south India. *Gilma* stores are designed to be 'experience' stores. As of September 30, 2020, Stove Kraft has a dedicated service team of 118 personnel to address service calls for all their brands.

Their CRM software enables them to track customer requests, pre-installation and post-sales support to ensure customer satisfaction. Specifically, for their *Gilma* products, they have a mobile application which enables their customers to register themselves and raise requests for installation and post-sales services through the app. For *Pigeon* and *BLACK + DECKER* products, the customers can reach their company through toll free numbers, giving missed calls, sending emails on the customer care ID, sending an SMS to company's dedicated number or through their dealers and trade partners.

REVENUE FROM OPERATIONS

Revenue from operations

Segments	6 months period ended Sep' 30,		Fiscal		
	2020	2019	2020	2019	2018
	Total Income (₹ Cr)	Total Income (₹ Cr)	Total Income (₹ Cr)	Total Income (₹ Cr)	Total Income (₹ Cr)
Sale of Products	326.14	313.92	666.62	635.00	525.25
• <i>Manufactured</i>	263.49	220.32	359.77	404.25	426.15
• <i>Traded</i>	62.65	93.60	165.47	107.74	93.47
Other Operating Revenue	2.70	1.58	3.24	5.94	3.71
• <i>Sale of Scrap</i>	1.08	0.79	1.54	2.43	2.68
• <i>Duty Drawback</i>	1.62	0.79	1.70	3.51	0.70
• <i>Mould Development Charges</i>	-	-	-	-	0.33
Total – Revenue from Operations	328.84	315.51	669.86	640.94	528.95

COVID -19 BUSINESS IMPACT

The COVID-19 pandemic and the associated responses have also adversely impacted company's business and operations including in the following manner:

- Company's manufacturing facilities in Bengaluru and Baddi were shut down for 42 days and 34 days, respectively, which resulted in ceasing of their manufacturing and sales activities during that period. The manufacturing activities at the Baddi facility resumed on April 26, 2020, and the manufacturing activities at our Bengaluru facility resumed on May 4, 2020. Further, on May 4, 2020, their sales activities for their products resumed and specifically when one of their products, viz., floor mops was included in the list of essential products by the GoI. Upon resumption of manufacturing activities, their factories worked at reduced capacity during the month of May 2020, on account of reduced availability of labour due to COVID-19 pandemic;
- The lockdown also resulted in disruption in company's supply of imported products. During the period of the initial lockdown (i.e., between March 25, 2020 and May 3, 2020), the company could, on aggregate import traded goods and raw material valued at approximately ₹1.49 crore, as compared to the typical average monthly import of approximately ₹15 crore. Accordingly, the revenues generated from the sale of traded products reduced to ₹62.65 crore for the 6 month period ended September 30, 2020, as compared to ₹93.60 crore for the 6 month period ended September 30, 2019;
- The number of C&F agents of the company reduced from 13 as at October 31, 2019 to 9 as at September 30, 2020. This was primarily on account of low sales volume in certain areas where some of the C&F agents did not wish to continue their operations since it was unviable for them to continue their operations;
- As a result of lower revenues during the months of April 2020 and May 2020 and stress on general liquidity situation in the market, the collection of receivables by company was impacted. As a matter of abundant caution, the company utilized the moratorium on interest and principal, announced by the RBI, with 2 banks out of the 4 banks and other financial institutions, with whom the company has credit limits. Further, they had to undertake certain other measures on account of the reduced cash flows, such as temporary reduction in salaries of certain classes of employees, and discharge of obligations to vendors in a graded manner. However, they continued to discharge their statutory obligations with respect to dues against direct and indirect taxes and labour laws, in accordance with the COVID-19 relief measures were implemented by the GoI.

