10th February 2025

To,

BSE Limited	National Stock Exchanges of India Ltd.
Phiroze Jeejeebhoy Towers,	Exchange Plaza, Plot no.C/1,G Block,
Dalal Street,	Bandra-Kurla Complex,
Mumbai-400 001	Bandra(E),Mumbai- 400 051
Scrip Code:543260	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 3rd February 2025.

Please also note that the transcript of the Earnings call will also be made 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 PRANESHACHARYA HARAPANAHALLI

Digitally signed by SHRINIVAS PRANESHACHARYA HARAPANAHALLI
Date: 2025.02.10 15:54:39 +05'30'

Shrinivas P Harapanahalli
Company Secretary & Compliance Officer

"StoveKraft Limited Q3 FY-25 Earnings Conference Call"

February 03, 2025

MANAGEMENT:	**MR. RAJENDRA GANDHI – MANAGING DIRECTOR, STOVEKRAFT LIMITED** **MR. RAMAKRISHNA PENDYALA – CFO, STOVEKRAFT LIMITED**
MODERATOR:	**MR. PARTH PATEL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to StoveKraft Limited Q3 and 9 months and FY25 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Parth Patel from Orient Capital. Thank you and over to you sir.

Parth Patel: Thank you. Good afternoon, everyone. On behalf of StoveKraft Limited, I extend a very warm welcome to all participants on this Earning's Financial Result Discussion Call. Today on the call we have Mr. Rajendra Gandhi sir – Managing Director and Mr. Ramakrishna Pendyala – Chief Financial Officer.

Before we begin the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinion expectations as of today. The statements are not a guarantee of our future performance and involve unforeseeable risk and uncertainties.

And with this I would like to hand over the call to Gandhi sir. Over to you sir.

Rajendra Gandhi: Thank you, Parth. A very good afternoon, ladies and gentlemen and thank you very much for attending our Q3 FY25 Earnings Call.

A detailed presentation and the press release of our Quarterly Performance has been uploaded on our Website, and I hope everybody had an opportunity to go through them.

We are pleased to report a robust performance in this third quarter, reflecting our continued progress and operational improvements. Revenue grew by 11.7% year-on-year, underscoring our consistent growth trajectory. Our profitability saw a remarkable increase of 80% driven by better operational efficiencies. This robust performance reinforces our belief that our ongoing investments in optimizing operations and strengthening our manufacturing capabilities will continue to deliver positive results in the coming quarters.

During the quarter, we had quite a lot of exciting developments which took place for us. Firstly, we entered into a strategic partnership with IKEA to develop and supply a range of cookware products for the IKEA global network of stores. This will be in the stores starting from FY26. This collaboration aims to leverage StoveKraft's manufacturing expertise and IKEA's extensive retail presence to offer quality kitchen solutions to a broader international market. To support this partnership, we are establishing a dedicated manufacturing facility spanning 1.8 lakh square feet of area at our Harohalli campus in Karnataka. This facility is expected to enhance production capabilities and align with global best practices in manufacturing and supply chain processes.

This collaboration aligns with StoveKraft's strategic objective of expanding its global footprint and strengthening its presence in the international markets.

Sharing update about our cast iron foundries which we commissioned in November last year, is now fully commercialized with an installed capacity of 2.2 million pieces per annum and has been designed to reach 4.4 million pieces per annum in the future. The facility has now started full production of a wide range of cast iron cookware and high quality cast iron components allowing us to now offer a variety of products in order to meet the evolving needs of our consumers. These products are designed to cater to traditional cooking preferences while ensuring durability and health benefits.

I am also excited to share that we have expanded our product portfolio by launching a new line of personal care items including hair dryers and trimmers through e-commerce platforms starting January 2025. This strategic move aims to diversify the company's offerings and tap into the growing online market for personal care products. By leveraging our established manufacturing capabilities and distribution networks, we plan to deliver high quality innovative personal care solutions to our consumers. Also, our product the Pigeon Airfryer received CSD approval for their canteens showcasing strength of our in-house manufacturing which meets high quality standards. This now allows us to distribute through the extensive network of CSD outlets across India, opening up newer opportunities of presenting our top-notch products to diverse range of consumers. The company continues to grow its presence in COCO and COFO retail models for the Pigeon brand. In this quarter we opened 17 new stores bringing our total to 230 stores across 14 states and 63 cities. Our strategic marketing efforts in the launch of Pegion brand retail stores are enhancing visibility while our focus on regional expansion is set to drive long term growth for the brands across India.

Channel mix for Q3 was 39% from general trade, 34% from e-commerce, 10% from modern trade, 3% from corporate sales, 6% from retail and 8% from our exports. E-commerce and general trade continued to show high growth with retail channel also growing significantly. The expansion of our product range both within existing categories and into new ones present a dynamic journey for the company offering ample opportunities for growth across multiple sectors through diversified channel mix.

Now I will discuss the Q3 FY25 Financial Performance:

The consolidated revenue stood at 404.1 crore for the quarter versus INR361.6 crores in the previous quarter last year, hence registering a growth of 11.7% year-on-year basis. Gross profit for the quarter stood at 151.7 crores versus 139.2 crores in Q3 FY24 registering a growth of 9% year-on-year. Gross margins for the current quarter stood at 37.6% showing stability over the last few quarters. EBITDA for Q3 FY25 stood at 40.5 crores versus 30.1 crores in Q3 FY24 showing a growth of 34.7% year-on-year. The EBITDA margin for the current quarter stood at 10% versus 8.3% in Q3 FY24 improving 170 basis points year-on-year. Profit after tax for Q3 FY25 stood at INR12.1 crores versus 6.8 crores in Q3 FY24, registering a growth of 79.7% year-on-year. The PAT margin for the current quarter stood at 3% versus 1.9% in Q3 FY24, improving by 110 basis points year-on-year. This is post the notional impact of indirect lease accounting of INR2.09 crores.

