



November 15, 2022

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001
Scrip Code:543260

National Stock Exchanges of India Ltd.
Exchange Plaza, Plot no.C/1,G Block,
Bandra-Kurla Complex,
Bandra(E),Mumbai- 400 051
NSE Symbol: STOVEKRAFT

Dear Sir/Madam,

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015: Transcript of Earnings Call

Pursuant to the Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on November 08,2022

Please also note that the transcript of the Earnings call will also be available on our website <https://stovekraft.com/investors/>.

Request you to kindly take the same on record.

Thanking you,
For Stove Kraft Limited

Rajendra Gandhi
Managing Director

Stove Kraft Limited

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“Stove Kraft Limited
Q2 & H1 FY2023 Earnings Conference Call”

November 08, 2022



**MANAGEMENT: MR. RAJENDRA GANDHI - MANAGING DIRECTOR –
STOVE KRAFT LIMITED
MR. RAJIV MEHTA – CHIEF EXECUTIVE OFFICER –
STOVE KRAFT LIMITED
MR. BALAJI AS – CHIEF FINANCIAL OFFICER – STOVE
KRAFT LIMITED**



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Moderator: Good day ladies and gentlemen and welcome to the Q2 & H1 FY2023 Earnings Conference Call of Stove Kraft Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajendra Gandhi, Managing Director. Thank you and over to you Sir!

Rajendra Gandhi: Thank you. Good afternoon, everyone. I hope that all of you and your families are safe and healthy. On behalf of Stove Kraft Limited I extend a very warm welcome to all participants on Q2 FY2023 financial results discussion call. Today on the call I am joined by Mr. Rajiv Mehta, our CEO, Mr. Balaji AS, our CFO and the Orient Capital team who are our investor relationship advisor. We have uploaded our investor deck and the earnings press release on the stock exchanges and on the company's website. I hope everybody had an opportunity to go through them.

In Q2 FY2023 we have witnessed a steady growth of 12% Y-o-Y in topline with the start of the festival season in the Indian market. As you are aware second and fourth quarters are stronger quarters for our business. I am pleased to share that we saw growth in both volumes and realization. We continued to fulfill our customers' expectations in the best possible manner with wider product offerings in all categories. While we did not take any price hike in Q2 FY2023 the combined benefit of steady raw material prices as well as operating leverage help improved the gross margins. We stick to our EBITDA guidance of 11% annualized for FY2023. The company continues to expand its presence in company owned and company operated retail stores for the Pigeon brand. We have successfully added 18 additional stores in Bengaluru taking the total count to 19 stores. We expect by March 2023 the total store count to be around 40 stores.

Now I will discuss the Q2 performance. The consolidated revenue for the quarter stood at Rs.406 Crores versus Rs.363 Crores in Q2 FY2022 registering a growth of 12% on year-on-year basis. The EBITDA for Q2 FY2023 stood at Rs.47 Crores versus Rs.43 Crores in Q2 FY2022, EBITDA margins reported was 11.6% as compared to 11.9% corresponding



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quarter. Profit after tax for the quarter stood at Rs.26 Crores versus Rs.23 Crores last year quarter. PAT margins for the quarter stood at 6.4%.

Moving to H1 FY2023 performance. The consolidated revenue for H1 FY2023 stood at Rs.681 Crores versus Rs.577 Crores in H1 FY2022 registering a growth of 18.1% on year-on-year basis. EBITDA stood at Rs.69.4 Crores versus Rs.65.6 Crores in H1 FY2022, EBITDA margin reported was 10.2% as compared to 11.4% in the corresponding period. H1 FY2023 profit after tax stood at Rs.34 Crores versus Rs.36.5 Crores in H1 FY2022, PAT margins for the period stood at 5%. Now I would request the moderator to open the floor for question and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Resha Mehta from Green Edge. Please go ahead.

Resha Mehta:

The first is on the e-commerce channel if you could comment that two, three quarters back we had seen some disruption here, so has this channel recovered for you and what was the contribution for Q2 from e-com, then on the export side I believe we have always stated that we are a B2C focus company and my understanding is that export business for us is essentially a white label business, so what is really the rationale to get into the export market from a white labeling standpoint, while the domestic opportunity seems to be large and on the CSD channel we were planning to enter this channel via some intermediary so has this already happened and if yes then what is the revenue potential and the margins in this channel?

