



STOVEKRAFT®

04 August 2023

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 - Transcript of Earnings Call

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 31 July 2023.

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,

Yours faithfully
For Stove Kraft Limited

Shrinivas P Harapanahalli
Company Secretary & Compliance Officer

Stove Kraft Limited

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“Stove Kraft Limited
Q1 FY’24 Earnings Conference Call”
July 31, 2023



**MANAGEMENT: MR. RAJENDRA GANDHI – MANAGING DIRECTOR
– STOVE KRAFT LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Stove Kraft Limited's Q1 FY '24 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Rajendra Gandhi:

Thank you. Good afternoon, everyone. On behalf of Stove Kraft Limited, I extend a very warm welcome to all participants on the Q1 FY '24 Financial Results Earnings Call. With this, I would like to take this opportunity to introduce to you our new CFO, Mr. Ramakrishna Pendyala. He holds a bachelor's degree in commerce and is a chartered accountant with 18 years of experience in corporate finance, controlling, auditing, taxation, corporate governance, and compliance fields. Previously, he was associated with Hical Technologies, Gokaldas Images, Mann & Hummel, Areva T&D, and PwC in various positions.

He was also associated with Stove Kraft for more than seven years in the Finance and Accounts Department. His vast experience will help the company to achieve its long-term goals and create value for its stakeholders. We also have Orient Capital with us on this call who are our Investor Relations Advisors. We have uploaded our investor desk and earnings press release on the stock exchanges and on the company's website. I hope everybody had an opportunity to go through our Q1 results, investors presentation and the press release we have uploaded on the stock exchanges and on the company's website.

Discussing Q1 FY '24, we have witnessed a growth of 8.2% and 21.4% in our top line and gross profit, respectively. Despite Q1 being a muted quarter across the industry, this shows the strong market position of our brands because of superior quality of products and trust the consumers in having us, which we have built over the years with our consumers.

Ours being a seasonal business and the first and the last quarter being smaller than the second and the third quarters, we are very excited about the upcoming quarters and would like to continue with expanding our business across different categories and geographies. Moreover, the rise of the middle class and the increasing disposable income are evident in the growing demand for consumer durables, automobiles, and lifestyle products.

With the Indian consumer sector showing great promise, there are still some challenges to address during this period. Inflationary pressures resulting because of heavy and unpredictable rainfalls in the few pockets of the country may affect the consumer's demands and lead to cautious spending patterns among other certain segments of the population.

Additionally, businesses ever need to adapt to changing environment and consumer demands, which have been our priority, and we will continue the same. Last year in Q1, we had announced the opening of our first company owned and company operated retail store for the pigeon brand and had given a guidance of opening around 40 stores in 12 to 18 months.

We are pleased to announce that during the current quarter, we continued our expansion and have successfully added 25 additional company-owned and company-operated retail stores of the Pigeon brand in South India, taking the total count of 77 stores as of 30th June 2023. That is roughly double the count in a span of 12 months, which we had announced in the corresponding quarter a year ago.

Also, 90% of the stores have achieved operational break-even in an average time of three months post-opening. We also improved our offering by bringing indigenously manufactured products like stainless steel bottles, the electrical kettles and electric rice cooker, along with our now established air fryer from our Bangalore unit, which will lead us to the next leg of growth and create long-term value for all our shareholders.

Our continued focus on various modes of trade and launching of new high-quality products has helped us achieve significant growth in small appliances on both Y-on-Y and Q-on-Q basis. This was because of good traction across different modes of trades, that is, general trade, e-commerce, retail and modern retail, all experiencing growth. The company has formed a capable leadership team of seven CXOs, who come with vast experience across different areas and capabilities and are fully committed to the sustainable growth of our company.

Moving forward, we are confident about our growth in FY '24, to continue with the upcoming festive season, augmenting well for us. Now I will discuss the Q1 FY '24 financial performance. The consolidated revenue stood at INR297.7 crores versus INR275.1 crores in Q1 FY '23, registering a growth of 8.2% on the year-to-year basis. Gross profit for the quarter improved significantly from the previous quarters on year-on-year basis as well as quarter-to-quarter basis.

Gross profit margin for the current quarter stood at 36.9%, that is an increase of 400 basis points year-on-year and 460 basis points quarter-on-quarter. EBITDA for Q1 FY '24 stood at INR24 crores versus INR21.6 crores in Q1 FY '23. The EBITDA margin was 8%, which was in line with the corresponding quarter last year and an improvement of 590 basis points from the previous quarter. Profit after the tax for the quarter stood at INR8.2 crores versus INR8.1 crores in the corresponding quarter last year. PAT margins for Q1 FY '24 stood at 2.8% as compared to 2.9% in Q1 FY '23.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line on Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Hi, sir. My first question is on the gross margin. So there has been a very sharp increase there. I want to know is it purely a raw material cost softening or have you taken price hikes? And if you have taken price hikes, could you just tell us which segments and by how much?

