



## Stove Kraft Limited Conference Call”

**January 04, 2022**



### **MANAGEMENT:**

**MR. RAJENDRA GANDHI, MANAGING DIRECTOR, STOVE KRAFT LIMITED**

**MR. RAJIV MEHTA, CHIEF EXECUTIVE OFFICER AND WHOLE TIME  
DIRECTOR, STOVE KRAFT LIMITED**

**MR. BALAJI A.S., CHIEF FINANCIAL OFFICER, STOVE KRAFT LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the Stove Kraft Limited Conference Call. From the management, we have with us today, Mr. Rajendra Gandhi, Managing Director; Mr. Rajiv Mehta, Chief Executive Officer; and Mr. Balaji A.S., Chief Financial Officer. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajendra Gandhi. Thank you, and over to you, sir.

**Rajendra Gandhi:**

Thank you. Good afternoon, everyone. Thank you for joining this call. I hope your family and friends are all keeping safe and I pray for their wellbeing. Amid rising cases of COVID-19, let us all continue to exercise greater caution.

Coming back to today's call, I have the pleasure of announcing a new member to the executive team, Mr. Balaji A.S., who will be taking on the role of CFO at Stove Kraft Limited. Mr. Balaji is a chartered accountant and a cost accountant with over a decade of rich experience in finance, business excellence, process automation and risk consulting. Mr. Balaji has a demonstrated history of working with private and publicly held companies in diverse industries, including FMCG, logistics, insurance, manufacturing, and construction industries. His diversified and great deal of experience would help the company to achieve its vision and create wealth for its valuable stakeholders in the long run.

This is an exciting time for Stove Kraft with the recent announcement of our entry into electrical switches and accessories segment through the acquisition of business of SKAVA Electric Private Limited and our foray into branded modular

kitchen segment. This is an important milestone in the company's growth journey for the next few years. Both these segments represent attractive market opportunity and will allow us to offer additional products with an attractive value proposition to our clients. Both these businesses will leverage key strengths that Stove Kraft possess, manufacturing expertise, strong brand recall for the Pigeon brand and the Pan-India distribution network. We envisage to make additional investments in both these businesses to ramp up capacity, as well as automated production lines.

With acquisition of business of SKAVA Electric Private Limited, we will foray into the business of manufacturing low voltage switchgear solutions like electrical switches, sockets, distribution boards, switchboards, MCB, bulb holders, etc. As part of this acquisition, the founder of SKAVA will be appointed as a Business Head of this segment and will also observe the design, operation, and manufacturing team from SKAVA Electric Private Limited to kickstart the production.

The acquisition was a slump sale basis for a consideration of INR 4 crores in cash, which is subject to due diligence and regulatory approach. This acquisition will act as a natural extension to our existing product offering of Pigeon LED. SKAVA enjoys a strong brand recall and has a wide distribution network in Tier-I and Tier-II cities in Southern India and will supplement Stove Kraft 's existing distribution network.

In addition, we also are making an aggressive foray into the modular kitchen segment. Currently, the segment is highly unorganized, comprises of local carpenters, contractors, builders, small retail operators and architects. The current addressable market for branded modular kitchen segment in India is estimated to be around INR 12,000 crore and expected to grow at a robust CAGR of 20%.

We believe this is the right time for us to diversify and capture market share as the industry shifts from unorganized to organized.

Our Ready to Assemble, the RTA kitchens will be a standard offering, catering the majority of the kitchen shapes and dedicated modules of wall cabinets, floor cabinets and tall units, along with multiple colour options. The inventory of standard cabinets will be manufactured in mass production, automated lines in -- at an in-house facility in Bangalore, which has been acquired from Metsmith, along with the entire team of operations and designers. This will allow the customers to benefit from assured quality, quick delivery, something like 48 hours of TAT, and affordable price derived from economies of scale.

A Pigeon RTA kitchen with plywood cabinets, with a countertop, kitchen sink, chimney, cooktop, and accessories will be available to the consumers from April 2022 onwards at an delivered price starting at INR 69,990. It sounds exciting.

Now I request the moderator to open the floor for question and answers. Thank you.

## **Question and Answers**

### **Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '\*' and '1' on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press '\*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Reminder to the participants, anyone who wishes to ask a question may press '\*' and '1' at this time. The first question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

### **Aniruddha Joshi:**

Yes, thanks. Thanks, sir. Thanks for the opportunity. Sir, just want to understand in terms

of modular kitchen, means it will be a similar business model to Asian Paints' Sleek? Is the understanding correct?

**Rajendra Gandhi:**

So, our primary foray into the modular kitchen segment is derived with our experience that's very long back in 2006 -- between 2006 and '10. We have created a system called RTA Kitchens. These are Ready to Assemble standard modules of kitchens, which can be customized to the dimensions of the available space in the kitchen. But then these are standard modules. It's not like we design a kitchen based on the customer -- individual customer's requirements. These are mass produced different modules which are Lego -- like Lego blocks assembled. So, to form a kitchen that is -- that looks like any other kitchen, but then these are produced in mass volumes. Of course, we have multiple colour choices.

The difference between the kitchens that you are mentioning and these kitchens are, these are not individually customized, but these are standard modules available. It is like, if you want me to explained to you in simpler understanding it is like buying a readymade shirt or getting a shirt customized. It's like that.

**Aniruddha Joshi:**

Okay. Okay. Okay. Understood. So sir, what will be the initial investment in terms of branding, distribution, marketing that we plan to invest in this new business model?

**Rajendra Gandhi:**

So, we have acquired a manufacturing facility from Metsmith, along with the team, that has come at a very attractive price. We have only invested about INR 86 lakhs in this and over and above this, their current -- with the automation that we have planned and really -- I mean they said that we are putting up within our premises. So, we envisage about INR 4 crores to INR 5 crores of initial investment to kickstart the business. Marketing,

we already have various channels, which are catering to our -- in our business through the -- for the Pigeon brand. We also have a Gilma brand, which is -- I mean we sell our products to EBOs. With the various channels that are existing, we believe the business can kick start and we'll explore what we call EBO kind of a strategy for this kitchen business. Apart from addressing it through the existing architects, the -- even for the carpenter it becomes very attractive to offer a kitchen to his clients, buying the modules from us and customizing it.