Rajendra Gandhi:

On the e-commerce while of course business is now steady unlike the disruption that was there before beginning of this year, but having said that during the same period last year the general trade and the modern retail had disruptions, for the consumers it is not easy to actually shop in these channels and so there was a spike in the e-commerce channel itself, so on a same period basis we do not have growth on e-commerce, but business is moving back to normal. Our contribution from the e-commerce channels continued to be in the same range that we used to be, which was plus of 34%, 35%, is the contribution of the overall revenue comes from the e-commerce channel. On the export front your observation is right, but we have been guiding you all our strategy behind the export business, the white label business while we also export the Pigeon products across the Indian Diaspora, but particularly with the retailers in US, it is a white label business for us. In the last few years we have built a very strong franchise with these retailers and that was the objective of doing white labeling. In the near future we hope that we are able to start our operations in the US and either license a brand or start our own brand and distribution plays. The objective of doing this white labeling was more to build the relationship and get into these retailers.



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Today I can very confidently say you that company has a very strong foothold in the organized retail in the US, we work with several retailers and we are a supplier of choice, our quality and our capabilities are well established there which will lead to the roadmap of our envisaged plan and our future plans.

Resha Mehta: CSD channel.

Rajendra Gandhi: Anything to do with government is not priority for us, it is compelling to do some CSD business, but that it is not in our priorities to do, while we still have some very small contributions coming from the CSD, but for us we want to abstain from anything to do which is either direct government or across the government.

Resha Mehta: Thanks and the second question is on the modular kitchen acquisition, so if you could just comment on how is that shaping up in terms of revenue and what really is a revenue potential for us let us say two years down the line from this business?

Rajendra Gandhi: It is very difficult to give you a number right now. We are very, very confident of the opportunity, so that is why we have got into this and we now built the way that we want to do a little different from what generally the modular kitchen retail suppliers would do, this is a ready to assemble kitchen, so we have now built all those standard modules and the supply chain that is required to cater to the customers. It is a kind of a promise that we deliver the kitchen to the customer in 48 hours, so we are now almost there ready and each of our retail stores now display kitchen, once we are fully confident of the trial that we are doing we will be announcing to the consumers to come and shop for these kitchens, but otherwise it is very, very, promising, the revenue we believe will be starting from this quarter.

Resha Mehta: What other Stove Kraft products like Pigeon brand and the Gilma etc., would they be available in the modular kitchen store and vice versa?

Rajendra Gandhi: These are not exclusive modular kitchen stores; these are exclusive Pigeon stores, which also display the Pigeon modular kitchens. We have exclusive Gilma stores, these are different from the new planned, company owned, and company operated Pigeon stores.

Resha Mehta: Basically the new COCO Pigeon stores will also have modular kitchen display or can have this modular kitchen display?

Rajendra Gandhi: The modular kitchen displays a part of the Pigeon store.



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- Resha Mehta:** Got it. Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Prithvi from Unifi Capital. Please go ahead.
- Prithvi:** Is it possible for you to give revenue growth between volume and price hike?
- Rajendra Gandhi:** Yes, for the period we have grown by 12% and 9% has come by value then the price increase that we would have taken over the period during the last three quarters, this quarter of course we did not take any price increase and 3% has come by volume.
- Prithvi:** On the volume growth we have always been talking about the domestic business, so how do we say last few quarters the volume growth has been very low?
- Rajendra Gandhi:** The base for this particular period in the last year was relatively high and of course we continued to grow at a same rate that we are growing, particularly for this quarter the base was relatively high in the last year, some pent up demand in the second quarter of the last year because of the COVID lockdown, but the demand is good and we are doing at healthy pace in all our various business verticals and the product segment and we believe that we will continue to grow at the same pace, the company has been growing, particularly very specifically if you want we mentioned about the volume growth in this quarter it is because of the higher base.
- Prithvi:** Okay and on the margin side can we assume that all the high cost inventory is now over and from next quarter there will be a sequential improvement in the gross margin?
- Rajendra Gandhi:** Yes, we are continuously seeing improvement in our gross margins and we would want to guide that we will protect 11% EBITDA margins.
- Prithvi:** What is the export number in this quarter?
- Rajendra Gandhi:** For this quarter it was Rs.38 Crores.
- Prithvi:** Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Sumangal Pugalia from Rare Enterprises. Please go ahead.
- Sumangal Pugalia:** Thank you for the opportunity. I noted that we have seen the disclosures in the presentation, so I have a few data questions could you provide the volume for the segment?