Rajendra Gandhi: We are in our endeavor to increase; I mean better our gross margins. Of course there was some price corrections but it was not limited to that. The gross margins have improved on multiple contributions coming from of course soft input costs. There is a small correction in the price.

And from the products that we are selling, there are some products that we've been able to do in importing and selling, and they've gotten to that stage where we manufactured these products, and we have got the contribution from this that have given us also improved margins. So all the three, along with our contribution coming from our retail stores, we have higher margins compared to our any other channel.

So all these four are actually improved margins, even otherwise the business is designed to deliver a 35% gross margin. On this in the previous progress, we have made corrections in our pricing structure now to achieve and to deliver as per 35% gross margin.

Natasha Jain: All right. So, so then during some of the previous con calls, you mentioned that FY 24 guidance for gross margin would be 33.5. Now that we've already clocked in around 37%, could you tell us what could be a sustainable gross margin going ahead? Is there a scope of further improvement from here?

Rajendra Gandhi: So yes, fine, whenever you discuss the margin, the business was designed to deliver a 35%, but we were having some surprises in both input costs or in, I mean, sometimes some lower realization in some margins, some of the categories. We aspire to be between the, not to go below the 33 and 35. This is the price, this is the margin range that we believe that we will be. Of course, this has been one of those quarters where we've done better on the gross margin. To be realistic, in the range of 35, I would say that would be the right margin aspiration.

Natasha Jain: All right so my last question is your staff cost as a percentage of revenue has increased sharply to 13.1% compared to 11% in FY '23 and so has the opex cost so can you tell us what led to the sharp increase and again here what could be a sustainable run rate?

Rajendra Gandhi: Yes, this is the current run rate. It will continue to be here. We have increased our people count. There is a lot of backward integration and new plants that have been set up in the last few quarters. And there is an addition in people count. So this is the new number. We'll be at this number. The percentage looks high. It's only because you compare with this quarter. The first quarter and the last quarter are relatively low contributing quarters in revenue.

They actually contribute only, both put together only contribute 40%. Whereas the cost overall, even on an absolute number, is more or less at the same number. So in terms of percentage, there will not be such an increase. We believe it should be in the range of 11.5% to 11.7%. And when you correspondingly only look at this quarter, it will look high.

Moderator: Thank you. The next question is from the line of Khush Gosrani from InCred Asset Management. Please go ahead.

Khush Gosrani: Yes, hi, sir. Thank you for the opportunity and congratulations for the good set of results. So, A, I wanted to understand what was the volume growth in this quarter overall. B, if you could

highlight the capex that you have done for the 25 stores of our company owned and company operated?

Rajendra Gandhi: So the overall investment on each store is in the range of INR17 lakh to INR19 lakhs per store.

Khush Gosrani: Okay. INR17 lakhs to 19 lakhs per store and 90% are at break-even. And some volume growth in this quarter, sir?

Rajendra Gandhi: So, in different categories, we have been performed differently. On the pressure cooker front, I can say we were at just a little higher than the last quarter. Induction cooktop we have grown about 15%. On the non-stick cookware, it is actually more of our non-stick cookware goes to exports. And there is a movement from the first quarter to second quarter because last year was a higher base.

We had some inventories that were not shipped in the last part of the previous-to-previous year and so we have a little lower volume growth also in the non-stick cookware but the small appliances have contributed significantly in different categories ranging from 20% to some categories like airfryer growing at a very, very high percentage.

Khush Gosrani: Okay, sure. And, sir, if I look at the EBITDA margins, we are back to 8%, but where is the other costs have increased? Because, you know, gross margins are at quite at higher levels than our guidance as well, but EBITDA margins are flat. So it would help us understand how the flow through between the gross and EBITDA margins. I understand the employee cost is higher because of the CXO hiring as well. But where in the other expense we are having higher costs, which still need to be absorbed?

Rajendra Gandhi: Right, so, I mean, in each of those costs, people costs, there is a little increase because we have a number of count that has gone up. And it is again proportionate, I mean, our output rate cost is in proportion, is in the same percentage as normal, but because of the revenue growth. We, of course, have an additional cost.

So we have some reconciliation items with our online platforms and so we have provided additionally for the ECL to the extent of INR3 crores. That's why you see a little higher on the other cost. Otherwise, in terms of percentage, more or less, but for the people cost, as I mentioned, will be in the range of 11.5% to 11.7%. All the other costs are in the same percentage on an annualized basis.

Khush Gosrani: Sure, sir, and one last question from my side. So last quarter, we were having a challenge in the e-com platform in terms of growth, so have they decided in this quarter what is the situation on the e-com channel side?

Rajendra Gandhi: We have grown on the e-commerce; we have grown on the e-commerce platforms we are growing at about 25% on the e-commerce.

Khush Gosrani: Okay and the ECL cost that you have provided, how much still needs to be provided for the year?