So, this business will evolve over time, but initially it is -- we will exploit the channels that we have.

**Aniruddha Joshi:**

Okay. Okay. Understood. And sir, lastly, on the acquisition that we have done. So, as I understand the product portfolio is slightly different from the kitchen portfolio that we are having and it is more into the electrical. So, means the company is diversifying into an another business segment altogether. So, in terms of the investment or the management bandwidth, etc., that will -- so how is the management gearing up for that additional investment in a very different set of business altogether?

**Rajendra Gandhi:**

We've been investing our time, energy, efforts to build the LED business, which is the electrical side of the business. We have a parallel network apart from the other channels that are common, that is the modern retailer and the e-commerce. The general trade, we have built a network across 11, 12 states now. This is only complementing to the existing range of products. Of course, when you compare it with the kitchen this completely diversified range of products, but we have a network in the electrical business, primarily it has started with our LED. It is a very, very fast growing business for us. It has grown at a CAGR of more than 50%, 60% and it is continuing to

grow. So, we are able to build a distribution network in this.

This range, the additional range of switches and the accessories that we discussed part of the new acquisition will only complement the business in the existing channels. There is no additional team required for this. Of course, we are acquiring the design, the manufacturing team, the existing team of SKAVA Electric Limited, headed by the promoter himself who has rich experience of 20 years. So, that is the strength. On the investment side, I can say of course, there'll be some new tooling apart from the existing range that they already make. So, definitely that is going to be there, but the channel is ready already.

**Aniruddha Joshi:**

Okay. Okay. Thank you. Thank you, sir. This was helpful. I will join the queue now.

**Moderator:**

Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:**

Yes. Good afternoon, sir. Thank you for the opportunity. My first question is, can you help us in terms of how many categories are we presenting? And in the existing products -- in the existing business? And how do you plan to kind of scale that in terms of -- is there any particular category which you think we can make it very large, or it will be a broad based growth across the categories?

**Rajendra Gandhi:**

So, you're talking about the electrical line or existing kitchen related business?

**Achal Lohade:**

Our existing kitchen business, sir. Yes.

**Rajendra Gandhi:**

So, the existing kitchen business, of course, the kitchen itself an extension of our existing kitchen business. Though, kitchen and the kitchen appliances don't sound to be the same, but it is

addressing the same consumers. There'll be additional channels through which the kitchen -- we are introducing the kitchen. But in our existing business that is, we have a long tail of small appliances, where in the past I would have mentioned this, I want to repeat it, that we are seeing that we get to leadership as and when we are indigenizing the products that we currently are importing.

When we make assembly lines, we save a lot of money and we pass it on to the consumer. Then as you get scale, we backward integrate into manufacturing these products. We have been experiencing in any of the product lines that we are currently doing that we are getting to leadership. So -- but there is a very long tail of appliances that we already deal in. And there's innovation that is continuously happening.

So, I can say for the next few quarters that would be 8, 10 quarters, we have enough lined up and these are different products within the same product category that we are offering to the consumers. But today because we are also a need to trader, we don't have the aids that we can offer to our consumers in terms of value. So -- but the moment we get into manufacturing we will be able to do that. So, we are continuously doing. I can say every quarter you will see some products from our existing range being indigenized or Indianized and then maybe initially only produced and then be backward integrated.

**Achal Lohade:**

Understood. Is it possible to give us some sense in terms of what new categories have we entered or introduced apart from LED in last five years and what will be their contribution now? Where I'm coming from is that, from the new ventures we are getting in, what kind of scale up can one look at over next three to five years? I'm not looking at really the short-term, but maybe three to five-year time.



**Rajendra Gandhi:**

So, I can say we will be able to get -- in the electrical business along with our LED, we are aiming at 3% market share in the next three to four years. And that is quite sizable. We believe that it will be about 20% -- it will contribute to about 20% of our revenue in the next three to four years, the electrical segment itself.

Regarding the products, if you want to know how it has scaled up, I will tell you about the recent past, the three products that in the last two years we have done this process of what you call Indianizing or producing and then backward integrating. The choppers, the electrical kettle and the induction cooktop, these are categories that we are very proud of. All these categories, we are leaders in the category today.

**Achal Lohade:**

Okay. So, when you say leaders, you mean you are number one in induction cooktop?

**Rajendra Gandhi:**

Yes.

**Achal Lohade:**

Is it like that?

**Rajendra Gandhi:**

Yes.

**Achal Lohade:**

Okay. Okay. So, I presume these are the three -- sorry, I'm harping on this question, because that's one of the questions...

**Rajendra Gandhi:**

No, no. Feel free.

**Achal Lohade:**

So, these products we have been, well, we were selling for a while, right. I mean, we have indigenized and obviously, we have scaled up, but this we already had. So, what I also wanted to check, the new categories or new product what we have launched apart from the LED. Is there any product and what would be their contribution?

**Rajendra Gandhi:**

No. So, in the LED, there are different types of LED products. We started only with bulbs. When we started off, there were only four SKUs. We used to have a 3 watts, 5 watts, 7 watts, 9 watts of bulbs alone, and today we have a range from 0 to 50 watts in the bulbs alone. Then we have a range of batons, that is what you call tube lights. Then we have downlighters and then we have emergency bulbs and to -- also in the same channel, we sell emergency lamps. All these are, I mean, I can tell you we are going upwards of 50% in the last four years. And we believe that we can grow much higher -- at a higher rate for the near-term.