The company has also taken several steps to adapt their business and operations to the COVID-19 pandemic, including amongst others, the following:

- The company initiated the manufacture of new products, such as infrared thermometers, floor mops and handy vegetable choppers for which they have increased their production capacity and have started new manufacturing units at their Bengaluru facility. They also started importing oximeters under their Gilma brand, and have sold over 42,000 units as at September 30, 2020;

They have continued increasing their distribution network, in spite of the COVID-19 pandemic, in order to benefit from increased demand for certain products and to take advantage of new business opportunities. As a result, their operations have now expanded to 27 states and 5 union territories as at September 30, 2020. Their distributors have increased to 651 as at September 30, 2020, and their Gilma stores have increased to 65 as at September 30, 2020. Further, their retail outlets have increased to 45,475 as at September 30, 2020;

- The company also has succeeded in reducing their operating expenses following the COVID-19 pandemic through, among other factors, the streamlining of their workforce. Accordingly, while the number of sales and marketing personnel has reduced to 566 as at September 30, 2020, during the same period, their number of factory workers, plant team and management team has increased to 2,272 and the number of contractual labourers has increased to 692. Overall, the aggregate number of permanent employees increased to 3,156 as at September 30, 2020; and During COVID-19, the company has implemented an upgraded enterprise resource planning system, i.e., SAP S4Hana, which has helped them to undertake better analytics, streamline business processes and at large increase efficiency of teams across different functions of the company. The company has implemented costing, production planning, quality and plant maintenance modules on and above existing modules in SAP S4Hana as part of integrated process.

COMPANY PRODUCTS AND BRAND OVERVIEW

Stove Kraft's products are sold under 3 brands, viz. *Pigeon*, *Gilma* and *BLACK + DECKER* to cater to the value, semi-premium and premium customer segments, respectively.

The brief overview of the class of products retailed under each of the brands:



Brand	Products	Brief Overview								
Pigeon		<p><i>Pigeon</i>, which is Stove Kraft's value for money brand, offers a wide array of products under various sub-categories:</p> <table border="1"> <thead> <tr> <th>Cookware</th> <th>Cooktops and other kitchen solutions</th> <th>Small appliances</th> <th>Other products</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Pressure cookers • Titanium Hard anodized Cookware • Wondercast cookware • Non-stick cookware • Electric rice cookers </td> <td> <ul style="list-style-type: none"> • Hobs • Glass cooktops • Stainless steel cooktops • Induction cooktops • Chimneys </td> <td> <ul style="list-style-type: none"> • Mixer Grinders • Rice cookers • Electric kettles • Toasters • Sandwich makers • Knives • Steam irons • Juicers • Food </td> <td> <ul style="list-style-type: none"> • Emergency lamps • Water bottles and flasks • Aluminum ladders • Cloth dryers • Dustbins • Floor Mops • Tiffin box </td> </tr> </tbody> </table>	Cookware	Cooktops and other kitchen solutions	Small appliances	Other products	<ul style="list-style-type: none"> • Pressure cookers • Titanium Hard anodized Cookware • Wondercast cookware • Non-stick cookware • Electric rice cookers 	<ul style="list-style-type: none"> • Hobs • Glass cooktops • Stainless steel cooktops • Induction cooktops • Chimneys 	<ul style="list-style-type: none"> • Mixer Grinders • Rice cookers • Electric kettles • Toasters • Sandwich makers • Knives • Steam irons • Juicers • Food 	<ul style="list-style-type: none"> • Emergency lamps • Water bottles and flasks • Aluminum ladders • Cloth dryers • Dustbins • Floor Mops • Tiffin box
Cookware	Cooktops and other kitchen solutions	Small appliances	Other products							
<ul style="list-style-type: none"> • Pressure cookers • Titanium Hard anodized Cookware • Wondercast cookware • Non-stick cookware • Electric rice cookers 	<ul style="list-style-type: none"> • Hobs • Glass cooktops • Stainless steel cooktops • Induction cooktops • Chimneys 	<ul style="list-style-type: none"> • Mixer Grinders • Rice cookers • Electric kettles • Toasters • Sandwich makers • Knives • Steam irons • Juicers • Food 	<ul style="list-style-type: none"> • Emergency lamps • Water bottles and flasks • Aluminum ladders • Cloth dryers • Dustbins • Floor Mops • Tiffin box 							

