



STOVEKRAFT®

15 November 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 08 November 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
Q2 FY’24 Earnings Conference Call”

November 08, 2023



**MANAGEMENT: MR. RAJENDRA GANDHI – MANAGING DIRECTOR –
STOVE KRAFT LIMITED
ORIENT CAPITAL – INVESTOR RELATIONS ADVISORS**

MODERATOR: MR. PARTH PATEL – ORIENT CAPITAL

Moderator:

Ladies and gentlemen, good day, and welcome to the Stove Kraft Limited Q2 FY '24 Earnings Conference Call. 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 now hand the conference over to Mr. Rajendra Gandhi, Managing Director at Stove Kraft Limited. Thank you, and over to you, sir.

Rajendra Gandhi:

Thank you. Good evening, everyone. On behalf of Stove Kraft Limited, I extend a warm welcome to all participants on the Q2 FY '24 financial results earnings call. Let me take this opportunity to wish everyone in advance a very happy and safe Diwali. We also have Orient Capital with us on the call, who are our Investor Relations Advisors. We have uploaded our investor deck and earnings press release on the stock exchanges and the company's website. I hope everybody had an opportunity to go through them.

In Q2 FY '24, we continued with our growth trajectory, both in terms of top line and margins. Our top line has witnessed a growth of 27.5% and gross profit increasing by 22%. We expect to maintain our strong and established market position in kitchen appliances segment through our diverse product offerings in this category.

Higher market penetration, extensive distributor network in the domestic and international markets, strong brand name combined with changing favorable demographics like rising number of nuclear families and the change in consumption patterns resulting in shorter replacement cycle for pressure cookers and other categories augurs well for our future growth. Growth for the quarter was higher despite a delayed festive season as majority of the days of the festive season this year being in the December quarter unlike last year when some of them were in July-September quarter.

Overall, demand in rural and urban areas was slow and consistent, albeit a slight drop in overall sentiment, particularly in rural areas during August and early September, which was triggered by irregular rainfall in few regions of the country followed by a spike in input prices, resulting in higher inflationary pressure, keeping the demand lower during the quarter. Demand recovery is expected to continue to improve during the December quarter with the onset of festive season, range bound retail and food inflation and government spending between now and the elections.

Indigenization and backward integration with strong brand presence remains our core strength. And continuing with the same, we have added new manufacturing units, which commenced in H1 of the current financial year. These units will cater to a wide variety of clients, including iron plant, air fryers, stainless steel pressure cookers, electric rice cooker plant, the kettle and the bottle plant.

Additionally, adapting to the changing environment and consumer demands has been our priority, and we continue the same with the launch of new products under multiple product categories. This includes new and improved range of induction cooktops, pressure cookers, one of its kind, multiuse mixer-grinder with our ultra-powerful motor, range of cast iron cookware,

oven toaster grill cum air fryer, double stainless steel rice cooker. And under small appliances, we have products like sandwich makers, knives, juicers, steam and dry irons.

Store expansion continued for the current quarter with the addition of 29 new stores in the current quarter. Our store count now stands at 106 stores in 5 Southern states. 90% of our stores have achieved operational breakeven in an average time of 3 months post opening. Our stores have average monthly sales of INR4 lakhs per store, almost doubling since March '23, with the potential to increase as they get established since majority of our stores have been added in the last 1 year. The company continues to expand its presence in retail for Pigeon brand across multiple strategic locations.

Now I will discuss Q2 FY '24 financial performance.

The consolidated revenue at INR379.8 crores for the current quarter versus INR297.7 crores in the previous quarter, hence, registering a growth of 27.5% on a quarter-on-quarter basis. Gross profit for the quarter stood at INR134.1 crores versus INR131.9 crores in Q2 FY '23 and INR109.9 crores in Q1 FY '24, registering a growth of 1.7% year-on-year and 22.0% quarter-on-quarter. Gross profit margin for the current quarter stood at 35.3%. That's an increase of 280 basis points year-on-year.

EBITDA for Q2 FY '24 stood at INR39.9 crores versus INR23.9 crores in Q1 FY '24, showing a growth of 66.7% quarter-on-quarter. The EBITDA margin for the quarter stood at 10.5% versus 8% in Q1 FY '24. Profit after tax for Q2 FY '24 stood at INR16.5 crores versus INR8.2 crores in Q1 FY '24, registering a growth of 101.6% quarter-on-quarter. PAT margins for Q2 FY '24 stood at 4.4% as compared to 2.8% in Q1 FY '24, improving by 160 basis points quarter-on-quarter.

Quickly moving through H1 FY '24 financial performance.