Now I will discuss the 9-Month FY25 Financial Performance:

The consolidated revenue stood at INR1,136.8 crores for 9 month FY25 versus 1,039.1 crores in 9 months FY24 hence registering a growth of 9.4% year-on-year. Gross profit for 9 months FY25 stood at 431.7 crores versus 383.3 crores last year same time same period, registering a growth of 12.6% year-on-year. Gross profit margin stood at 38.1% at an increase of 110 basis points year-on-year. EBITDA for 9 months FY25 stood at 121.2 crores versus 94 crores in 9 months FY24, showing a growth of 28.9% year-on-year. EBITDA margin for 9 months FY25 stood at 10.7% versus 9% in 9 months FY24. Profit after tax for 9 months FY25 stood at 37 crores versus 31.5 crores in 9-month FY24, showing a growth of 17.7% year-on-year. PAT margin for the period improved from 3% to 3.3% with substantial efforts underway to improve the same even further.

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

Moderator: Thank you very much sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to withdraw yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets only while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Chirag Jain from Emkay Global. Please go ahead.

Chirag Jain: Thank you for the opportunity. Good evening, Rajendra Ji. I think we have delivered a fairly healthy performance in an otherwise subdued consumer sentiments and a decline reported by a larger listed peer. So how do we see growth going ahead? I believe festive season was very strong. Have we seen the consumer sentiments weakening post festive or how are the broader consumer sentiments? Is it like improving, stable and probably going ahead, how do we see let's say the growth shaping up? Obviously, we are taking a lot of initiatives, so if you can share some thoughts around that?

Rajendra Gandhi: The first and the last quarter are relatively softer than the second and third quarter. But consumer sentiments of course I don't say they are very strong, but we are also driving our sales through special offers during this period. This is normal for us every year in this quarter that we have consumer offers. So, we are seeing continuous growth.

Chirag Jain: Okay. So broadly I think earlier you were indicating or usually you have been indicating 8% to 10% revenue outperformance compared to the industry trends that by and large the guidance remains in terms of growth outlook.

Rajendra Gandhi: We will definitely grow faster than the industry and as and when the demand again gets back to the normal demand, we'll definitely grow better than what we are growing now. Otherwise, we believe that we'll be able to grow better than the industry.

Chirag Jain: Okay, and just on the IKEA tie-up, by when do we see let's say this business coming into our let's say numbers P&L and how big let's say could be the opportunity based on the capacity that you are setting up in the current phase?

Rajendra Gandhi: This business goes through a very methodical kind of arrangement. So, the initial business will only start between the third and the fourth quarter of this coming financial year, that is post October FY26 and then it is a continuous process where we keep on developing products. The first range of products will start rolling out from the factory in October-November this year and as we progress there are going to be newer and more product range. The capacity of course, the size of the factory itself is quite large. We have 1.8 lakh square feet dedicated exclusively for this arrangement and there is a large scope. It will be unfair to quantify in absolute value. But it is a very good arrangement in terms of both in the growth potential for the company but also in the learning potential where they bring in from their side global best practices in manufacturing excellence, supply chain, I mean digitizing the whole supply chain so all these learnings are there. It also enhances the product offering for our domestic brands that we do here.

Chirag Jain: Okay, just last thing from my end and then I will fall back in the queue. How much is the CAPEX that we are committing for the IKEA business?

Rajendra Gandhi: The building is already there, we already built. Additionally, we'll be investing 15-20 crores overall over the next say one year.

Chirag Jain: Okay, so it won't be very large in terms of the overall CAPEX requirement.

Rajendra Gandhi: No, this is an ongoing business for us. It is only that we have exclusive facility for IKEA, so that it matches to their expectations and there are some automation levels that we will be doing. So, in my opinion, it will be in the range of 15 to 20 crores.

Chirag Jain: Okay, thank you so much. All the best.

Moderator: Thank you. We have our next question from the line of Natasha Jain from PhilipCapital. Please go ahead.

Natasha Jain: Thank you for the opportunity. Sir, my first question is on the top line. So, you had mentioned that you would grow at a CAGR of almost 15% or whatever you've grown at the last 3 years. If I see that number, you fall short in terms of your top line. The fourth quarter being a softer and a leaner quarter, is there any change in top line guidance? Are we expecting a slight miss this year?

Rajendra Gandhi: Yes, we would ideally want to grow at the historical growth rate. I can say that there is a relatively shortfall in the growth, definitely. But related to the quarter that we have seen last year for the fourth quarter, we believe we are in line with the same growth; it is not in line with our historic growth rates, we realized this, there has been a little softness in the demand. But with new initiatives, new products, we believe that we will get back to that growth.

Natasha Jain: So, you mentioned that you will be in line to grow at what you had grown in the last year fourth quarter?

Rajendra Gandhi: No, historically we were being, if you will take away the last year we have been growing at 19% CAGR. Our endeavor is to get there.

Natasha Jain: Okay, all right. And sir how does fourth quarter look like to you, at least in terms of the start?

Rajendra Gandhi: As I mentioned, we are seeing growth.

Natasha Jain: Okay and sir now if I even see your margins at a gross level, there has been a margin decline. Can you just allude as to what the reason would be for this?