				<ul style="list-style-type: none"> steamers • Electric grills • Hadny vegetable chopper 				
Gilma		<p>The Gilma brand focuses on the semi-premium customer segment and sold exclusively through <i>Gilma</i> branded stores which are designed to offer the customer a modular kitchen experience. Currently, the <i>Gilma</i> portfolio comprises of chimneys, hobs and cooktops across price ranges and design offerings. The <i>Gilma</i> products combine premium design with effective performance, offered at a competitive price.</p> <p>Gilma chimneys come built with higher suction power and a lifetime warranty, the hobs offer features such as anti-rust stainless steel body, energy efficiency and one touch auto ignition.</p> <p>Similarly, Gilma LPG stoves are designed keeping in mind thermal efficiency, durability and portability. <i>Gilma</i> LPG stoves use toughened glass and brass burners, and come with a 2 year warranty.</p> <p>The Gilma range of kitchen sinks come in 2 variants – glass and stainless steel. These sinks are stain resistant, easy to clean with sound absorbers. The sinks are built with an extra thick body for durability, and come with a 25 year guarantee to ensure customer satisfaction.</p>						
BLACK + DECKER		<p>BLACK + DECKER is a renowned name internationally in the field of, <i>inter alia</i>, kitchen appliances. Presently, Stove Kraft offers the following products under the BLACK + DECKER brand, aimed at the premium segment of customers:</p> <table border="1"> <thead> <tr> <th>Small appliances</th> <th>Other products</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Food processors • Juicers • Hand blenders • Hand mixers • Mini choppers • Oven toaster grills • Rice cookers • Coffee makers • Toasters • Sandwich makers • Kettles </td> <td> <ul style="list-style-type: none"> • Steam irons • Dry irons • Water heaters • Oil Fin Radiators </td> </tr> </tbody> </table>	Small appliances	Other products	<ul style="list-style-type: none"> • Food processors • Juicers • Hand blenders • Hand mixers • Mini choppers • Oven toaster grills • Rice cookers • Coffee makers • Toasters • Sandwich makers • Kettles 	<ul style="list-style-type: none"> • Steam irons • Dry irons • Water heaters • Oil Fin Radiators 		
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Pigeon LED		<p>In 2016, Stove Kraft entered a new segment by launching the Pigeon brand of LED products, which are designed for better heat dissipation and voltage surge protection. Presently, the products sold under the <i>Pigeon</i> LED brand include LED bulbs, batters, and downlights.</p>						

