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Indian Kitchen Appliance Industry

Recipe for growth

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DOLAT CAPITAL

November 24, 2021

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We acknowledge the contribution of Ms Saaranga Shetty towards this report.

Indian Kitchen Appliance

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Recipe for growth

The organized Indian kitchen industry is slated to become a USD4.6bn industry from current levels of USD2.7bn by 2025, a CAGR of 11%. We believe structural drivers are in place for the kitchen appliance industry, with an increasing bulk of the middle class, high rural market potential, faster adoption of E-commerce, and government initiatives on LPG and electricity penetration to drive this market size growth. The recent covid-19 pandemic has further accentuated the growth of branded players, who have thrived at the cost of unorganized/smaller players. Our order of preference to play this theme is Stovekraft(Buy), followed by TTK(Buy) and BGAL(Accumulate).

Why read our report?

This report is different as we have done a detailed analysis of demand drivers, company analysis and comprehensive channel checks. We have not just touched generic growth factors like rising income levels, but analyzed government initiatives, change in social structures etc. which we believe are more relevant to the kitchen appliances market. Finally, we have also done a pan India channel check on this space, to get a ground up view, which has been incorporated in this note.

Kitchen Appliances market expected to grow at 11% a by 2025

The Kitchen Appliance (KA) market in India is one of the most fragmented markets, with the organized appliance market at ~USD2.7bn. This market is expected to see CAGR of ~11% over 2020-2025 to ~USD4.6bn, on the back of a range of favorable macro factors. Within KA, the large appliances are expected to grow at 12.5% CAGR while small appliances are expected to grow at 8% in the same period, while nonstick is expected to grow at 17% .

Structural drivers are in place for multi-year growth

There are several structural drivers in place for strong multi-year growth for kitchen appliances. LPG penetration has reached ~100% and so has electricity, driving demand for electrical as well as non-electrical kitchen appliances. Other primary drivers are the rising demand for housing, a burgeoning middle class, urbanization and rise of nuclear families, all of which are expected to provide a thrust to the industry.

Branded players are getting bigger and better

The kitchen appliance or KA space has been notoriously difficult to quantify due to its highly fragmented nature. Additionally, a large number of items are classified under the KA umbrella, despite having widely different applications. Pre-GST, the unorganised were 60% of the market. Five years into GST, it is dwindling with the unorganised now in the range of 40-50%. The advent of Covid is likely to hasten the process of formalisation as customer preferences are also changing towards branded products.

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Most flexible distribution model among durable

The key reason for kitchen appliances thriving during Covid-affected months has been the flexibility of its distribution model, as per our discussions with industry players. The nature of products, with several SKUs at standardized volumes like a 3L/5L cooker, lend themselves beautifully to the Ecommerce model- in fact, it's among the top 20 items sold online in India. This support of the E-com model will help this sector to faster penetrate rural markets, which is currently just ~20% of the kitchen appliance industry, as compared to traditional distribution models.

Rising tide will lift all; who can be the winner?

We believe that all the listed kitchen appliance players will be big beneficiaries in the growing kitchen appliances category and picking a pecking order is tough. However, we rank the two names with the most contrasting yet clear strategies- TTK, focused on branding and protecting margins and Stovekraft, which is very clear about its price points and volume led growth. Moreover, TTK has the advantage of being a national brand as all three try to up their ante in the Northern markets, while Stovekraft with its clear pricing strategy will also find it easy to make inroads there. Butterfly is the weakest in the North and would need a lot more catching up to do. Hence our overall order of preference would be Stovekraft, followed by TTK and BGAL

Brief on each company

Stovekraft (CMP Rs 974, TP Rs 1300, Buy)

Clarity of strategy

Background

Stovekraft is one of the leading kitchen and homeware providers. It engages in the manufacture and production of kitchen appliances and has recently ventured into electrical fixtures as well (2019). Stovekraft Limited markets its wide variety of products ranging from value for money products under Pigeon, mid-premium products under Gilma to premium products under Black+Decker in order to capture all markets in the value chain.

View

Stovekraft has a clear, though contrasting, strategy as compared to peers. It plans to maintain its price points in the low and mid-range, with volume growth being the key target. In the race to capture northern markets by listed South based players, we believe that Stovekraft has the arsenal in terms of product and price point to make better inroads than peers. We expect them to clock in revenue/profit CAGR of 21%/16%, as they continue executing their strategy. We initiate coverage with Buy and TP of Rs1300, valuing the company at 40xFY23E.

TTK Prestige (CMP Rs. 10,565, TP Rs 13,000, Buy)

Best in class

Background

TTK Prestige, is a player in the industry whose market leader status is often taken for granted. Having been around for decades, TTK Prestige is known to be well versed with the tricks of the trade. With ~35% in the kitchen appliance space, Prestige benefits largely from its high brand recall, goodwill and the trust consumers have in it. Prestige is the number one brand for pressure cookers and nonstick cookware with a market share of 48.2% and 58.2% respectively as of 2020. Prestige has a wide variety of products in its portfolios, with its most recent venture being household cleaning supplies

View

TTK has espoused a clear strategy of focusing on margins with the help of its brand strength. It's ability to withstand margin pressures in the recent inflationary environment is a testament to its brand strength. A pan-India brand name and a strong distribution network are its key strengths. We expect the company to clock in a revenue/profit CAGR of 14%/17% over FY21-23E. We initiate coverage on the stock with a Buy rating and a TP of Rs13,200 valuing the company at 55xFY23E.

Butterfly Gandhimathi (CMP Rs 883, TP Rs 1,070, Accumulate)

Spreading its wings

Background

Butterfly Gandhimathi Appliances Limited or BGAL is among the leading manufacturers of kitchen appliances. Headquartered in Tamil Nadu, BGAL is increasing its presence across the country. It markets its products under the brand name "Butterfly" as it is commonly called. Butterfly appliances are available across all channels, with an E-com penetration of 25-30%. Butterfly is the market leader in stainless steel LPG Stoves and Table top wet grinders where it has marched ahead of peers. However, it continues to lag players like TTK Prestige and Stovekraft in mixer grinders and pressure cookers

View

A regional leader, BGAL is expanding its presence across the country. Despite being a smaller player, it is pushing into the non-south markets. However, given its relatively lower presence in the pan India market, we believe it could take it longer to establish a bigger market share, as it catches up with peers. Hence we initiate coverage with an Accumulate rating and a TP of Rs1070, valuing it at 31xFY23E.

Valuation Matrix: Kitchen Appliances

Company	Net Sales (Rs mn)					EBITDA (Rs mn)					PAT (Rs mn)					EPS (Rs)				
	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E
Stovekraft	6,699	8,590	10,995	13,283	15,275	338	1,130	1,374	1,674	1,955	32	815	952	1,078	1,278	1.0	25.0	29.2	33.1	39.2
TTK	20,730	21,841	25,548	28,909	32,347	2,631	3,273	3,889	4,661	5,183	1,845	2,429	2,764	3,318	3,668	133.1	179.7	199.4	239.4	264.7
Butterfly	6,787	8,696	10,643	12,365	14,317	407	797	990	1,150	1,332	40	362	504	619	751	2.2	20.2	28.2	34.6	42.0

Company	Mcap	CMP	TP	Up side	P/E (x)					ROE (%)					EV/EBITDA(x)					Mcap/Sales (x)				
	(Rs mn)	(Rs)	(Rs)	(%)	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E	FY20	FY21	FY22E	FY23E	FY24E
Stovekraft	31,482	974	1,300	35	1001	39.0	33.3	29.4	24.8	(5.1)	67.5	27.5	24.5	23.2	80.7	28.4	22.9	18.6	15.6	3.6	3.7	2.9	2.4	2.1
TTK	145,442	10,565	13,000	23	79.4	58.8	53.0	44.1	39.9	14.9	16.8	17.2	18.1	17.5	55.1	44.1	37.0	30.8	27.7	7.0	6.6	5.7	5.0	4.5
Butterfly	16,186	883	1,070	20	396.8	43.7	31.3	25.5	21.0	2.1	17.4	21.5	24.2	26.8	43.5	20.0	16.1	13.9	12.1	2.4	1.9	1.5	1.3	1.1

Ground up: Channel view on the industry

From our channel check activity across various regions with multiples dealers and industry experts, the current feedback on the sale of the kitchenware and kitchen appliances sector looks positive. Demand is high and the festive season showed a very good response. The dealers expect this **surge in demand to last the next couple of quarters which mark the beginning of the wedding season in the country.**

Despite a price hike of 8-15% across the pressure cooker and other kitchenware segments, demand has not seen any roadblocks. Dealers are fully stocked up with inventory in this FY due to better demand in the kitchenware and appliances sector. As the Make in India initiative has taken a leap since the pandemic, the companies are increasing their in-house manufacturing capacity and shifting imports to local sourcing. **E-commerce dependency for kitchenware has gone up from less than 10% to more than 20% in the past 18 months.**

The current demand exhibits a repurchase/additional purchase behavior. **Demand for premium category and "better looking" products has seen a rise**. In the larger markets, customers are brand reliant and are willing to spend on high price products. Addition of shape and size to the existing need based characteristic of the product has been seen across all geographies. The post lockdown demand of kitchen products across the country for the current FY was about 25% less than that it was last year. Dhanteras marks the onset of the prime selling season for kitchen products and thrives over the wedding season.

The overall share for unorganized vs organized players in the urban and semi-urban markets would be in the ratio of 40:60. However it changes to 60:40 in the rural markets. Majority of the market, up to 60% is captured by TTK Prestige, Bajaj and Hawkins across all geographies. While TTK is the leader in South and North markets, Hawkins dominates the West and East. Many new players have entered the kitchen appliance and cookware market in the last 10 years. Due to rise in input costs, prices of all products have increased. Demand however has not been affected by the change in prices.

Geographical trends

North: Northern market demand started in advance to the festive season for appliances and boosted further for kitchenware in festive season. **Premium products sell in large quantities as compared to base and economical ranges**. The rural markets in north also have a high demand for premium products. Hawkins continues to be #1 in North followed by TTK and Bajaj Cookers. Stovekraft and Butterfly are currently at a very nascent stage in north.

South: South markets have TTK at its lead when it come to market share. More exclusive stores for TTK, Stovekraft and Butterfly are present in the southern regions. Stovekraft and Butterfly, unlike non-south markets have considerable share when it comes to all categories. **Consumers in south are price sensitive and will prefer local brands against branded products**. Unorganized share in south is larger, 60:40 as large number of local and regional players are present.

East: The current demand exceeds the supply for kitchen products in the east segment as per feedback received from various distributors/ retailers. Hawkins is the leader in pressure cooker category followed by Bajaj and TTK. Miss Mary, **entry level product** in the kitchenware of Hawkins, Vinod and Hugo **are key selling products in the rural eastern markets**.

West: Western markets have TTK at #1 followed by Hawkins. Stovekraft and Butterfly are better established in this zone as compared to other non-south markets and recall value of the products is high. **The western markets saw a boom in the festive season exceeding anticipated sales** which is expected to continue in the wedding season as per ground feedback. As compared to last year's festive season, this festive season was marginally better.

Click here for our detailed channel check

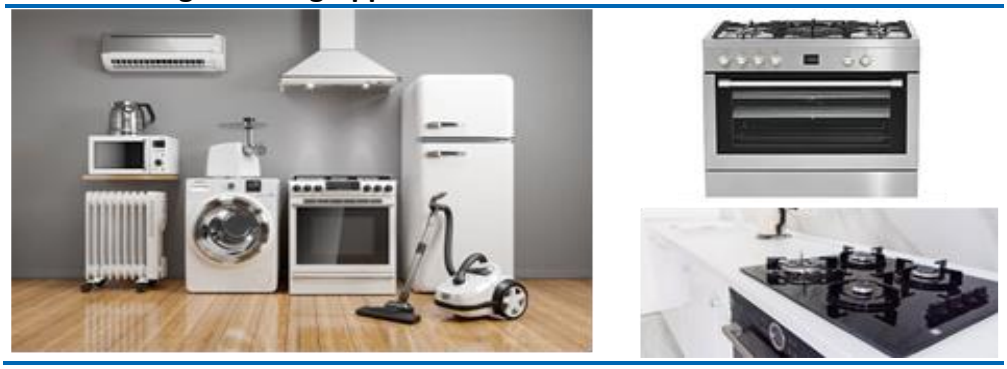
Investment Thesis

Kitchen appliances market expected to grow at ~11% CAGR over 2020-2025

The Kitchen Appliance market in India is one of the most fragmented markets in the industry with a handful of organized players contributing to 50% of the market valued at Rs200bn($2.7bn). The kitchen appliances market is likely to benefit from the wide range of favourable macro factors that have all begun to converge in the Indian economy. With an expected CAGR of ~11% over 2020-2025, the kitchen appliance market is bound for positive development.

The market can be broadly categorized into three - large appliances, small appliances and non-stick. “Large/Major Cooking Appliances” (LCA) include hobs, stoves, chimneys and other kitchen specific white goods.

Exhibit 1: Large Cooking Appliances



Source: Company, DART

“Small/Minor Cooking Appliances” (SCA) include, blenders, mixers, juicers, kettles, toasters, air fryers etc.

Exhibit 2: Small Cooking Appliances



Source: Company, DART

"Nonstick Cookware" are products like frying pans, tavas etc.

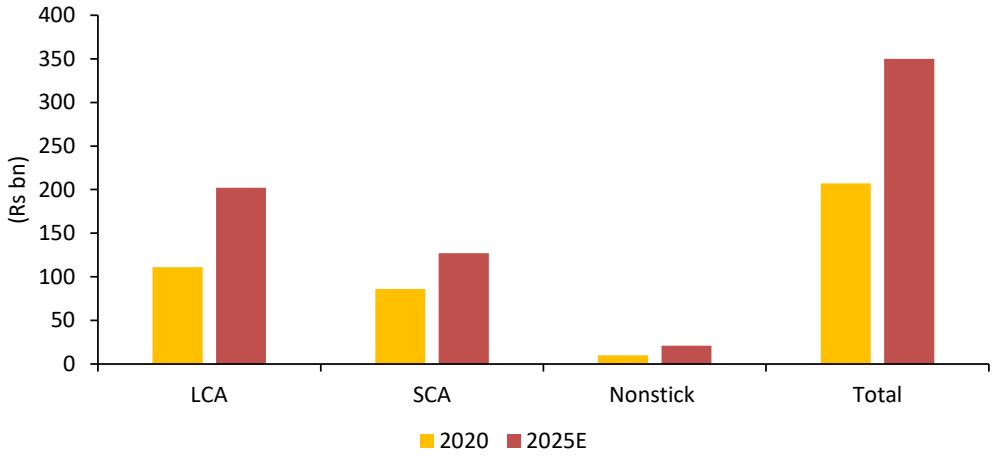
Exhibit 3: Non Stick Cooking Appliances



Source: Company, DART

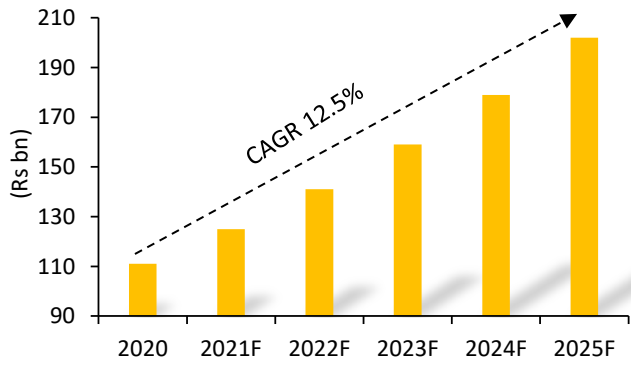
The Large Cooking Appliances or the LCA category is expected to grow at 12.5% CAGR in value. The Small Cooking Appliances or the SCA category is expected to grow in value at 8% CAGR. The Non-stick Cookware category is expected to grow in value at 17% CAGR.