So, the new products that you are talking about is related to this, whether it is switches or the MCB or whatever, I mean the range of products that we are introducing. The advantage is the team, the current -- the team that was currently handling the manufacturing and sales of this, under the SKAVA Electric Limited. So last year, they were about INR 10 crores but the company has gone through a little challenging time. Two years back, they were at about INR 30 crores of revenue. So, with the capabilities that they had, they are able to get there and I am sure with additional strength that Stove Kraft possess, whether it's manufacturing, or the network, or the brand, I think definitely it is a very winning proposition for us.

**Achal Lohade:**

Understood. Sorry, I'm just curious. So, you said 3% market share over next three to four years for the electrical plus LED, right? So, you had INR 12,000 crores, what's the market size of the switches, switch gears etc.? So, I'm coming to the number, is it like we are talking about upwards of INR 300 crores, INR 400 crores of revenue from this category?

**Rajendra Gandhi:**

So, the INR 12,000 crores was for the kitchen business I mentioned and I don't have an exact

number, but what in our mind is about INR 15,000 crores and we believe that if you want to get to that arithmetic math today, the market is about -- if it is 3%, it is INR 500 crores.

**Achal Lohade:**

Okay. Understood. And sir, last question if I may, with respect to -- in terms of investments, you did make a comment that the existing will take care of that. Would you require further capital infusion or investment in terms of the capital expenditure etc., to grow these two business lines or not really you can...?

**Rajendra Gandhi:**

The company is generating enough cash every month.

**Achal Lohade:**

No, obviously, obviously, I don't deny that. What I'm trying to check is that, would we look at like INR 40 crores, INR 50 crores of incremental investment going into these categories?

**Rajendra Gandhi:**

No, it does not require. See, the fundamental infrastructure for all this is already there. So, I mean, because we are currently having enough space, real estate for even the LED business, where we were setting up the lines for the switches. So, there is no additional on the said site. Of course, there is some tooling which is a continuous process. So, it's not overnight, but over the next three, four years there is a continuous investment on tooling.

On the kitchen business, of course, we are setting up a new shed and we are moving these machines that we've acquired from Metsmith. Along with this, we'll be adding some additional machines which will automatize those lines and will be able to produce at a higher rate. So, that requires some more investment. For the kitchen business, I can say, apart from what we've already paid, about INR 4 crores or INR 5 crores will go into the investment. But for the electrical side, it is only the

tooling, because we have all the electronics side, we have been making the PC boards or injection moulding we have enough machines at the moment.

**Achal Lohade:**

Got it. Got it. And just last question in terms of new categories, are you looking at further new categories or this is good enough for the time being for next couple of years where you will try and build upon these categories before adding further new categories?

**Rajendra Gandhi:**

On the categories side, I've already mentioned on the small appliances, we are continuously working on Indianizing, that is manufacturing and then backward integrating. So, that is a continuous activity. Apart from that, the kitchen and electrical should keep the company very, very busy for the near future.

**Achal Lohade:**

Got it, sir. Thank you and wish you all the best.

**Rajendra Gandhi:**

Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your question to 2 per participant. Should you have a follow-up question, we would request you to rejoin the question queue. The next question is from the line of Kunal Shah from Carnelian Asset Management. Please go ahead.

**Kunal Shah:**

Hi, and thank you for the opportunity, Mr. Gandhi and Mr. Rajiv. I had few questions. So, first thing I wanted to understand is this SKAVA used to have about INR 30 crores of revenue two years back and is now doing INR 10 crores, so any particular reason for the drop in the revenue? And what kind of synergy is there in the current distribution channel of LED for Pigeon brand,

which can be exploited, if you could help understand that a little bit on the SKAVA part?

**Rajendra Gandhi:**

Yes. So, the pandemic has brought challenges to many enterprises and one of them could be SKAVA Electric Limited. Though it's a private limited company, of course, driven by a promoter and there could have been challenges managing the cash flows and all that. Is also during these times not every company could -- mean they have gone through challenges during these times, several companies, and I can say this company also was having those challenges.

But what we like with SKAVA was, it is a very innovative team, very energetic innovative team, who have really created world class products with the limited resources that they had. And with the capability of Stove Kraft in manufacturing and the DNA of Stove Kraft in cost, with the network of Stove Kraft across the country, and the brand Pigeon, we thought that that makes a lot of synergy to scale up the business from wherever it is. The team, existing team and the merged team of Stove Kraft, I think they have become a very formidable force to do the vision that the company has for this business.

**Kunal Shah:**

So, what will be the team size and distribution synergy that is...?

**Rajendra Gandhi:**

11 members team that we are acquiring from SKAVA.

**Kunal Shah:**

Okay. Okay. Okay. And just wanted to understand sir, how would the margin profile be for this particular business? It would be margin accretive to the existing business that we do or for certain timeframe, since we'd be investing in building this business...?

**Rajendra Gandhi:**

So, we won't be profitable from day one but the initial years or building years will mainly start a little more expenditure versus revenue, but in the three years' time, we believe that it will be at the same margins of the current business. Definitely, if not better, but it will be at the current level.

**Kunal Shah:**

Okay. Okay. Okay. Fair enough. Sir, just wanted to understand that this modular branded, the segment, right, I mean there have examples, peers which have not been able to kind of scale up this business, as you also rightly mentioned that it is very much large organized and driven by carpenters and all of that. So, what is our right to win in this business segment because I understand the distribution channel also would be completely different from what we have presently for our existing business of LED and it's in appliances. So, it's in a way a completely different way of selling products. However, it would still be a part of kitchen, but the way how it gets sold or driven is completely different from what we are presently doing right? So, two parts to this question. One was, obviously the right to win and how we try to scale this business. And second question is also, we already have quite a few things on our hands and that is building up distribution channels other than e-commerce in South, along with product category expansion lined up in the container segment and all, right, and also the electrical switchgear and all. So, would it kind of be having too much on our plate to take care of? I mean, what are management thoughts on these two parts of this modular branded kitchen segment?