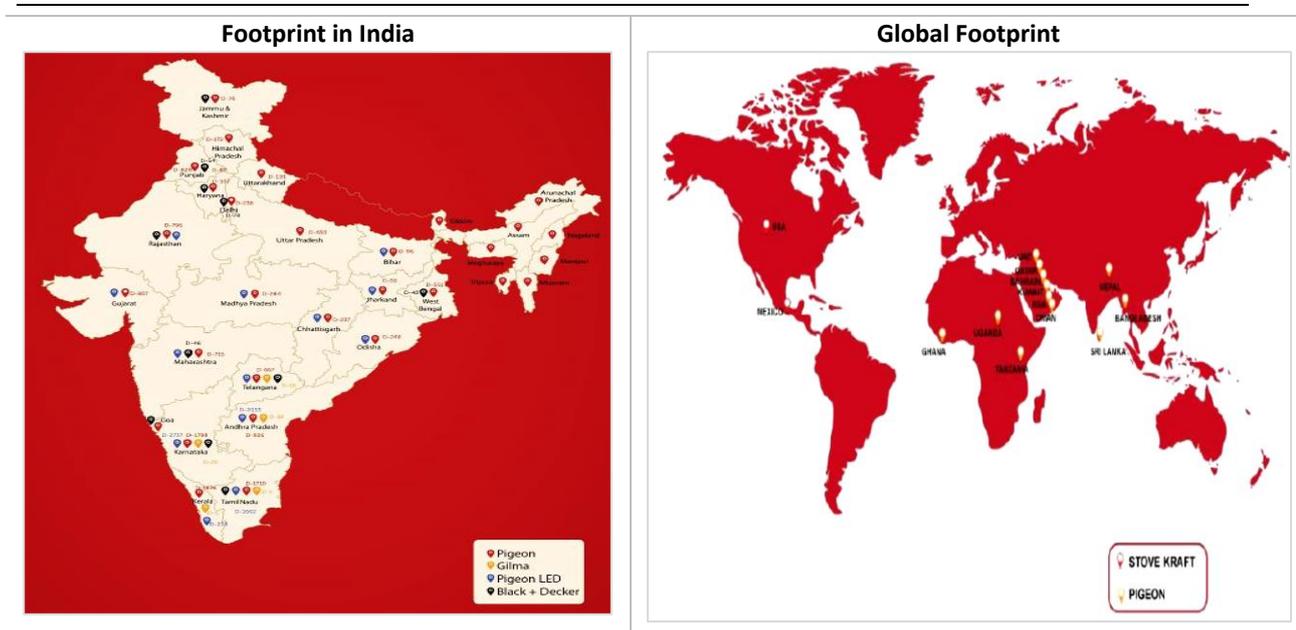
MANUFACTURING UNITES & CAPACITIES

As of the date, Stove Kraft has 2 manufacturing facilities, one each in Bengaluru, Karnataka and Baddi, Himachal Pradesh. Both the manufacturing facilities are ISO 9001:2015 certified for implementing quality management systems. Their manufacturing facilities also have a high level of backward integration.

Bengaluru Facility	<p>The Bengaluru Facility is an integrated facility comprising of 12 manufacturing units, tailored to manufacture cookware, cooktops, pressure cookers, mixer grinders, non-stick cookware, LED bulbs, floor mops, handy vegetable chopper, IR thermometer and induction cooktops. Each unit is headed by an experienced unit head, the in-charge of production, purchase, inventory and quality. Further, the Bengaluru Facility also houses a research and development department for the designing, engineering and testing of new products before they are launched in the market.</p>
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	As of Fiscal 2020 and the 6 month period ended September 30, 2020, the Bengaluru Facility had an operational capacity of 3.84 crore units p.a.. 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. As a result, the Bengaluru Facility has both spray coating and roller coating capabilities for the manufacture of non-stick cookware.
Baddi Facility	The Baddi Facility, has been operational since 2005 and engaged with the company ever since. As of September 30, 2020, it had an installed capacity of 0.28 crore units p.a. with the capability to manufacture products in the LPG stove and glass-tops categories.

GEOGRAPHICAL PRESENCE



As of September 30, 2020, the state-wise number of retail outlets in which company products are available:

State/ Union Territory	Pigeon OM	Pigeon LED	GILMA	B&D
	Dealer	Dealer	Franchise	Dealer
Andhra Pradesh	1,041	2,290	18	20
Telangana	942	-	19	-
Karnataka	3,204	3,023	19	-
Kerala	2,610	832	6	17
TN	4,609	2,908	3	40
MP and Chhattisgarh	2,536	233	-	-
Gujarat	1,511	-	-	-
Maharashtra	3,005	574	-	344
Rajasthan	2,057	493	-	33
Delhi	818	-	-	150
Greater Punjab	2,249	-	-	109
Haryana	673	-	-	31
Uttar Pradesh and Uttarakhand	1,531	979	-	29
West Bengal	2,353	-	-	-
Bihar	527	-	-	-
Jharkhand	875	86	-	-
Orissa	847	-	-	-
NE	1,281	615	-	-
Total	32,669	12,033	65	773

As of September 30, 2020, they have entered into agreements with 9 C&F agents which in turn cover the territories. As of September 30, 2020, their service team comprised of 118 employees and they have service franchise agreements with 170 service providers.

COMPETITIVE STRENGTH

- **Well recognised, award winning portfolio of kitchen solutions brands with a diverse range of products**

Since their inception in the year 1999, Stove Kraft has grown from a single brand small LPG stove manufacturing company to become one of India's leading manufacturers of kitchen appliances, with revenue from operations of ₹328.84 crore and ₹669.86 crore for the 6 month period ended September 30, 2020 and Fiscal 2020, and a presence in 27 states of India and 14 countries across the world. The existing market presence and strength of the *Pigeon* brand has been instrumental in enabling Stove Kraft to successfully enter into home solutions vertical with products like LED products in 2016. Their tie-up with Stanley Black & Decker, Inc. and The Black and Decker Corporation will enable them to penetrate the premium segment of the kitchen appliances industry, and contribute significantly in the recognition, demand and growth of their overall brand portfolio.

Stove Kraft is engaged in a wide range of marketing and advertising activities, including in-shop displays, merchandising, kiosks, live demo stands, social media marketing, which enable them to maintain the popularity and recall value of their brand portfolio.