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Rajendra Gandhi: We have given you the percentage of contribution from each of the segments it is there in our presentation, is there anything specific you want to know?

Sumangal Pugalia: The every quarter we disclose the volumes also, segments...

Rajendra Gandhi: Value terms given, I can also tell you that we have in the recent times realized that particularly the volume numbers are very competition sensitive so we believe that we would want to give you all value wise anyways is there in our presentation.

Sumangal Pugalia: The number of outlets?

Rajendra Gandhi: I will tell you exactly. We have grown by about 19000. You are talking about new Pigeon stores?

Rajendra Gandhi: No, we disclose it

Rajiv Mehta: In the quarter it is 6600 of that 4000 is Pigeon and 2000 is LED.

Sumangal Pugalia: Okay and couple of questions on the LED segment, what is the outlook for us and what are the growth expectations, what is the outlook for the LED segment for the business?

Rajendra Gandhi: We continue to grow on the LED segment. If you want to know exactly I will tell you on the LED segment we have grown by 27% for the period.

Sumangal Pugalia: 27% for the quarter?

Rajendra Gandhi: For the half year.

Sumangal Pugalia: For the half year?

Sumangal Pugalia: Are we also seeing some inflationary kind of pressures on our consumer demand especially in the value segment of our product?

Rajendra Gandhi: No, we continue to be a value brand, so that is our core business and we are leaders in the category that we offer, so we continue to grow on that and may be some of the categories are moved to a premiumization itself, so it is the consumer is moving not the category, let me explain to you in simple terms. The aluminium pressure cooker, for us the stainless pressure cooker is growing faster than the aluminium pressure cooker, but consumer itself is



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moving from the aluminium pressure cooker to the stainless-steel pressure cooker, but we continue to be a value brand and for us we are growing in that category.

Sumangal Pugalia: I am seeing the consumer demand is still strong despite because some of the value players and other retailers are seeing that there is some consumer hit due to inflation, so demand hit, are you seeing that kind of consumer sentiment getting sort of tampering?

Rajendra Gandhi: No, we are experiencing reasonably good demand. There is no challenge on the demand side.

Sumangal Pugalia: Okay and final on the channel mix, if you can provide e-commerce, GT, MT, exports, the channel mix for the quarter?

Rajendra Gandhi: 37% was the contribution from general trade, the modern trade gave us 10%, e-commerce gave us 36% and we have exports at 10%.

Sumangal Pugalia: Okay, thank you so much. All the best.

Moderator: Thank you. We have the next question from the line of Pankit Shah from Dinero Wealth. Please go ahead.

Pankit Shah: Good afternoon. I wanted to understand that just continuing on what the last participant said with regards to channel mix e-commerce has been on a higher side at 36% and of course they have been there since last few years, but what is your plan over the next two years, you want to reduce this e-commerce exposure or you think you are comfortable at this level?

Rajendra Gandhi: We believe that at a very steady state which will be around 30% because this year we have seen good traction from the general trade, actually the growth from the general trade which is contributing larger growth, actually for us the e-commerce growth is kind of muted, but we are also seeing normalized demand from the e-commerce also. For us we want to address the consumer in whichever base and it is not that we want to restrict anything, but I think it will stabilize at 30%.

Pankit Shah: Why I specifically ask e-commerce because overall we have seen higher competitive intensity and the own brands of that e-commerce particular player are also getting more competitive?

Rajendra Gandhi: So that is our strength and for the value conscious customer we offer very high-quality products and also the after sales service which makes us more sought after and for us



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honestly that it gives a lot of comfort if there is enough place for these kind of competition to work if the consumer is looking at value and good quality product that is where we stand out.

Pankit Shah: Okay, got it. Sir, coming to this SKAVA acquisition what we announced in January 2022, so we had mentioned that you want to capture 3% market share of Rs.12000 Crores market, so any progress on SKAVA acquisition, how are we looking at?

Rajendra Gandhi: It is now fully integrated into the company, it is part of our LED business and we already started selling distributing the products that we make under the SKAVA brand and for the channel and the product line it is under the LED business.

Pankit Shah: How is revenue it has been contributed as of now?