**Rajendra Gandhi:**

I will adjust it in three. The first thing is we know the kitchen business is not new to us. In the year 2011-12, we were rationalizing to develop our businesses and then we led through this the kitchen business. The second thing is, I think we were early in time then, but the way we make kitchens

is not the way generally what it is already existing. I did explain to you about the shirt that is, a customized shirt versus a factory made, I mean, on production lines, how we make a shirt. So, a customized shirt, even at the cost of INR 1,000, you may not be very sure of the quality of the stitching that you will get, but a shirt that is built in the factory for INR 75, definitely are assured of quality and all that. So, that is the kind of manufacturing that we are planning or working on. So, this is a ready offering. So, there will -- it is like having different statistics, different modules readily available. And from this we are picking and choosing. So, including the carpenters, or the existing kitchen sellers or our own the EBO stores, or the online presence, or even the modern retailers that we work with or the retailers that sell our appliances or the cookware, any of these people can be participate in the selling of this kitchens.

**Kunal Shah:** Okay. Okay. Okay. And just one last question on this particular business.

**Moderator:** Mr. Shah, may request that you return to the question queue for follow up.

**Kunal Shah:** Sure. Sure. I will do that. Thank you.

**Moderator:** Thank you. The next question is from the line of Aashish Urganlawar from InvesQ Investment Advisors. Please go ahead.

**Aashish Urganlawar:** Yes. Thank you for the opportunity. Sir, just had question a on the earlier CFO not being there with you anymore. So, anything to share on, I mean, abrupt exit of that person?

**Rajendra Gandhi:** So, I can't call this abrupt. Shashi was -- I can say really did all that he was supposed to do at Stove Kraft. We really appreciate his contribution to the company. So, he came at a time when, of course,

the company was going through recalibration of the business and all that, and we were also working on the IPO. And then I think we did a very successful, both IPO and listing. And that was -- that is what was exciting for him. And he definitely, as a professional believes that he can replicate this and do this in smaller companies and contribute better than what he already did. Is what I think, is not that exactly I can share what his thoughts are. This is what we have discussed. I would -- which we all appreciate that, as professionals, if they're more excited with something better, and if it is good for their growth, I don't think it is wise to push them or emotionally bind them to stay back.

Fortunately for us, we also found one very young, energetic Balaji to replace him. So, I think this was -- I mean [Technical Difficulty]

**Aashish Uppanlawar:**

Yes. So, the transition to Mr. Balaji, there was a certain common time that they spent together. Is it that way?

**Rajendra Gandhi:**

Come back?

**Aashish Uppanlawar:**

The transition of the -- because this is a very pretty important position in the management, CFO. So, the transition to Mr. Balaji, it was -- they worked together for some common time, is it?

**Rajendra Gandhi:**

So both -- while Shashi has already taken the role in a new company, he is available for the quarter. I mean, that is his commitment to the company that he would want to see through the financials for this year, not as a professional, but as being part of this company for the year that he spent here. He is available there. Of course, there was not an official transition because Balaji also was serving the previous company, but he would definitely has got in hold of -- there is a kind of a transition that has happened not on I mean professional timeline



clashing together, but they are not both at the same time...[Technical Difficulty]

**Aashish Uppanlawar:** Hello?

**Rajendra Gandhi:** Several interactions and Balaji was, I mean, at the company's premises understanding the transition.

**Aashish Uppanlawar:** Okay. Okay. Sir, one more thing I wanted to ask on this new business. So, the kitchen business, you mentioned something about the pricing that you're looking at. I mean, can you just elaborate more on this?

**Rajendra Gandhi:** See, just to give you a flavors of how aggressive we are on our offering of the Kitchen. It's a complete kitchen with cook -- with the countertop, with the sink, with a chimney, with a cooktop and then the initial price range can also start as low as less than INR 70,000, delivered, installed at the consumer's place.

**Aashish Uppanlawar:** Okay. And we have already done pilots for that in certain cities. Is it...?

**Rajendra Gandhi:** I want to repeat that we have a fair knowledge of the kitchen business, between 2006 and 2011, we had built this system of RTA and we are doing it well. Of course, we were outsourcing then. We're -- company was relatively smaller and addressing a smaller market and we were little early in time all these factors. And more importantly, when we wanted to rationalize our business because of challenging situations in those times, one of the business that we let go was the kitchen. Otherwise, we know the kitchen is good.

**Aashish Uppanlawar:** Okay. So, this will be a Pan-India kind of approach?

- Rajendra Gandhi:** Yes. Yes. Start with the markets closer to the factory at Bangalore, but ultimately the plan is to be across the country.
- Aashish Urganlawar:** Sure. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kalpit Narvekar from Allianz Global Investors. Please go ahead.
- Kalpita Narvekar:** Hello, sir. Am I audible?
- Rajendra Gandhi:** Yes. Yes. Very clear.
- Kalpita Narvekar:** Thanks for taking my question, sir. So firstly, I think I missed the answer to this one, but what are your expectations around the margin profile for this business? Is it the same range, 11% to 12% as the...
- Rajendra Gandhi:** I think for the company as a policy we would want to protect the current levels of margin, and we would then want to be as aggressive. So, at the current levels where in any segment of business that we are, we -- for the consumer we are very aggressive.
- Kalpita Narvekar:** Okay, sir. And could you -- and what -- how does the capex requirement for this business look versus your current business? Is it -- so you don't need to do any additional CapEx, is it?
- Rajendra Gandhi:** I think I can repeat...
- Kalpita Narvekar:** But to get the 3% market, right, -- to get to the 3% market, sir, you don't need any additional CapEx.
- Rajendra Gandhi:** No, it is not that. So, we are investing on the kitchen business. We are setting up a new factory that is within the premises of the Stove Kraft and then we are adding some automated lines apart

from the existing infrastructure that we have acquired from Metsmith. Or apart from the payment that we are making to acquire the business of SKAVA, there is going to be continuous investment on the tools, moulds, and tools that we continue to do. This is applicable to our existing business also. As and when we make new models, new moulds have to invest, I mean, we keep on investing. So, that -- and ongoing capex is always there, but relative to the size of the business, is all very, very small.