Rajendra Gandhi: Particularly the month of December-Jan, we have customer offers and so there is a small decline in the gross margins. But overall, for the year we believe that we will continue to be at the level that we aspire for this year. And we are taking initiatives to improve our margin from here.

Natasha Jain: Got it. And sir one last question before I fall back in the queue. You have alluded for quite some time that at an EBITDA level you will land at 11% margin in FY25. Now you've landed at 10.7 on a 9-month basis. That means in Quarter 4 you'll have to deliver beyond 12% to get where we want to. Are we on track in terms of that number or even there, there is a slight chance of a miss?

Rajendra Gandhi: Yes, we believe of course our endeavor was to deliver a minimum of 11% but we will be in that range. It will not be way out.

Natasha Jain: All right, thank you so much. I will get back into queue.

Moderator: Thank you. We have our next question from the line of Pritesh from Lucky Securities. Please go ahead.

Pritesh: This IKEA partnership, if you could tell us what is the scale up possible with IKEA and when will you start your supply to IKEA?

Rajendra Gandhi: The business invoicing will start in October-November of the coming financial year and to tell you, the program that we've initiated, annualized, even if we talk about the whole year is for about 2.5 to close to 3 million pieces annually. And the current program, if it is for annualized basis is not that this year, we recognize this, it will be in the range of about 150 crores. But this is not the only program that the arrangement is. This is to start with. This is one range of products that we are starting.

Pritesh: So just to clarify, 3 million pieces is 150 crores or 150 crores is your one of supply?

Rajendra Gandhi: This 3 million, the current range at 3 million pieces is about 150 crores. And this is not the only line that we are doing with them. This is already finalized, the supply for this range of products, the designs and everything and schedule is all finalized. But there are also several other products that we are discussing.

Pritesh: So, if you start next year, let's say Quarter 3 of next year will the following year, which is FY27, will you be ramping up to the full of that program or it will take more time than that.

Rajendra Gandhi: No, you're right. If you say one year from the time when we start, the second year will be full. So, if you tell 12 months for this product range, 12 months from next year, November- December will have this full volume of 3 million.

Pritesh: And the facility, now that you have created the total facility for the company, what revenues it can support.

Rajendra Gandhi: You are talking about StoveKraft as a whole?

Pritesh: Yes, StoveKraft as a whole.

Rajendra Gandhi: We will be able to with the current capacities that we have and with small tweaking we can double the revenue.

Pritesh: Double the revenue?

Rajendra Gandhi: Yes.

Pritesh: Which means you are at about 1,400-1,500 crores, you can actually do 3,000 crores from the same setup?

Rajendra Gandhi: Maybe there will be some maintenance CAPEX. I don't want to assure you like that. But without the large new expansion, definitely we can give this.

Pritesh: Okay. And if I look at the OPEX line with that doubling of revenue, what operating expenses should move higher with that up in the OPEX line?

Rajendra Gandhi: More and more of automation we are doing now. See there will definitely be increment in people cost and as we produce more there will be some increase in power cost. And because if we will transport more of that goods definitely there will be increase in freight cost not in terms of percentage but in terms of absolute value, all this I am telling you in absolute value. . In terms of percentage, I think there is a scope for improving from where we are now.

Pritesh: Okay sir, thank you.

Moderator: Thank you. A reminder to all participants, you may press '*' and '1' to ask a question. I repeat, you may press '*' and '1' if you want to ask the question. The next question is from the line of Varun from Equitree Capital. Please go ahead.

Varun: Hi sir, a couple of questions. Firstly, you mentioned that you have given some discounts during this quarter. So, will this continue going forward or can we see the margins coming back to 38%, gross margins in the upcoming quarter?

Rajendra Gandhi: The business is designed for 38% to deliver for the year. Every year during this period, during the month of December-January, we give consumer offers every year. This is in line with our business plan and so we are in line with our margin expectations on the gross margin, there is no dip on the gross margin. But for this period, that is particularly December-January, we give some special discounts to our customer. And so there is generally a 1% variation. But overall, when you see for the whole year, they are in line with the margin.

Varun: Okay. And secondly, how much growth can we see in the small appliances and how much will it contribute to the overall mix?

Rajendra Gandhi: Yes, our small appliances growing faster than the overall other categories put together. So currently if you see, we have been witnessing continuous growth there. Of all the categories, our small appliances grown the highest. It is at about 25.6% is the growth. And if you will only see the contribution alone for the Quarter 3, 45% is coming from small appliances. And if you will see for 9 months, the period we are at 39.9%, say 40% contribution coming from small appliances versus if you will see the same time last year for 9 months we were at 34.6%. So continuously we are seeing growth in our small appliances category.

Varun: What are the gross margin levels, is it lower for small appliances?

Rajendra Gandhi: For us all this under the Pigeon brand channel or product, we are agnostic on product category. So, the margins are the same.

Varun: Okay. And how do you see the overall demand outlook given the tax cuts in the budget? And how does the company prepare for the same?

Rajendra Gandhi: We believe it should be positive for us if there is more money in the hands of the particular **(Inaudible)**, it's a middle class, the emerging class, definitely we believe it is a positive for our business. People will be able to buy more of our products. That's what we believe.

Varun: One question I had was what is different that StoveKraft is doing compared to the competitors apart from the pricing that is helping it increase the overall volumes?