Rajendra Gandhi: It is part of our LED business and overall as a category we are growing on the LED business, now we do not have separate line item for SKAVA I can share it, but it is part of our LED business now.

Pankit Shah: Okay.

Rajendra Gandhi: Because for us the product similar, it was an extension of our LED business and all the channel is the same.

Pankit Shah: Right and Sir out of total outlets of 96000, how much are for Pigeon and how many are for LED focus?

Rajiv Mehta: Out of the total 96000 outlets we will have I would tell you about 75000, 76000 outlets will be for Pigeon and the rest will be for LED.

Pankit Shah: Right and if I am not wrong we have grown by almost 50%, because the number of outlets on September 21, 2022 was 63000?

Rajiv Mehta: Correct, from last year to this year, yes.

Pankit Shah: All this entire business of the outlet goes into general trade right?

Rajendra Gandhi: Correct.



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Pankit Shah: Is thinking that number of outlet distribution guys we have increased by more than 50%, but the overall growth does not look that encouraging or equivalent to the number of distribution outlets?

Rajiv Mehta: In the quarter general trade has grown by 43% and the half year for general trade is at 45%.

Pankit Shah: You think the outlet increase will equivalently show in our revenue growth also?

Rajiv Mehta: There is a churn also and there is a lag in terms of the way the outlet reaches its potential.

Pankit Shah: Okay and can you just comment on how does the growth look like for FY2024?

Rajiv Mehta: FY2024?

Pankit Shah: Next year FY2024.

Rajiv Mehta: Continuously will be robust I think we do not see any challenge in demand, we expect double digit growth faster than industry average.

Pankit Shah: Okay. Last question from my side, just wanted some color, we have said that we will protect 11% margins and as of now H1 we have done somewhere close to net in that, so I expect in H2 margins has to be even stronger to achieve 11% mark for the whole year, still specifically we can do that because the gross margins improve?

Rajendra Gandhi: Yes, the high-cost inventory was more in the first quarter, but then with all the prices stabilizing and we believe that the way the two quarters are progressing we believe that we can achieve Q2 kind of margins and with that we are confident of maintaining that 11% margin EBITDA for the whole year.

Pankit Shah: Okay, great. Thank you so much. All the best.

Moderator: Thank you. We have the next question from the line of Sangeeta Purushottam from Cogito. Please go ahead.

Sangeeta Purushottam: Good afternoon and thanks for the opportunity. I wanted to get a sense from you on two things. In the medium term I define medium term of 2 years what kind of volume growth are you targeting and if you could correct that overall to your sense of how the market is shaping up because in the current year the 3% volume growth you are talking about that seem a little bit more, the second question is related to medium term margin, how do you see the margin trajectory is it likely to go up from the 11%, we did do 13% in FY2021, so

was that one-off and therefore going forward we should assume that the margins are going to settle down at around 11% and my third question relates to our experience of the business over the last few quarters what lessons learnt from the market turbulence and other challenges and how are those being integrated into the business?

Rajendra Gandhi: I will go from the bottom last question, learning is everyday affair and of course we would definitely not want to repeat if we have got into a situation like I am sure you would be referring to the margins and we definitely pass on the margins whichever, whatever is the cost increase we pass on; however, when the prices go down in a reasonable time we pass on we want to be competitive, definitely there was one-off situation very, very rare which is not unprecedented for us where we had continuous input cost pricing every quarter-on-quarter, week-on-week, so there was an extraordinary situation, otherwise we pass on. Second thing was margins so it is not that we said that we will protect 11% ideally we should expect between 11% to 13% range, we would want to protect 11%, it is not that our business is designed around that. Growth I can say they are both one is the new product that we launched and the growth that we will get from the various new channels and the expansion that we do, so overall we believe that a kind of 10% volume growth can lead to our aspiring double-digit growth.

Sangeeta Purushottam: Could you just help us understand a little bit what were the peculiar circumstances that the volume growth has been in the low single digits what feedback you are getting from the market, what is happening in the industry if you could just expand a little bit on that?

Rajendra Gandhi: It is also the product mix and the price of which we sell the product and also the base there are three reasons for this. The Q2 particularly of the last year was really good comparatively. There was good demand that was build up. I do not say there was no demand this time, but then relatively the base was strong, so you are seeing the growth not looking very high and I do not see that this is what the number it is going to be always normalized, when you see a normalized situation we can expect to grow in volume terms in the range of 10%.