**Kalpita Narvekar:**

Okay, sir. And could you -- so you mentioned it is like INR 120 billion market or something, right, INR 12,000 crores or something. So, could you share some colour on who are the top few players and what is your strategy around pricing versus those players? Do you plan to price at a discount versus them or what are your thoughts around that?

**Rajendra Gandhi:**

So, there are several players in this segment. It is a very crowded segment, but we also have experienced this with our bulbs. We are growing at least 4 times to 5 times the rate that the industry is growing. So, we believe that we have different capabilities, which are difficult or better than the industry. The three same capabilities that we believe we are good at manufacturing. So, we control our cost, we are good at distribution or creating network and we are good with our brand. So, all these three strengths are collectively unique to us.

Maybe companies will be having a strong brand or companies may have a strong manufacturing foray or they have only distribution and no brand. All this but all these three in one, I think is a very formidable force, which can make any business successful. Of course, there could be discovery learning in the process that we do, but we are very confident of coming up -- I mean, overcoming any of those challenges.

**Moderator:** Thank you. Mr. Narvekar, may we request that you return to the question queue for the follow up questions. Thank you.

**Kalpita Narvekar:** Sure. Thank you.

**Moderator:** The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

**Abhishek Maheshwari:** Yes. Hi, sir. Good evening and thank you for taking my questions. Am I audible?

**Rajendra Gandhi:** Yes. Yes. Please.

**Abhishek Maheshwari:** Yes. So, two questions. So, this a follow-up on modular kitchens, sir, is it -- I am assuming that it's like IKEA, where you go to the showroom and you see customized kitchens made, right? So, won't this business require you to have retail space and show different varieties and designs of kitchens? So, what's your plan for that? Have you rented a space to display those designs or is it a booklet or something like that?

**Rajendra Gandhi:** So, to start with, we have our own 68 Gilma stores where we want to display these kitchens, but we will also work with the various existing kitchen players in the market, that includes carpenters. So, these are modules of kitchen, which when put together we also have a backend software, which supports all this and the strong CRM which will address any customer need. Even remotely, the customer can post his dimensions on -- I mean, share the dimensions on our CRM, and then we will design some options of kitchen to them and this can be delivered.

We have a network of our own service franchises or our own service technicians across the country, who are being -- going to be trained on installing

these kitchens and within 4 to 6 hours, our own people will be able to install the kitchen. That is the kind of system that we want to follow.

**Abhishek Maheshwari:** Okay. So, sir, on pilot basis, you plan to start in Bengaluru and then depending on the market response you would gradually enter other cities, right?

**Rajendra Gandhi:** Yes. Yes. Something like this.

**Abhishek Maheshwari:** Okay. Thank you, sir. And sir, my second question is regarding your current demand scenario. So, we are hearing that a lot of players, FMCG players and all are facing demand issues and all. So, are you facing a similar scenario or all good and you are good?

**Rajendra Gandhi:** So, I will tell you that the business itself, we believe that there are seasonality's. The second and third quarter are stronger quarters compared to the first and the last. So, compared to the years, in the past, we are seeing growth.

**Abhishek Maheshwari:** Okay.

**Rajendra Gandhi:** Yes. And compared to the similar quarters in the past, we are seeing higher -- I mean, better demand than what we have been doing in the past. So, it is unfair to say that there is a slowdown in demand, but if you will compare it with the second and fourth quarter then obviously, we don't see that the fourth quarter should be the same. It is never historically been because the way the country works, most of the festivals, which is sometimes driving the business is all fall in the second and third quarter.

**Abhishek Maheshwari:** Understood, sir. And sir, will you be able to take a price hike like we had discussed initially or you had let go off that because...?

**Rajendra Gandhi:** Yes, we have taken a price hike, from this quarter we have passed on a price hike.

**Abhishek Maheshwari:** Okay, sir. Thank you. I will get back in the queue and I welcome Mr. Balaji to the team. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities and Finance Limited. Please go ahead.

**Binoy Jariwala:** Yes. Thank you for the opportunity. The question is on this SKAVA business. I was just going through some brief background of SKAVA and I found that it was written that it was established as a JV of Nulite Global Tech, U.S. in 2005. So, can you just help me with what was the background of SKAVA and was -- since we've acquired this business on a slump sales basis, was the JV partner dormant or he was not keen on buying out and scaling up this particular business?

**Rajendra Gandhi:** So that is a very old history. Of course, the entrepreneur was a trader and therefore it started in 2001 and he was very innovative in his approach and of course, the product that he built were, again, I will tell you at a very premium offering to the market. So generally, to build a market with a premium offering require, of course, long-term vision and capital to sustain the process of this growth. And that's a long time back, technical arrangement they had, but now the business is on its own and is run by -- was run by the existing promoter whom the arrangement is that, we have bought this business. And then the minimum time that he will have to spend at Stove Kraft is four years, to build the business. And also, the opportunity for him to continue to grow with the company is there.

**Binoy Jariwala:** Understood. And as a part of this transaction, are you also acquiring any asset and liabilities?

**Rajendra Gandhi:** So, that is why it's the slump sale. So, we are only acquiring assets and no liabilities. We are acquiring the rights of the brands, including the name of the company and all that, but it is not the company buyout, it is the business buyout only.

**Binoy Jariwala:** So, no inventory, no debtors, nothing coming along with this?

**Rajendra Gandhi:** It has no inventory and no liabilities. No bank liabilities, no private liabilities.

**Binoy Jariwala:** Okay. And as on date, how does SKAVA manufacture its product? Does it have a small plant of its own or gets it manufactured from outside? Or how does that work?