Consolidated revenue from operations for H1 FY '24 stood at INR677.5 crores. Gross profit stood at INR244 crores. EBITDA for the same period is INR63.9 crores. PAT for H1 FY '24 stood at INR24.7 crores.

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

Moderator: The first question is from the line of Achal Lohade from JM Financial.

Achal Lohade: My question is for the second quarter. How much do you think was the sales which got pushed to the following month because of the delayed festivals? Approximate numbers in terms of rupees, crores.

Rajendra Gandhi: Basically, I would suggest to you that you consider the second and third quarter as 1 quarter and because majority of that Diwali sales has moved to the third quarter. You'll have to compare the second quarter with the third quarter and the third quarter with the second quarter. More or less, it is like this. So if you want to quantify, we would say that it will be in the range of INR50 crores.

Achal Lohade: INR50 crores. Okay. So if this INR50 crores was there in 2Q, how would the number -- I mean it was still -- it would have still appeared fairly subdued, right? In terms of growth, we have been used to growing in double digit, high teens. And it would have -- and probably if I make it -- it would be probably a 5%, 6% kind of a growth on a Y-o-Y basis even if I adjust for INR50 crores. So what I wanted to understand, your sense is, a, is this entirely to do with the macro environment? Or you think there was something which was lacking with us as well in terms of why the growth didn't come through?

Rajendra Gandhi: We believe that growth was there with our business. Of course, we have calculated the percentage of growth and all that. But the second quarter, particularly for the second quarter of last year, was relatively strong. The base is strong, and versus the base for the fourth quarter was relatively weak. It was driven by higher demand environment compared to the current demand environment.

So we still believe that we will continue to grow at historic growth rates. Even under the current demand conditions, we believe that there is enough traction for our other products, and we are able to get to higher double-digit growth. But if the demand comes back like it was in the first and second quarter of last year, we will be back to our historic growth rate.

Achal Lohade: Understood. Is it possible to get a sense as to in terms of the pricing on a Y-o-Y basis specifically, how much reduction would have happened in the form of scheme discount or absolute price reduction?

Rajendra Gandhi: Yes. There is a softening on the input cost, and as a strategy that we follow, we pass on both the increase or the reduction in cost. So the growth rate also looks a little subdued because in value terms, the cost of these products should have come down for the -- for our revenue recognition. And so in the range of -- it is in the range of 4% to 5%.

Achal Lohade: So 4% to 5% reduction in the pricing effectively. So this would have been -- actually, if there was no delayed festival and not such a price reduction, you would still actually be early teens actually in terms of growth on a Y-o-Y...

Rajendra Gandhi: For the quarter, yes, because the base for that particular quarter was very strong. But overall, for the year, we still continue that we believe that we will be able to grow at double digits if the demand scenario continues to be at the current level. But if the demand scenario improves and if the demand is better than what it is currently, we are still -- we'll go back to historic growth rates.

Achal Lohade: Okay. Okay. And...

Rajendra Gandhi: And to give you a little more insight, I will tell you our growth is also not only driven by our existing products. There is a range of new products that we are getting into, and all those products where we have got to the stage where we got into manufacturing, we are seeing very, very strong position in those categories, whether -- we are moving towards leadership in those categories. And these are new revenue for us. So that is also driving the growth for us apart from our own retail, which almost was a very, very low base. And the contribution from our retail will be absolute growth.

- Achal Lohade:** Understood. Which are these new products? And how much have they contributed in 2Q, sir?
- Rajendra Gandhi:** See, some of these appliances are all new. We have just started manufacturing some of them, but the air fryer category is giving us very strong headwinds. We are growing very strong there. And similarly, we are getting into some appliances like the OTG appliance. We are getting into the slow juicer very soon. We are getting into some more electrical products that we will be launching this quarter.
- So all these products, we are going to the place where it will get to manufacturing. Air fryer today, of course, we manufacture the whole product within the facilities of Stove Kraft. And we have a very strong demand. In fact, I can only say that we are currently not able to even execute the total demand. So we are also ramping up our manufacturing capacities on the air fryer.
- Achal Lohade:** Okay. Okay. Understood. And just...
- Rajendra Gandhi:** To give you one more insight, we got into manufacture of electric irons, while it is still a small number, it's not very huge. But the -- I mean the growth rate of the electric irons is very, very large. If I say -- it is in the excess of 1,000%. So that is the kind of -- because we got into the manufacture of these electric irons, the revenue, of course, for the overall product category maybe look smaller, but it's a category where we are getting to very strong position. And in the future, you can see us as leaders there.
- Achal Lohade:** Got it. Just a comment on the gross margin and EBITDA margin, how do we see from a full year perspective? Do you think you will be able to achieve a double-digit for EBITDA level? Or you think that is tough...
- Rajendra Gandhi:** We are very confident of double digit. And even on the gross margin, we'll be upwards of 35%.
- Moderator:** Next question is from the line of Natasha Jain from Nirmal Bang.
- Natasha Jain:** So my question is on the mix of small appliance and other categories. Firstly, could you just list out the product lineup here and also specifically the growth in each product and how the mixers, as a category, did in this quarter?
- Rajendra Gandhi:** So for us, mixers, blenders also contribute to the other varieties of products that are -- have different nomenclature in the consumer market. So what we call as toasters, blenders, our slow juicers. These are all falling under the mixer, grinder category for us. The traditional mixer, grinder and grinder category, we are revamping it.
- Actually, we are going through a phase where we are going to introduce maybe for the Indian market, a state of the art product. So the mixer, grinder -- the traditional mixergrinder is going through revamping, and it is a kind of a slowdown on that. But all the appliances, all other than the cooktop, cookware category, we classify as appliances. And there is a range of products, including the electric iron, as we mentioned about, the air fryer. We started making the rice cookers. And now we have started assembling those oven toaster -- OTGs. And very soon, we are getting into producing some more electrical appliances.