Exhibit 4: Expected growth in Kitchen Appliance Market by FY 2025



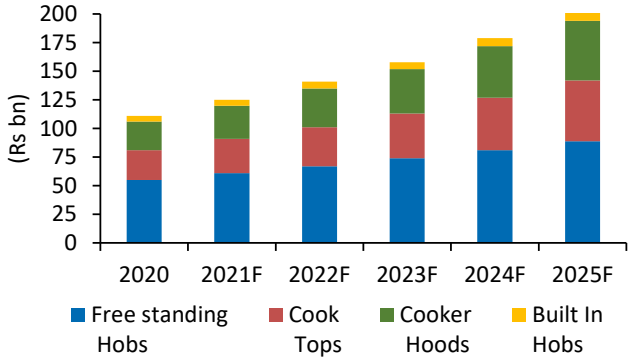
Source: DART, Stovekraft Investor Presentation

Exhibit 5: Increasing market for large cooking appliance



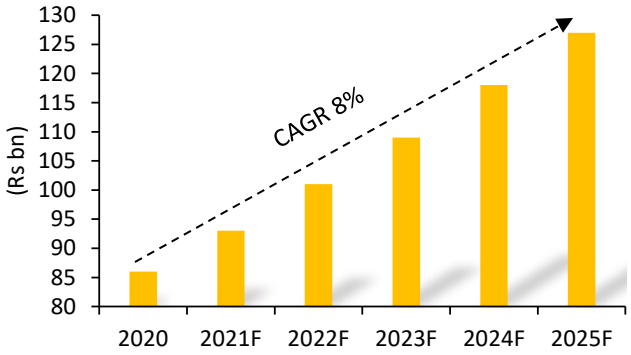
Source: DART, Stovekraft Investor Presentation

Exhibit 6: Large cooking appliances by sub segments



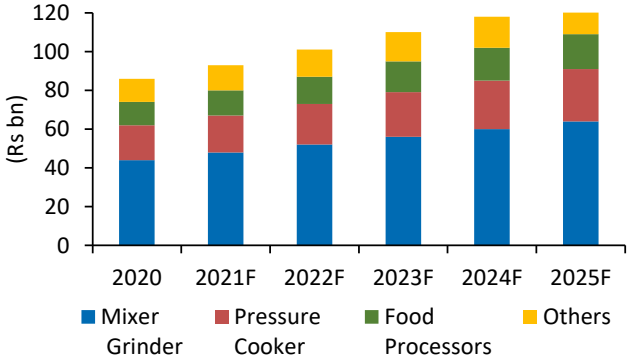
Source: DART, Stovekraft Investor Presentation

Exhibit 7: Increasing market for small cooking appliances



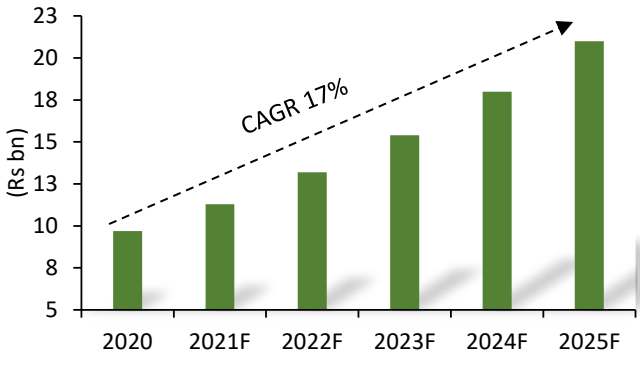
Source: DART. Stovekraft RHP

Exhibit 8: Small cooking appliances by sub segments



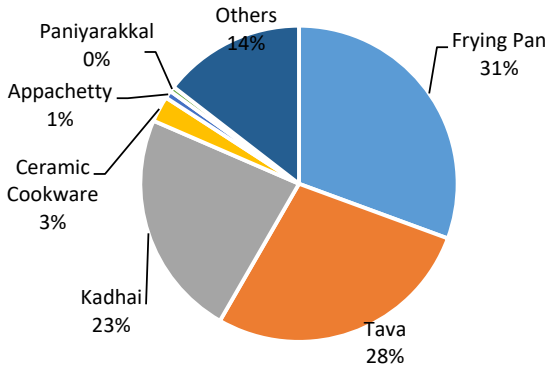
Source: DART, Stovekraft Investor Presentation

Exhibit 9: Increasing market for non-stick cookware



Source: DART, Stovekraft RHP

Exhibit 10: Piecemeal distribution of Nonstick usage as of FY 2020



Source: DART, Stovekraft RHP

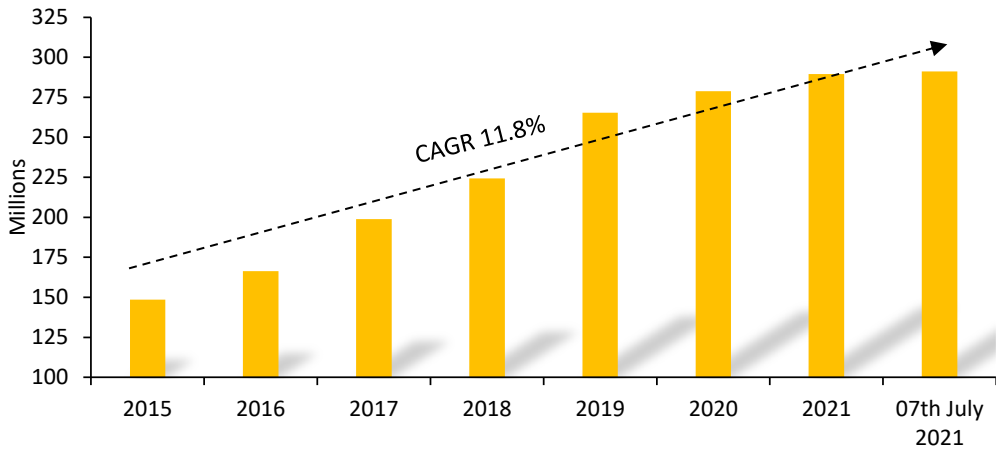
Why do we believe that structural drivers are in place for multi-year growth?

Several government initiatives have been favorable in the shaping of Kitchen Appliance industry as it stands today. Schemes and policies in place to benefit the urban and rural poor have had positive widespread effects across the sector. It is safe to say that the prolonged effect of these policies is likely to contribute to the long term growth of this industry.

LPG connections

The Pradhan Mantri Ujwala Yojana (PMUY) was introduced by the GOI to provide clean cooking fuel to families below poverty line. As a result, **LPG penetration in India has reached almost 100% saturation.** And as per anecdotal evidence, 70% of the households are active users for LPG, that is ~210mn households which is the addressable market for KA. The scheme initiated a large new audience to kitchenware such as gas stoves and cooking appliances such as cookers and pans.

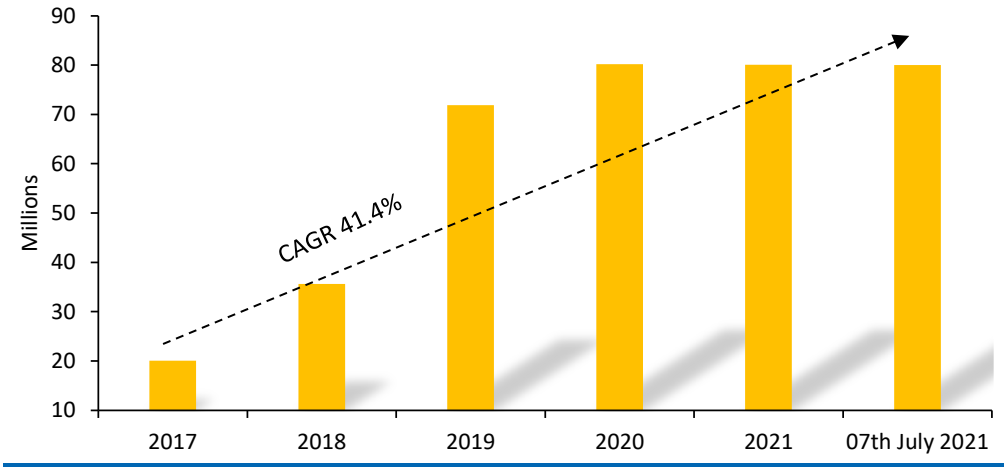
Exhibit 11: LPG active domestic customers



Source: DART, PPAC

Our channel checks indicated a noticeable increase in demand for entry level and mid-range cookware in low income areas, correspondingly brands like Hawkins and Stovekraft introduced cookers at those price points. We also establish that existing mid income level consumers are upgrading and trading existing appliances in for premium products. **Even as the LPG subsidies and freebies have run their course, cooking habits that were developed in the rural parts of the country through Ujwala Yojana will sustain**.

Exhibit 12: Beneficiaries under PMUY



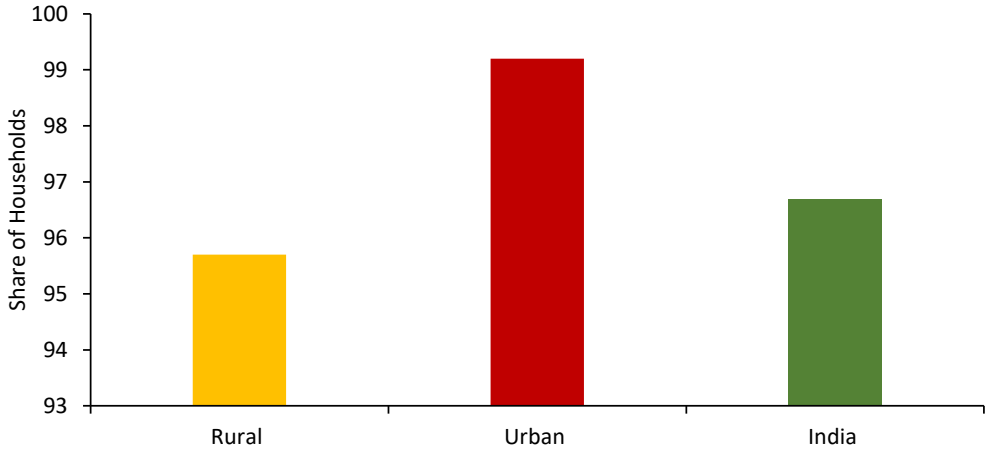
Source: DART, PPAC

Under the scheme, along with access to LPG, households were also given gas stoves, a necessary ancillary. These were entry level stoves serving the most basic functions of an LPG burner. **The scope for new demand arises when old stoves are traded in for replacements and upgrades. And with it comes the need for sophisticated cookware such as pressure cookers and non-stick pans**. Moreover, as LPG prices inch upwards fuel saving devices such as pressure cookers become increasingly important.

Electrification of India

The scale at which electrification of India has been achieved at, is a sure fire booster to the use of appliances. 99.7% of the Indian population has access to electricity. Government schemes such as Deendayal Upadhyaya Gram Jyoti Yojana (Rural Electrification Program) have helped in bringing electricity to rural India on a grand scale, opening these geographies up to the appliance market. **A broad variety of kitchen appliances are electricity driven, and any reluctance to purchase them due to unreliable electricity supply has been addressed. Reliable energy will drive the demand for mechanized kitchen appliances sustainably**. Electricity consumption in India has tripled since 2000, and is an indicator of the kind of habits that will develop in household kitchens. Many households store induction cooktops handy as an alternative for when their LPG cylinders run out. As LPG prices soar and electricity becomes less of a luxury, households may migrate to induction cooktops as a permanent solution. When electric power becomes a reliable source of energy, consumers become dependent on electrical devices for their day to day needs, making them indulge in sophisticated, dedicated appliances on a regular basis.

Exhibit 13: Share of households with access to grid electricity (%)



Source: DART

Demand for housing

The size of India's real estate market was $200 billion in 2018-2019, and is expected to touch $1 trillion by 2030. This demand for housing will translate into a demand for durables and kitchen appliances. Additionally, under the Pradhan Mantri Awas Yojana – Urban (PMAY-U) the GOI aims to provide affordable housing to the urban poor with a proposal to build 20 mn houses by March 2022.

Exhibit 14: Contributions made to affordable housing under PMAY-U

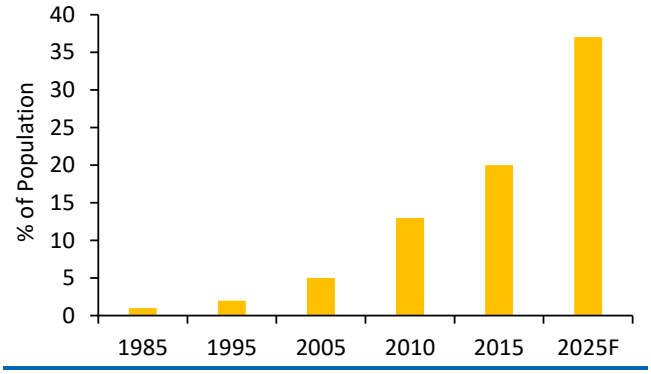
Houses sanctioned	**11.3 million**
Houses grounded for construction	8.3 million
Houses completed	5.0 million
Total investment	Rs. 7,350 billion
Central assistance released	Rs. 1,820 billion

Source: Ministry of Housing and Urban Affairs (MOHUA)

Middle class boom

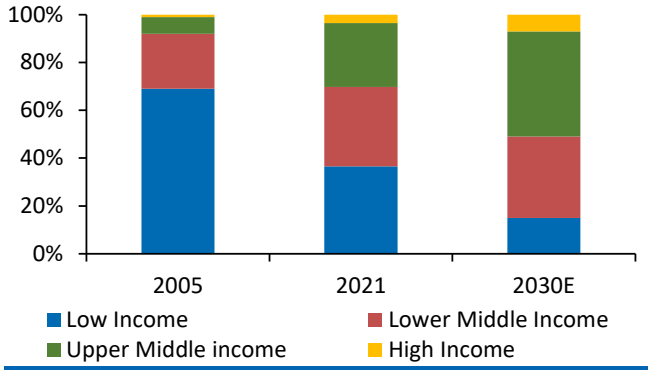
India's aspirational working class is rapidly making its way into the next income group, in other words, the vertical movement of consumers from their existing incoming income into the next is leading to changing consumer behavior and greater demand as they become bigger spenders and consumers. **By 2025, the middle class will represent ~37% of India's total population.** Tier –II &III cities have shown spending culture similar to that of urban metropolitan cities, having actually surpassed them in terms of demand in the recent Diwali season sales. The middle income group of the country has on its hands, high disposable incomes, dual incomes, greater purchasing power parity, access to electricity and internet connectivity along with an aspiration for better standards of living. It is within reason to be optimistic of the prospects that consumer appliances has in this climate. Consumer spending is regaining momentum. The initial slack due to Covid 19 is tapering, leaving enough room for improvement. And although disposable incomes have been stressed during the course of the Covid -19 pandemic, previous levels of spending power will return in the medium and long term, stimulating consumption and demand both in rural as well as urban households alike.

Exhibit 15: Share of middle income in total population



Source: DART, Lava DRHP

Exhibit 16: Evolution of income levels



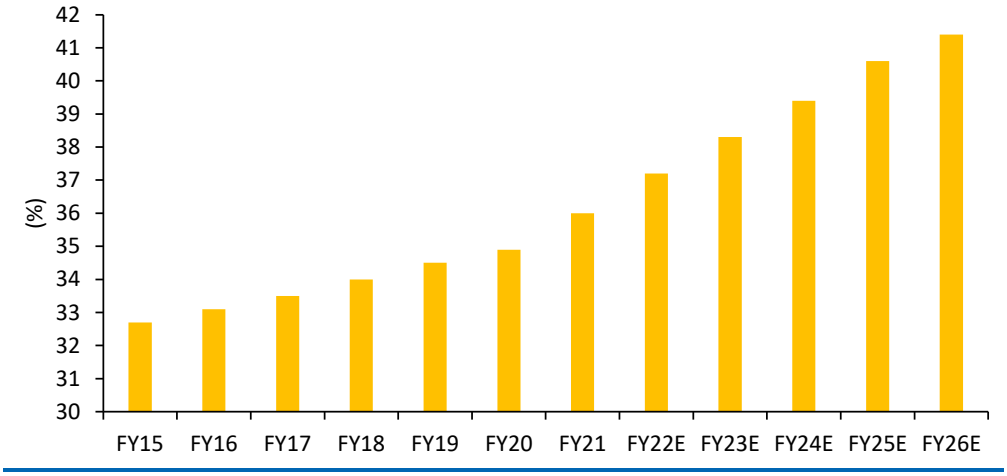
Source: DART, World Economic Forum

Urbanization and Nuclear Family model

With consumers from every income group striving to migrate into the next income group, the line between urban areas and rural areas gets hazier; with smaller units of large families splitting up and moving into different homes in search of livelihood or improved living conditions. Urbanization can be the conversion of previously rural areas into urban cities and towns or the perimeter expansion of existing cities and towns as migrant settlers pitch camp at the borders. **The average household size of the country has come down to 4.91 in 2011, from 5.57 in 1991. While the 2021 census is yet to happen, this average has now come down to 4.4 in 2020 as per media reports**.