Rajendra Gandhi: One is we are able to manufacture these products. This will all go through supply chain disruption if people are depending on non-manufacturing. Today the compulsion from BIS is also making it mandatory for people to produce in the country. It's not only limited to that. Overall, our manufacturing facilities and our expansion on our distribution channels both is giving us that advantage. We are increasing our retail stores. That is giving us some positive. Our exports, in the peer group we are the largest exporter and our export is actually growing. While there is a correction in our export, temporarily there is a change from earlier all the exports that we were doing were linked to only nonstick, that is PTFE coating. Now globally there is a shift from PTFE to ceramic coating. I am not very sure whether you will understand the technicality of this. So, we have corrected all that, so you'll also see again our exports growing faster than what it was and that category is also contributing. In my opinion these are the three reasons why we will grow better than the industry because we are able to produce this product ourselves. We are able to make high quality products and give it to the consumer which is very attractive for the consumer. And also, we are able to do this along with expanding our channels.

Varun: And one last question I missed on the overall potential revenue from the IKEA tie up which you mentioned in FY27.

Rajendra Gandhi: I can say our overall exports per se will in the next 3 to 4 years be from a current 12% will be 25% of our business.

Varun: Okay, thank you.

Moderator: Thank you. Before we move on to the next question, a reminder to all participants, you may press '*' and '1' to ask questions. The next question is from the line of Kush Gosrani from Incred Asset Management. Please go ahead.

Kush Gosrani: Hi. Thank you for the opportunity, sir. I missed your opening remarks. So just wanted to understand our retail expansion plan. This quarter we have added only 17 stores and we were supposed to reach 270. So, any revision in that guidance and for next year as well?

Rajendra Gandhi: There is no change. We continue to open between 25 to 30 stores every quarter. In this quarter we have also done some corrections. So, wherever we believe that we need to relocate, we would have also done that correction. And also, we are now focused on building more of COCO and COFO stores. We have capped the number of stores, so we are in line. Maybe if we don't reach the 270, we may be at around say between 250 and 260. So this number that you see is net of those corrections.

Kush Gosrani: So how many stores we would have corrected, relocated or closed?

Rajendra Gandhi: In the overall historically as of today about 14 stores we have relocated. For us we will watch for a store to at least be at break even and if it does not happen between 6 to 9 months of the opening we will start looking at relocating.

Kush Gosrani: And for next year we will add same number of stores, 20 to 30 stores per quarter?

Rajendra Gandhi: We will continue to open between 25 to 30 stores every quarter.

Kush Gosrani: Okay, so then your depreciation interest would increase because of lease liability, right?

Rajendra Gandhi: Yes, so we are aware of this. We are also working on improving our margins.

Kush Gosrani: Got it sir. And sir, in terms of exports we were looking, we had added Walmart, right. So how is their ramp up happening?

Rajendra Gandhi: Like I mentioned, there's a correction from the current pure nonstick to additional range of products. Our business with Walmart also in the coming quarters is growing. We have good orders from Walmart also.

Kush Gosrani: Got it. And these are both the IKEA opportunity and the Walmart would be at similar margins or better margins than currently that we do at gross level?

Rajendra Gandhi: I think more or less the export margins are in similar levels and it is in line with our EBITDA.

Kush Gosrani: Sure. And going forward we should be able to for even for next year or next 2 years, we should be able to do 11%+ margins. That would be reasonable assumption.

Rajendra Gandhi: Yes, we'll assure you we will work towards bettering from 11% while our business is designed to deliver minimum 11% now.

Kush Gosrani: Okay. And sir, last question. Since December and Jan, you had to provide higher discounts. This is still a continuing trend or you feel that this should stop now?

Rajendra Gandhi: Every year during this period, the company, the distributor, the dealer everybody comes forward to contribute to this special offer that we have. The last 10 years from 2013 we have been doing this. So, some portion of our GT business will be at a little lower margin than the normal during the whole year. So, overall the difference is very small. But when you see YTD, our margins will be closer to 38%.

Kush Gosrani: Okay sir, thank you. I will get back again. Thank you.

Moderator: Thank you. We have our next question from the line of Prateek Poddar from Bandhan AMC. Please go ahead.

Prateek Poddar: Hi sir, 2-3 questions. One is just on CAPEX, right? I heard you talked about 3,000 crores of revenue from current capacity. So from a CAPEX perspective fair to assume that the requirements will be quite muted and only maintenance CAPEX for the next couple of years till the time you reach your capacity?

Rajendra Gandhi: You're absolutely right.

Prateek Poddar: Okay. The second sir, just on working capital if you can help us. How is the working capital being trending? I remember you talked about you know controlling that and being almost negative or being flattish, close to zero.

Rajendra Gandhi: We have improved our net working capital days the way we calculate of course, so we were at 77 days in FY22, we were at 62 days in FY23, we were at 59 days in FY24. For the quarter ending FY25 we are at 45. We are very confident to improve from here.

Prateek Poddar: Okay, fantastic. And just quickly, you know just on a YOY basis also we have seen some gross profit compression and last year also you said we do give discounts. So, what is really impacting our gross margins?

Rajendra Gandhi: So YTD FY24 we were at 36.88% and YTD FY25 we are at 37.97%. We have seen an improvement of about little more than 1%.

Prateek Poddar: Sure. I was asking for the quarter sir but. But okay, it's fair.

Rajendra Gandhi: Yes, for the quarter YOY I know there is a …..

Prateek Poddar: There is reduction or something?

Rajendra Gandhi: This year actually our sales for this quarter if you will see versus the previous quarter and not the YOY, it is a larger quarter. This is a smaller quarter versus the Q2. So, the contribution of this discounted sales is a little higher than normally what it was last year. So, you'll see a little shift. But when you see annualized for the year, you will get a number which is closer to 38%.