But these existing products that we have brought in have seen very high growth because of -- both in terms of what Indigenous products, we are able to offer the consumer, which is much more sturdier, which was manufactured within the facilities of Stove Kraft. It has got us a cost advantage and supply chain advantage. Real time, we are able to reach our consumer as per the requirement. So we are seeing very high growth in this category. Even on Q-on-Q, while the Q1 itself was good for us, good growth on the appliances category, we continue to grow on that, growth also in the second quarter in the appliances category.

Natasha Jain:

Understood, sir. My second question is more of a broader macro level question. So we've done a lot of channel checks and those checks suggest that there has been a broader slowdown for small kitchen appliances. Now your commentary is more on the bullish side. So I just want to match this up here. Is there a slowdown -- broader slowdown that you have witnessed? Or is it only transitory and this is not expected to continue going forward?

Rajendra Gandhi:

So for us, appliance is also included in the induction cooktop and the kettles, while we classify the induction cooktop in the cookware -- cooktop category. We are seeing good growth on our induction cooktop and also the electric kettles, if we will qualify them as appliances.

And overall demand scenario is muted. It's not a very high demand scenario. But also because many of these appliances, we have gotten to the stage where we are manufacturing this and we are much more competitive than what we used to be. We are definitely more competitive than our competitors. So for us, the base is smaller for the small appliances, and we are seeing growth. And overall, as a scenario, the demand scenario, it seems to be a little muted. It's not under very high demand side.

Moderator:

The next question is from the line of Gaurav Agarwal from Nine One Capital.

Gaurav Agrawal:

Sir, just a while back, you mentioned that for the full year, you expect to have a double-digit margin. So did I hear it right? You mean to say only for the next few quarters or for the entire year, you mean 11%, 12% kind of on margin?

Rajendra Gandhi:

Yes, for the -- we are talking about the full year and see the -- usually what happens is the first and the last quarter are a little smaller than the second and the third quarter. They contribute better in terms of revenue. And then the costs are more or less fixed. And as the revenue grows, our margins also improves. So we believe that with improved gross margins and the initiatives that we have taken, we will be able to, for the whole year, cross the double digit on margin.

Gaurav Agrawal:

Okay. And sir, in terms of growth, as compared to FY '23, the last financial year, do you still believe that we can grow at 11%, 12% kind of growth?

Rajendra Gandhi:

With the current market condition, we still believe we'll be able to grow at the low teens. That is low double digit. But if the market improves, which is also a possibility, then we may also go back to our historic growth rates. We have been -- the CAGR for us in the last 5 years is 19%. And even if the current demand condition continues, we believe that we will be able to cross the double digit.

Gaurav Agrawal: So just a bit of back calculation that I did. I just want to share it with you and tell me if I am wrong anywhere. So let's say even if we grow at 12% and on the base of [INR1281] crores which is what you posted in your last financial year. So in the second half, the ask rate for the growth of 38% on a Y-o-Y basis if I compare 2H versus 2H. So is that something which we aspire to do? Or is it possible to do 38% kind of Y-o-Y growth in the second half....

Rajendra Gandhi: It is possible to do

Moderator: The next question is on the line of Anand Mundra from Soar Wealth.

Anand Mundra: Sir, my question is air fryer is a very successful product for us. So what is the share of air fryer currently for this financial year? Or do you expect it to, as a total revenue?