Sangeeta Purushottam: In terms of seasonality are you likely to see what is Q3 like compared to Q2 on a Q2 basis is the first half always better than the second half, how does the business operate?

Rajendra Gandhi: The first for us is a little softer and the second and the third quarter are the important quarters for us and generally the first half and the second half is more or less the same.

Sangeeta Purushottam: More or less the same in terms of topline?



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Rajendra Gandhi: Yes, of course the business is all built around us, simultaneously for us the remaining costs are more or less fixed, the operating leverage if the topline grows and the primary thing is the topline.

Sangeeta Purushottam: Okay and just coming back to the price increase are you saying that the company is flexible in term of passing on cost increases and therefore we will not further increase prices?

Rajendra Gandhi: There is no need for price increase per se with the current cost of our products and the price that we operate with it takes care of the aspired margin.

Sangeeta Purushottam: What I mean is that if you actually experience any increases in future we know we are constantly or regularly passing those on so that at least 11% margin is maintained?

Rajendra Gandhi: That is our policy and that is what we would want to do.

Sangeeta Purushottam: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Madhu Babu from Canara HSBC Life Insurance. Please go ahead.

Madhu Babu: Sir, both general trade and e-commerce are almost at a kind of similar size, how do you manage the conflict because pricing differential between e-commerce and general trade and whether there is any hindrance for general trade expansion that is the first one and second on the exports what is the current annual run rate and what is the target over a three year timeframe and would you look beyond where the Indian Diaspora is that is a decent opportunity to look at? Thanks.

Rajendra Gandhi: For us the end-user acquisition cost whether they buy from the general trade, the modern trade or the e-commerce this is the same and internal margins we have managed in a way that more or less that is the requirement and so for the end-user it is the same, it is not that if he is buying from the general trade or the e-commerce cost varies and that is not exactly we tried to do to manage this channel conflict, so I do not think for us we have any such challenges. There are sometimes when they would do aggressive acquisition activity where they would burn money, but I think that is a part now even the e-commerce platforms got the normal margins and we try and protect what do you call market operating price MOP we tried to do this. On the exports we are growing of course the base is smaller related to the other channels and also the opportunity is much larger, so we continue to grow at a little higher than what the company is growing at the moment of course, this will all stabilize over a period, but in the long run you can see whether it is a general trade or e-commerce or



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the export getting to the same level it is the same, we are still far away from there, we are closer to 9%, 10% now versus 30%, 35% from general trade and e-commerce. Exports will grow, but at a higher rate than the company's current growth rate.

- Madhu Babu:** Just on new SKU introduction any highlights you would let to do on any product?
- Rajendra Gandhi:** We launched an air fryer in this quarter, the test marketing is sold only in Kerala, we are unable to cater to the kind of demand we have seen there, so we continue to add categories and products in the segment that we are and it is a continuous process, but since we mentioned I am only talking about air fryer and we have seen very good demand.
- Madhu Babu:** Congrats on outperforming the other players in this quarter in terms of growth.
- Moderator:** Thank you. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Good evening. Thank you for the opportunity and congratulations for another strong quarter. My question was if I look at the growth if you could highlight the gas cooktops seemed to have declined 16% Y-o-Y and the small appliances also grown at a smaller pace at 3%, would you like to elaborate a little bit on these two sub-segments specifically what is happening, what are we do to grow these segments?
- Rajendra Gandhi:** The gas cooktops we have completely come out of the oil company business in this quarter is absolute zero and there we had some revenue that we lost and also when we are rebuilding the channel so we are getting back to the original last year the base of last year and then growth from there because we let go the one complete channel for the cooktops business.
- Achal Lohade:** I presume that the OCD was completely exited in FY2021 itself, isn't it?
- Rajendra Gandhi:** FY2022 we exited. From the beginning of this year completely it is zero for us, but this is the first quarter and the first half we had revenue from, that was the last fag end of our OCD business.
- Achal Lohade:** If you were to remove to OCD part what is the growth or in the retail or non-OCD so to say what is the growth for gas cooktops?
- Rajendra Gandhi:** I will tell you there are two events today one is there was a little lower growth on the e-commerce business on the gas cooktops particularly when you will compare it with Q1 of



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last year's Q1 and a little of Q2 there is a higher contribution of gas cooktops business from the e-commerce business and completely exiting the channel approximately Rs.20 Crores from the OCD business last year.