**Rajendra Gandhi:** So, in this business, generally how it works, of course, in the past they had their own manufacturing facility. At some point of time, they outsourced the facility but how this work is, the moulds and the designs belong to the brand or the company which gets it manufactured. There would be third party assembly lines or third-party moulding facilities which will do it for them. So, the current arrangement is like that. But at Stove Kraft, we have this belief, to control the end-to-end manufacturing we have enough capability for assembling. Of course, we have enough capability for moulding. And all the moulds or any assets that are there in the company, will all -- including the IPR rights and all that, all will be transferred to Stove Kraft. That's what -- I mean due diligence is exactly this. So, based on whatever is on their balance sheet, every investment in any capacity has been made will be transferred to Stove Kraft.

**Binoy Jariwala:**

Understood. Understood. And sir, last couple of points. One is that, I understand that this is synergist to the Pigeon LED business and distribution channels. But as on date, how does SKAVA sell its products? Is it more online? Does it have a distribution of its own? And the last question was, on a steady state basis, our ideology, the pricing ideology that we have of cost-plus basis and having a margin of 33% to 35% gross margin, would it be also applied to this business?

**Rajendra Gandhi:**

Yes. I think fundamentally, we follow these fundamentals of this gross margins. That will continue. Of course, there would be a little incremental costs in the initial quarters, but very soon -- but we believe that the business itself from day one will be profitable. And the channel that they currently have, of course, they have their own distribution channel is not as strong as Stove Kraft, but they have their own channel. And they also have an additional channel, which they excite the architects and the interior designers. So they generate lot of leads and demands through this channel. I think we will continue to have that channel also, which will be additional over and above what Stove Kraft currently has.

**Binoy Jariwala:**

Understood. Thanks a lot, sir. Thank you. All the best.

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**Moderator:**

Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

**Rahul Ranade:**

Yes. Thanks for the opportunity. Just one quick question on the kitchen -- modular kitchen foray. Just wanted to understand if this will also entail any exposure to developers for us in terms of the modular kitchen solution going into the under-construction building before it is sold to the ultimate customer? Will that also be the...?



- Rajendra Gandhi:** We would explore all possibilities to reach the consumer through the developer. Ideally, we would not want to directly deal with any large-scale developers. We would want to engage with them wherever there is a possibility to sell to all the retail consumers through this developer. That is, if there is a developer and he wants to make an offering to his consumers where we can build a kitchen for them, it could be. So there are several enquiries already that we have, where there are large consumers, but individually, we will be dealing with each of these consumers. For us, to deal with large builders, I don't think that is an effective -- it does not excite us.
- Rahul Ranade:** So, then it will go to the customer as a brand. As in, the way I wanted to ask is, you want to keep your own brand rather than it being just a solution through a developer and the customer not knowing...
- Rajendra Gandhi:** Absolutely.
- Rahul Ranade:** Yes. Yes.
- Rajendra Gandhi:** Absolutely. Wherever -- there is no question of doing any unbranded or any third party or private labelling for anybody. There is absolutely no thoughts of that -- I mean, those at the moment. It is purely to do with our Pigeon and Gilma brands.
- Rahul Ranade:** Got it. Got it. And as in the name of the brand, will it be something different from Pigeon? Will it Metsmith or just...?
- Rajendra Gandhi:** Yes. These are two different levels and, of course, the appliances also in the Gilma brand are different than the Pigeon brand. They are at different levels.

**Rahul Ranade:** Yes. Yes. So, suppose you are selling something from the Gilma stores, then it will have a different brand than...

**Rajendra Gandhi:** Yes. Right. It will be.

**Rahul Ranade:** Okay. Understood. All right. Thank you, sir. I will step back.

**Moderator:** Thank you. The next question is from the line of Abhimanyu Olla from GrowthX Capital. Please go ahead.

**Abhimanyu Olla:** Hi. Thanks for taking my question. Good evening. Most of the questions are already answered. I had just one question, regarding our strategy in the electrical segment, are you also looking to expand into other segments, say, fans?

**Rajendra Gandhi:** So, actually there are several segments which are no to -- strict no, but currently, I'll tell you that we are very excited with the extension on the kitchen -- within the kitchen and the home were at the small level. For some crazy reason we are not excited with the fan business. Of course, we believe that we can excel in any of the categories where the current peer group are at a higher margin to what we can offer and we don't want to get into a very highly competitive market, where we will have to dilute our margins.  
So, particularly so the fan does not excite us, particularly the business of fans. But in the small appliances, there are several products that we will continue to keep on exploring, manufacturing them, which have already acquired scale in the country and wherever we can replace the imports in the country, we will continue to do that.

**Abhimanyu Olla:** Okay. And would you be able to tell the latest half year financial for SKAVA or that's not disclosable?

- Rajendra Gandhi:** Come back there, sorry?
- Abhimanyu Olla:** Can you tell us the turnover for the latest half year for SKAVA Electric or is that not disclosable?
- Rajendra Gandhi:** That is in the same range. They are not growing. They are at the same level of last year.
- Abhimanyu Olla:** INR 4 crores, INR 5 crores.
- Rajendra Gandhi:** Yes. Yes.
- Abhimanyu Olla:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.
- V.P. Rajesh:** Yes. Hi. Thanks for the opportunity. I have couple of questions on the kitchen business. So, you said you were earlier in that business for a long time. So, what has changed that prompted you to go back in that business? And then the second question is, you said there are lot of competitors in that market, so my question is, why no one has been able to scale up their business so that they can be a clear market leader, and what will you do differently to become a market leader in that crowded space?
- Rajendra Gandhi:** So, I will have to explain here a little differently. The developer -- it is only the branded kitchens that sells, if you will want to compare it with the U.S. market or the European market. So we were little early in time. In India, for some reason, whatever reason, the comfort was to get it done from the known carpenters. Today, you have a challenge with the execution team, with the local carpenters, one. There is also a wide -- I mean it's lot of -- today, there is lot of -- their experience in the consumer about the modular kitchen. So, more

and more families who are building their new kitchens are looking at that.

And also, at the current cost level that we want to offer the kitchen, it becomes very, very attractive to acquire this kitchen rather than custom built it. So, all these are giving us, I mean, the confidence of getting into this business. It's not that when we were doing this business of kitchen, it was not that it was not very -- it was profitable even then, but there was a reason for us to consider reshuffling businesses. And so, we chose to focus on businesses that we continued to do. This was also there.