Migration, nuclearisation of families and evolving income levels are contributing to urbanization. Consequently, India's urban population has been rising consistently over decades. In 1950, it was 17% of the total population. It is expected to touch 41.4% of the total population by 2026.

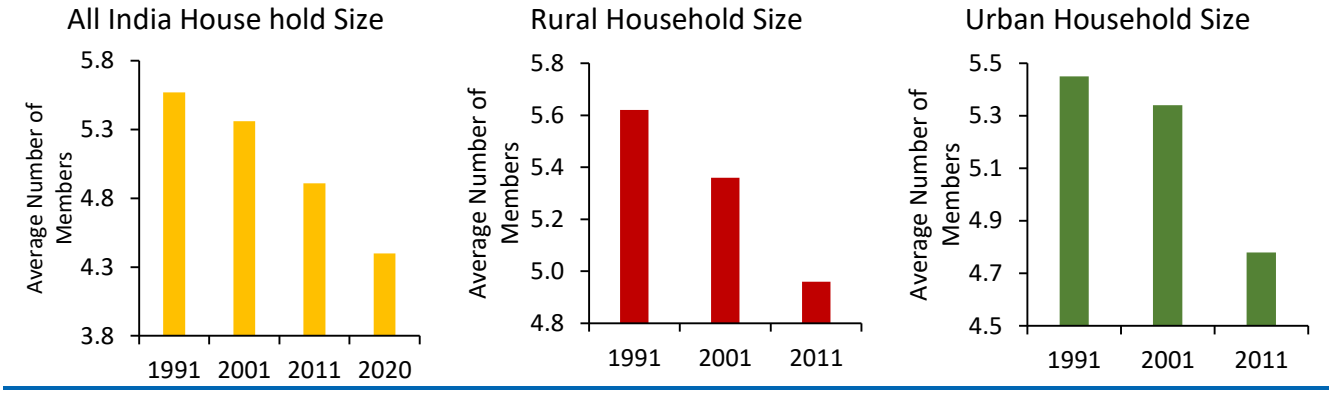
Exhibit 17: Urbanization in India, 2015-FY26E



Source: DART, Lava RHP

Growing Urbanization in India

Exhibit 18: Decline in size of households to drive overall growth in consumption



Source: DART, Lava RHP

Branding emerges as a key driver

India's consumer behavior is exhibiting a stark shift. Where affordability and product life occupied topmost priority, the Indian consumer now seeks out quality, brands and aesthetics. With access to internet connectivity and education, consumers are now aware of what they are purchasing and how their purchases can improve the quality of their lives.

The shift from unorganized markets to formal markets can be seen clearly from rising GST collection trends, that shows more of the economy is getting formalized. **Industry leaders have confirmed that they are gaining market share over their unorganized peers**. **The implementation of GST itself edged out a lot of the smaller players** who could not keep up with the change in tax regime.

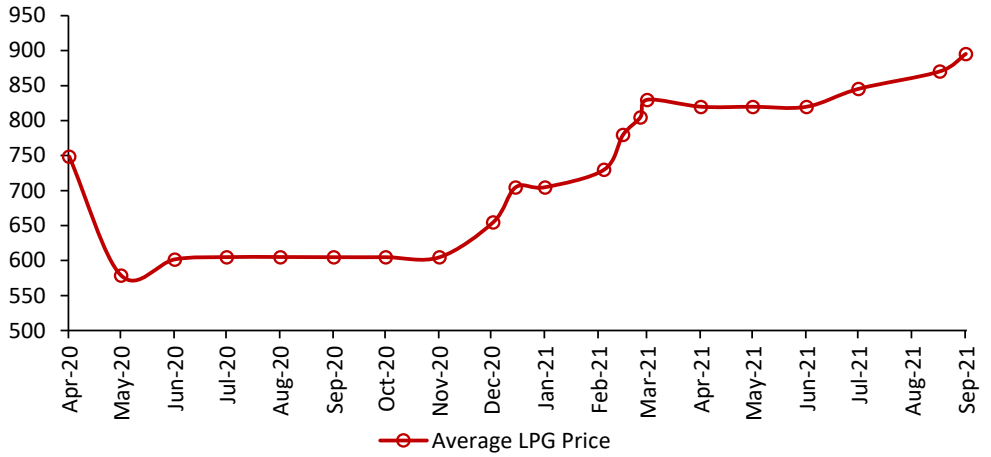
Covid-19 induced disruptions severely affected the smaller players who were also impacted by the subsequent supply chain issues. Unorganized players have been edged out by better, well positioned organized players in the market.

We have done a detailed analysis of the various brand strategies in the peer comparison section.

Rising fuel costs will also be a driver

The rising fuel costs and potentially lower future subsidy on products like LPG will also hasten the adoption of energy/fuel saving appliances like cookers and cooktops as they offer better fuel efficiency to the consumer

Exhibit 19: Average LPG Price Rs/cylinder



Source: DART, https://iocl.com/indane-14Kg-nonsubsid-previous-price

Kitchen Appliances: A fragmented market

The Indian Kitchen appliances is a highly fragmented market with unorganized accounting for ~50% of the Rs.400bn ($5.4bn) market, at ~Rs200bn($2.7bn). The only exception is the organized pressure cooker market, where 3 players account of ~95% share.

Exhibit 20: Summary of the Kitchen Appliances market

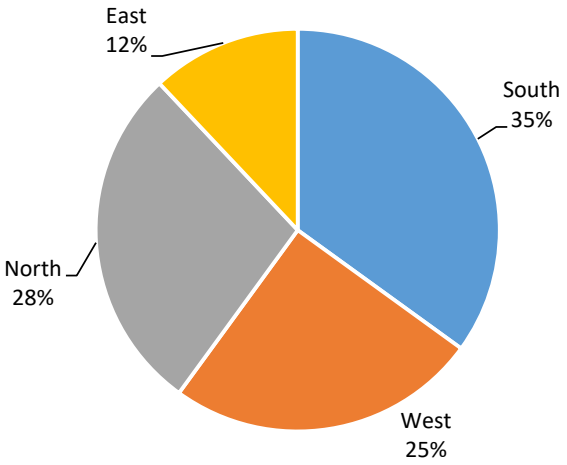
Particulars	Market Size '000 units		CAGR (%)	Market Size Rs mn		CAGR (%)	Leader	Leader's share (%)
	2020	2025		2020	2025			
Large cooking appliances								
Cooktops	1,751	3,305	13.6	25,606	52,564	15.5	Stovekraft	25.0
Free standing hobs	10,432	14,721	7.1	55,276	89,022	10.0	Stovekraft	20.3
Built in hobs	284	440	9.1	4,732	7,924	10.9	Faber	23.0
Cooker Hoods	1,742	3,296	13.6	25,344	52,388	15.6	Faber	23.0
Total	**14,209**	**21,762**	**8.7**	**110,958**	**201,898**	**12.5**		
Small cooking appliances								
Pressure cooker	31,697	45,273	7.4	17,728	27,239	9.0	TTK Prestige	48.2
Electric Kettle	757	1,024	6.2	1,482	2,307	9.3	Bajaj	23.8
Electric cooker	2,186	2,995	6.5	4,421	6,140	6.8	Panasonic	35.0
Coffee maker	327	455	6.8	1,238	2,333	13.5	Bajaj	29.0
Juicer	249	348	6.9	970	1,431	8.1	Bajaj	25.7
Mixer Grinder	13,860	19,484	7.1	44,352	64,477	7.8	Bajaj	21.1
Blender	1,229	1,713	6.9	3,623	5,063	6.9	Philips	44.6
Food processor	3,209	3,218	6.9	12,283	18,257	8.3	Philips	25.6
Total	**53,514**	**74,510**	**7.2**	**86,097**	**127,247**	**8.1**		
Non Stick cookware	**7,117**	**11,389**	**9.9**	**9,646**	**20,977**	**16.8**	**TTK Prestige**	**58.2**

Source: DART, Stovekraft RHP

The organized players have dominated key regional markets, though not all. **Urban markets still account for 80% of this market**. However, effective rural market can be higher than 20%, given that Tier3/4 towns act as feeder markets for villages.

In terms of regions, **South is the largest market accounting for 35%** of this market, followed by North and West. East contributes the least, accounting for just 12% of the market, due to comparatively lower affordability in that region.

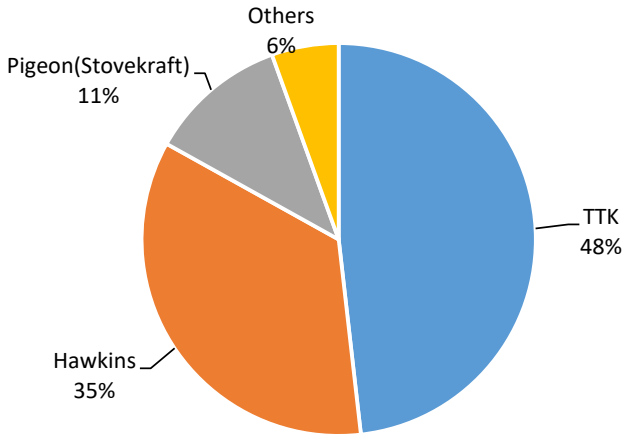
Exhibit 21: Regional split of the market



Source: Company, DART

The organized pressure cooker market is dominated by TTK and Hawkins together accounting for 83% of the market. TTK is the leader with the 48% market share while Hawkins follows at 35%. Pigeon is a distant third with 11% market share.

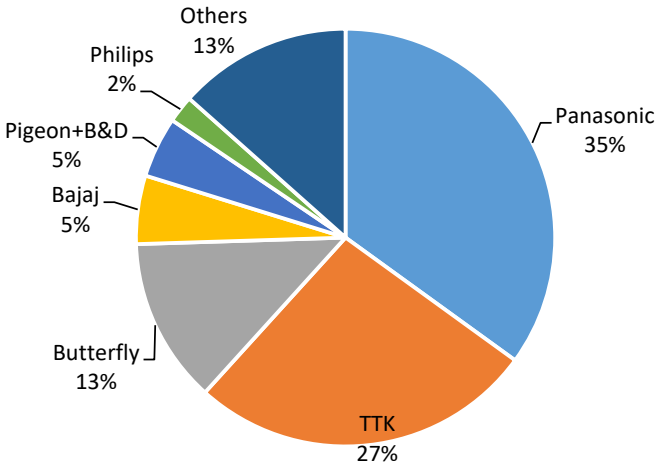
Exhibit 22: Indian pressure cooker market



Source: DART, Stovekraft RHP, Data as of 2020

On the other hand, the electric cooker market is more fragmented, in the bottom 25% of the market, though the top 75% is dominated by three players. Panasonic and TTK, with 35% and 27% market share respectively while Butterfly has a 13% market share.

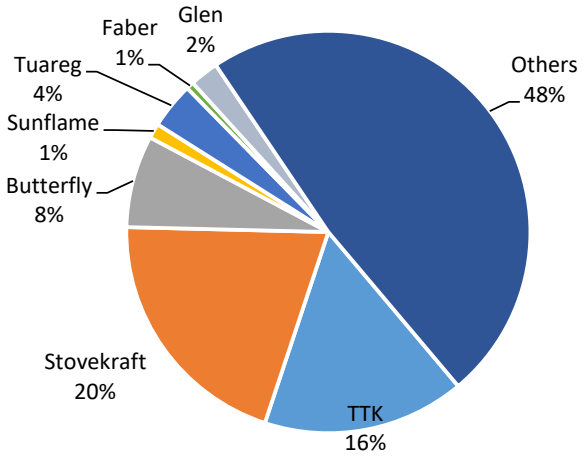
Exhibit 23: Electric cooker market



Source: DART, Stovekraft RHP

In hobs, which are mainly the burners connected to the gas, the free standing hobs are more dominant in India. In this category, Stovekraft is the market leader with ~20% market share, followed by TTK which has ~16% market share, as of 2020.

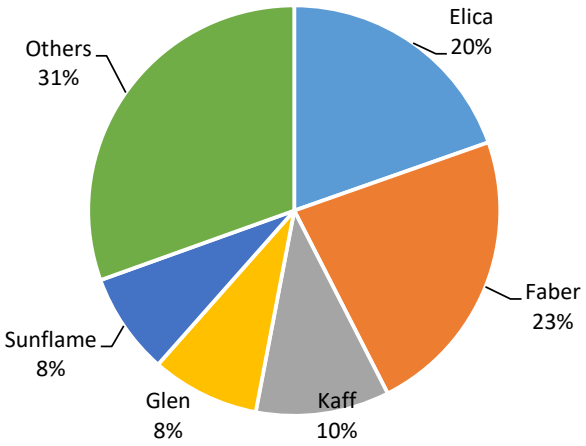
Exhibit 24: Free standing Hobs market



Source: Source: DART, Stovekraft RHP

In cooktops or gas stoves, again the market is more fragmented with Faber and Elica leading with a 23% and 20% share respectively.

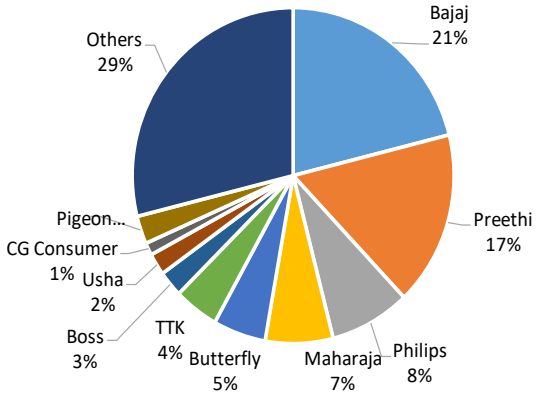
Exhibit 25: Cooktops market



Source: DART, Stovekraft RHP

Similarly, in mixer grinders, which are fragmented, Bajaj is the leader with 21% market share. However, the unlisted players like Preethi and Philips are also strong with a 17% and 8% share respectively. The real surprise is Preethi, which has been a regional brand, mostly in the South.

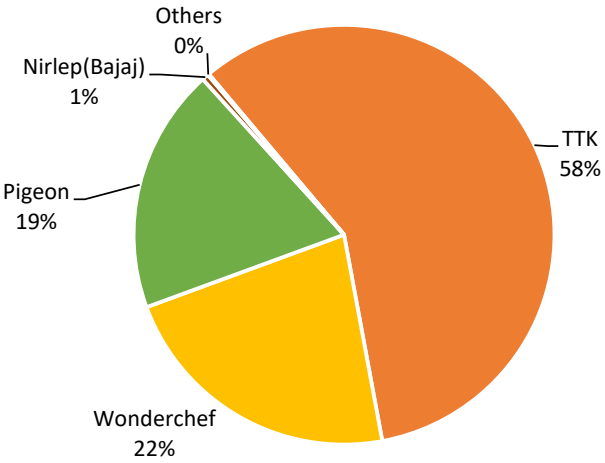
Exhibit 26: Mixer Grinder market



Source: DART, Stovekraft RHP

In the non-stick cookware market, the fragmentation is lesser, with TTK dominating the market at 58.2%. Stovekraft is placed third in this market with a 18.9% market share. The most popularly used Non-stick cookware includes Tawa, followed by Kadai and frying pan.

Exhibit 27: Nonstick Market



Source: DART, Stovekraft RHP

Peer analysis: TTK bellwether, Stovekraft fastest growing

We have done a detailed analysis comparing all the listed players in the kitchen appliances space. We have compared the three players under coverage along with Hawkins, which is a strong player in pressure cookers and Bajaj Electricals where there is an overlap of products with kitchen appliances

Products: TTK leads in SKUs

In terms of SKUs, TTK leads the pack with nearly 1200 SKUs, followed by Hawkins, which deals only in cookers and cookware. Each of the players maintain SKUs are per their product strategy. The key data is the older and more geographically spread, like TTK and Hawkins have greater number of SKUs to flank the market.