Achal Lohade: Second quarter or first half Sir?

Rajendra Gandhi: First half because we were tapering it off almost whole revenue of that OCD business last year was in the first half.

Achal Lohade: No, I was talking about the second quarter specifically, sorry I am harping on that because as you know it is pulling all the entire growth, so I am just trying to figure out any specific issues there in these two?

Rajendra Gandhi: There is no issue, for the last year like-to-like quarter there was high sales of these cooktops on the online business and relatively it is normalized sales now and the differential of the OCD there is absolutely no challenge or nothing that is slowing down the growth on the gas cooktops.

Achal Lohade: Anything on the small appliances Sir?

Rajendra Gandhi: small appliances we will continue to grow.

Achal Lohade: Growth progress front so I know the small appliances sub-segment any particular product which you have seen slackness or anything?

Rajendra Gandhi: One of the categories is the chopper and actually ASP has come down while the volume numbers are same the actual ASP has come down and that is a drag in that segment, otherwise it is normally we are growing in a small appliances

Achal Lohade: Understood. My second question if I look at the expenses in terms of the employee cost the run rate used to be about between Rs.25 Crores to Rs.31 Crores, in this quarter it is Rs.36 Crores, any highlights on what run rate we should work with and what was the A&P spend for the second quarter specifically?

Rajendra Gandhi: On the employee I will tell you that Q2 is the larger quarter, so direct cost has definitely gone up and the normalized you can consider that on an average it will be in the range of Rs.35 Crores.

Achal Lohade: Cost for the second quarter?



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- Rajendra Gandhi:** Overall it is Rs.65 Crores for the H1 and H2 also you can expect 3%, on the A&P we spend around 3.5%.
- Achal Lohade:** 3.5% in second quarter okay?
- Rajendra Gandhi:** We are there at the same number.
- Achal Lohade:** My question was in terms of COCO stores what is the investment there in terms of capex and as well as opex?
- Rajendra Gandhi:** The investment goes into three segments, one is fixtures, furniture and all these and then there is a rental deposit that we paid to the landlord and there is some inventory that we carry. On an average it is about 15 lakhs per store.
- Achal Lohade:** Thank you. I will come back in the queue for further questions.
- Moderator:** Thank you. We have the next question from the line of Anand Venugopal from BMSPL Capital. Please go ahead.
- Anand Venugopal:** Thanks for the opportunity. Just wanted to know if you could throw some color on the volume and revenue growth for the second half of this year any guidance if you could give us?
- Rajendra Gandhi:** We believe that double digit volume growth while, value growth is a function of price increase it depends on the input cost.
- Moderator:** Thank you. We move onto the next participant. There is a followup question from the line of Prithvi from Unifi Capital. Please go ahead.
- Prithvi:** My question is on your retail outlet what is the idea here, how many outlets you want to setup and then what is the breakeven number, how many months you will be taking and what kind of revenue are we targeting?
- Rajendra Gandhi:** This is initial phase of our overall long-term plan of setting up this retail outlet. The initial feedback and inputs are very, very encouraging. On the breakeven we can say that on an overall channel we are already profitable, it is already beyond the breakeven point and it is just one-and-a-half, two months for operation, so the initial feedback is very, very good. Based on this we definitely want to take this retail across the country in a phased manner, initially we would want to do there across the south and then take it to the other markets to complete.