- Rajendra Gandhi:** No, so normally it is not at this level. We prefer to provide a little higher in this quarter, considering that there are some reconciliation items pending for the previous period. So, as and when the receivable is reconciled, we'll be having a better, clearer view of this, but it will not be as high as what currently we have provided in this quarter. These are INR3 crores for this quarter.
- Khush Gosrani:** Sure, and this sir is non-recourse to the company, right?
- Rajendra Gandhi:** Generally, all the payments that, I mean, the receivables, we are moving to channel financing, and all this channel financing is with non-recourse, but these are from reconciliation items pending, which the team is working on. And once we have a clearer, fairer view, then probably, I mean, we know exactly where we are on.
- Khush Gosrani:** Got it, sir. Thank you for your time. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Kaushik Mohan from Ashika Institutional Equities. Please go ahead.
- Kaushik Mohan:** Hi, sir. Congratulations for the great set of numbers. So I have a basic question and I just wanted to understand how this full year looks like and what can be the operating margins for the full year sustainable basis?
- Rajendra Gandhi:** We our aspired number for the operating, I mean, EBITDA is 11%.
- Kaushik Mohan:** Okay, how about the top line for us, sir?
- Rajendra Gandhi:** For us, the second and third quarters are the larger contributing quarters and this year the festivities are moved by a month. So, between the second and fourth quarter also, we believe the fourth quarter is going to be larger compared to the second quarter, unlike what it was in the last year. But these are larger contributing quarters. We believe that we'll continue to grow in double digits.
- Kaushik Mohan:** Sir, and my second question is on, so in Bangalore unit, you have another space which is opposite to your unit. So, when will that location will be started in work in progress and also, how about the, you were telling in one of the calls that you are going to get it as this as your inventory management systems over there like, any guidance over there when will be that plant will be live?
- Rajendra Gandhi:** Maybe you would have visited Stove Kraft sometime back. Yes, we have already -- as per the plan, about 60% to 70% of the activity, the reconstruction activity is completed. We have several units there in that land and it's currently a large warehouse to put up the WMS in place, it is being installed, maybe in the next quarter that is end of this quarter, early next quarter the warehouse will be fully functional.
- Kaushik Mohan:** Okay, thanks sir.
- Moderator:** Thank you. The next question is from the line of Khush Gosrani from InCred Asset Management. Please go ahead.

Khush Gosrani: Sir, could you break how much sales did come from came from the GT and from the e-com and from modern trade channel wise mixed revenues?

Rajendra Gandhi: Yes I can share it with you just a minute. So, Yes in terms of percentage I can give you the absolute numbers and maybe you'll have to populate it.

Khush Gosrani: Sure sir, I'll take it off time.

Rajendra Gandhi: Yes, about INR112 crores from general trade, LED was INR14 crores, modern trade was INR38 crores, institutional sales INR6 crores, e-commerce INR92 crores, exports, we have two types of exports, one is the brand exports and the OEM exports. The brand exports are contributing to INR2.5 crores and the remaining is all OEM exports.

Khush Gosrani: Got it sir. And if you could help us understand your ambition on the retail side, we have already opened 25 stores and last time you are guiding for 7 stores to 8 stores per month. So, by this year and by next year how many stores you are envisioning to open and what could be the revenue contribution?

Rajendra Gandhi: Yes, the retail stores are performing well. We had – for us 3 lakh, I mean, each of the stores are breaking getting to profitability post the third month of operations and every month we are seeing an increase in revenue from the average revenue from per store. Of course, on the number of stores, I can say that we would want to do at least 8 stores to 10 stores a month, and we are on the run rate.

Moderator: Thank you. The next question is from the line of Madhur Rathi from Counter-Cyclical PMS. Please go ahead.

Madhur Rathi: Thank you for the opportunity, sir. Sir, I would like to...

Moderator: Sir, I'm so sorry to interrupt. May I please request you to speak a bit louder as your audio is not audible.

Madhur Rathi: Yes, thank you for the opportunity. I have a few questions. What will be our operating profit margins in different segments, small appliances, non-stick cookware and all? And where are we -- what is our aim to get in the next two years to three years like what percentage of our revenue will come from the like individual segment or something that we aspire to, is my first question?

Rajendra Gandhi: See, we are a kitchen solution company and all that goes into the kitchen we would want to equally contribute, but the near term looks like all the three segments that the cooktop segment that comprises the gas cooktop and the induction cooktop , the cookware segment which is the pressure cooker and the non-stick cookware and all the other appliances whether electrical or non-electrical.

I think, in our opinion, all the three will more or less in the same range between the 30% to 35% percent of these categories will contribute. On the margin side, both for the product and channels, we are margin agnostic. I only said that because we are moving, there were some products in the

appliances where we go through this, introducing these products. Initially we trade with them, then we assemble and then get into manufacturing.

Many of those products have got into manufacturing and started contributing to the real margin that we aspire. So that's where that correction is. Otherwise, for us, on the margin side for the brand vision, it is both channel and product agnostic.