Exhibit 28: Product line SKUs

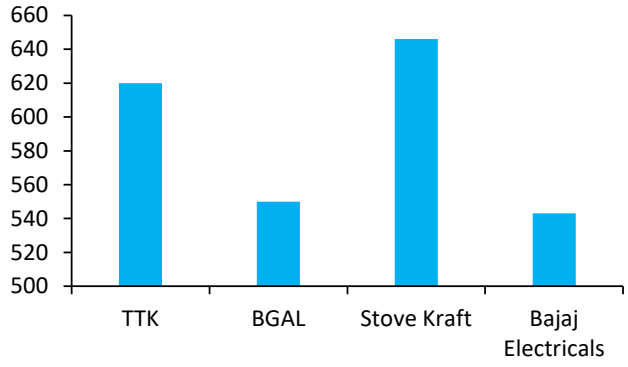
Product	TTK Prestige	Stovekraft	Butterfly	Hawkins	Bajaj Electricals
Pressure Cookers	314	56	66	230	38
Gas Stoves	153	39	35	0	31
Cook Ware	594	190	142	396	105
Mixers	133	47	76	0	0
Total	**1,194**	**332**	**319**	**626**	**174**

Source: DART, www.amazon.in

Distribution: More or less on an equal footing

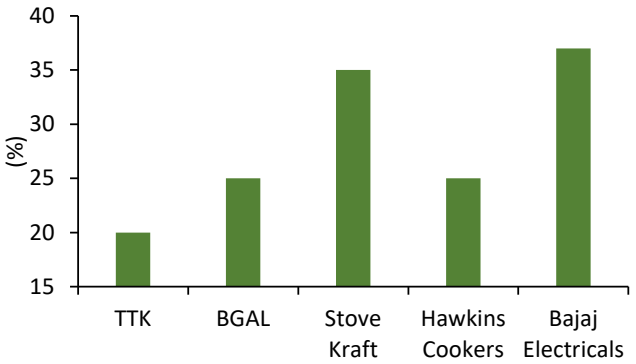
The distribution reach of all the players is in a very similar range of 550-650 distributors. However, the growth rate of this reach is the fastest for a relative newcomer like Stovekraft, which has increased its reach multifold. The more established players, because of their longevity, see a relatively lower CAGR in the lasts five years. All the kitchen appliance players are strong on various E-commerce platforms, contributing 20-35% of their revenues.

Exhibit 29: Distribution reach (No of dealers)



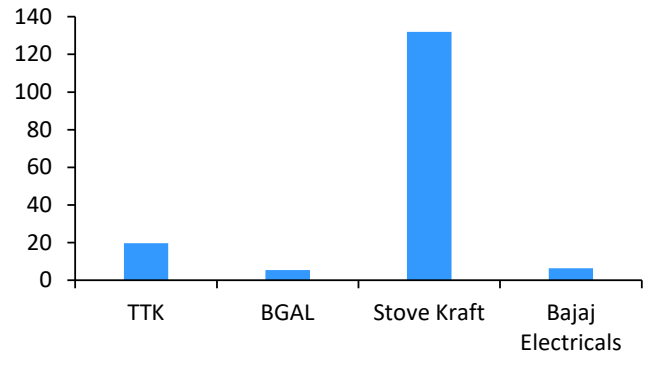
Source: Company, DART

Exhibit 30: Ecommerce penetration as of FY21



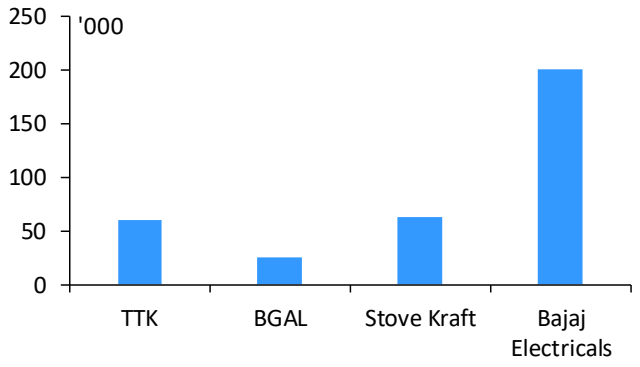
Source: Company, DART

Exhibit 31: 5-yr CAGR in distribution



Source: Company, DART

Exhibit 32: Retail Touchpoints

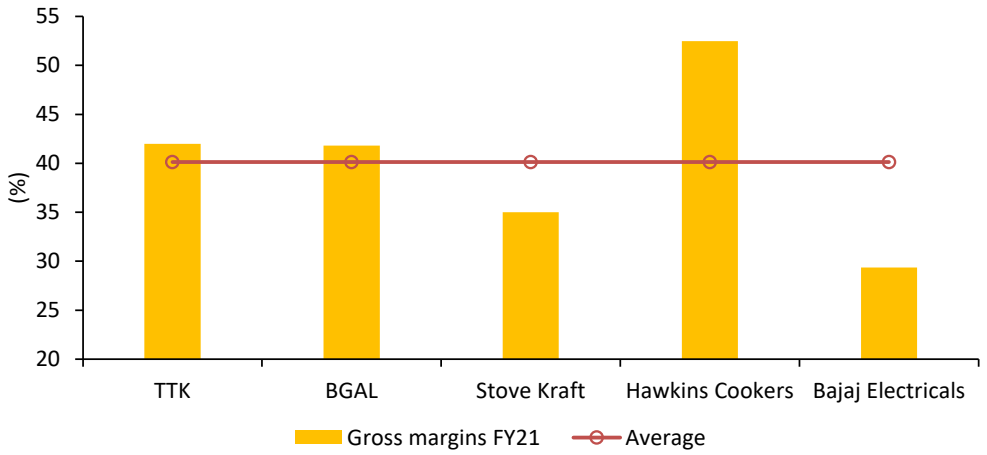


Source: Company, DART

Gross margins: TTK and Hawkins lead the space

The power of brand and pricing is visible in case of TTK and Hawkins, which have also had a longer presence in the industry with them leading the gross margin charts, with margins upwards of 40%, among the highest in the consumer durables industry. Optically, Hawkins' gross margins appear higher given its limited product offerings, but for like to like products, both TTK and Hawkins make similar gross margins. A newer player like Stovekraft is however operating at a sub 40% gross margins and plans to remain there. It is a conscious decision taken by the company to remain in that range, as they want to increase volume growth aggressively.

Exhibit 33: Gross margin FY21

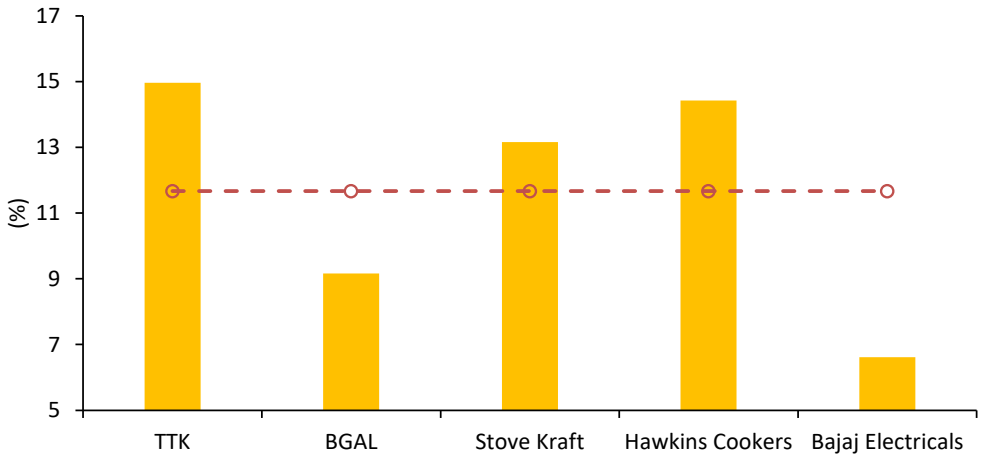


Source: Company, DART

GM strength spill over to EBIDTA as well

The strength in gross margins trickles into the operating margins as well, with TTK and Hawkins leading the pack. Stovekraft has also done well, entering the double digit margin range in FY21 and expects this to continue. While Stovekraft has a better EBIDTA flow through, with margins in the 12-13% range despite having a lower gross margins as compared to peers

Exhibit 34: EBIDTA margins FY21

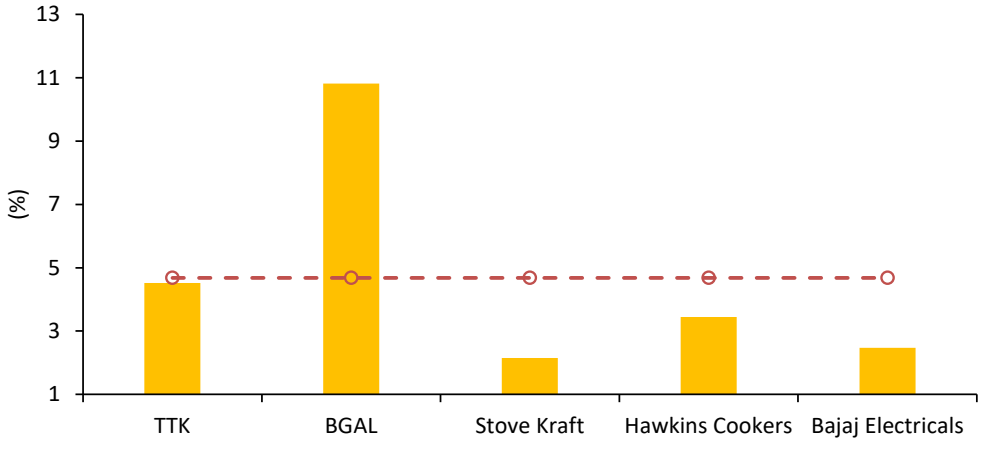


Source: Company, DART

Branding, A&P spends: different strokes for different folks

While the broad A&P spend has been in the range of 2-5%, in line with most consumer durable peers, different companies have different approaches. TTK has a higher A&P spend at 4.5% as it pursues celebrity endorsement, given its national footprint. Stovekraft on the other hand, has the lowest spend at 2.2% of sales, as it is clearly focused on pricing and volume while restricting its ads to product details. Butterfly has an optically higher spend at 10%+, but have capped the limit at current levels of Rs900mn. Hence, going forward, as sales improves, it should see a reduction in its A&P spend relative to sales.

Exhibit 35: A&P spend (% of Sales) FY21



Source: Company, DART

Stovekraft, TTK Prestige and BGAL have all been building on their capabilities in innovation to bring to the table products that are better than the next. While the wide selection of products offered by each of these brands is undoubtedly a success, the price points of the items are marketed just as well.

While Stovekraft is consistent with its goal to keep its products affordable, Prestige does not mind trading volumes for margins. Butterfly on the other hand, falls somewhere in between in terms of pricing. These companies have committed themselves to providing all round kitchen solutions for maximum consumer satisfaction.

Additionally, Stovekraft, Prestige and Butterfly have been continually expanding on the go, reaching several retail outlets year after year. With their sales teams ensuring availability and access across the country, the companies claim to have a pan-India reach.

Prestige has already established itself in the eyes of the consumer, as an affordable, reliable brand. Over management calls, it has expressed its desire to nurture its image as a brand with a certain aura to it; to emphasize the difference between itself and its peers. This is achieved through celebrity endorsements. Prestige has kept with the changing times by changing its slogan and advertisements from women-centric features to family oriented ones that show men stepping into the kitchen as well.

Exhibit 36: TTK Prestige's latest celebrity endorsed ad campaign



Source: Company, DART

Exhibit 37: TTK Prestige's ads being gender neutral



Source: Company, DART

Stovekraft's Pigeon, is big on keeping its prices low, attracting the largest group of Indian consumers; the Indian middle class. It has been consistently advertising its prices, which carry prominent display. Pigeon is known for its affordable yet reliable products and been consistently maintaining this image in the media as well.

Exhibit 38: Pigeon's catalogues and a snippet from an instructional video



Source: Company, DART

Exhibit 39: Pigeon advertising its competitive pricing



Source: Company, DART

Butterfly is more popular in the Southern markets, and most of its commercials are in regional languages. Apart from this, the company is big on marketing the traditional Indian cookware material; Steel. In a catalogue published in 2020, Butterfly explores the history and utility of Stainless Steel called "True Beauty Lasts Forever". Steel kitchen ware is popular in many regions of India.

Exhibit 40: Infographics from Butterfly's website

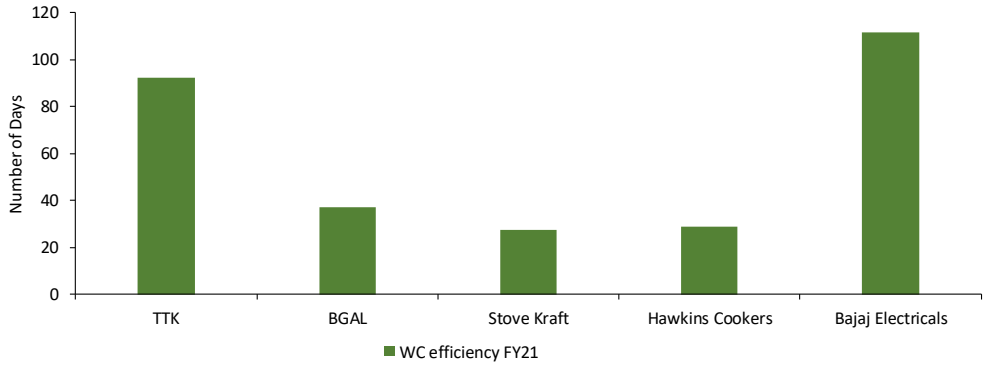


Source: Company, DART

WC efficiency: Capital allocation call

There is a varied trend across most names in terms of their working capital efficiency. TTK has higher working capital as it has built inventory in recent times to combat input cost inflation. Given their strong cash balance of Rs5.5bn, the company has gone ahead to fund their WC which has helped them rein in costs better than peers. On the other hand, peers like Butterfly and Stovekraft were able to reduce their working capital days by resorting to bill discounting as well as vendor financing, which the current channel financing in the range of ~60%.

Exhibit 41: WC efficiency FY21

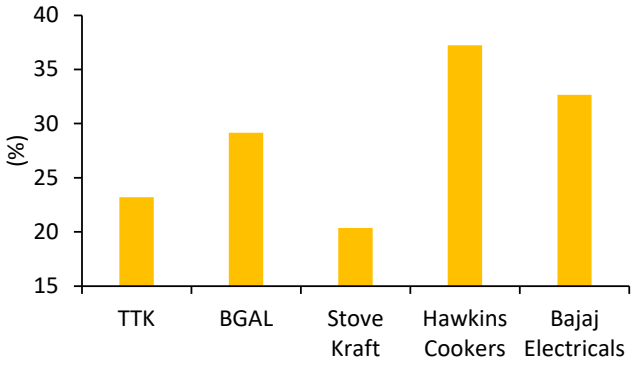


Source: Company, DART

…leading to strong OCF and FCFF growth

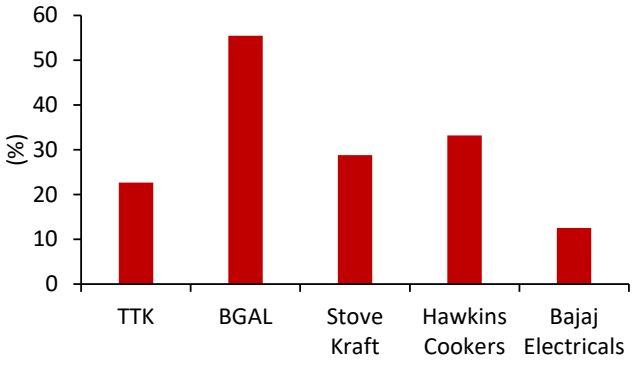
This has led to a stronger OCF and FCF CAGR for the sector as a whole with a OCF CAGR of 20-37% in the past five years and a FCF CAGR of 13-50%. The 13% outlier is Bajaj Electricals, where the FCF was impacted by its EPC business and also some of the capex it has undertaken in that period. Similarly, the OCF CAGR of Stovekraft is the lowest on account of it transitioning from a loss making to a profitable company in the past five years.