Rajendra Gandhi: Actually, in terms of -- see, there are 2, 3 ways to evaluate this. One is on the number of units that we sell and the value terms at the revenue. So honestly speaking, what we -- without having got authentic data to certify this, we are definitely leaders in the number of units that we sell. And in terms of contribution which that is doing for the company, I can say it is already contributing 6% to the revenue.

But then this is at the level that we are able to cater the demand. The demand is much higher than what it is. So we are also building capacity. So I can only -- actually, with the way that is happening, definitely, the number of consumers using our air fryer, we'll be the largest.

Anand Mundra: Okay. So 6% is a very good number. So are there any -- you are mentioning in your PPT and also mentioned when you answered the call for the other participants, you are launching new products. But are there products which can become as successful as air fryers? Or what is the benchmark to decide which product to launch so that it can have 5%, 6% of the overall revenue of the company?

Rajendra Gandhi: I'll repeat what maybe in the earlier calls I would have told. The strategy of the company is, first, to evaluate a product, get the acceptance of the consumer. There are learnings in this process. Once there is an acceptance of the product, we will start manufacturing this. In other terms, you can call this assembling these products, which does bring the cost down because of the duty advantage and the labour cost that is at India.

And so once we cross this stage and we pass on the benefits that we approved during the manufacturing stage, if we see there is a demand which is in excess of what we are currently doing, then we backward integrate. This also gives further advantage. And in this process, all the products that we have done in the past have got to leadership.

So we did this with our induction cooktop initially. Then we did it with our electric iron in the previous time. We did it with our chopper. We did this now recently with our air fryer. And then we started this with our iron. We are seeing similar kind of trends in any of the product categories that we want to get there. We are confident that any of the product categories that we get into manufacturing will be definitely in the top 3.

Anand Mundra: Yes. So I understood, sir. Sir, what I was asking, sir, other than air fryer, you're saying iron is a new product which can become big for us. And what about the slow juicer? Do you have -- do you see that they have a potential for that?

Rajendra Gandhi: Yes, it is in the phase of initial stage where we are getting the acceptance of the consumer. It may take a little more time for us to get to a stage where we decide that we'll move to manufacturing on the slow juicer. For sure, once we get to that stage, we are very confident that then there is a kind of very unique situation where we have no competition in terms of cost. And we are able to -- because the capabilities for making these products is within the facilities of Stove Kraft, we don't have to acquire new capability or new technology, any of these appliances, all those technologies that go into the manufacture of these products are readily available within the facilities of Stove Kraft. That is a unique advantage our company has, Anand.

Anand Mundra: Okay. Sir, one more question. Sir, our employee and other expenses. If I remove the -- if I take for the first 6 months the overall employee and other expenses, it is already 26% of our revenue. This is largely because the festive season has moved to next quarter. So even if I adjust that, then also it is 24.5%. So I was just wondering, sir, your formula of 35% gross margin and 24% expenses has not passed in the first 6 months. Expenses have gone much more than your expected projections. So any thoughts on that, sir?

Rajendra Gandhi: Yes. So some of these costs are also related to the retail cost and the future investments that we have done on people and, let's say, various facilities. We also moved some of our opex -- capex to opex. All these are part of that. So the only choice for us is to improve on our gross margins. We are working. Work is in progress. Ultimately, all the end over will be to achieve that, first we get to that 11% margin, for which if your costs are at 25%. Obviously, we'll have to be on higher, 36% on gross margin. We are working on that number.

Moderator: The next question is from the line of Priyank Agarwal from Equirus Private Limited. And the current participant line has been disconnected. The next question is from the line of Lakshmi Narayan from Tunga Investment.

Lakshmi Narayan: A couple of questions. First, what is your channel sales mix? How much percentage of your sales is from modern trade and the institutional side?

Rajendra Gandhi: Modern trade generally contributes around 12%. I'll give you the exact number for this quarter. And corporate sales or whatever we call institution sales, I can give you. So the GT today for us is 32% -- 33%. Institution sales is about 3%. E-comm is at 33.5%. Our export is at about 13.5%. Modern trade is in the same line, is at about 12%.

Lakshmi Narayan: Got it. Do you also have any CSD campaign?

Rajendra Gandhi: We have not started our channel for CSD. In the past, we were a little advanced to this, but we are exploring now. Maybe in the next 3, 4 quarters, you will see that we will also get into this channel. So that is the strategy of the company, that we will build more channels and more products so that we get a multiplan.

Lakshmi Narayan: Just from a brand perception point of view, at least based on some of the anecdotes we heard, Pigeon is not considered as a budget brand or an economic brand, okay? Now first question, I don't know whether -- how do you like to put that in the overall context, whether you want to be known as an economic brand? And if so, can you a price taker? That is the first question. And as a follow-up to that, how do you look at it over a period of time? Do you want to be known as an economy brand?