Madhur Rathi: Thank you, sir. And the next question would be the capex that we have done in the past two three to three years, what kind of revenue or volume do we see from this at peak capacity utilization? And what would be our current capacity utilization for the same?

Rajendra Gandhi: So, as I mentioned, our business is a little seasonal and we have built capacities for particularly the peak, that is the second and the third quarter. And so currently, if you ask me what is the existing capacity we can deliver in terms of revenue, we are ready for a INR2,000 crores revenue, but there's an ongoing improvement that we keep on doing there could be atweaking between the way the lines are there and of course, adding shifts if required. With the current capex that is in place, we can get to INR2,000 crores.

Madhur Rathi: Thank you, sir. And for our export segment, is there some kind of slowdown from the recession or fears looming in the Western economies?

Rajendra Gandhi: No, we have good order book. There is a shift from the first quarter to second quarter in some of these because last year we had a what you call built-in inventory, which we could not ship. There was a volatility in the container availability in the previous first quarter, before the first quarter, so we could ship a lot of it in the first quarter. We -- the order books are quite strong. We see growth in our export business also, even for the current year. There is no slowdown.

Madhur Rathi: Thank you, sir. And could you justify, if you can give me the number for order book, it would be very great?

Rajendra Gandhi: We believe for this year, and say for the next two quarters, we have close to INR100 crores of pending order.

Madhur Rathi: Thank you, sir. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes, hello, sir. So I have a few questions. One, have these costs of employee and other expense, which I'm seeing in a certain range in the last four quarters now, can we take this as just a more stabilized cost and there would not be any major addition on these cost where employees are about INR36 crores to INR39 crores and other expenses about INR48 crores to INR50 crores number?

Rajendra Gandhi: Yes, on this on the employee side we are fully stacked up, both on the number of people and on the leadership. So, this is a more stable cost.

Pritesh Chheda: And how much is the A&P expense that you will incur for FY24 versus FY23?

- Rajendra Gandhi:** We'll continue to invest about between 3% to 3.5% in the range of 50 crores for this year.
- Pritesh Chheda:** Okay. Then I couldn't understand your answer on the gross margin expansion that you have taken product price correction. I just want to check if you have taken any product price hike because the margins have expanded, right? So, have you taken any product price hikes in any of the categories?
- Rajendra Gandhi:** Yes, so some of the product is not only driven by price hike, of course, across the categories, we did some correction. It's very difficult to explain on this call is also competitive -- competition sensitive, but I can say that we did a correction on all our prices without actually changing the pricing. But there is a change in our realization number one, but there is also aided by sharpness in our input cost. But there are several products which the cost have come down because we have moved to manufacturing of these products. So, all these three along with our additional margin that we make on our retail is what is reflecting on the gross margin.
- Pritesh Chheda:** So should I interpret that your unit profitability of certain categories have improved despite the RM decreasing, you haven't taken a corresponding price correction, is that what I should understand because I'm not able to fully comprehend this?
- Rajendra Gandhi:** No, I will again repeat, it's not that we have not corrected some of our cost, yes we have corrected on some of our cost, I mean, on some of our realization, I am sorry I have used the word cost. There has been implied improvement in our cost, but there is also a price correction that we have taken across the categories, not limited to one category.
- Pritesh Chheda:** Okay, so there is a price correction, but that price correction is not corresponding with the RM correction, so your unit profitability has increased, right?
- Rajendra Gandhi:** You are right. I think that's the right way to understand.
- Pritesh Chheda:** Okay my last question is sir, on the capex now, what kind of capex is under drawing board, or what is planned for FY'24 and FY'25?
- Rajendra Gandhi:** 25, we would want to be very, what do you call, limited to our thought that we do not want to invest more than 25% of our PAT plus depreciation on the capex, but this year is already planned we are differing a little of this from this year, the bigger investments on three buckets. One is our warehouse that is up and coming up very soon, the second is our cast iron plant and the third is of course the retail.
- Pritesh Chheda:** Sorry, first is I didn't understand for FY'24 where are you spending?
- Rajendra Gandhi:** Could be in the range of between around the INR75 crores range sir.
- Pritesh Chheda:** So where all is it getting spent you said warehouse?
- Rajendra Gandhi:** The warehouse, the cast iron unit and the retail business.
- Pritesh Chheda:** Which unit sir?