Exhibit 42: CFO CAGR FY16-21



Source: Company, DART

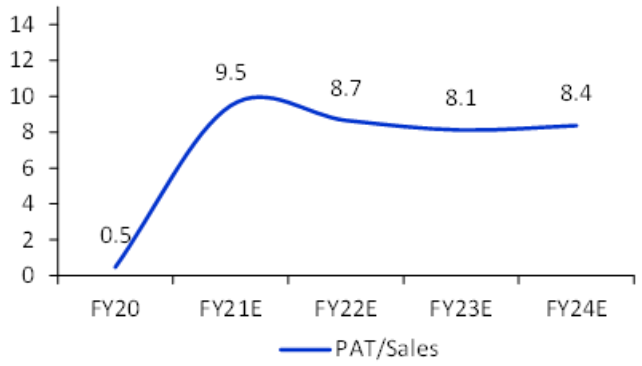
Exhibit 43: FCFF CAGR FY16-21



Source: Company, DART

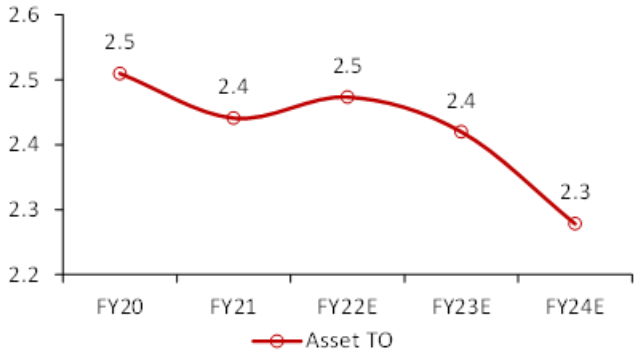
Dupont analysis of companies under coverage

Exhibit 44: PAT/Sales: Stovekraft



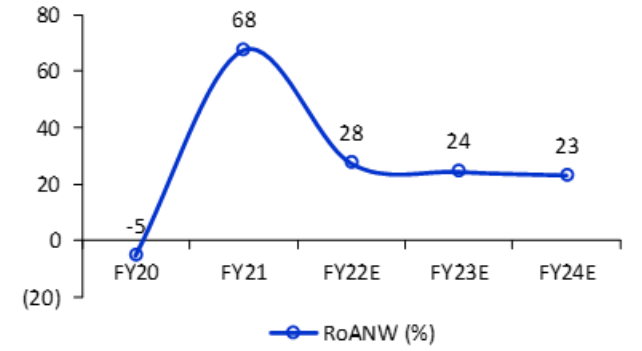
Source: Company, DART

Exhibit 45: Asset TO: Stovekraft



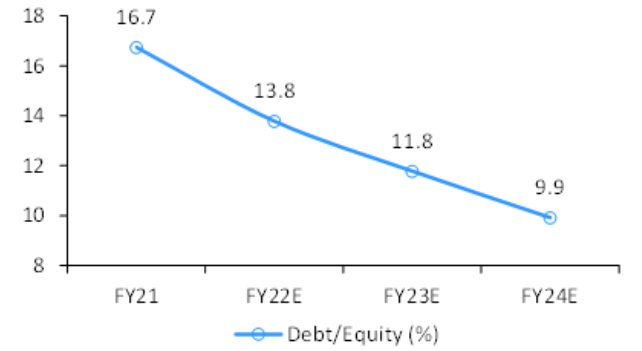
Source: Company, DART

Exhibit 46: RoANW: Stovekraft



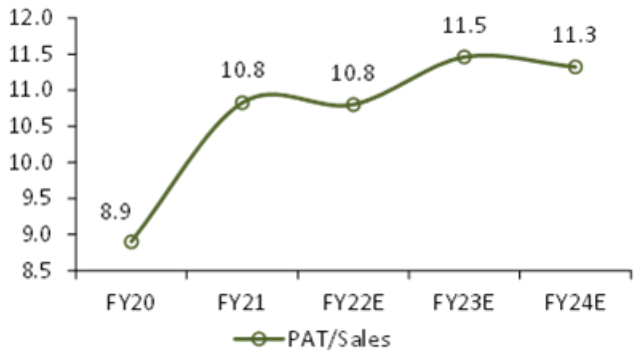
Source: Company, DART

Exhibit 47: Debt to Equity (%): Stovekraft



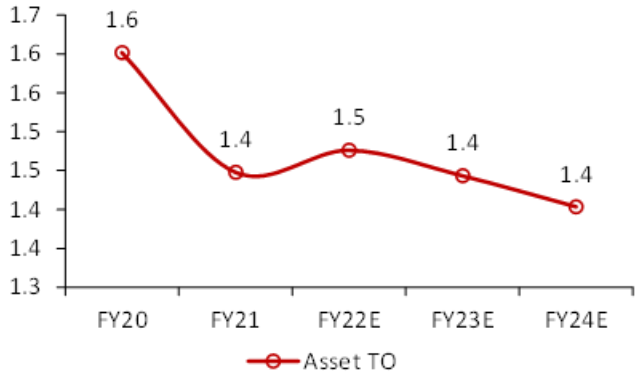
Source: Company, DART

Exhibit 48: PAT/Sales (%):TTK Prestige



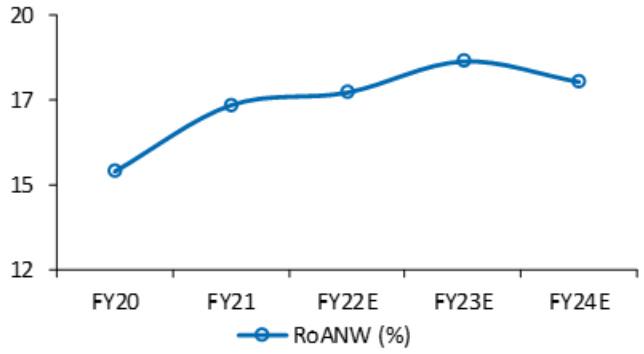
Source: Company, DART

Exhibit 49: Asset TO (%): TTK Prestige



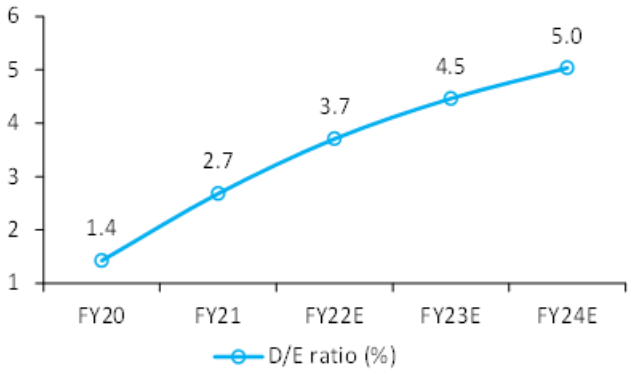
Source: Company, DART

Exhibit 50: RoANW (%):TTK Prestige



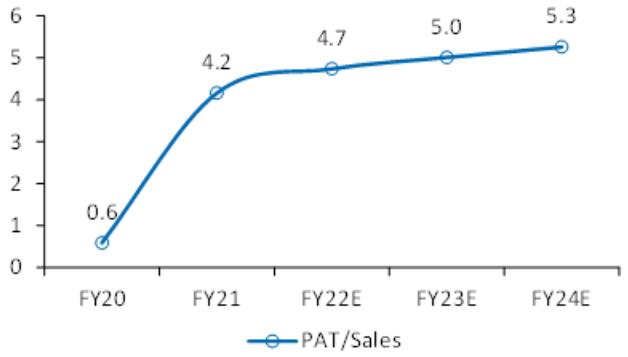
Source: Company, DART

Exhibit 51: Debt to equity (%): TTK Prestige



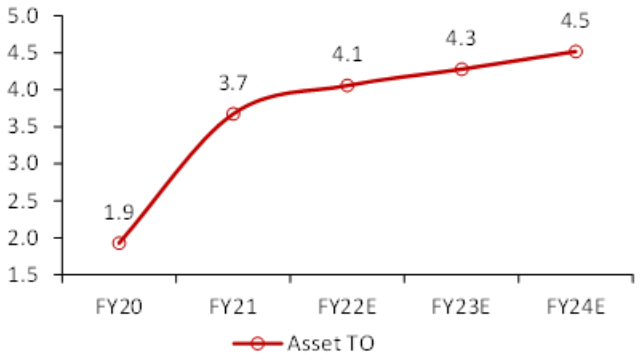
Source: Company, DART

Exhibit 52: PAT/Sales: BGAL



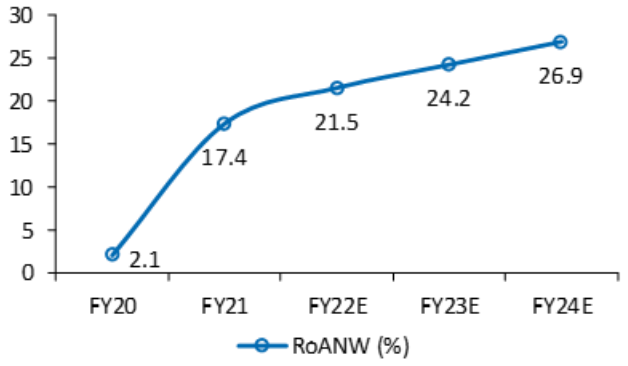
Source: Company, DART

Exhibit 53: Asset Turnover: BGAL



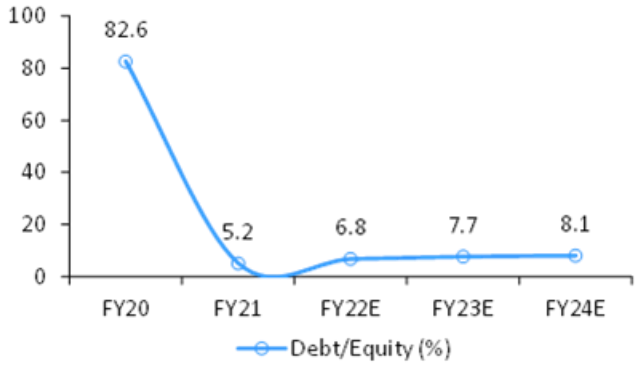
Source: Company, DART

Exhibit 54: RoANW (%):BGAL



Source: Company, DART

Exhibit 55: Debt to Equity (%): BGAL



Source: Company, DART

Summary of Peer Comparisons in Kitchen Appliances

Particulars	Prestige	Butterfly	Stovekraft	Hawkins	Bajaj
Sales CAGR FY16-21	6.1	7.1	16.4	-9.7	1.1
Gross margins FY21	42	41.8	35	52.5	29.3
Gross margins FY16-21 Average	**42.2**	**40**	**33.4**	**38.6**	**26.5**
EBIDTA margins FY21	15	9.2	13.2	14.4	6.6
Cumulative EBITDA Margin Average	14	5.7	6.6	15.2	5.7
A&P spend (% os Sales) FY21	4.5	10.8	2.2	3.4	2.5
A&P spend (% os Sales) FY16-21 Average	2.3	9.4	3.8	4.6	1.9
Distribution reach (No of dealers)	620	550	646	NA	543
Distributor Reach CAGR FY16-21	19.8	5.5	132	NA	6.3
WC efficiency FY21	92	37	27	29	112
WC Average	**81**	**105**	**28**	**49**	**108**
RoE	16.5	16.1	27	45.4	10.7
ROE average FY16-21	18.9	1.2	-3.2	53.9	10.8
ROCE	16.8	18.2	32.4	45.7	12.2
ROCE average	**18**	**5.4**	**10.6**	**44.6**	**6.9**
CFO CAGR (from FY16-21	**23**	**29**	**20**	**37**	**33**
CFO/ EBITDA (%)	72	264	97	171	218
Average CFO/EBITDA FY16-21	0.6	-0.3	0.8	0.6	1
PE ratio	56	47	44	41	25
Ecomm penetration FY21 (%)	20	25	35	25	37
CAPEX 2021	283	128	634	141	321
Average CAPEX FY18-21	388	135	258	96	373
FCFF 2021	2078	1978	463	1749	6275
FCFF CAGR FY16-21	**22.7**	**55.5**	**28.8**	**33.2**	**12.5**
FCFF/EBIDTA 2021	63.5	248.2	41.0	157.8	207.0
Average FCFF/EBIDTA (%)	49.2	-64.9	32.8	61.4	84.4
Management	65 yr old company; 2nd/3rd generation with professional mgmt.	35 yr old company; 2nd generation promoters & professional management	First Generation with professional management	60 yr old company; with professional management	Third Generation with professional management
Ground up feedback	Underpenetrated in the smaller markets, largest player in overall market	Developing in non-south markets	Less presence in overall markets	Underpenetrated in rural markets, follow up leader in the kitchenware space	Presence in non-rural markets good, expansion plan underplay

Source: Company, DART

Ranking of peers on various parameters

	TTK Prestige	BGAL	Stovekraft	Hawkins	Bajaj Electricals
Sales CAGR FY16-21 %	3	2	1	4	5
Gross margins FY21 %	2	3	4	1	5
Gross margins FY16-21 Average	1	2	4	3	5
EBIDTA margins FY21 %	1	4	3	2	5
Cumulative EBITDA Margin Average %	2	4	3	1	5
A&P spend (% of Sales)FY21	4	5	1	3	2
A&P spend (% of Sales) FY16-21 Average	3	5	2	4	1
Distribution reach (No of dealers)	2	5	3	4	1
Distributor Reach CAGR FY16-21 %	2	4	1	5	3
WC efficiency FY21	4	3	1	2	5
WC days average FY16-21	3	4	1	2	5
RoE %	3	4	2	1	5
RoE average FY16-21 %	2	4	5	1	3
RoCE %	4	3	2	1	5
RoCE average FY16-21 %	2	5	3	1	4
CFO CAGR FY16-21 %	2	3	5	4	1
CFO/ EBITDA (%)	5	1	4	3	2
Average CFO/ EBITDA FY16-21 %	4	5	2	3	1
Ecomm penetration FY21 %	2	3	5	4	1
FCFF CAGR FY16-21 %	4	1	3	2	5
FCFF/EBIDTA 2021 %	4	1	5	3	2
Average FCFF/EBIDTA %	3	5	4	2	1
Average Ranking	**2**	**4**	**1**	**1**	**5**

Source: Company, DART, Note: Ranking methodology - Each company has been ranked on a scale of 1-5 based on the aforementioned parameters, where 1is the highest and 5 is the lowest. The company with the lowest cumulative score (on all mentioned parameters) is ranked first and vice versa.