- **Widespread, well connected distribution network with a presence across multiple retail channels**

As on September 30, 2020, Stove Kraft's manufacturing facilities in Bengaluru and Baddi are well connected with 9 strategically located C&F agents. Additionally, they have 651 distributors in more than 27 states and 5 union territories of India. 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.

In addition to independent third-party retail stores, Stove Kraft has also partnered with major Indian retailers for the sale of their products, and for Fiscal 2020, their **products are available in retail chains such as Metro Cash And Carry India Pvt. Ltd.** 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. As on September 30, 2020, the *Gilma* brand products are sold exclusively through 65 Gilma stores located across 28 cities and towns in 4 states. Internationally, their products are 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. Further, Stove Kraft supply their products to retail chains in the United States of America and Mexico and the company also undertake original equipment manufacturing for retail chains in the United States of America under their brands.

In Fiscal 2016, their inherent skill to scale led them to foray into a new line of business, i.e. LED products. The company started trading in LED products and in a span of 36 months, achieved a revenue of ₹49.9 crore. This led to the company beginning the manufacturing of LED products in June, 2019 and achieving total revenue of ₹21.86 crore and ₹33.06 crore during the 6 month period ended September 30, 2020 and Fiscal 2020, respectively.

- **Strong manufacturing capability with efficient backward integration**

The scale at which Stove Kraft undertakes the manufacture of their products, combined with their raw material sourcing, packaging, transportation practices and quality control, enables them to derive higher margins from the sale of their products. Their Bengaluru Facility is a large facility for the manufacture of kitchen solutions, which is spread over approximately 46 acres and 5 guntas out of which 30 acres and 1 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 and glass cooktops.

Their manufacturing facilities are backward integrated and have 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 their products.

- **Consistent focus on quality and innovation**

The quality is a pre-requisite for a positive consumer experience and long-term brand loyalty. This philosophy has formed the foundation of the expansion and diversification of company's product portfolio since their inception. For products which are sourced by them from third party OEMs, they have a dedicated sourcing team and quality assurance team based out of China, which closely monitors the quality of such products. Their efforts to maintain the quality of their products have been well recognized in the industry, and they have been awarded the 'Gold Award' by Quality Circle Forum of India (Bengaluru chapter) in the years 2013 and 2014.

Over the years, based on their experience Stove Kraft has focussed on investing in experience based product innovations that are most relevant in creating the best consumer experience. As of September 30, 2020, they have a dedicated in-house R&D facility, comprising of 13 personnel, and they have progressively increased their investment in R&D in the last few years. To further their efforts in innovation, in the past, Stove Kraft had also entered into tie-

ups with foreign companies for technology enablement and tech knowhow agreements with them from Fiscal 2013 to Fiscal 2015. As a result of their focus on innovation, Stove Kraft developed the '*Super Cooker*' which has a registered design and is customizable into products with multiple utilities. They have also developed the '*Super Storm Advanced*' mixer grinder, with forced air cooling technology, and the '*Infinity*' glass cooktops with a fastener free body.

- **Professional management with successful track record and a young and dynamic workforce**

Stove Kraft is a professionally managed company with a track record of corporate governance and robust internal controls. Their strong corporate culture that originates from the founder of the company, Rajendra Gandhi, who is a first generation entrepreneur with over 21 years of experience in the kitchen appliances and home appliances industry.

They have a qualified and competent leadership team. The wholetime director and CEO, Rajiv Mehta Nitinbhai was the managing director of Puma Sports India Pvt. Ltd. and has previously worked with Arvind Ltd. The Chief Financial Officer, Company Secretary and Compliance Officer, Shashidhar SK, has over 25 years of experience in the corporate finance and corporate governance fields, and has previous experience of working with *inter alia* WaterHealth India Pvt. Ltd., Tata Advanced Materials Ltd. and Craigmere Textiles Pvt. Ltd., their head of corporate planning, Venkitesh N., has over 25 years of experience in the manufacturing sector, having previously worked with BPL Ltd. Company's management team has an average of more than 22 years of experience.

While core functions are centralized, they have focused management teams as well as shared management teams which manage the different brand portfolios, and their product heads have significant expertise in their respective product categories.