In our opinion, now is the right time that we get into the segment and only time can tell that when we will be leaders because the kind of offering that we have, it is a little different. It is like a consumer product. It is not like customized -- building one customized kitchen is like -- I mean, across the shelf you can design and buy. So, maybe this morning if you decide to build a kitchen, and maybe the next morning the kitchen is already installed is the kind of offering we're providing.

**V.P. Rajesh:**

I see. Okay. And then the second question about the market leader currently and why have they not been able to scale up? If you can just throw some light on the industry dynamics?

**Rajendra Gandhi:**

So, yes, the kitchen industry today is dominated by the global players and their offerings are very, I mean, at a different levels than what we want to do. So, today in this segment, there is no player. We will be the initial -- we are replacing the carpenters. We are replacing the unorganized players, but if you ask me at the price point that we offer, there is no player today.

**V.P. Rajesh:**

So, all the players like Hi-Tech [Phonetic] etc., they are at the super premium level and you are coming at the, let's say, mid-level or lower mid-

level. Is that the way to think about your entry into this market?

**Rajendra Gandhi:** I think it was not audible. Can you please repeat?

**V.P. Rajesh:** I am sorry. Is it better now?

**Rajendra Gandhi:** Yes. Yes.

**V.P. Rajesh:** Okay. So, I am saying that you are saying that there is no competitors in the price segment. Are you saying that the multinational companies like Hi-Tech, they are at the top end, maybe super luxurious, etc. and you are entering at a price point which may be considered as sort of mid, low end or something like that? I'm just trying to understand the industry dynamics.

**Rajendra Gandhi:** There is a huge difference. First of all, the name that you mentioned, they are not in the business of kitchens. They are supporting the kitchen industry. They make accessories for the kitchen -- for manufacturing the kitchens. But there are several companies at a different -- I mean, the price points could be different. In the offering that we had, I said we can offer a kitchen at even INR 70,000 and this includes all appliances. Normally, the kitchen that are sold as branded and if they are offered by these large players, you don't even get the appliances at this price, forget the kitchen.

**V.P. Rajesh:** I see. Okay. And then on the SKAVA side, what kind of incentives are you giving to the entrepreneur so that you can really build this business within your umbrella?

**Rajendra Gandhi:** Incentives for whom? Sorry, we lost you in between again. There was an echo.

**V.P. Rajesh:** Yes. So, you said the SKAVA entrepreneur will be with you for the next four years. And my question is that what kind of incentives are you providing him to scale up this business within your company?

**Rajendra Gandhi:** Yes, there is a package that is attractive enough for him to be a member of the Stove Kraft family, to head this business. Very aggressive plan that we have to head and build the business on the plan that has been discussed. So, definitely there is a very attractive plan for him.

**V.P. Rajesh:** Okay. That's all I had.

**Rajendra Gandhi:** This goes for any of the Stove Kraft members. I think they are excited with whatever they contribute and whatever learning and gain they make. It will not be possible for me to disclose the exact number. But is like for any Business Head, the kind of salary that we offer, or the kind of incentives, I can say it is as attractive as that.

**Moderator:** Thank you. Mr. Rajesh, may we request that you to return back to the question queue for follow up questions. Thank you. The next question is from the line of Pankit Shah from Dinero Wealth. Please go ahead.

**Pankit Shah:** Hi, sir. Good afternoon.

**Rajendra Gandhi:** Good afternoon.

**Pankit Shah:** My question is -- Yes, my question is with regards to the industry size, what you mentioned that electrical switches and accessories have about INR 12,000 crores market size and we are targeting some 3% in like next three or four years. So, are we talking that the switches and accessories business, which within your SKAVA business will

contribute say INR 300 crores, INR 350 crores over a period of three years?

**Rajendra Gandhi:** Yes. That's what we believe.

**Pankit Shah:** Okay. So, currently in a normal scenario also, SKAVA contributed say INR 30 crores, like before two years. We are talking about scaling the business like 10x, 12x in the next three years. So, what are the levers there? I understand the distribution network we have through our LED business, that will be used. What other things you think that are very...

**Rajendra Gandhi:** Innovation, quality, price, brand and distribution. I will repeat again. Innovation, quality, price, brand and distribution network.

**Pankit Shah:** Right. Right. So, of course, distribution is already there. Brand is already there. Then what stops us from getting it earlier? I mean are we being conservative then, in like next three years?

**Rajendra Gandhi:** I think is a very hypothetical question, I don't think anybody in the world can answer this question.

**Pankit Shah:** Right, sir.

**Rajendra Gandhi:** Why was I not born when Mahatma Gandhi did not exist? So, that I could have got the independence for this country. Sorry.

**Pankit Shah:** Okay. Okay. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Chirag Lodaya from ValueQuest Investment Advisors. Please go ahead. Mr. Lodaya, your line is in talk mode. Please go ahead with your question.

**Chirag Lodaya:** I want to understand about Metsmith. What exactly...

**Moderator:** Mr. Lodaya, we were not able to hear you, sir. Please repeat your question. Thank you.

**Chirag Lodaya:** Yes. Is it audible now?

**Moderator:** Yes sir.

**Rajendra Gandhi:** Yes.

**Chirag Lodaya:** So, I just wanted to understand about Metsmith. What exactly we have acquired by paying these INR 84 lakhs? And what is the current production capacity we have in that particular facility and is there any part sales they would be doing in this business?

**Rajendra Gandhi:** No. So, is the complete buyout of the complete infrastructure that was making modular furniture, including the kitchens. Kitchen was not the main product for them. They were selling some products online and such -- like office -- I mean some furniture, particularly in the pandemic period. They found lot of advantage in selling the office table kind of furniture, and similar. But our focus is on the kitchen but this -- the infrastructure is the same. 100% of the infrastructure that includes all the machines, the teams that involves -- includes the manufacturing of this. And also the support from the promoter to build, scale this business, both in design and at the manufacturing that is the kind of commitment have.