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- Prithvi:** In the next two years how many outlets you are planning to add?
- Rajendra Gandhi:** We have not come to that that is the second milestone, suppose we have committed that we will be able to setup 35, 40 stores in 12 to 18 months, but we believe before the end of this financial year we will be able to complete this 40 stores in the southern markets and as we get more inputs from these and then we would definitely discuss this internally and if they all work well then every quarter we would want to rollout 25 to 30 stores every quarter.
- Prithvi:** Are we planning to own the stores or at some point we will look at franchise?
- Rajendra Gandhi:** As of now it is a learning phase so we would want to do company owned outlets only and we will have to see if it makes sense to also have franchise managed outlets. For us the experience for the customers is far more important and we believe that when stores are managed by the company we can deliver this experience. We will try to deliver the best experience.
- Prithvi:** Thanks Sir. That is all from my side.
- Moderator:** Thank you. We have the next question from the line of Dhruv Kashyap an Individual Investor. Please go ahead.
- Dhruv Kashyap:** Very good afternoon to all of you. This question is not from a sort of strategic visioning or sort of long term 5 to 10 year perspective, now from what I understand in terms of the architecture we have Pigeon, we have a Gilma and we also have a Black and Decker currently I think almost more than three fourths of the business comes from Pigeon and that would be from geographies of strength or sort of expanding geographies, so some color on Pigeon and its expansion plans either geographical, wide spaces or channels or whatever and more importantly when do we bring in a big play on Black and Decker and Gilma to really become three horse company rather than one horse currently, just wanted your thought on that?
- Rajendra Gandhi:** Base for Gilma and Black and Decker are small and while they are growing, it is not anywhere closer to the Pigeon brand in terms of the volume that Pigeon brand delivers because the Pigeon brand also continues to grow at a much higher rate than the industry growth rates itself, so that the focus is equal and all the three are very important, but the Pigeon brand offers the higher growth in absolute terms and it will continue to be larger contributor for a long term, it is not in the next three to five years that any of these other brands will be anywhere close while we will put all our efforts to build both the Black and Decker and Gilma. The opportunity for us in the Pigeon brand is that we can add more

channels and we continue to keep on adding products, so it is a multiplier there. Like you mentioned whether these will be equal three equal horses it is a long time, but we would want to address the various segments of the consumers. We believe that company is still moving towards that but today it is more skewed at the middle and the bottom of the pyramid, so the Pigeon brand is addressing this segment of the consumers and so we believe that the Pigeon brand will be the largest contributor for a long time.

Dhruv Kashyap: Just on a followup to that Sir. You are in this unique situation where the share of mind of both Pigeon and Black and Decker is significantly higher than the share of wallet, so these brands are known, they have tremendous and to my mind Black and Decker would probably be the most premium appliance brand that India seen, so is not there already a lot of awareness and it is just about following through with a strategic roadmap in terms of men, material & resources to be able to scale up because ultimately a really successful consistent company would be one which is more than just trick?

Rajendra Gandhi: Well taken, I do not deny any of those aspects, Black and Decker is a very strong brand in the premium space. What I would want to bring to you is while we are committed to build a brand, when you compare these two the contribution from the middle and the bottom of the pyramid is much higher than this I can call this super premium brand and not a premium brand, it will also grow, but because of the differential that it has it is not 75%, 25% it is actually 5%, 95%, we are 95% Pigeon, so with that huge differential and the growth rate that exists with Pigeon the Black and Decker brand will definitely grow, to assume that it will be on revenue terms it is par with Pigeon is the long way to go.

Dhruv Kashyap: My second and final question is on the sort of geographical spread in white spaces, if my understanding is correct and I might be very wrong so you can correct me that for significant part of your business would come from South India and I am talking about GT and MT because obviously e-commerce is kind of regional agnostic, would it be fair to say that you have a lot of headroom in the north, east, west and where are you seeing priorities outside the south where you would want to allocate resources to?

Rajendra Gandhi: Your understanding is perfect, we are more in the south, we are growing very fast in the west, and there is a lot of headroom both in the west, north and east, so the scope for higher growth in the west, north and east is very high. We have seen very high growth rate in the west. At the moment we are putting all the extra efforts in the west, but we will definitely catch up with both the north and east also. The opportunity of course exists to have equally more or less same kind of market in across the four regions of our country.