Valuation Matrix: Consumer Durables

	Net Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Amber Enter	39.6	30.3	41.4	57.1	3.1	2.2	3.3	4.7	1.6	0.8	1.6	2.4	48.7	24.7	46.7	72.6
Bluestar	53.6	42.6	54.2	63.6	2.8	2.4	3.4	4.5	1.4	1.0	1.8	2.6	14.9	10.4	18.7	26.6
CG Consumer	45.2	48.0	55.0	63.3	6.0	7.2	7.3	9.2	5.0	5.4	5.5	6.9	7.9	8.6	8.7	10.9
Dixon Tech	44.0	64.5	124.0	167.3	2.2	2.9	4.8	7.0	1.2	1.6	2.9	4.4	20.8	27.6	50.2	75.8
Havells	94.4	104.6	126.6	144.4	10.3	15.7	15.8	19.6	7.4	10.4	10.6	13.8	11.7	16.7	16.9	22.1
KEI Industries	48.8	41.8	52.0	60.9	5.0	4.6	5.3	6.5	2.6	2.7	3.2	4.0	28.4	30.4	36.0	44.6
Orient Electric	20.6	20.3	23.4	26.9	1.8	2.2	1.9	2.7	0.8	1.2	1.0	1.5	3.7	5.6	4.8	7.1
Polycab	88.3	89.3	107.9	126.3	11.4	11.7	13.9	17.3	7.7	8.7	9.0	11.7	51.4	59.5	54.6	74.7
V-Guard	24.8	27.0	31.8	37.2	2.5	3.1	3.0	3.8	1.9	2.0	2.1	2.8	4.3	4.6	5.0	6.4
Voltas	76.6	75.6	85.8	104.7	6.9	6.4	7.2	9.9	5.2	5.3	6.2	8.8	15.7	16.0	18.8	26.6

Source: DART

	Mcap	CMP	TP	Upside	P/E (x)				ROE (%)				EV/EBITDA(x)				Mcap/Sales (x)			
	(Rs bn)	(Rs)	(Rs)	(%)	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Amber Enter	111	3,294	3,200	-2.9%	67.6	133.3	70.6	45.4	14.5	6.8	9.0	12.7	33.9	50.3	33.5	23.4	2.8	3.7	2.7	1.9
Bluestar	99	1,028	1,000	-2.7%	69.1	98.6	55.0	38.6	15.4	13.3	16.5	19.1	32.4	38.0	27.6	20.6	1.8	2.3	1.8	1.6
CG Consumer	279	445	550	23.7%	56.3	51.7	51.1	40.6	36.0	35.0	29.4	37.9	47.6	39.0	38.4	29.8	6.2	5.8	5.1	4.4
Dixon Tech	295	5,094	5,400	6.0%	244.6	184.4	101.5	67.2	26.6	24.2	33.0	37.3	137.0	106.9	63.2	43.2	6.7	4.6	2.4	1.8
Havells	873	1,395	1,430	2.5%	118.8	83.6	82.7	63.2	16.5	21.3	19.2	23.2	83.4	54.5	54.6	43.7	9.3	8.4	6.9	6.0
KEI Industries	95	1,053	1100	4.5%	37.1	34.6	29.2	23.6	27.8	21.4	22.3	24.3	16.9	18.1	15.0	12.0	1.9	2.3	1.8	1.6
Orient Electric	79	372	360	-3.1%	100.3	65.8	77.3	52.2	23.5	30.4	22.7	27.0	40.8	31.3	37.1	25.9	3.8	3.9	3.4	2.9
Polycab	354	2,374	2,500	5.3%	46.2	39.9	43.5	31.8	23.3	20.7	16.7	20.4	30.6	29.6	27.5	20.8	4.0	4.0	3.1	2.7
V-Guard	104	242	270	11.6%	56.2	52.3	48.5	37.9	19.7	18.5	17.6	20.0	43.5	35.5	36.3	29.2	4.2	3.9	3.3	2.8
Voltas	399	1,206	1,400	16.1%	76.6	75.5	64.1	45.3	15.0	12.7	13.3	15.8	56.0	59.8	52.9	38.2	5.2	5.3	4.7	3.8

Source: DART

Annexure 1: Comparison of Kitchen appliances with across durables

Particulars	DURABLES								KITCHEN APPLIANCES				
	Havells	Polycab	CG Consumer	Orient Electric	KEI Industries	V-Guard	Bluestar	Voltas	TTK	BGAL	Stovekraft	Hawkins Cookers	Bajaj Electricals
Sales CAGR FY16-21 %	3.4	11.3	6.0	75.9	12.8	7.5	5.0	6.5	6.1	7.1	16.4	(9.7)	1.1
Gross margins FY21 %	37.9	26.0	32.0	30.1	30.4	31.5	23.3	26.2	42.0	41.8	35.0	52.5	29.3
Gross margins FY16-21 Average	39.5	25.1	36.0	31.9	35.1	32.7	26.5	27.7	42.2	40.0	33.4	38.6	26.5
EBIDTA margins FY21 %	15.0	13.1	15.0	10.8	11.0	11.4	5.6	8.5	15.0	9.2	13.2	14.4	6.6
Cumulative EBITDA Margin Average %	12.8	11.5	13.0	9.0	10.3	9.7	5.7	8.9	14.0	5.7	6.6	15.2	5.7
A&P spend (% of Sales)FY21	1.3	0.8	0.6	4.0	0.3	1.0	1.1	0.3	4.5	10.8	2.2	3.4	2.5
A&P spend (% of Sales) FY16-21 Average	2.9	1.1	0.8	4.1	0.4	3.2	1.4	0.9	2.3	9.4	3.8	4.6	1.9
Distribution reach (No of dealers)	14270	4100	NA	5500	1655	NA	3700	NA	620	550	646	NA	543
Distributor Reach CAGR FY16-21 %	14.7	15.0	NA	11.2	12.2	NA	12.4	NA	19.8	5.5	132	NA	6.3
WC efficiency FY21	88	124	95	49	135	108	46	99	92	37	27	28	111
WC days average FY16-21	75	99	42	150	104	85	45	100	81	104	27	49	108
RoE	18.9	18.3	32.9	26.3	16.6	16.5	11.7	11.9	16.5	16.1	27.0	45.4	10.7
ROE average FY16-21	13.3	15.3	61.0	19.9	22.3	19.5	19.7	14.2	18.9	1.2	(3.2)	53.9	10.8
ROCE	22.4	19.6	31.8	37.4	21.4	22.2	11.4	11.6	16.8	18.2	32.4	45.7	12.2
ROCE average	21.3	19.4	41.8	25.4	24.9	25.3	18.4	14.0	18.0	5.4	10.6	44.6	6.9
CFO CAGR FY16-21	(6.1)	42.1	36.4	(11.6)	(4.2)	16.5	10.2	8.5	23.2	29.2	20.4	37.2	32.7
CFO/ EBITDA	42.0	106.1	115.2	16.4	33.4	72.5	231.9	54.5	72.1	264.3	97.0	170.5	217.6
Average CFO/ EBITDA FY16-21	67.8	68.9	67.4	90.6	51.0	59.6	124.3	42.2	59.6	(28.7)	83.5	64.6	103.4
PE ratio	37.8	12.7	26.5	59.5	30.3	56.1	89.7	69.8	56.5	47.1	43.8	41.0	24.8
Ecomm penetration FY21 %	8.0	11.0	6.0	8.0	NA	6.0	10.0	10.0	20.0	25.0	35.0	25.0	37.0
CAPEX 2021	2,499	1,870	202	359	240	648	635	208	283	128	634	141	321
Average CAPEX FY16-21	5,280	2,484	193	311	754	506	852	509	388	135	258	96	373
FCFF 2021	4,104	10,512	8101	3,914	1,299	1,574	4,926	3,290	2,078	1,978	463	1,749	6,275
FCFF CAGR FY16-21 %	(10.3)	179.5	36.0	65.2	(5.5)	12.8	11.9	10.5	22.7	55.5	28.8	33.2	12.5
FCFF/EBIDTA 2021 %	26.1	90.1	112.4	178.3	28.2	51.3	205.4	51.3	63.5	248.2	41.0	157.8	207.0
Average FCFF/EBIDTA %	18.0	42.4	67.4	97.9	30.8	38.3	77.3	33.1	49.2	(64.9)	32.8	61.4	84.4

Source: Company, DART

Annexure 2: GST Slabs for Kitchen Appliances

5%	12%	18%	28%
LPG for Domestic Supply	Aluminum utensils	LPG Stoves/Cooktops	Freezers
Household Copper articles	Aluminum counters & tables	Aluminum Cans and Boxes	Non-Electric Large domestic appliances
Copper Utensils	Kerosene Burner& Stoves	Glass & Ceramic table-ware	
Steel Cutlery	Steel/Iron Small articles	Kitchen Bottles, Flasks, jars	
	Pressure Cooker	Small Kitchen Appliances	
	Non-Stick Cookware	Refrigerators	

Source: GST Website

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Company Section

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Stove Kraft

Buy

Initiating Coverage

Clarity of strategy

Stovekraft has a clear, though contrasting, strategy as compared to peers. It plans to maintain its price points in the low and mid-range, with volume growth being the key target. In a race for the northern markets by all listed South based players, we believe that Stovekraft has the arsenal in terms of product and price point to make better inroads than peers. We expect them to clock in revenue/profit cagr of 21%/16%, as they continue executing their strategy. We initiate coverage with Buy and TP of Rs1300, valuing the company at 40xFY23E.

Company Background

Stovekraft is one of the leading kitchen and homeware providers. It engages in the manufacture and production of kitchen appliances and recently has ventured in electrical fixtures as well (2019). Stovekraft Limited markets it wide variety of products ranging from value for money products under Pigeon, mid-premium products under Gilma to premium products under Black+Decker in order to capture all markets in the value chain. With over 63,000 retail outlets, over 70 Gilma stores and 9 C&F agents, Stovekraft has a significant reach over its home domestic market. While it largely caters to Indian markets, Stovekraft has also been dedicating efforts to exports. It has OEM partnerships with 2 countries and exports to 12 others, with exports contributing to 9% of sales.

Desire to position as an affordable brand

Stovekraft has expressed its desire to remain an affordable, economy level brand that caters to a large Indian audience, which is in contrast to its peers like TTK Prestige and Hawkins that would like to maintain their image as premium brands. This strategy has worked well for them as they clocked in revenue CAGR of 16% in the past five years and has transformed itself from a loss making company to a profitable one.

Focus on capex and manufacturing

SKL has mainly been focused on manufacturing and the backward integration of its processes. With the introduction of its plastic mouldings manufacturing as announced in the Q2FY22 earnings call, its dependency on Chinese imports may be significantly reduced. Its current dependency on China is about 20% which is expected to be completely done away with by FY23. This focus on manufacturing helps the company to manage costs better and offer better prices for volume growth.

CMP	Rs 974
Target / Upside	Rs 1,300 / 34%
NIFTY	17,503

Scrip Details

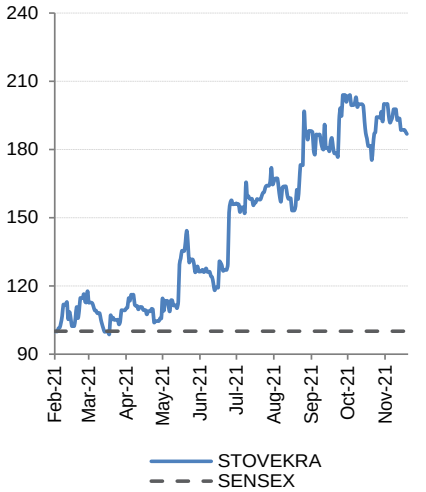
Equity / FV	Rs 326mn / Rs 10
Market Cap	Rs 32bn
	USD 426.4mn
52-week High/Low	Rs 1,134/ 406
Avg. Volume (no)	297,369
Bloom Code	STOVEKRA IN

Price Performance	1M	3M	12M
Absolute (%)	(1)	21	
Rel to NIFTY (%)	2	15	

Shareholding Pattern

	Mar'21	Jun'21	Sep'21
Promoters	54.3	54.3	54.3
MF/Banks/FIs	9.5	9.2	7.4
FIIs	8.2	7.1	9.1
Public / Others	27.9	29.4	29.3

Stove Kraft Relative to SENSEX



FINANCIALS (Rs Mn)

Particulars	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	6,699	8,590	10,995	13,283	15,275
Growth(%)		28.2	28.0	20.8	15.0
EBITDA	338	1,130	1,374	1,674	1,955
OPM(%)	5.0	13.2	12.5	12.6	12.8
PAT	32	815	952	1,078	1,278
Growth(%)		2468.8	16.9	13.2	18.6
EPS(Rs.)	1.0	25.0	29.2	33.1	39.2
Growth(%)		2468.8	16.9	13.2	18.6
PER(x)	1000.6	39.0	33.3	29.4	24.8
ROANW(%)	(5.3)	67.5	27.5	24.5	23.2
ROACE(%)	9.0	32.4	28.0	25.2	23.9

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Faster adoption of E-commerce than peers

Harnessing the effectiveness of the online platform, SKL was one of the first players to occupy ecommerce shelves. This strategy has worked well for them. It's current mix of online at 35% is higher than kitchen appliances peers, which are in the 20-25% range.

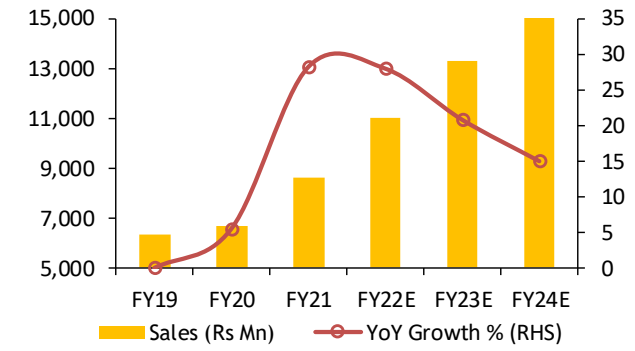
Initiate coverage at Buy

SKL's volume led strategy positions them favourably to make better inroads than peers in the key northern markets. We expect them to clock in revenue/profit CAGR of 21%/16%, as they continue executing their strategy. We initiate coverage with Buy and TP of Rs1300, valuing the company at 40xFY23E.

Key Management Profile

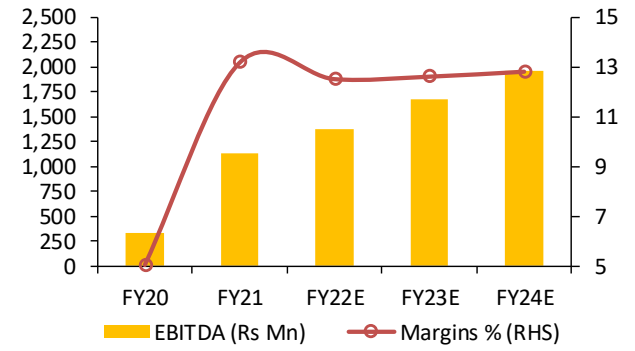
- **Rajendra Gandhi – Managing Director**
  He is the founder of Stovekraft Limited and has over 21 years of experience. Mr. Gandhi is closely involved in the affairs or the company and drives the innovation culture of the company.
- **Rajiv Mehta – Chief Executive Officer**
  Independent director on the board of Stove Kraft since June 2018 & has been redesignated as the CEO with effect from September 2019. He has experience as the ex-CEO of Arvind Limited. He is also equipped with a Bachelor's degree in Chemical Engineering and a Master's degree in Science from University of Pennsylvania and an MBA from INSEAD.
- **Shashidhar SK- Chief Financial Officer**
  He completed his bachelor's in commerce from Bangalore University, CGMA & FCMA by CIMA and is a fellow member of the ICSI & ICAI. With 25+ years of experience in the field of corporate finance and corporate secretarial he is Ex Tata Advanced Materials Ltd (CFO & CS), Water Health India (Global CFO).
- **Neha Gandhi- Executive Director**
  She holds a Bachelor's Degree in Business Administration and completed Post Graduation Certificate Program in Sales and Marketing Management from MICA. She has also served as a Graduate Trainee at Viacom18.
- **Manoj N G - National Sales Head, Pigeon Division**
  He holds a degree of B.Sc., (Calicut University); PGDM in business administration. Mr. Manoj also has 16+ years of experience in the durable consumer goods sector. He has prior experience includes stints with Samsung India Electronics, Panasonic India, MIRC Electronics, IFB Industries, BPL & TCL India Holdings.
- **Venkitesh N – Head, Corporate Planning**
  He has a Bachelor's degree in Technology from University of Kerala. Mr. Venkitesh also has 25+ years of experience in manufacturing, product development and project management with a stint in BPL for 13 years.
- **Rohit Mago –CEO, Baddi Manufacturing Unit**
  He has completed his BSc. His MBA from Rani Durgavati Vishwavidyalya, and his Post-graduate certificate in retail management from XLRI Jamshedpur. He also comes with 18+ years of experience including a 14- year stint with HPCL.