Prateek Poddar: Got it. And what would be a full cost of rent, in the sense a lot of the rent goes into depreciation and finance? Can you call that out? Is it possible? How much would be the cash cost of rent?

Rajendra Gandhi: But I can tell you what it is. Average of our rent is Rs. 60,000 into the number of stores. I will just tell you what it is. The total INR4.4 crores for the quarter.

Prateek Poddar: For the quarter, right?

Rajendra Gandhi: Yes.

Prateek Poddar: Okay, fantastic. And just from an IKEA perspective, you said there are several products under pipeline. How big can this account be for you in the next 3 to 5 years or let's say next 3 years, I think you've talked about exports being 25% of your sales. So just from an IKEA perspective, how big can this account be sir for us?

Rajendra Gandhi: So of that IKEA can be as big as 50% of our export sales.

Prateek Poddar: Okay. And this is assuming, I mean look, yesterday there were tariffs, etc. on China which would mean that we become even more attractive from a sourcing perspective. Is that a fair understanding?

Rajendra Gandhi: This new development is not linked to current geopolitical situation. But this is an, I think this process has started more than a year back. If lot of it is moving to India, we don't know there can be an acceleration of this process. But currently with the plans that we have, we have a good pipeline of orders for export. We also have some new customers who want to work with us. And in our opinion, we'll also start working with them very soon.

Prateek Poddar: Got it. And lastly from a new product development, any new products you talked about, trimmers, etc. which you've launched on the e-comm platform. Any new products you're looking for or do you want to scale that?

Rajendra Gandhi: Yes, the grooming products are new. We have just launched it on the e-comm platform and gradually we'll bring it to the model retail. If there is enough traction and if there is a good demand, we will start manufacturing these things. If we start manufacturing, definitely we'll get leadership in that category.

Prateek Poddar: So as of now you're trading in these products, is it?

Rajendra Gandhi: Yes. That is the process that we follow.

Prateek Poddar: Okay. Fantastic sir. Thanks.

Moderator: Thank you. We have our next question from the line of Shreyansh J from Svan Investments. Please go ahead.

Shreyansh J: Sir, my first question is again on the gross margin. So last year also sir in Q3 you would have had the same festive and the additional customer offers that you would have run. But last year we had seen some kind of gross margin improvement and this year QOQ we've seen some kind of compression. So, I am really not able to understand what is happening.

Rajendra Gandhi: Okay, let me explain to you. See, last year we had the bigger sales of Diwali in the Q3. This year we had in Q2. And the contribution of this discounted sales has been a little more than the festive sales. In the quarter we have festive sales and we had discounted sales at the fag end of the quarter. So, the contribution of this discounted sales a little higher. And that's why you are seeing that. But that will all get corrected when you annualize it.

Shreyansh J: Okay. Sir, my second question is on the IKEA front. So, you're saying, we supply 3 million pieces worth 150 crores. That is which product category?

Rajendra Gandhi: It's a cookware, is a combination of stainless steel and aluminium. It is all to do in only with cookware.

Shreyansh J: Okay. And gradually over the next 3 to 5 years we can supply all of our product categories to them or it's just restricted to cookware?

Rajendra Gandhi: No, the current arrangement and the capability that we are building is only for cookware. Today all our exports are only cookware.

Shreyansh J: Okay. Sir, is there an opportunity for you to cater to other product categories? Because IKEA I think would be selling all products, right?

Rajendra Gandhi: That is possible for across the export business. But today all the focus and arrangement that is there is to build a cookware category.

Shreyansh J: Okay, so my next question is on the retail business. So, from what I understand, historically we've been saying that we won't be doing COCO and we would be doing FOFO. But if in this quarter, I am just looking at it, we opened 17 stores out of which 15 are on a COCO basis.

Rajendra Gandhi: No, so it is like this. When we open new stores, its not that the new stores are going into COCO or COFO, we will equally have COFO or COCO stores for the number of stores that we will be opening. Yes, there is a two-store difference between the number. So, between the quarters that would have happened that we have two more stores than what we have moved from our existing stores to COCO or COFO. But we as a business, the retail business, our endeavor is that we will cap the number of COCO stores to be 171 for all times. It will not increase beyond that. All the incremental stores will be either COFO or FOFO.

Shreyansh J: So, sir, when you're saying you opened 15 COCO stores this quarter. So, in the base number of 217, whatever stores that were there. So out of that 15 were converted to FOFO, is it? And then you put your COCO…?

Rajendra Gandhi: You are right sir.

Shreyansh J: Okay. So, sir, then with this logic our interest in depreciation going forward, you mentioned earlier in the call, should increase. So, then sir, technically it shouldn't increase. I mean increase in rental rates, other than that there should not be an increase.

Rajendra Gandhi: No, only if we do a FOFO store, then it is not on the books of the company, which we don't intend to. All the stores, the lease arrangement is with the company. The store technically belongs to the company, but there is no cash outgo because this is funded by the deposit that the franchisee pays us both for inventory and fit outs and including the deposit. But the lease agreement, the lease arrangement is with the company and not with the franchisee.

Shreyansh J: Okay. Sir, this 100 crores annual run rate should more or less be at this level only?

Rajendra Gandhi: Yes, I think it will be at the level, sir.

Shreyansh J: Okay. And so just one last question. In terms of new product developments, you were talking, we will continuously evaluate that thing. So just wanted some sense, when you're doing new product developments, these are all part of small appliances, right? And small appliances now is about 46% odd of our business. So how comfortable are you with this number or I mean, do you see this number will be capped at 50%? How do you look at this whole piece, sir?

