



# MSEARCH

## IPO OFFERING

### STOVE KRAFT LTD



## About Company

## Recommendation: Subscribe for Listing gains

Stove Kraft Ltd (Stove kraft) is a Bangalore based one of the dominant players for pressure cookers and a market leader in the sale of free standing hobs and cooktops. It is amongst the leading brands for kitchen appliances in India providing kitchen solutions and home solutions. Stove Kraft is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under the Pigeon and Gilma brands, and proposes to commence manufacturing of kitchen solutions under the BLACK + DECKER brand, covering the entire range of value, semi-premium and premium kitchen solutions, respectively. It has 2 manufacturing facilities, one each in Bengaluru, (Karnataka) and Baddi, (Himachal Pradesh). With this they have 651 distributors in more than 27 states of India and 5 union territories of India and 12 distributors for their products that are exported as of September 30, 2020.

Price Band	: Rs. 384 to 385 per share
Bid Lot size	: 38 Shares
Issue size	: Rs. 413 Cr
Issue Opens	: January 25 <sup>th</sup> 2021, Monday
Issue Closes	: January 28 <sup>th</sup> 2021, Thursday
Min App Amount	: Rs. 14,630/- at upper band

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**Msearch View:** We believe the growth in kitchen appliances in India is huge and expected to grow by CAGR ~12% largely driven by the high growth in the large kitchen appliances segment where products of Stove Kraft like freestanding hobs and cooktops are well positioned with leadership market share. Before making an informed decision in this IPO we need to understand Stove Kraft IPO is going public mainly through “offer for sale” and such IPOs are expected to receive less demand during IPO from quality investors as investors remain less optimistic as fund proceeds from the shares sold would go into the pocket of the existing shareholders (Sequoia Capital India Growth) and less towards company future growth. Hence considering this it is generally predicted that such IPO generate low returns. In addition to above fact we are also concerned on sustainable business growth ahead of cutthroat competition in all the segments of Kitchen appliance despite the fact that the company has reported good numbers in the first six months. Another point a investors has to consider is that the IPO reservation for retail is only 10% Vs 35% in majority of the IPO Books due to net worth being negative in the last 3 financial years because Stove Kraft has suffered one time losses (~Rs 110 Cr) in 2016 from TN govt contract. **On valuations parse at upper price band (Rs 385/-), the issue is asking for market cap Rs 1253 Cr with PE 16x times (annualised FY21e) vs. industry average P/E at 42x, which seems offer is at discount to peers valuations due to its low ROCE (2.51%) justifying the discount offer. Hence considering all the above factors and considering the risk in current volatile equity markets a moderate to low risk investors can give a miss to the offer while high risk investors can “SUBSCRIBE for listing gains”.**



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### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2018	2019	2020	H1 FY20	H1 FY21
Equity Share Capital	19	25	25	25	25
Reserves as stated	-199	-89	-85	-84	-55
Net worth as stated	-180	-64	-60	-59	-30
Revenue from Operations	529	641	670	316	329
Revenue Growth (%)	-	21.17%	4.51%	-	4.27%
EBITDA as stated	10	30	34	19	45
EBITDA %	1.89%	4.7%	5%	6%	13.68%
Profit Before Tax	-12	1	4	5	29
Net Profit for the period	-12	1	3	4	29
Net Profit (%) as stated	-	4.23%	3.99%	2.79%	9.02%
EPS (₹)	-6.35	0.33	1.28	1.77	11.64
Long term borrowings	311	210	205	206	205
Short term borrowings	81	100	122	111	94

Source: Company RHP

### COMPARISON WITH LISTED INDUSTRY PEERS ₹ (in Cr)

Companies	Revenue (₹Cr)	EPS	NAV	P/E	RONW%
Stove Kraft Ltd	670	1.05	41.84	16.56	2.51%
TTK Prestige Ltd	2073	133.13	942.56	44.93	14.12%
Hawkins Cooker Ltd	674	137.09	264.11	42.25	51.91%
Butterfly Gandhimathi Appliance Ltd	679	1.83	107.32	284.29	1.70%

~Closing price refers to price on NSE on January 18, 2021, and for Hawkins refers to price on BSE on January 18, 2021

Source: Company RHP