Exhibit 1: Sales YoY Growth %



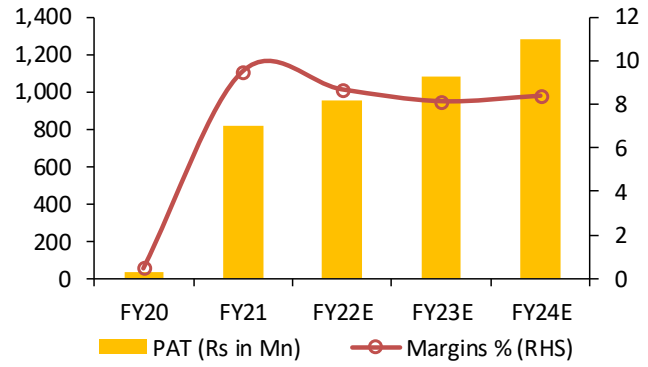
Source: Company, DART

Exhibit 2: EBITDA Margins % (RHS)



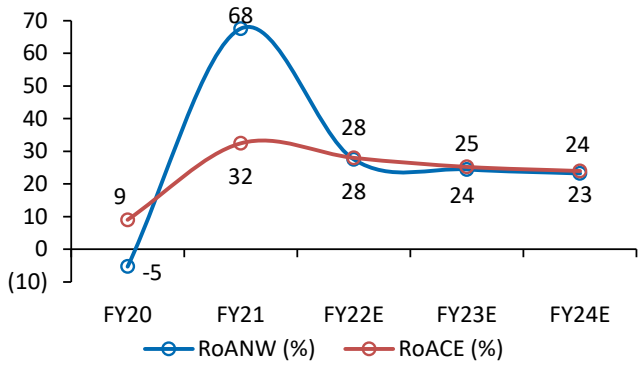
Source: Company, DART

Exhibit 3: PAT Margins %



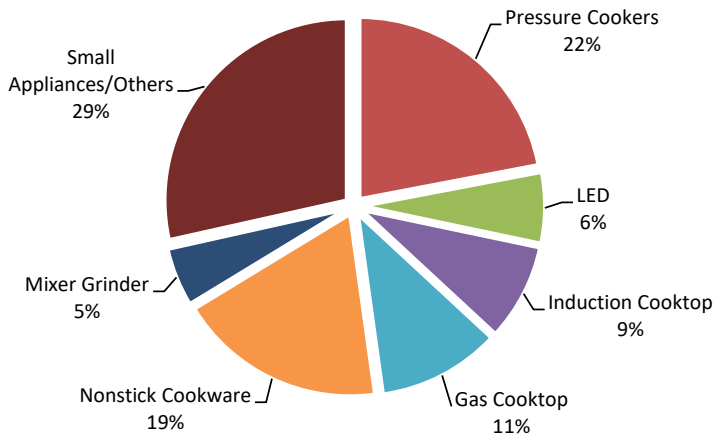
Source: Company, DART

Exhibit 4: Return Ratio



Source: Company, DART

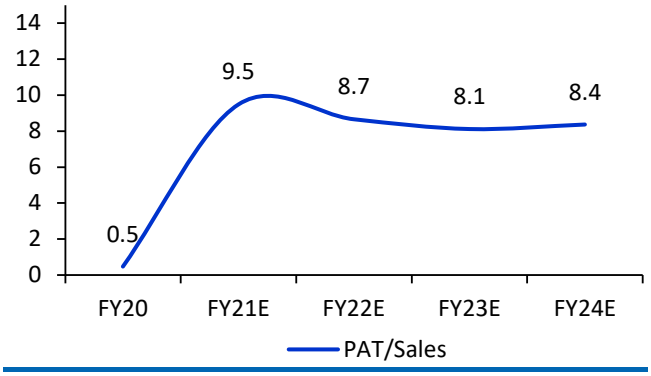
Exhibit 5: Revenue Segregation FY21



Source: Company, DART

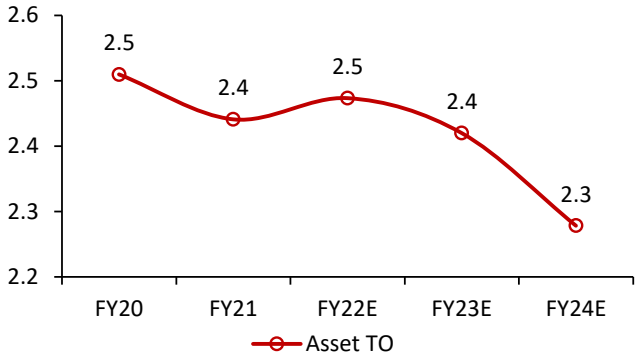
Dupont Analysis

Exhibit 6: PAT/Sales



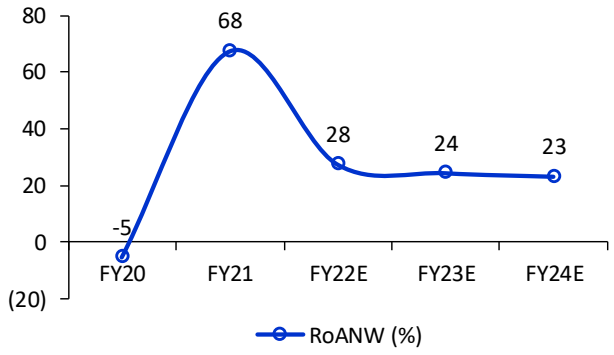
Source: Company, DART

Exhibit 7: Asset TO



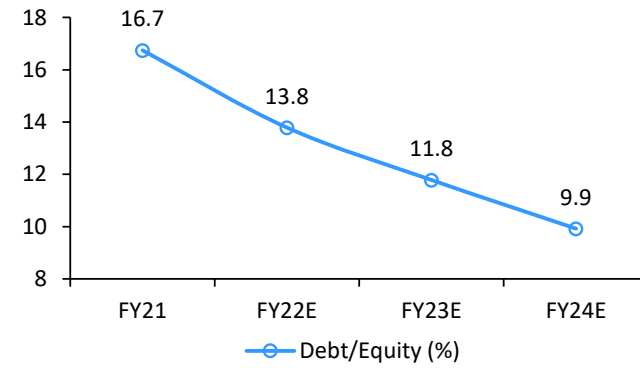
Source: Company, DART

Exhibit 8: RoANW



Source: Company, DART

Exhibit 9: Debt to Equity (%)



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Revenue	**8,590**	**10,995**	**13,283**	**15,275**
Total Expense	**7,459**	**9,620**	**11,609**	**13,320**
COGS	5,582	7,256	8,767	10,082
Employees Cost	806	1,044	1,249	1,405
Other expenses	1,071	1,319	1,594	1,833
EBIDTA	**1,130**	**1,374**	**1,674**	**1,955**
Depreciation	143	169	195	222
EBIT	**987**	**1,206**	**1,478**	**1,733**
Interest	188	162	174	181
Other Income	15	110	133	153
Exc. / E.O. items	0	0	0	0
EBT	**815**	**1,154**	**1,438**	**1,704**
Tax	0	202	359	426
RPAT	815	952	1,078	1,278
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**815**	**952**	**1,078**	**1,278**

Balance Sheet

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	326	326	326	326
Minority Interest	0	0	0	0
Reserves & Surplus	2,689	3,581	4,585	5,773
Net Worth	**3,014**	**3,907**	**4,911**	**6,099**
Total Debt	505	538	578	605
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	**3,519**	**4,445**	**5,489**	**6,704**
Applications of Funds				
Net Block	**2,196**	**2,528**	**2,832**	**3,110**
CWIP	191	0	0	0
Investments	0	0	0	0
Current Assets, Loans & Advances	**3,310**	**4,496**	**5,575**	**6,934**
Inventories	1,560	1,766	2,163	2,518
Receivables	847	1,115	1,383	1,632
Cash and Bank Balances	373	1,020	1,309	1,949
Loans and Advances	5	7	8	9
Other Current Assets	524	589	713	827
Less: Current Liabilities & Provisions	**2,178**	**2,578**	**2,919**	**3,340**
Payables	1,766	2,109	2,365	2,720
Other Current Liabilities	412	469	553	620
sub total				
Net Current Assets	1,132	1,918	2,657	3,594
Total Assets	**3,519**	**4,445**	**5,489**	**6,704**

E – Estimates

Important Ratios

Particulars	FY21A	FY22E	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	35.0	34.0	34.0	34.0
EBIDTA Margin	13.2	12.5	12.6	12.8
EBIT Margin	11.5	11.0	11.1	11.3
Tax rate	0.0	17.5	25.0	25.0
Net Profit Margin	9.5	8.7	8.1	8.4
(B) As Percentage of Net Sales (%)				
COGS	65.0	66.0	66.0	66.0
Employee	9.4	9.5	9.4	9.2
Other	12.5	12.0	12.0	12.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	5.2	7.5	8.5	9.6
Inventory days	66	59	59	60
Debtors days	36	37	38	39
Average Cost of Debt	10.0	31.0	31.1	30.7
Payable days	75	70	65	65
Working Capital days	48	64	73	86
FA T/O	3.9	4.3	4.7	4.9
(D) Measures of Investment				
AEPS (Rs)	25.0	29.2	33.1	39.2
CEPS (Rs)	29.4	34.4	39.1	46.0
DPS (Rs)	0.0	1.8	2.3	2.7
Dividend Payout (%)	0.0	6.3	6.9	7.0
BVPS (Rs)	92.5	119.9	150.7	187.2
RoANW (%)	67.5	27.5	24.5	23.2
RoACE (%)	32.4	28.0	25.2	23.9
RoAIC (%)	35.1	36.7	38.9	38.8
(E) Valuation Ratios				
CMP (Rs)	974	974	974	974
P/E	39.0	33.3	29.4	24.8
Mcap (Rs Mn)	31,728	31,728	31,728	31,728
MCap/ Sales	3.7	2.9	2.4	2.1
EV	31,859	31,247	30,997	30,384
EV/Sales	3.7	2.8	2.3	2.0
EV/EBITDA	28.2	22.7	18.5	15.5
P/BV	10.5	8.1	6.5	5.2
Dividend Yield (%)	0.0	0.2	0.2	0.3
(F) Growth Rate (%)				
Revenue	28.2	28.0	20.8	15.0
EBITDA	234.5	21.6	21.8	16.8
EBIT	361.8	22.1	22.6	17.2
PBT	2204.3	41.7	24.6	18.6
APAT	2468.8	16.9	13.2	18.6
EPS	2468.8	16.9	13.2	18.6

Cash Flow

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	3,576	1,143	997	1,384
CFI	(523)	(309)	(500)	(500)
CFF	(2,874)	(187)	(208)	(245)
FCFF	3,053	834	497	884
Opening Cash	194	373	1,020	1,309
Closing Cash	373	1,020	1,309	1,949

E – Estimates

TTK Prestige

Buy

Initiating Coverage

Best in class

TTK has espoused a clear strategy of focusing on margins with the help of its brand strength. It's ability to withstand margin pressures in the recent inflationary environment is a testimony to its brand strength. A pan India brand name and a strong distribution network are its key strengths. We expect the company to clock in a revenue/profit CAGR of 14%/17% over FY21-23E. We initiate coverage on the stock with a Buy rating and a target price of Rs13,200 valuing the company at 55xFY23E.

Company Background

TTK Prestige, is a player in the industry whose market leader status is often taken for granted. Having been around for decades, TTK Prestige is known to be well versed with the tricks of the trade. With ~35% in the kitchen appliance space, Prestige benefits largely from its high brand recall, goodwill and the trust consumers have in it. Prestige is the number one brand for pressure cookers and nonstick cookware with a market share of 48.2% and 58.2% respectively as of FY 2020. Prestige has a wide variety of products in its portfolios, with its most recent venture being household cleaning supplies. Prestige has consistently maintained its clean and healthy balance sheet year after year and has maintains its guidance of achieving Rs.50bn in revenues by FY25, which is a CAGR of 26%, which includes possible inorganic growth.

Q2 was a standout quarter for TTK

Prestige recorded its highest ever sales in terms of both volume and value in Q2FY22, where revenue grew 35% YoY and 114% QoQ Rs. 8.6 Bn. It ability to protect its gross margins in an inflationary environment, which speaks of its brand strength. This also ties with its broader corporate strategy. The company has made it abundantly clear that it will not trade its premium badge for higher volumes, and will keep taking price actions to protect margins.

CMP	Rs 10,565
Target / Upside	Rs 13,000 / 23%
NIFTY	17,503

Scrip Details

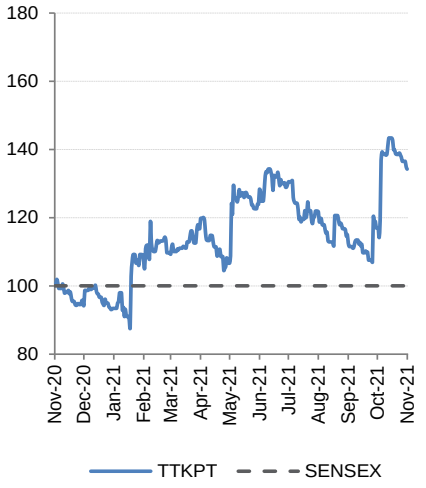
Equity / FV	Rs 139mn / Rs 10
Market Cap	Rs 146bn
	USD 2.0bn
52-week High/Low	Rs 11,620/ 5,560
Avg. Volume (no)	23,879
Bloom Code	TTKPT IN

Price Performance	1M	3M	12M
Absolute (%)	12	20	80
Rel to NIFTY (%)	15	15	46

Shareholding Pattern

	Mar'21	Jun'21	Sep'21
Promoters	70.4	70.4	70.4
MF/Banks/FIs	12.5	12.8	13.1
FIIs	10.0	9.9	9.9
Public / Others	7.0	6.9	6.5

TTK Prestige Relative to SENSEX



FINANCIALS (Rs Mn)

Particulars	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	20,730	21,869	25,587	28,953	32,396
Growth(%)		5.5	17.0	13.2	11.9
EBITDA	2,631	3,273	3,889	4,661	5,183
OPM(%)	12.7	15.0	15.2	16.1	16.0
PAT	1,845	2,490	2,764	3,318	3,668
Growth(%)		34.9	11.0	20.1	10.5
EPS(Rs.)	133.1	179.7	199.4	239.4	264.7
Growth(%)		34.9	11.0	20.1	10.5
PER(x)	79.4	58.8	53.0	44.1	39.9
ROANW(%)	14.1	17.7	17.2	18.1	17.5
ROACE(%)	15.6	16.8	17.4	18.1	17.4

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Focus on expansion and capacity increases

With efforts largely dedicated towards expansions and increasing capacities, it has successfully almost doubled its capacity in the kitchenware segment and has expanded its distribution reach in untouched markets. Its plans for Q3FY22 include, the introduction of ~53 SKUs to its product line. With a large portion of Tier 2 &3 cities still underpenetrated and Northern markets being largely dominated by Hawkins and other informal brands, Prestige still has a lot of room to expand. Having increased its capacity in the nonstick segment, the company is considering increasing capacity in its steel segment as well. All of this comes with an dependence on the additional capex of ~Rs.1bn by the end of FY2022E.

Market Presence

The company has retained its top spot in overall market share with a stronghold in the South and West regions. TTK plans on increasing its foothold in non-south markets through distribution expansion, introduction of exclusive stores and robust marketing. While the unorganized market holds the lion's share of the kitchen appliances Industry, TTK Prestige still holds the largest command over the industry.

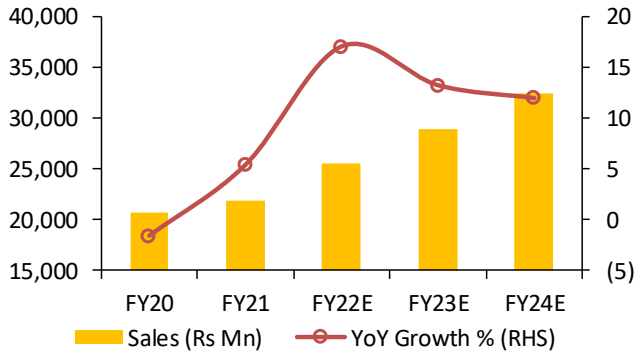
Initiate coverage at Buy

TTK is the best in class among the key listed kitchen appliances players. We expect the company to clock in a revenue cagr of 14% and a profit cagr of 17% over FY21-23E. We initiate coverage on the stock with a Buy rating and a target price of Rs13,200 valuing the company at 55xFY23E

Key Management Profile

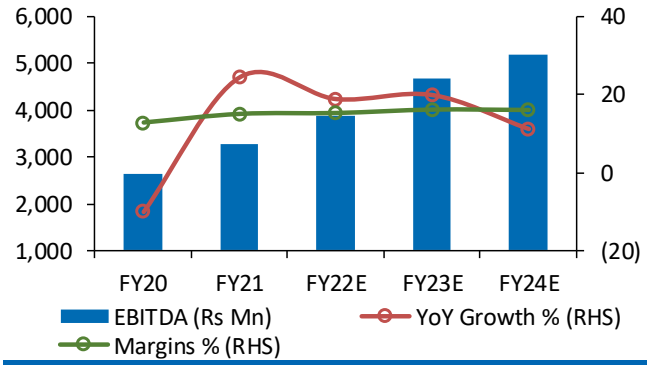
- **TT Jagannathan – Chairman**
  He is a Gold Medalist from IIT, Chennai and holds a Masters in Operations Research from Cornell University, USA. He has been on the Board of TTK Prestige Limited for the last 46 years.
- **TT Raghunathan – Vice Chairman**
  He is a Commerce graduate and has vast industrial experience and has been actively involved in the management of various companies of the TTK Group. He has been on the Board of TTK Prestige Limited since 1995.
- **Chandru Kalro – Managing Director**
  He is an experienced and qualified engineer who has been with Prestige since 1993 with a total work experience of over 33 years spanning sales, marketing, corporate planning and strategy, alliances and sourcing
- **K Shankaran – Whole time Director & Secretary**
  He is a qualified Cost and Management Accountant and Company Secretary. He has been the whole time Secretary of the Company since 1990. He has been on the Board of TTK Prestige Limited since 1993.