- Rajendra Gandhi:** Retail, we are investing in our retail stores.
- Pritesh Chheda:** No, I understood warehouse and retail, I didn't understand the unit, what are you, the manufacturing side, what are you?
- Rajendra Gandhi:** This is a completely automated plant for making cast iron cookware.
- Pritesh Chheda:** Okay, cast iron cookware, okay, that's a new product like this cost with respect to the manufacturing unit also fits in the employee cost and the other expense or when this unit or this will add up to your employee and other expense?
- Rajendra Gandhi:** Now you are talking about the new plant that is going to come up?
- Pritesh Chheda:** Yes this cast iron cookware?
- Rajendra Gandhi:** Yes, this is a relatively highly automated plant on human cost it is not high, but this is only it will start operating only in the fag end of the fourth quarter and more of that cost if at all will be only from the next quarter, but to the size of the unit it is very light on the people cost and most of the people the key people of the plant are already there been on our rolls now.
- Pritesh Chheda:** I will just add a one more last question here, what's your strength in terms of the market demand for this year, do you see, because last year was a little bit soft across the moat for a lot of the companies as well. You see a setup where demand should be relatively better. In any case, now you're running on the GM moving to your P&L? Will we see a much, much better profitability this year considering the fact that you are saying that costs are largely stable and GM expansion has come, some comments would be very helpful, sir.
- Rajendra Gandhi:** On the GM side, I can say that we will maintain in the range of 35%. We are very confident of it now. On the growth side, I can say several of those products, which earlier did not have the cost advantage than we were importing or just assembling, any of those products, which we have moved to manufacturing, we have an edge in the market, both in terms of the product that we are offering, the price that we are offering, it's a better range that we are offering. So that's where we are seeing higher growth coming from. And we believe that immediately after that is the second quarter onwards, once the festivities start picking. I don't think the demand is going to be a big problem.
- Pritesh Chheda:** Okay. And on the Pigeon brand, we saw some litigation reoccurring. You want to comment on that?
- Rajendra Gandhi:** It is one of our distributors in Chennai, and we are addressing it legally, sir. Be assured of that.
- Pritesh Chheda:** Okay, okay. Thank you, sir.
- Rajendra Gandhi:** Thank you.
- Moderator:** Thank you, the next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

- VP Rajesh:** Thanks for the opportunity. Most of my questions have been answered. So my first question was regarding the channel -- revenue by channel. What is the revenue you got from your own stores?
- Rajendra Gandhi:** For the last quarter, it was INR7 crores.
- VP Rajesh:** And as you are expanding this, obviously, this will continue to increase materially, right? That's the way to understand this in all the sort of similar sizes?
- Rajendra Gandhi:** We are seeing growth on the revenue from the retail every month.
- VP Rajesh:** Okay. And then my second question was regarding your market share. Could you just give some commentary on that, if you are becoming leaders in the markets you're operating in, or you are in top 5 or some color like that in your key products that you talked about earlier?
- Rajendra Gandhi:** Several of these categories, we are getting to the top 3, but some of those products that we have recently started, particularly the electric kettle and air fryer we are getting to market leadership. This is what I would have mentioned.
- VP Rajesh:** Okay. So you would say overall in the segment of cooktops and cookers etcetera, you would be among top 3 in the country, is it?
- Rajendra Gandhi:** Yes, definitely in the top 3.
- VP Rajesh:** Okay. All right. Thank you very much, sir. All the best.
- Moderator:** Thank you. The next question is from the line of Gaurav Agrawal from Nine One Capital. Please go ahead.
- Gaurav Agarwal:** Hi sir, thank you for giving me the chance. Sir, one is, in terms of the EBITDA margin outlook, so you have said that your aspiration to the 11% EBITDA margin. So just want to understand whether the 11% is kind of an aspiration or is it something that you want to achieve in this full financial year basis? Or you want to exit this quarter for Q4 at 11% EBITDA margin?
- Rajendra Gandhi:** So for us, the numbers look at those margins should be annualized. Quarter 1 and quarter 4 are smaller quarters. When you combine the revenues for the year is where business is designed to deliver that 11%. I know in the past we have faltered for various reasons. Maybe it's due to the condition which were not in our control. But overall, when we do our AOP, the business plan and as per that, we believe that we'll be able to deliver this 11%.
- Gaurav Agarwal:** So 11% is what you are targeting to deliver for FY '24, is that the right understanding?
- Rajendra Gandhi:** Yes.
- Gaurav Agarwal:** Okay. And sir, in the competition, like the one, the other listed bigger company, they do kind of 13% kind of EBITDA margin and it's not like one-year margin that I'm talking about. It's like the last eight years, nine years, so a trend if you see, it has broadly been in that range, 13%, 13.5%, 12.8% kind of a margin. Sir, is there -- can we also get to that kind of margin trajectory

, not in this year or maybe next year, but let's say, over a three year or a five-year basis, can we also start to move into that kind of region?

Rajendra Gandhi: For us, the bigger aspiration today, in the near term is to have higher growth and garner larger market share. We also want to stick to our, be, I mean, within our consumer base, which is addressing value segment. And with these two, we believe that as we grow, there is much scope as plants become stronger and the channels are stronger. There's definitely a possibility of higher margins, but in the near term, I think the business plan is to deliver 11%.

Gaurav Agarwal: Okay. So what I understood in the sense from you is that you want to focus on value and hence get a higher growth rate and in that process, you are okay to sacrifice couple of margins right, so growth is what you are aspiring for not the 13% margin?