Rajendra Gandhi: Let me actually put it in the right perspective and rather than exactly how you asked me. We would want to cater to the largest segment of the population in this country. We believe that the emerging and aspiring class we got is contributing to the largest consumption in this country. We will continue to grow with the way this segment of the country grows.

Today, we believe they are all very, very cost conscious. So we would want to make high-quality products affordable to them so that they can acquire this -- able to afford this. So if you want to qualify as an entry level or a value brand, it's absolutely okay for us. We would believe that is the business that we want to be in under the Pigeon brand so that we can reach out to more and more families. We would want to be in every home, particularly in this segment, which is the largest segment of this country.

Lakshmi Narayan: The reason I ask this question is that if I look at across various segments, be it automotive or be it QSR, et cetera, we find that at least for the last 6 months, there has been a big slowdown in the economy segment. And a lot of customers are actually not coming into the segment or they're not repurchasing. Does that actually play a role in your -- because the segment you are capturing in...

Rajendra Gandhi: Let me explain to you again. This is -- your understanding of the segment as economic segment. So we would want to make aspirational products, products that are very high quality, and make them affordable. So it is not that these products are cheap or these products are not of aspiring standards. Example is some of -- I mean if you will see our electric iron, it is top of the line. It is what you call as a fully loaded iron. But then we have made it affordable. Or if you see our air fryer, we will have to compare it with the best in the -- not only in the country, globally, and then -- but we have made it affordable.

So it is similar to any of our product categories. We make these products very high aspirational quality at affordable prices. So then it is for the markets who are already valuing -- I mean those larger segment of the population, which is valuing their money, that is our TG. Of course, there is also a spillover. Everybody would want to then -- want to buy -- only buy products in the Pigeon brand.

But are we creating a niche and saying that, no, I'm not for you. It is a very niche brand. If you own me, then I'm -- you need to be very proud about it. It's not that brand that we are creating. We are creating a brand that people can afford but rely on. They can be very sure of the product that they acquire and be more loyal to the brand as we give more offerings.

Lakshmi Narayan: Got it, sir. My last question when you started the year and where you are now you are six months into, I mean have you been positively surprised by your own internal estimates? Or which areas have given positive surprise to you? And which areas have given negative surprise to you?

Rajendra Gandhi: Let me say it is in line with our expectations. We could have done a little more better. It is not that there is a lot of any disappointments, some of the positive not surprises, but on expected lines, we didn't expect the demand for air fryers to outshoot our production capacity that we have set out. So these are some positive surprises.

There are also some more surprises I want to take. Today, while we make all of the 100% with the backward integrated facility for our kettles and our induction cooktops, we set up manufacturing lines considering the demand overall that -- I mean considering the projected demand, but it is also at our expectations. Today, our manufacturing facilities are running full. In spite of that, we are short servicing the market. There are also some, I can say, better to do situations. We can do better on our pressure cookers. There's opportunity that is there and that we can definitely do better. So I think these are both positive.

Moderator: The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP.

Naman Bhansali: So over the last 2 quarters, we are saying we can jump in gross margins, and we have talked about raw material softening and price hike. But how has the retail stores played a part in gross margins? Can you please name them?

Rajendra Gandhi: So the gross margin for the retail continue to be at the same level, we are in the 48% to 52%, between that. It depends on -- between the months. But the median is around 50% gross margin under retail.

Naman Bhansali: And if you see from last year from around 30% to 33% gross margin, we have moved up to around 36% in the first half. So can you attribute between these 2, 3 factors how much that be from the retailers, if you can drill in?

Rajendra Gandhi: Can you please repeat this question? Somehow, I missed it.

Naman Bhansali: Yes. I was asking that in FY '22, we were doing around 30%, 33% gross margins. And in the first half, it's still -- in FY '24, we are doing around 36% gross margin. I just wanted to get a picture at how has the retail played a part in this? And how much will be the contribution from retail in terms of expansion of the gross margin?

Rajendra Gandhi: So say if we have done about INR20 crores from retail and if there's an additional 15% margin that we would have got from retail, so about INR3 crores is additional margin, which will have to knock off from our gross margin -- of the total gross margin. While, of course, it adds to help us to increase our gross margins, but it is not so substantial that it will impact the gross margin in a big way. It could be a few decimal points.

Naman Bhansali: Got it. Got it. And secondly, on the last call, you had mentioned that our stores are currently breaking even. You had INR3 lakh crores store revenue number. And in the recent presentation, you have put up a INR4 lakh number as the current run rate. So how do you see this revenue per

store number going on over the next 2 years? And are we looking somewhere around 15%, 20% margins on this particular business?