Rajendra Gandhi: No, we are not worried about capping this. And that too, I will tell you, for us in the small appliances business, we don't consider the induction cooktop business as part of our small appliances, though generally it is considered as a small appliance for any other peer group. For us we classify the induction cooktop under the cooktop business. So, we are not worried about which category of products, but we only wanted to highlight that our appliances business is growing faster than the other product categories that we are already strong at.

Shreyansh J: Sir, in small appliances, in spite of we doing a lot of consumer offers this quarter, the growth rate in SBA seems to be a little volume growth of 12%. Isn't that a tad bit lower?

Rajendra Gandhi: So, compared to the industry, we have grown at that rate, meaning both in volume and value.

Shreyansh J: Sure. Sir, last question, on a 9 month basis, if you have to look at your induction cooktops as a category, 9 months volume growth has been 10% but overall value growth is (- 3%). So what is really happening in this category sir?

Rajendra Gandhi: There are two things that go into the manufacturing of the induction cooktop. One is the glass. The glass has a lithium element in that glass. There was a disruption in the cost of lithium and so that there was a huge spike in the cost of the glass in the preceding year. And also, there are a lot of electronics that go into the manufacture of this induction cooktop. So, both these costs have corrected, not in the last quarter, in the last 8 to 10 months the costs have drastically corrected. We as a company generally work on a cost-plus model and cost on that. And so, we are seeing good growth in volume. But because of the ASP coming down, you are seeing a little drop in the value.

Shreyansh J: Okay. And the last question, cookware, 9 months volumes have been flat. So how do you look at this whole category?

Rajendra Gandhi: No. So, cookware, our exports is all about cookware. I told you about the correction that is happening in the category. The PTFE coated cookware is slowly going down and it's getting replaced by the new range of cookware that we have developed. So, we are going to that phase in this current quarter. This will all come back. We have good orders for the cookware and we have corrected that product category in the sense, we are moving a lot of PTFE to ceramic cookware now.

Shreyansh J: Okay.

Rajendra Gandhi: There is a transition happening from PTFE to ceramic.

Shreyansh J: Okay. Thank you, sir and all the best.

Moderator: Thank you. We have our next question from the line of Mustafa Khedwala from Cube Investments. Please go ahead.

Mustafa Khedwala: Good evening, sir and thank you for the opportunity. Sir, can you please repeat what is the online contribution for us?

Rajendra Gandhi: For the quarter or for the overall?

Mustafa Khedwala: For quarter and 9 months sir?

Rajendra Gandhi: For the year, YTD is at about 34.7% online.

Mustafa Khedwala: And sir for the quarter?

Rajendra Gandhi: For the quarter it is approximately the same 34.3%.

Mustafa Khedwala: Okay. And sir, since we are selling more this new category of grooming products online only, going forward in the future sir, do you expect our online contribution to be in this range or it will become even higher?

Rajendra Gandhi: I think it will be in the range so if you see our GT this quarter was at about 39.3% and for the YTD it was 32.8%. So, for us I think between the GT and these two should be around getting the 65%-70%.

Mustafa Khedwala: And sir, I am guessing, the margins might be a bit lower in online.

Rajendra Gandhi: No, let me assure you, for us all the channels and the products the margin is agnostic. The margins are the same for us. We work on a concept of MRC, minimum realization cost to the company and we don't breach those numbers whether we are selling on e-comm, modern retail or general trade. Of course, for exports our margins are lower but then at EBITDA, they are at the same level. And on retail the margins are higher. But there are costs in the retail.

Mustafa Khedwala: Fair enough. So, sir, our IKEA contract manufacturing will probably mirror the margins of our export business or our online and GT business?

Rajendra Gandhi: It is an export business. The business itself is export.

Mustafa Khedwala: Okay, so sir, margin will be a tad bit lower there.

Rajendra Gandhi: Yes. The gross margins will be lower. At EBITDA it will be at the similar levels of the company's margin. There are no other costs in between.

Mustafa Khedwala: Fair enough, sir. So, in the small appliances segment, although volume growth has been 12.2% for the quarter, the growth in value has been 31.6%. So can you just shed some lights around this particular.

Rajendra Gandhi: There is a product mix because of high value, see volume for overall as a category, we calculate the volume and I will also tell you on small appliances what is happening. Particularly starting with the last quarter, one of our new SKUs, I mean range of products, that is the OTG, we have started manufacturing this and that has started contributing significantly and it is growing very fast. I will give you some number on the OTG; we used to sell about 10,000 to 15,000 units per year and in the last quarter we already started selling 40,000 units per month. So, because it is a high value, I mean high ASP product. So, you will see higher growth in value than in the number. The number of units will be not very high, but the value is high.

Mustafa Khedwala: Okay. And sir, similarly in the cooker segment, the contribution the growth has come from some the premium cookers or the lower value item cookers?

Rajendra Gandhi: So, there is a movement from aluminium to stainless steel. And while we want to grow both in volume and value, our value growth in the future in pressure cooker will be larger than the volume growth because there is a shift from pure aluminum pressure cookers to value added pressure cookers like pure stainless steel or triply pressure cookers. The ASP of these stainless-steel pressure cookers is higher than the aluminium pressure cookers.

Mustafa Khedwala: Okay, fair enough. So basically, got it. Lastly sir, we have set up such a large capacity for cast iron cookware. So, enameled cookware, is the company looking at launching anytime in the future? Because that is a progression only of cast iron.