Rajendra Gandhi: You are right, sir. Currently, our aspiration is to grow faster.

Gaurav Agarwal: Understood. And just a couple of more questions. In terms of growth or any kind of aspiration you have for this year, FY '24?

Rajendra Gandhi: Normally, if you will understand us, with the last five years, we have grown at a CAGR of 19%. We believe that we can grow at the same rate, but it also depends sometimes on the market conditions. In the recent two quarters, we have seen a little softness on the demand side. If markets are normal, we believe that we can grow at the same rate that we were growing in the past, but we still believe with the strategies that the company has, that the channel expansion that we are doing, and also the new product introduction. With this we can be assured of a double-digit growth.

Gaurav Agarwal: Okay. And sir, the last question is, you have taken a lot of initiatives in terms of hiring people at the top. So if you can just elaborate on whom all you have hired in the last six months, one year, what all you are planning to further make new hires and any other initiatives that you are taking so that we become a bigger company, better company going forward?

Rajendra Gandhi: Yes, as I mentioned all the 7 CXO's are on board....

Gaurav Agarwal: Actually, sir, I joined in the call a bit late. If you have elaborated it in the last half an hour, if you can just briefly also describe also?

Rajendra Gandhi: We have the head of manufacturing who comes with a large experience on manufacturing. He has been the Managing Director of a large automobile company, a multinational. Vikas Gupta is on board. He's heading the, spearheading the overall manufacturing operations of the company.

We have a Marketing Head, CMO, who heads both Marketing and Product. He's been as head of companies, most international companies as Managing Director and in the just immediate past was Vice President at a large consumer brand company. This is the Kent RO.

We also have the Head of our Sales, who has been with the company. We designate him as CRO, the Revenue Officer. He's come from Hindustan Petroleum before joining Stovekraft. At

Stovekraft, he has spearheaded several channels and was the CEO of our Baddi unit. So he takes care of our revenue of all the channels, major channels. Some of our businesses are related to growth, particularly the retail business. We have Black & Decker, Gilma, and the kitchen business, which are more to be driven with a growth mindset.

We have Mayank, who has served companies like Bata in the past and been with the company for some time. I think the retail has done extremely well, and he's now taking care of all the growth channels.

We have Janardhan, who has been for a long time working with various companies like Pfizer, etcetera, and there is a CHRO of the company, and I truly find him extremely capable to handle the Human Resource of this company.

We have a Technology Officer, who has been with, started his career with Hindustan Lever for a long time, 10 years to 15 years there and sometime with Pfizer. So we believe that each of these companies of the future, their scale matters, will have to be driven by technology. We are very confident of his capability to take -- lead this company to the future growth.

Gaurav Agarwal: Right. I just want to ask one more thing, in terms of ESOP policy, incentivization, is everything in place? Do you have an ESOP policy? And if not, then do you intend to have one?

Rajendra Gandhi: Sorry? Can you repeat...

Gaurav Agarwal: ESOP policy for these senior hires?

Rajendra Gandhi: Yes. We have an ESOP policy and each of these leaders have also been granted ESOP.

Gaurav Agarwal: Okay. Thank you, sir, thank you for answering my questions and all the best for the future quarters and years.

Rajendra Gandhi: Thank you sir.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Afternoon, gentlemen. A couple of questions. We've seen deceleration in cookware for some quarters now. Could you just help us understand, there's a lot of social media against the use of Teflon. It could give us some flavour, is that changing? And are you looking at alternative methods for it?

Rajendra Gandhi: We continuously work on improvising our offerings. Of course, as you rightly mentioned, there is some noise around the with coatings. Those coatings that we use are all certified PFOA free, but we still are working on this, and so there is a new range of products that we are developing for giving that non-stick feature. Probably we'll be the first to introduce in this country very soon. Being competitive and sensitive, I'm not able to disclose this, but we have developed a new coating for the non-stick, which is the direct of both PFOA free, PF, in fact, if you understand these chemicals, and is also free from PTFE.

And we are also, as I explained to you in the call earlier, that we are also investing on the glass cookware. This foundry will not only manufacture products out of class 7, but it will also have a special coating which is nothing to do with anything related to the so-called Teflon, it is PTFE coating.

Bhavin Vithlani: Got it. Second is, you see a very strong growth in the small appliances segment. If you could break-up within a couple of large categories that we use, mixer grinder...

Rajendra Gandhi: Small appliances category, of course, mixer grinder forms a very important -- I mean in the small appliances. But for us, mixer grinder is one of the categories. It's not the largest. But some of the categories in the small appliances for us is which contribute very well. Apart from the mixer grinder is the electric kettle. We are leaders in this category. Then we have introduced our air fryers which again, I want to say that we are leaders in this category.