Rajendra Gandhi:

So yes, anything beyond the INR3 lakh average revenue for the store, overall, the retail mix margin beyond INR3 lakhs. At INR4 lakhs, I can say more or less, if you will go by the number, the contribution margin from the retail to the company will be in the range of INR50,000 per store at the INR4 lakh. But we believe as the vintage of these stores, I mean, as they grow, the - - I mean we believe this will be much higher. The revenue number from these stores will be much higher. And we believe very soon, we should hit the INR5 lakh, INR6 lakh average revenue. And overall, I'll tell you the feel on the retail store. Both it is also giving us a very strong brand presence in the consumers' mind, and we are able to display the complete range of products in our stores, but it is also very profitable.

Moderator:

The next question is from the line of Priyank Agarwal from Equirus Wealth Private Limited.

Priyank Agarwal:

I want to ask about the product mix within the small appliances category. Specifically, if you see the Y-o-Y volume growth, it is around 7%. However, the revenue growth is 1%. So sir, can you please tell me if we are facing any stiff competition within this category despite of new product launches? And how do you see this performing going ahead given the fact that our revenue mix from this category has always been more than 30%? So how do you think this category mix would be changing and growing going ahead?

Rajendra Gandhi:

So in the long term, this category will lead the contribution from the overall -- if you classify these 3 as appliances, cookware and cooktops. Currently, the cookware category, that is the pressure cooker and non-stick cookware, leads and contributes the largest. But as we grow in the long term, the appliances category, we believe, will outgrow these 2 categories.

On the value front, of course, as I mentioned earlier, we pass on any of the gains that go into our cost. It may not be 100% of that, but there has been a substantial advantage in the input costs, whether it is in imports of our various components that we import or in domestic metals that we buy. So that has been passed on. So net-net, gross realization per unit cost has come down.

So while the number of units that we sell is going up, the revenue -- I mean until it processed that shortfall coverage by the number of units, we still see not great growth in revenue. In short, I will tell you there is a volume growth, but the revenue will follow.

Priyank Agarwal:

Sure. And sir, second question is with regards to the exclusive stores, which were open in Southern regions, is there any plan to open stores like apart from the South India? And how the margins would be looking like going ahead?

Rajendra Gandhi:

Margins, as I explained to you, we are -- because of the overall margin in the manufacturer to retail, the margins inside of -- we are at par with what we sell through our retailers and the e-comm channels. We are at the same margin that I mentioned, which is 48% to 52%. On the store front, we already started signing properties in the Delhi and NCR region. In the coming quarters, you will see that we'll be opening stores both in the North and the West. Ultimately, we will be across the country.

- Moderator:** The next question is from the line of Pujan Shah from PS Ventures.
- Pujan Shah:** My first question would be on the Pigeon. So as we have been expanding our Pigeon store on exclusive, so like we know that our product has been in demand in the market. But what are the -- why we have thought about the -- to open the Pigeon store on the exclusive. We know that we have so much of retail distribution. We have a pan India network distribution. So why exclusive Pigeon store? What was the thought process for that?
- Rajendra Gandhi:** Yes. See, we, of course, have various channels. It is not only the general trade. We reach our consumers through the modern trade. We also reach our consumers through e-comm. But the exclusive stores give us an opportunity to display the entire range of products. This gives -- it's a touch point for the consumer to experience the brand. It gives a real experience at these stores. While of course, the general trade is there, the larger contribution is coming. But not necessarily any of these general trade stores will want -- or able to stock the very, very large range of products that we were already in.
- But it's not limited only to this store. We also have large plans for expanding our product offerings, and that is only possible by having our exclusive stores. It is also giving us some -- we are able to realize that wherever we have opened our stores, more and more dealers are expanding the categories of products that they were otherwise stocking.
- Pujan Shah:** Okay. That's very good, sir. So I just wanted to reconfirm about the split which you have had. So can you just repeat the split of the distribution of institutional, e-comm, exports?
- Rajendra Gandhi:** You will have to repeat this question.
- Pujan Shah:** Yes, yes. So I just want to -- I just missed the split about the institutional, e-comm, exports, modern trade revenue splits. Can you just repeat that...
- Rajendra Gandhi:** That will do. The general trade is contributing between 33% and 34%. The modern trade is giving 12%. Institution sales is giving 3%. Our e-comm is at 33.5%. Our export is at about 14%. Retail is, of course, small, 2.4%.
- Moderator:** The next question is from the line of Rajesh Jain from NB Investment.
- Rajesh Jain:** Sir, my one question is regarding these exclusive Pigeon stores. In the earlier calls, you had mentioned that you're trying to open this through a franchisee route. So what is the status of that?
- Rajendra Gandhi:** So all these stores are currently company-owned, company-operated. We have already started onboarding franchisees. The process has started. So there is a lot of interest in this. We believe that every month, we will -- while we'll open new 8 to 10 stores, we'll also onboard 8 to 10 franchisees. That could be for both existing stores and future stores. We have a commercial plan for which. So as we go forward, all the future cash flows, particularly to open up stores, will drastically come down. It will be company-owned, franchisee-operated concept stores.
- Rajesh Jain:** Sir, out of the current 106 outlets, so how many of them are owned by the franchisees?