- **Strong track record and financial stability**

Stove Kraft has maintained a strong track record of growth over the years through expansion of brand portfolio, distribution network, improved procurement costs and increase in sales growth. Their operational efficiencies and efficient supply chain network has resulted in better control of operational expenses and thereby enabled rise in profits after tax. Further, they have been able to capitalize on their existing logistics, supply chain network and backward integrated manufacturing facilities to utilize their capital efficiently. Over the past few years, they have added manufacturing and warehousing infrastructure, scaled up their retail franchisee operations, added a number of new product categories and entered new customer segments.

KEY BUSINESS STRATEGIES

- **Increase the geographical reach and expansion of addressable market**

Since 2014, Stove Kraft started appointing C&F agents to undertake their stocking and distribution, enabling them to reach their customers faster by reducing transportation time, optimise inventory, and limit trade over-dues. Toward this objective, Stove Kraft has also engaged a leading management consulting firm to undertake a project to improve their distribution operations and productivity of their sales force, as part of improving their sales, collect and analyse secondary sales data.

Further, a large untapped customer base has surfaced with the advent of several Government initiatives such as Pradhan Mantri Ujwala Yojana, which provides for free LPG connections (*Source: F&S Report*). These initiatives will provide the company with an opportunity to increase their market share. As the country's largest cooktop manufacturer (*Source: F&S report*), they look forward to leverage this vast network of rural households.

- **Scale up branding, promotional and digital activities**

Company's wide spread presence and scale of operations allows them to increasingly focus on branding and promotional activities to enhance their visibility in the cookware and kitchen appliances industry. They seek to continue to enhance brand awareness and customer loyalty through their promotion and marketing efforts such as increased advertising in print and social media, retail branding, product branding, hyper local activities, factory visits for their trade partners, substantially increasing their digital presence and engagements, generating contemporary educational content and engaging in brand associations. The digital platform and social media has enabled the company to reach and engage with a wider audience and also customise product offering to their prospective customers.

- **Expand the portfolio in the existing product categories**

Company's product portfolio under the brand Pigeon consists of 4 categories - cookware, cooktops and other solutions, small kitchen appliances and home utilities aiding different functions and utilities in the kitchen and home. They seek to utilise their research and development capabilities to develop new products to cater to the evolving requirements of a large customer base and cover newer customer segments. The company proposes to

expand their presence in existing product categories by increasing the emphasis on manufacturing a greater proportion of their products, and reducing the reliance on traded products.

- **Invest in new plants and increase automation in existing manufacturing facilities**

Stove Kraft has 2 backward integrated manufacturing facilities in Bengaluru and Baddi with dedicated plants for each of their core product categories - LPG cooktops, aluminium pressure cookers, non-stick cookware, induction cooktops and mixer grinders. The company proposes to increase the level of automation at their facilities which enable them to achieve greater efficiency in reducing time taken for and the cost of manufacturing their products, from design to commercial production and, in their in-house testing and quality assurance processes, resulting in higher profit margins.

- **Focus on and augment the LED consumer lighting business**

Owing to the increasing government initiatives to boost LED adoption and growing awareness regarding lower power consumption of LED lighting products, the LED lighting market is expected to grow significantly in India. Stove Kraft seek to capture this growing demand for LED lighting products with their range of consumer lighting products including bulbs, battens, downlight and panels. In a short span of 3 years, they have leveraged the strength of their brand 'Pigeon' and their capabilities to scale up a large distribution network in the southern states of India. They will continue to introduce a wider range of LED lighting products for different end-use segments and expand to newer and broader geographies.

- **Increase exports**

During the 6 month period ended September 30, 2020 and in Fiscal 2020, our export sales contributed to 17.90% and 7.64%, respectively, of their revenue from operations. With their manufacturing and technological competence in non-stick cookware, they are globally competitive to cater to both the developed and the developing markets. Their presence is currently spread across 14 countries including USA, Mexico, UAE, Qatar, Bahrain, Kuwait, Tanzania, Uganda, Nepal, Sri Lanka, Bangladesh, Oman, Ghana and Saudi Arabia. The company seeks to expand their global reach, through constant innovation and increased customer acceptance of their products in international markets.