There are some of these new categories though, these in general appliance are common products of daily use. We have started manufacturing our electric irons and we see very good traction in that, and we believe that it will start contributing significant, I mean meaningfully in the near future. But there is a line of various small appliances that we have lined up. Majority of them are related to the breakfast appliances and in the quarter ahead of us, we will see that they will be in the market.

And all these we believe that we will move to manufacturing, and which will give us an advantage both in terms of cost and the product quality that we are offering to the consumer, which will give us an opportunity to get to leadership in each of these categories.

Bhavin Vithlani: Just to follow-up on this, could you give us a category, two or three, Y-o-Y growth in the larger categories for you, for the quarter as the growth?

Rajendra Gandhi: The growth, particularly on -- since I mentioned the new product, the air fryer is very, very large. The percentage is in some thousands of percentages because the base was small for us. And some of those items like, kettle have already seen larger itself they've grown and significantly grown. They've grown multifold, multiple times of the original revenue that they were contributing to this company.

And there are some categories, like I mentioned, the electric iron, and if I will want to say we were selling some 15,000 units, 20,000 units a month, we have started selling upwards of 1 lakh. So, 8x of that, and we believe that we can, mean at least 2x, 3x of the current number of units that we sell, is where we will get to. So, there are categories wherever we have seen that we are able to build good products at the right price with the right quality.

And then we have -- because of the various channels that we are already present, very strong presence in each of these channels, we are able to distribute all this. And consumer acceptance for our brand is kind of a proven thing now.

Bhavin Vithlani: Okay, just last question. What was the ANP in the quarter and what is expected to be for the full year?

Rajendra Gandhi: For the full year, we believe that we will invest around between the 3% to 3.5% of our revenue.

Bhavin Vithlani: Great, thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Nirav Vasa from Anand Rathi, please go ahead.

Nirav Vasa: Hello, sir, and thank you very much for the opportunity. My question pertains to your to your retail expansion. Would it be possible for you to help me understand, how is it that our stores are able to break even in just three months? Some numerical examples would be a great, would be really helpful.

Rajendra Gandhi: More or less, the operation cost for our store is in the range of INR1.3 lakhs to INR1.4 lakhs and for us at the retail, we are able to get to a margin between 45% to 50% and even at a revenue of INR3 lakhs per store, we are able to break even. And all our stores are above this, at least 90% of the stores are above this immediately after the first three months of operation.

We are at a much higher average of, on the revenue, we are at a much higher revenue average, it's in the range of INR4.5 lakhs to INR5 lakhs now. So, with the higher gross margin, and as I mentioned, the cost being in the range of INR1.4 lakhs, we are able to break even if this cross the INR3 lakhs number. And more than 90% of the stores cross this INR3 lakhs in the first three months of operation.

Nirav Vasa: So sir, considering these wonderful dynamics, would you be open to setting up or expanding these stores on a franchisee basis? Because if this is the way it is, then I believe a lot of your channel partners would be quite interested in upgrading it or setting up within their own vicinity.

Rajendra Gandhi: So we want to prove this model to ourselves. Of course, those investing franchises, once they are excited and we believe that there is synergy between our thoughts and their thoughts, we will definitely be open to franchising. But as of now, we are doing it on our own. Of course, I would want to share with you there is enough and more interest.

We are evaluating this and definitely in the future, you will also see that, we'll have a franchise including the stores that we already built and established. So it should be a win-win situation for the company and the franchisee. And once there is a understanding, both are in sync with this. We believe that is a much more, easier format to manage. But we also believe that we'll continue to have company owned or company operated stores along with this franchisee managed stores.

Nirav Vasa: Sir, the reason I was asking is that, if you want to become a Pan India based core or I can see if I, if we need to have these experience points on Pan India basis then we need to have channel partners, who are ready to invest in it. So typically for a company owned store, what is the average period for which we take a store on lease?

Rajendra Gandhi: Generally all our stores are at nine years, but for exceptions, all our stores that we have so far leased are for nine-year lease.

Nirav Vasa: Right, sir second question is, how many SKUs do you intend to expand in the forthcoming part of the financial year?