Rajendra Gandhi: That is a natural progression. Today our plant is fully operational. We are having both opportunities in export and our domestic market has also accepted this product very well. Currently we are doing seasoned cast iron cookware. But definitely this is a natural progression. In the next two-three quarters we'll have an enameling line that will also include enameled cast iron cookware.

Mustafa Khedwala: How much extra CAPEX would we have to incur to set up this enamled?

Rajendra Gandhi: We already have the ovens. So even for seasoning line you require the ovens. These are at only different temperatures. There'll be some additional booth. Of course, this is not very significant for the facility that we have. It is a very small cost. It will be maybe between 1 and 2 crores.

Mustafa Khedwala: Wonderful. Thank you so much, sir.

Moderator: Thank you. We have our next question from the line of Puneet Mittal from Ford Capital Limited. Please go ahead.

Puneet Mittal: Hi, just two questions. One is you mentioned that for all the stores the lease is with the company. That case what's the difference between the COCO model and the COFO model?

Rajendra Gandhi: Okay, see, when we say the lease, only the lease agreement is with the company. The rent is paid by the franchisee and that gets adjusted in the commission that we pay to them. Example, when it is on the COCO model, we incur the cost, we pay the people cost, the rent of the store is paid by the company. Whereas in the franchisee model the rent is paid by the franchisee and the people cost is paid by the franchisee. But we share a margin with him and because the landlords would want to and because the company would want to have a control on the stores, we collect this rent and deduct it from the commission that we are supposed to pay to the franchisee and pay to the landlord. And accounting standards, because the agreement for this lease is with the company that has to be accounted the way it is done now.

Puneet Mittal: Okay, got it. The second question related to the same thing. You have listed that your average revenue per store per month is about 3.56 lakhs. Can you give more color on in terms of what the revenue for vintage stores versus new stores that has opened and what is the maximum potential for a store to do in terms of revenue?

Rajendra Gandhi: For us the breakeven is at 2.5 lakhs. And if you don't see any store doing that between 6 to 9 months, we will relocate them. So, we don't have today any store which is doing anything below 2.5 lakhs. But for any new store that we have started and still it is going through that journey, any store which does not perform to that breakeven level between 6 to 9 months, we start relocating.

Puneet Mittal: Okay, what is your target number of stores that you're looking example 3 years down the line?

Rajendra Gandhi: So, we would be able to open between 80 to 100 stores every year.

Puneet Mittal: Sorry, one more final question and can you give us some break on the geographical spread of these stores?

Rajendra Gandhi: Currently we are in the south across Karnataka, Kerala Andhra Pradesh, Tamil Nadu and Telangana. And in the north we are there in UP, Himachal, J&K, Punjab, Delhi NCR region. We have also started our stores in Gujarat.

Puneet Mittal: We are spreading across the country now, from more competitive….

Rajendra Gandhi: Definitely in the next 3 years will be there across every region of the country.

Puneet Mittal: Thanks so much.

Moderator: Thank you. Next question is from line of Praful from Shravas Capital. Please go ahead.

Praful: Congrats on good set of numbers. I just wanted to check what would be our gross margins on the export sales?

Rajendra Gandhi: Between 27% to 30%.

Praful: Okay. So, the 150 crores be with IKEA. So, our gross margins would be somewhere between 27% to 30%, would it be the same or would it be closer to 38%-40%?

Rajendra Gandhi: Yes, the margins for export business will be in that range.

Praful: Thank you.

Moderator: Thank you. Next question is from line of Anand Mundra, individual investor. Please go ahead.

Anand Mundra: Hello sir. Good evening. Congratulations on good results. Sir, I wanted to clarify how much revenue from IKEA will come in this year if we start in September-October in FY26?

Rajendra Gandhi: It should be in the range of 30 crores. There's one quarter. We'll have one quarter for this.

Anand Mundra: Okay. And from FY27 we can assume 150 odd crores, right sir?

Rajendra Gandhi: For the whole year, yes, would be in that range.

Anand Mundra: So that would be an extra 5% odd growth over and above your regular growth because of IKEA being a new customer which you have added. Can we assume that?

Rajendra Gandhi: Yes. So, our overall export business will continue to grow at a faster rate than what we are growing as a company for the next few years. Because it's not only limited to IKEA, we also have good business plans that we have with our existing export customers. But there are also new customers whom we are talking to and which can also fructify in the next two-three quarters.

Anand Mundra: Okay. And sir, this IKEA, you mentioned that you are talking about only one product and there can be other products, you can also start with them over the next few years.

Rajendra Gandhi: We are already discussing. So, from the time we start discussing a product to actual production and supply, it is 9 to 12 months. So apart from the range that is finalized and for which we are working and where we believe we will be able to start delivering these products from October-November this year, there is another range of products that we have already started discussing.

Anand Mundra: Okay. And potential of that product can be also similar to this product sir?

Rajendra Gandhi: Normally the volumes of IKEA are very large because they will manufacture one product from one factory only and they have about 550 stores across the globe. Any product that they produce is all very large in number. By value yes, it may not be exactly this because the line that we are currently doing is 11 SKUs. The product category that we are talking now is about 4 SKUs. But the volume is almost equal to the level that the current range is. But the current range is at a little premium. So, it may not be exactly the same, but it may be in the range of say 50%-60%.

Anand Mundra: Okay. And sir, the other customer, Walmart, is there any scope for increasing product lines over there also?

Rajendra Gandhi: Yes, we have already replaced some of our PTFE range of products with a very premium range of products. They're also very keen for our cast iron range of products. While we are not disclosed this since you asked me, this is for general consumption. We are setting up a line for bakeware. This will be both for Walmart, the other retailers and also this may have interest from IKEA.