COMPETITION

The Indian kitchen solutions and appliances market is highly competitive. The company faces competition from various domestic and multinational companies in India.

Listed Players	Unlisted Companies
TTK Prestige Ltd; Hawkins Cookers Ltd; Butterfly Gandhimati Appliances Ltd; Bajaj Electricals Ltd.	Preethi Kitchen Appliances Pvt. Ltd; Franke Faber Pvt. Ltd; Sunflame Enterprises Pvt. Ltd.

Additionally, they face competition from a number of regional, unorganized manufacturers and retailers.

OVERVIEW OF INDIAN KITCHEN APPLIANCES MARKET

Key product categories in Indian kitchen appliances market:

Product Categories:	Market Size: Retail Volume		CAGR* (2020-2025F)	Market Size: Retail Value		CAGR* (2020-2025F)	Market Leader Company (2020)	Market Share of Market Leader (2020)	Market Share of Stove Kraft Ltd. (2020)
	(2020)	(2025)		(2020)	(2025)				
	'000 Units		%	₹ Cr	%	-	%	%	
Large Cooking Appliances	14,209	21,761	8.7%	11,095.8	20,189.8	12.5%			
Cook Tops	1,751	3,305	13.6%	2,560.6	5,256.4	15.5%	Stove Kraft	25.0%	25.0%
Free-Standing Hobs	10,432	14,721	7.1%	5,527.6	8,902.2	10.0%		20.3%	20.3%
Built in Hobs	284	440	9.1%	473.2	792.4	10.09%	Faber	23.0%	4.8%
Cooker Hoods	1,742	3,296	13.6%	2,534.4	5,238.8	15.6%		23.0%	3.8%
Non-Stick Cookware									
Non-Stick Cookware	7,117	11,389	9.9%	964.6	2,097.7	16.8%	TTK Prestige	58.2%	18.9%

Product Categories:	Market Size: Retail Volume		CAGR* (2020-2025F)	Market Size: Retail Value		CAGR* (2020-2025F)	Market Leader Company (2020)	Market Share of Market Leader (2020)	Market Share of Stove Kraft Ltd. (2020)
	(2020)	(2025)		(2020)	(2025)				
	'000 Units		%	₹ Cr		%	-	%	%
Small Cooking Appliances	52,613	74,511	7.2%	8,609.8	12,724.7	8.1%			
Pressure Cooker	31,697	45,273	7.4%	1,772.8	2,723.9	9.0%	TTK Prestige	48.2%	11.4%
Electric Kettle	757	1,024	6.2%	148.2	230.7	9.3%	Bajaj	23.8%	21.1%
Electric Rice Cooker	2,186	2,995	6.5%	442.1	614.0	6.8%	Panasonic	35.0	4.7%
Coffee Maker	327	455	6.8%	123.8	233.3	13.5%		29.1%	6.6%
Juice Extractor	249	348	6.9%	97.0	143.1	8.1%	Bajaj	25.7%	3.8%
Mixer Grinder	13,860	19,484	7.1%	4,435.2	6,447.7	7.8%		21.1%	2.7%
Blender	1,229	1,713	6.9%	362.3	506.3	6.9%	Phillips	44.6%	0.5%
Food Processor	2,309	3,218	6.9%	1,228.3	1,825.7	8.3%		25.6%	-

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

COMPARISON WITH LISTED INDUSTRY PEER (AS ON 31ST MARCH 2020)

Name of the company	Standalone/ Consolidated	Face Value	Closing Price (₹)	Revenue from operations (₹ Cr)	EPS (Basic)	NAV	P/E	RoNW (%)
Stove Kraft Ltd*	Consolidated	10	-	669.86	1.05	41.84	[•]	2.51%
TTK Prestige	Consolidated	10	5,981.05	2,072.99	133.13	942.56	44.93	14.12%
Hawkins Cookers	Consolidated	10	5,792.35	673.87	137.09	264.11	42.25	51.91%
Butterfly Gandhimathi Appliances	Consolidated	10	520.25	678.70	1.83	107.32	284.29	1.70%

Source: RHP; Closing price refers to price on NSE on January 18, 2021, and for Hawkins refers to price on BSE on January 18, 2021

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