- Rajendra Gandhi:** It will be difficult to give you a number like that, but because we keep introducing and rationalizing the products, but we currently work with around 650 SKUs.
- Nirav Vasa:** Can you say 658, right?
- Rajendra Gandhi:** 650.
- Nirav Vasa:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.
- Darshil Pandya:** Hi. Sir, I have two questions. My first question was answered. My second question is, what is the percentage of revenue that comes from your e-commerce stream?
- Rajendra Gandhi:** E-commerce is in the range of 30%. So if you will only look at this quarter, it will be larger because e-commerce in this quarter has done extremely well. This quarter it was 40%.
- Darshil Pandya:** Okay, all right. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nagesh Jain from NB Investment. Please go ahead.
- Nagesh Jain:** Good evening, sir. This is regarding the company-owned, company-managed outlets. In the last call, you had mentioned that, during the subsequent quarters, more than 75% of these outlets to be open under franchisees. But now you are saying that all the ones which were open during the quarter are all under the company-owned, company-managed outlet. So, is there any change in your plan?
- Rajendra Gandhi:** There is no change. We are establishing these stores and based on the plans that the company has; we were initially evaluating each of these stores we were setting up. We have built a good business model. It is very exciting for the franchisees. And we believe that going forward, we'll have both company-owned, company-operated, and we'll also have these stores on the company's books, but company, franchisee-managed. And we are working on that. And as maybe guided, we are moving towards that. So in the future, majority of the stores will be franchise-operated, and some of them will be still company operated. There's no change.
- Nagesh Jain:** Okay, but did you finalize your, whatever the plan for that, you would continue to open the shops under company-owned?
- Rajendra Gandhi:** Yes, we can franchise it to the model, give a store on franchise, it depends on how the proven track record of that store is, based on that, is our revenue share, or the profit share that we would want to have with the franchisee. And also the deposit also moves with that, how, this is the performance of the store.
- Nagesh Jain:** Okay, fair enough, sir. Sir, my second question is, we have an aspiration to reach 11% EBITDA margin. So whatever this savings that you get, either due to manufacturing by the company itself

or due to reduction in the raw material prices or whatsoever, all that you want pass it on to the consumer to help the company to increase the top line or the sales.

Now the question is, you have been telling us that, you intend to grow at a double-digit figure, so which is less than 20%. So what we have been seeing with other competitors having making higher margins, still they're able to post more than 15% to, in the range of 15% to 30% type of growth. So why we are not able to grow at a higher pace when our margins, we are keeping at a lower level?

Rajendra Gandhi: We believe that we are the fastest growing company in the category of products that we operate. I don't know from where you derive that 15% to 30%, but the industry average has been in the range of 7% to 9%. We've been growing at a stagger of 19% in the last five years.

Nagesh Jain: So are you saying that, compared to the industry, we are growing at a faster pace?

Rajendra Gandhi: Yes, definitely. There's no doubt about that.

Nagesh Jain: Okay, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Thank you for the follow-up. This question is based on, what you'd answered to one of the previous participants. So, sir, in terms of gross margin, am I to understand that there was no price hike, it was just a benefit of raw material softening as well as your backward integration? You actually took a price reduction, is that right?

Rajendra Gandhi: It's not the right way. Say that our overall the company works on a cost-plus margin. So, wherever we otherwise corrected the price, we adjust the price based on some schemes and we had reduced the scheme to our margin. And also it was aided by lower cost. The price are generally fixed before the beginning of the quarter. And during the quarter, we also saw some contribution coming from software cost. So in other words, it means, if you have not reduced the price even your price has gone down, it amounts to price increase. In this way, if you say that, did we change the price at which the retailer gets the product? Yes. If it is the channel, at what price, we acquired the product, we did increase. So there were some corrections on the various discounts that we allow.

Natasha Jain: Okay, and on the capex side, so you mentioned that this year's capex is going to be around INR750 crores. Was that figure correct?

Rajendra Gandhi: In the range of INR75 crores.

Natasha Jain: So, you've mentioned in your previous calls that you are going to delay your capex a little bit, probably split over the next year because this year seems a comparatively muted year. So, and in fact, at that point, your capex guidance was lower than this number. Now your capex guidance is higher and are you still spilling over to the next year or how is it?

Rajendra Gandhi: No, some of the capex is spilling over to the next year. There's also the retail business and the committed capex and the cash payment. We have already said that we will move some of the capex from the cash payment probably for the next year. So apart from the casting, there is a line that does the casting, there is also a line which does the finishing, that is the coating and all. Particularly the coating line, we are moving it to the next year.

Natasha Jain: Okay, sir, it would be fair to say then that this is the kind of capex that we can also assume for the next year, considering some of next year's spillover of this?

Rajendra Gandhi: The largest capex that we have in the recent time taken are these two, both the warehouse and on individual units, both the warehouse and the cast iron foundry are two large capex. We believe, we don't have any large capex lined up for the next year, but there will be continued capex, setting up new lines.

More of these lines are related to assembly lines or shed or with our retail. These two we still believe that is going to be ongoing. Relative to the current years and the previous two years, three years that we've been investing, we believe there will be a lot more reduction on our capex in the coming years.

Natasha Jain: All right, sir. Okay. Thank you, sir.

Moderator: Thank you. Well, ladies and gentlemen, indeed this is the time. I would like to now hand the conference back to the management for their closing comments. Thank you and over to you all.

Rajendra Gandhi: Good evening and thank you each one of you for patiently hearing to us, asking your queries. We hope that we are able to answer your queries and to your satisfaction, but if you have any questions to ask, you may reach out to us directly or to our investor relationship team. Thank you again for joining us this conference.

Moderator: Thank you very much. On behalf of Stovekraft Limited, we conclude today's conference. Thank you all for joining us. You may now disconnect your lines.