Anand Mundra: Okay. And this is expected to be built from next year, sir for Walmart?

Rajendra Gandhi: No, this financial year. Yes.

Anand Mundra: Okay, understood. Another thing, sir, there are multiple photos circulating on WhatsApp saying that there was some sales to state government or local politician in Quarter 2 of this financial year. Can you quantify was there any free distribution by any government, state government or local politician? And we have got some sales from that.

Rajendra Gandhi: Can you please repeat?.

Anand Mundra: I've got a photo of induction cooktop saying that it's made by StoveKraft. So, I was just wondering whether we have participated in any government contract in this financial year sir?

Rajendra Gandhi: There are two things. We don't do any government contract. This as a policy and we also in the past have given products to some politicians in the past. As a policy we don't directly deal with any political parties and we are not aware how through any channel any of these products will end up with any of these free distribution. But we don't have any large single order from any of our channel for the induction cooktop that you are mentioning.

Anand Mundra: Okay sir. And so how much is CAPEX for next year's guidance maintenance CAPEX?

Rajendra Gandhi: We can safely take it between 25 and 35 crores. In our opinion we may not require that much.

Anand Mundra: That includes the CAPEX for IKEA?

Rajendra Gandhi: That includes retail stores, any tooling that we will do for new products, any line additionally that we set up or if you do any civil construction for any of the adjustments required for any of these CAPEX. So, you can classify this as maintenance CAPEX but safer side you can take it between the range of 25 to 35 crores.

Anand Mundra: And sir, how much is the debt on the balance sheet sir, other than the lease liability?

Rajendra Gandhi: Net debt is about 150 crores now.

Anand Mundra: Okay. This is a short term and long term both?

Rajendra Gandhi: We don't have actually long term, this is all overall net borrowings, net is 1578 Million.

Anand Mundra: Last question sir, at 400 crores revenue size I expected we to deliver 11% margin. So, we've got a hit of 1%, this is because of higher revenue expenditure in this quarter other than gross margin compression?

Rajendra Gandhi: There are three, I can tell you. One, we spend a little more on marketing about 1 crore, people cost means if you will compare it with the last year's Quarter 3, there is an increase in people cost by 1 crore, marketing 1 crore and we did a lot of maintenance which we charged to P&L on our factories. So, this is about 3 crores overall.

Anand Mundra: Okay. And sir, in the last quarter you mentioned that you are also writing off the acquisition of light business which you have done.

Rajendra Gandhi: A substantial portion of that we have written off.

Anand Mundra: How much that is part of this quarter sir?

Rajendra Gandhi: It is about 1.2 crores.

Anand Mundra: So that 1.2 crore would be an extraordinary item then because it's a write off.

Rajendra Gandhi: Yes, generally we are not separately called off this but we have written off to the extent. Because that business we are not focusing now.

Anand Mundra: Amortization of expenses.

Rajendra Gandhi: Yes.

Anand Mundra: And how much is remaining sir that would be written off next quarter?

Rajendra Gandhi: Another 1.2 crore, there are some tools that we have. We'll accelerate the depreciation of these tools.

Anand Mundra: Okay, understood. Thanks a lot, sir

Rajendra Gandhi: Thank you.

Moderator: Thank you. Next question is from the land of Natasha Jain from PhilipCapital. Please go ahead.

Natasha Jain: Thank you for the opportunity again. Sir, my question is just on the market share. So, you said that you've given a lot of schemes and offers in December and January continue. So, can you indicate if you've got market share from our peers? Any sense or numbers as to what market share you command versus your peers?

Rajendra Gandhi: We are dealing in various product categories and this is not very special offer for this year. From 2013 onwards, every year we have this policies where our consumers, our dealers and our distributors wait for this. And this is an ongoing affair and so different product categories will have different market. So, there are several new products. Example, if I tell you that for OTG we are getting to leadership. So that is the kind of market share acquisition is happening. Some of the products like induction cooktop in our opinion we must be at leadership. The air fryer of course we are acquiring lot of market share. So, there are different products. I don't think you can bucket it all in one and say this is a market share and we don't have a quantified comparative data to actually give you. We'll try to do this maybe in the next two-three quarters we'll start doing this.

Natasha Jain: Got it. And sir one last question. Now I understand that you said that because you had done these offer sales, it impacted your gross margin a little. But see this is something that we do every year. So, this is a known information to us. Then do you think that we were optimistic in terms of giving 11% guidance in terms of EBITDA or has there been more demand slowdown than we actually anticipated? Which way did it go?

Rajendra Gandhi: Both. We would have ideally wanted another 10-20 crores additionally on our revenue for this quarter. And also, maybe the contribution of this offer sales was a little higher. But I think overall for the year we are in line with our business plan. I don't think we are way off. Of course, don't come and tell me we land up at 10.8 for the year, it is lower than that 11% guided. So that was the endeavor. So, it is not that we are way away from that 11%. There could be a small variance versus the expectation.

Natasha Jain: Understood sir. Thank you and all the best.

Moderator: Thank you very much. Participants, in the interest of time, we will take that as a last question. I will now hand the conference over to Mr. Rajendra Gandhi for closing remarks.

Rajendra Gandhi: First of all, thanks all of you for the patience and for listening. I hope I have addressed all your questions but if you have any further inquiries, please feel free to reach out to us directly or contact our investor relationship partner, Orient Capital. Thank you.

Moderator: Thank you very much. With this, we conclude today's conference call. Thank you for joining us and you may now disconnect your lines. Thank you.