Rajendra Gandhi: 106 are owned by the company. They will be -- they'll continue to be owned by the company. But in the next 1 month, you will see that 10 stores will be managed by the franchisees. That means it will free up the cash that we have invested in these stores. And then the opex towards people costs or managing the store and the responsibility of the store will move to the franchisee. The company will continue to own the store and also will have the rental liability on the company's P&L.

Rajesh Jain: So they would be only responsible for the stocks and the staff and the sales?

Rajendra Gandhi: You're right.

Rajesh Jain: Okay. Okay. Sir, even in the North and West that you are planning to expand, there also, you will be following the same model?

Rajendra Gandhi: So for us, we believe that any business has to be first tested right at our own end. Once it gets to a critical mass and very confident about the partner also enjoying this relationship, then we would want to give it to the franchisee. So far as we believe that these stores should get to the 5 lakhs revenue, which takes some 3, 4 months' time from the beginning, and it should not frustrate them. And then that is a growth story that they can build.

So all these stores will initially be built by the company, will continue to be owned by the company but will be transferred to the franchisee. The whole objective is that will free up, ease up operational, those nuances so that it is then run by an entrepreneur. But the revenue is recognized on the company's books. It is controlled by the company's strategy, how they want to -- the touch, feel of the store, how they want to manage the store. We will continue to have a standard SOP, which guidelines the franchisee will have to adhere to.

Rajesh Jain: Sir, that means the franchisee will not be paying even for the initial investment you would have done on the facia of the store and all those things, right? That would be done by the company.

Rajendra Gandhi: On the franchisees, there is no capital expenditure. Of course, there is a deposit that we will be taking, and this is a reasonable deposit. And if you want to know the numbers, we will want a INR15 lakhs of refundable deposits from the franchisee and INR2 lakhs as a kind of a nonrefundable payment that -- when he enters into the agreement with the company.

Rajesh Jain: Okay. That is fair. But would they be making advance payment for the stock that they will be buying?

Rajendra Gandhi: No, the stocks will be on the company's books. So far as the current outlay of the overall cost of the store including the inventory that we own is in the range of INR20 lakhs.

Rajesh Jain: Okay. Fair enough. Sir, my second question is you have announced the launching of -- I know manufacturing of the -- so many products. So I just want to know when we are launching so many products, is it not becoming -- our concentration is -- is it not getting diluting instead of increasing the market share of the existing products?

Rajendra Gandhi: I don't believe that because, again, I want to tell you that we are building a brand which we want to build loyalty of our consumers. Our existing products are doing well. They will go for more products. And because of the new products, they are happy with that, they will come back to also buy the other products.

Many of these product categories that we are in, the life cycle of this is drastically coming down, I mean the consumer pattern is changing. They are replacing these products more frequently than in the past. So we don't -- including the existing categories we are growing. So that is growth from existing categories and growth from additional categories. So if you want me to quantify that as a company in the category that we operate, we have been continuing to grow at a much higher rate than the industry growth rate. So that is also possible because of the additional product categories that we are getting into.

Rajesh Jain: Okay. Sir, just to get a feel of it, what would be the growth of the nearly more than a year old products and the growth of the recently launched products? Any idea you have?

Rajendra Gandhi: Within the categories also, there is refinement. So if I will want to give you an example, we are in pressure cooker business, and we make aluminum pressure cooker. We got into making stainless steel pressure cookers. We got into making hard anodized pressure cookers. We got into making tri-ply pressure cookers. Very soon, we are getting into a category called electric pressure cookers. So within the pressure cooker category, we continue to grow. There will be some categories.

There is also -- I was also mentioning that we will move with our consumers. As the consumers' aspirations grow, they move to the next level of the product, same product category. A customer who was buying aluminum pressure cooker would want to replace it with a hard anodized pressure cooker. And a customer who wants to make a move upwards want to look at the stainless steel pressure cooker. And we also want to look at the high end of the stainless steel pressure cooker, and we are looking.

So there could be at a certain point of time. Maybe in the future. It's not at the current. We will completely stop manufacturing aluminum pressure cooker. So it is a category evolution also when we say we are making many products. And the new product itself is a new addition to our business.