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- Dhruv Kashyap:** Thanks for that and in conclusion I think all of you have been doing an excellent job and it sounds very exciting what is in store for the company ahead and I personally say and I can tell you that there is a lot of brand pull and recall for Pigeon.
- Moderator:** Thank you. We have the next question from the line of Ronak Vora from AUM Fund Advisors LLP. Please go ahead.
- Ronak Vora:** Sir, I want to ask that 11% Y-o-Y growth can you just break it up between volume and realization growth on Y-o-Y basis?
- Rajendra Gandhi:** We did mention in our presentation, actually it is 12% not 11% and 3% comes from volume and 9% come from price
- Ronak Vora:** What I want to understand is going ahead like how was the festive season for you and how are we seeing the Christmas environment planning out for the company?
- Rajendra Gandhi:** Historically always the second half has been the strongest quarter, second quarter has been the strongest quarter and then the third and the fourth quarter are good quarters, but second and third are considered to be stronger quarters and when you will historically see the first half and the second half more or less it is 48%:52% or 50%:50% kind of a contribution coming from these two halves, so the third and fourth quarter are more or less in that similar range, but still between the two quarters the third quarter is a little stronger than the fourth quarter.
- Ronak Vora:** Okay, in our previous concall we had guided for approx 15% growth guidance in terms of topline so how do we plan to achieve it with our first half be so low?
- Rajendra Gandhi:** We have grown by 18%.
- Ronak Vora:** From the second quarter our run rate has been decreasing 11% which happens and last year first quarter was because of the COVID?
- Rajendra Gandhi:** We continuously believe in what we believe that there is good demand and we believe that we can grow in a double-digit growth, we will continue to grow and the demand we are seeing fair and good demand, we do not see any challenge in that double digit growth or higher than industry growth.



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Ronak Vora: Just to rephrase our question Sir, in terms of market share have we seen any improvement, is there any shift from unorganized to organized, just your sense of what the industry is going ahead?

Rajendra Gandhi: Definitely there is a shift from unorganized to organized, but when I mention that we are growing as in the industry obviously, we are seeing in market some competition.

Ronak Vora: Thank you.

Moderator: Thank you. We have the next question from the line of Anand Venugopal from BMSPL Capital. Please proceed.

Anand Venugopal: Most of my questions got answered, just if could give any volume guidance for the second half of this year?

Rajendra Gandhi: We believe that we can grow on 10% on the volume.

Anand Venugopal: Thanks.

Moderator: Thank you. We have the next question from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity and congrats on decent numbers. Just wanted to understand in case of modular kitchen what is the store count that we have expanded especially in Bengaluru, so all the stores will be having modular kitchen?

Rajendra Gandhi: Each of the stores that we have correctly planned and we believe that we will be able to have 40 stores before this end of this year; all these stores have been planned with the modular kitchen display.

Devansh Nigotia: If you can just also elaborate on how much of the modular kitchen we are manufacturing by ourselves and how much is the outsource manufacturing and what is the working capital which will be required?

Rajendra Gandhi: The entire modular kitchen is manufactured within the facility of Stove Kraft, of course we have tied up with global and national brand Hettich, the modular kitchens are actually branded as kitchen powered by Hettich, all the hardware is supplied by them. We used their hardwares and all the furniture side of that, but a little part of that is manufacturing within the facilities of Stove Kraft.



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- Devansh Nigotia:** We have done the capex for that already?
- Rajendra Gandhi:** Already done, the plant is fully ready.
- Devansh Nigotia:** In case of the stores that we have opened, can you elaborate all the store level unit economics in terms of the rental cost, employee cost for the kitchen appliance?
- Rajendra Gandhi:** We are already profitable at consolidated retail itself, the cost versus our revenue we are already profitable even in the initial first two months of the launch of these stores.
- Devansh Nigotia:** This is without the modular kitchen, the modular kitchen has not still commenced?
- Rajendra Gandhi:** No, but again the modular kitchen will start, we only displayed now, we are getting ready for the whole rollout, the displays are there.
- Devansh Nigotia:** Okay and how is the installation work?
- Rajendra Gandhi:** We have a complete plant for this, of course we are promising our customers that from the time they finalized the kitchen order in 48 hours we will install this in their house.
- Devansh Nigotia:** Okay and what are the kind of margins we are looking at?
- Rajendra Gandhi:** For us the margin for the kitchen brand is product agnostic.
- Devansh Nigotia:** Okay and what is the major of competitive intensity which is there in modular kitchen as of now?
- Rajendra Gandhi:** We are very, very aggressively priced, it is very surprising for the consumers when they see or purchase the products, the quality that we offer and the price that they will have to pay I can say it is kind of shocking.
- Devansh Nigotia:** Okay. Thanks a lot for the detailed explanation.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Rajendra Gandhi for closing comments.
- Rajendra Gandhi:** Thank you all of you for patiently listening and I answered all questions and we hope that we are able to answer all your questions, but whenever you have any queries you can always reach to us directly or to our investor relationship partner, the Orient Capital. Thank you.



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Moderator: Thank you. On behalf of Stove Kraft Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.