So, we only acquired their what we call manufacturing -- complete manufacturing. We can actually make kitchens even without adding anything, but what we are actually doing is, we are making this line, high speed lines, so that we can produce in mass and then that can give economy



of scale and that exactly is the business proposition.

**Chirag Lodaya:** Okay. And that will be done in our existing facility in Bangalore, right?

**Rajendra Gandhi:** Existing means, we have the space, we have enough land, but we are building a new shed for this.

**Chirag Lodaya:** Okay. And will we be using this Metsmith brand itself or it will be under Pigeon?

**Rajendra Gandhi:** No, no. It will be under Pigeon and Metsmith only is a company's name and they were kind of doing it unorganized, but these are being sold under the Pigeon and Gilma brands.

**Chirag Lodaya:** Okay. And lastly, how many electrical outlet we have currently in distribution for Pigeon LED?

**Rajiv Mehta:** We have 24,000 outlets that we sell, retail outlets.

**Chirag Lodaya:** Electrical outlets, right?

**Rajiv Mehta:** Yes. Yes. They are all electrical outlets.

**Chirag Lodaya:** Okay. Okay. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Aditya Mehta from GK Capital. Please go ahead.

**Aditya Mehta:** Yes. Hi, sir. Thanks for the opportunity. Though, most of the questions have been answered my question is a little broad based. So, with regards to our consolidated business, we have been given guidance for 20% to 25% growth per annum. So with these two latest acquisitions, how does the growth trajectory changes for the consolidated business? That INR 2,000 crores revenue target

which we have in mind, will we be revising it quite -- little early then?

**Rajendra Gandhi:**

So, it's not that we have said you any exact number, but we aspire to grow at 25%. Growing at 23% or 27%, 2% or 3% this way or this way, I don't think it really changes. Of course, this gives additional trust to the overall growth of the company. This adds to the growth of the company. It is both, opportunity, the current scenario, all this will -- I mean, the time that we are going to see in the future, will contribute to the growth, but with the current scenario, we are very confident that the existing businesses can grow at 25%. This can add additionally to the business.

So, particularly, when we are talking about that Electrical business being INR 500 crores, that is a combination of our LED and all this. So, this -- actually it becomes one vertical of our business. We call this electrical now. So, these switches and all this will be part of that. The kitchen business is part of our existing range of kitchen offerings that we do. So, we believe that in the next three, four years, these businesses will contribute to about 20% of our business.

**Aditya Mehta:**

Both this modular and electrical combined 20%?

**Rajendra Gandhi:**

Yes. Yes. The additional new business that we have acquired or we want to build, will contribute to about 20% of our overall revenue.

**Aditya Mehta:**

Okay. Okay. That's it, sir and all the best to you.

**Moderator:**

The next question is from the line of Binoy Jariwala from Sunidhi Securities And Finance Limited. Please go ahead.

**Binoy Jariwala:**

Just one question on the Kitchen, Modular Kitchen business. So, you said that along with your SKAVA business and the distribution that they

have currently, they have distribution from -- they have tie-ups with architects and developers as well. So, can you leverage that for the modular kitchen business? Is that possible?

**Rajendra Gandhi:**

I think that is already in the plan, that the team that is working with the architects, is not that the architects buy, they influence the sale. So, they are kind of influencers. And so, the same team that is going to work with the architects and the interior designers will also work for the kitchens. That is already in the plan.

**Binoy Jariwala:**

Understood. And Rajendraji, the modular kitchen business, you said you will be under the brands of Pigeon and Gilma, right?

**Rajendra Gandhi:**

Yes, right.

**Binoy Jariwala:**

And Pigeon brand will not be sold via Gilma stores. That will be only Gilma brands which will be sold in...?

**Rajendra Gandhi:**

Yes. Yes. These are totally different level of products and the offering -- I mean, the consumer segments are different. We never sell a Pigeon product in the Gilma store and we don't sell Gilma in the regular, general trade. It is sold in exclusive outlets of Gilma.

**Binoy Jariwala:**

And the modular kitchen business also will operate on a GM of 33%, 35% kind of or is there another or different markup?

**Rajendra Gandhi:**

Yes. Of course, that is the guiding line for doing any business and I think we will stick to this.

**Binoy Jariwala:**

Understood. Thank you so much, sir. Thanks.

**Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the Divesh, individual investor. Please go ahead.

**Unidentified Analyst:** Yes. Hi. Most of my questions have been answered. Just more of a transitional information. Any of these new business lines, would they qualify for any of the PLI schemes or plans around that?

**Rajendra Gandhi:** We already have a PLI for our LED business. The investments that we -- we are actually one of the approved PLI -- under the PLI, we are one of the approved companies for the LED business.

**Unidentified Analyst:** Got it, sir. And if you could just for a qualitative inference, that you sort of called out that after three, four years, you would have about three verticals, right? One is more around electrical and accessories, second is currently the core kitchen appliance business and the third is, probably this emerging set of modular kitchen and things like that. Would that be the right way to look at the organization three year down that line?

**Rajendra Gandhi:** Yes. I think you are reading exactly what we are thinking.

**Unidentified Analyst:** Okay. Great. Thank you, sir. All the best.

**Rajendra Gandhi:** Thank you.

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Rajendra Gandhi for closing comments.

**Rajendra Gandhi:** I thank each one of you for having participated in that very interesting conversations that we have had. I hope we are able to answer many of your queries, but if you still have any queries, you can



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always reach out to our investment -- Investor Relations partners who are there for you. And you can also reach out to our CFO. Of course, he is new member of the Stove Kraft family. Thank you again for this evening's very exciting discussion.

**Moderator:**

Thank you. Ladies and gentlemen, if you have any further questions, please email at [Irfan.raeen@linkintime.co.in](mailto:Irfan.raeen@linkintime.co.in). On behalf of Orient Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.