So I was mentioning to you about the mixer grinder, we believe that we will revamp this category. Today, we are nowhere in the mixer grinder, standing in the market. But in the future, you could see. Maybe you'll find us in the top 3 or maybe leaders. So that is because our view of this category is different. We believe that the consumer is evolving and is aspiring to have something better.

Rajesh Jain: Okay. No, sir, I'm not suggesting that or saying that the older products need to be replaced or stopped. I just want to get a feel of it, what could be the growth we are getting in those already launched products and the recently launched products. That's what I was trying to ask.

Rajendra Gandhi: Yes. We are still continuing to grow in our existing products. And of course, the new product, because the base is 0, there is always growth in there.

Rajesh Jain: Got you. Okay. Sir, my next question is regarding you had gotten a lot of senior management people at the higher level. So just wanted to know, are you seeing any changes in the company -- running of the company? Anything you could share with us?

Rajendra Gandhi: I'm sure at the company level, we are experiencing very high confidence in the capabilities of these people over here, the new family members of Stove Kraft and the new leadership team. And they come with very, very diverse experience. And being here itself, I think, is a testimonial of their process that we would have followed to bringing them here.

And for the future, it is a very secure future because we have a very, very large, very strong leadership team for the size of business that we have today. The whole objective of this whole large leadership team is for a very aspirational, very large company and not from the current levels that we have.

Rajesh Jain: Okay. Sir, my last question is regarding export. You had been mentioning that you would like to grow at a 20% level every year. And also, you are trying to have some reach, 20% of our sales from the exports, where do we stand as of fiscal H1?

Rajendra Gandhi: In the lines that we discussed, we are going there, a little better.

Rajesh Jain: Okay. But you also had some plans to launch our own brands also in the U.S. or in the European markets. Any thoughts on that, sir?

Rajendra Gandhi: **Not** in the European market, we are building our network within the North American markets with the retailers. We are very successful in our plan. We are continuing to grow there. We are able to add more and more bidders and -- sorry, more retail chains and more product categories there. And when there is a reasonable size scale that we believe that is relatively larger than where we are because there are operational costs which are to meet and make it profitable operations. So it's a little away. It's not very in the next 2, 3Q quarters. But definitely in the near future, maybe in the next 2- 3 years, you will see us launching our own operations and the brand in the U.S.

Rajesh Jain: Okay. Sorry, sir, I missed -- I have one more last question, if I can squeeze in. Sir, you are focusing more on the Pigeon brand, on the exclusive stores and other things. So just wanted to know, what is the management thinking on, one, the BLACK+DECKER brand as well as the Gilma store. So anything has happened in these 2 brands that we have?

Rajendra Gandhi: We have 68 Gilma stores. And gradually, we are adding not at the pace that we are adding Pigeon stores. But we will gradually add more stores in the Gilma brand. But the Gilma is more defined for hobs and chimneys.

The BLACK+DECKER brand, of course, had a lull in between there were supply chain challenges during the COVID time. Most of these products are imported. Now we are developing products under the BLACK+DECKER brand in coordination with the BLACK+DECKER design team. So these products, when manufactured within the facilities of Stove Kraft, will be catering to both domestic markets in the country and their global frontages across the world.

So there are strategies for growth. Currently, the contribution from these 2 brands, of course, are miniscule. But in the future, you will see also contribution from these brands moving from the current 5% to 10%.

Rajesh Jain: So based on your -- whatever the current reality is, how much time that may take, a year or more than that?

Rajendra Gandhi: It will not be in a year. It's not such a crash -- because the company is also growing. It has to outgrow the growth of the Pigeon brand to contribute to get to 10%. I can say when we are to get to 10%, it could be between 3 to 5 years.

Rajesh Jain: No, sir, because we have that license period with DECKER. So that may get nearer to that, right?

Rajendra Gandhi: We have 20 years arrangement, 10 plus 10. And we have exhausted 6 years, and the limitation is -- the current agreement is for 20 years. It does not mean at the end of 20 years, we terminate. It is an arrangement that is currently agreed upon.

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

Rajendra Gandhi: Thank you all of you for patiently having given your time this evening. I'm sure we would have been able to answer all your queries and questions. But if you have any questions which remain unanswered or if you would want to know, you can, anytime, reach out to our Investor Relations team at Orient Capital. Or you can also write to us whenever. We will do our best to answer all your questions.

Thank you again. Good evening and wish you all and your families at home a very, very happy Diwali. Thank you.

Moderator: In case of any inquiries, you can reach out to our Investor Relations partner at parth.patel@linkintime.co.in. On behalf of Stove Kraft Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.