Exhibit 1: Sales YoY Growth % (RHS)



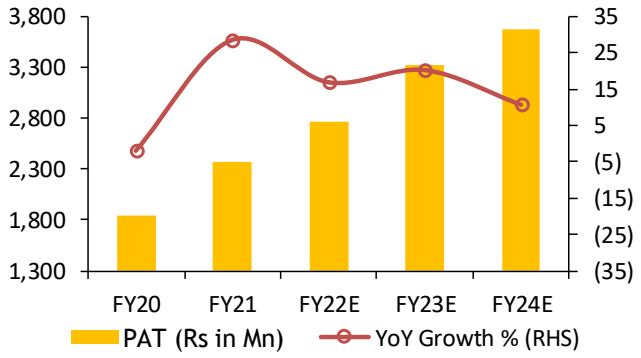
Source: Company, DART

Exhibit 2: EBITDA, Margins YoY Growth %



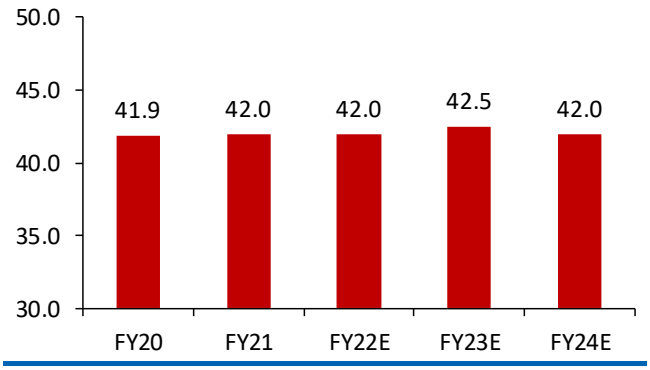
Source: Company, DART

Exhibit 3: PAT YoY Growth % (RHS)



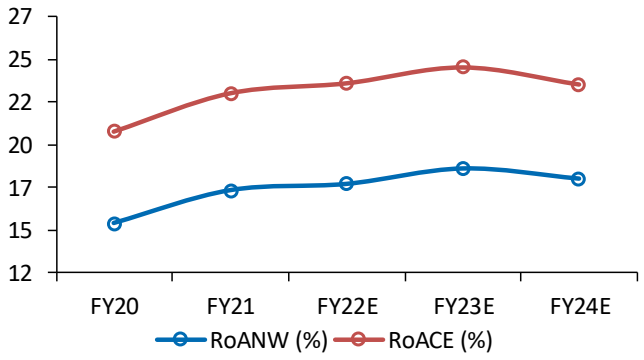
Source: Company, DART

Exhibit 4: Gross Margins



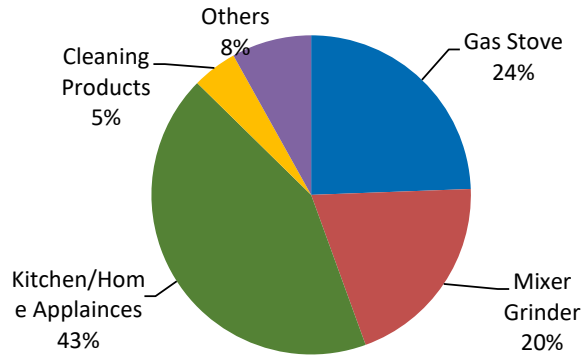
Source: Company, DART

Exhibit 5: Return ratios



Source: Company, DART

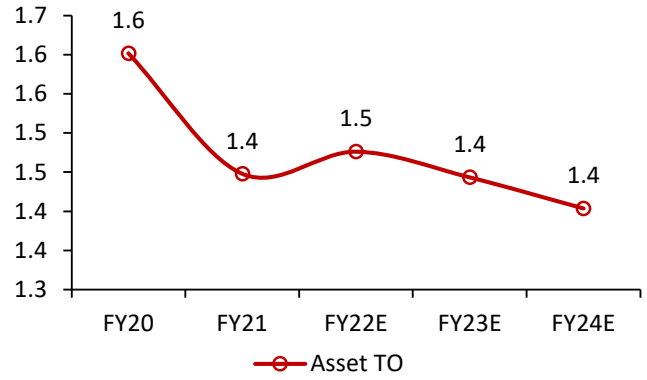
Exhibit 6: Revenue Segregation FY21



Source: Company, DART

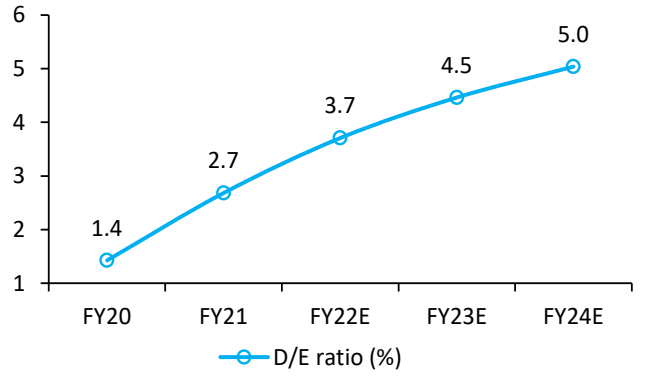
Dupont Analysis

Exhibit 7: Asset TO (%)



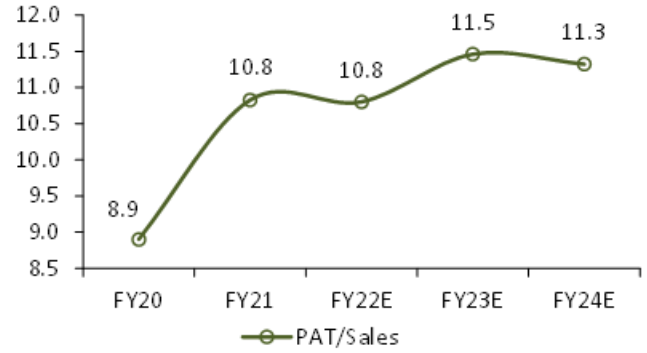
Source: Company, DART

Exhibit 8: Debt to equity (%)



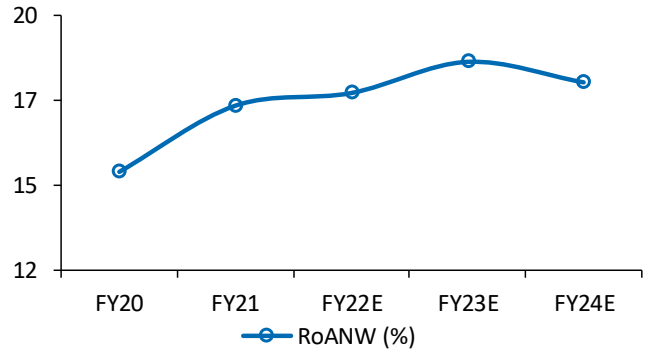
Source: Company, DART

Exhibit 9: PAT/Sales (%)



Source: Company, DART

Exhibit 10: RoANW (%)



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Revenue	**21,869**	**25,587**	**28,953**	**32,396**
Total Expense	**18,597**	**21,697**	**24,291**	**27,212**
COGS	12,689	14,840	16,648	18,790
Employees Cost	1,912	2,252	2,577	2,916
Other expenses	3,996	4,606	5,067	5,507
EBIDTA	**3,273**	**3,889**	**4,661**	**5,183**
Depreciation	400	497	599	729
EBIT	**2,873**	**3,392**	**4,063**	**4,454**
Interest	51	65	73	82
Other Income	287	358	434	518
Exc. / E.O. items	119	0	0	0
EBT	**3,229**	**3,685**	**4,424**	**4,891**
Tax	800	921	1,106	1,223
RPAT	2,490	2,764	3,318	3,668
Minority Interest	(61)	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**2,490**	**2,764**	**3,318**	**3,668**

Balance Sheet

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	139	139	139	139
Minority Interest	0	0	0	0
Reserves & Surplus	14,911	16,913	19,399	22,166
Net Worth	**15,050**	**17,051**	**19,538**	**22,305**
Total Debt	404	632	872	1,124
Net Deferred Tax Liability	(349)	(349)	(349)	(349)
Total Capital Employed	**15,105**	**17,335**	**20,061**	**23,080**
Applications of Funds				
Net Block	**5,297**	**6,145**	**7,237**	**8,682**
CWIP	180	180	180	180
Investments	4,204	4,801	4,851	4,901
Current Assets, Loans & Advances	**10,273**	**11,501**	**13,114**	**14,712**
Inventories	4,479	5,201	5,977	6,723
Receivables	2,909	2,925	3,362	3,782
Cash and Bank Balances	1,612	2,265	2,582	2,941
Loans and Advances	0	0	0	0
Other Current Assets	1,274	1,110	1,193	1,266
Less: Current Liabilities & Provisions	**4,850**	**5,292**	**5,320**	**5,394**
Payables	4,418	4,456	4,466	4,522
Other Current Liabilities	432	836	854	872
sub total				
Net Current Assets	5,424	6,210	7,794	9,318
Total Assets	**15,105**	**17,335**	**20,061**	**23,080**

E – Estimates

Important Ratios

Particulars	FY21A	FY22E	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	42.0	42.0	42.5	42.0
EBIDTA Margin	15.0	15.2	16.1	16.0
EBIT Margin	13.1	13.3	14.0	13.7
Tax rate	24.8	25.0	25.0	25.0
Net Profit Margin	11.4	10.8	11.5	11.3
(B) As Percentage of Net Sales (%)				
COGS	58.0	58.0	57.5	58.0
Employee	8.7	8.8	8.9	9.0
Other	18.3	18.0	17.5	17.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.1
Interest Coverage	56.9	52.1	55.7	54.6
Inventory days	75	74	75	76
Debtors days	49	42	42	43
Average Cost of Debt	17.1	12.6	9.7	8.2
Payable days	74	64	56	51
Working Capital days	91	89	98	105
FA T/O	4.1	4.2	4.0	3.7
(D) Measures of Investment				
AEPS (Rs)	179.7	199.4	239.4	264.7
CEPS (Rs)	208.5	235.3	282.6	317.3
DPS (Rs)	50.0	55.0	60.0	65.0
Dividend Payout (%)	27.8	27.6	25.1	24.6
BVPS (Rs)	1085.8	1230.2	1409.6	1609.3
RoANW (%)	17.7	17.2	18.1	17.5
RoACE (%)	16.8	17.4	18.1	17.4
RoAIC (%)	22.2	23.8	25.0	23.7
(E) Valuation Ratios				
CMP (Rs)	10565	10565	10565	10565
P/E	58.8	53.0	44.1	39.9
Mcap (Rs Mn)	146,435	146,435	146,435	146,435
MCap/ Sales	6.7	5.7	5.1	4.5
EV	145,227	144,802	144,726	144,618
EV/Sales	6.6	5.7	5.0	4.5
EV/EBITDA	44.4	37.2	31.0	27.9
P/BV	9.7	8.6	7.5	6.6
Dividend Yield (%)	0.5	0.5	0.6	0.6
(F) Growth Rate (%)				
Revenue	5.5	17.0	13.2	11.9
EBITDA	24.4	18.8	19.9	11.2
EBIT	26.9	18.1	19.8	9.6
PBT	37.7	14.1	20.1	10.5
APAT	34.9	11.0	20.1	10.5
EPS	34.9	11.0	20.1	10.5

Cash Flow

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	2,892	3,194	2,722	3,314
CFI	(1,330)	(1,942)	(1,741)	(2,224)
CFF	(526)	(599)	(665)	(731)
FCFF	2,456	1,848	1,031	1,140
Opening Cash	576	1,612	2,265	2,582
Closing Cash	1,612	2,265	2,582	2,941

E – Estimates

Butterfly Gandhimathi Appliances

Accumulate

Initiating Coverage

Spreading its wings

A regional leader, BGAL is expanding its presence across the country. While still a smaller company as compared to peers, it is pushing into the non-southern markets. However, given that its relatively lower presence in the pan India market, we believe it could take it longer to establish a bigger market share, as it catches up with peers. Hence we initiate coverage with an Accumulate rating and a TP of Rs1070, valuing it at 31xFY23E.

Company Background

Butterfly Gandhimati Appliances Limited is among the leading manufacturers of kitchen appliances. Headquartered in Tamil Nadu, BGAL is increasing presence across the country. It markets its products under the brand name "Butterfly" as it is commonly called. Butterfly appliances are available across all channels, with an E-com penetration of 25-30%. Butterfly is the market leader in stainless steel LPG Stoves and Table top wet grinders where it has marched ahead of peer. However, it continues to lag players like TTK Prestige and Stovekraft in the supply of mixer grinders and pressure cookers.

Seeking newer markets for growth

The company is optimistic of being among the fastest growing companies in the industry. Moreover, Butterfly also expects to surpass its competitors in terms of growth, as it seeks new markets. Like most peers, Butterfly has greater reach in South. Currently, it is only 55-60% of the market in terms of national coverage. Its main focus at the moment is to figure out the right price points for their products as they need to pick the right shelf space when compared to its substantially larger peers. Butterfly procures all its manufacturing through outsourcing, though no imports from China.

Looking to double revenues by FY25

Similar to TTK, BGAL is also looking to double its revenues by FY25, from the current run rate of Rs10bn to Rs20bn, implying a CAGR of 18%. The company has invested in A&P, which currently at 10.8% is highest among peers. However, they have capped their A&P spend at the current Rs900mn, and this should keep reducing as revenues go up.

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CMP	Rs 883
Target / Upside	Rs 1,070 / 21%
NIFTY	17,503

Scrip Details

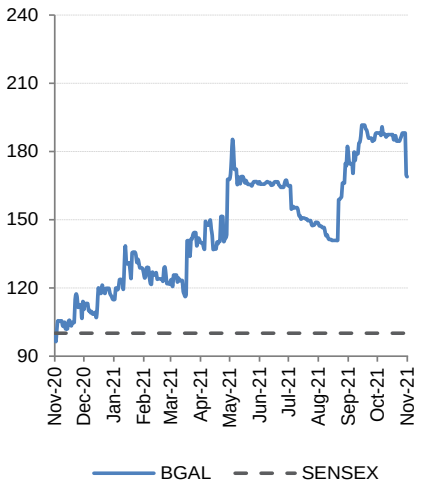
Equity / FV	Rs 179mn / Rs 10
Market Cap	Rs 16bn
	USD 212.2mn
52-week High/Low	Rs 1,070/ 370
Avg. Volume (no)	68,582
Bloom Code	BGAL IN

Price Performance	1M	3M	12M
Absolute (%)	(15)	19	131
Rel to NIFTY (%)	(11)	13	97

Shareholding Pattern

	Mar'21	Jun'21	Sep'21
Promoters	64.8	64.8	64.8
MF/Banks/FIs	7.6	8.7	9.1
FIIs	0.0	0.1	0.7
Public / Others	27.6	26.5	25.5

BGAL Relative to SENSEX



FINANCIALS (Rs Mn)

Particulars	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	6,787	8,696	10,643	12,365	14,317
Growth(%)		28.1	22.4	16.2	15.8
EBITDA	407	797	990	1,150	1,332
OPM(%)	6.0	9.2	9.3	9.3	9.3
PAT	40	362	504	619	751
Growth(%)		808.7	39.3	22.9	21.2
EPS(Rs.)	2.2	20.2	28.2	34.6	42.0
Growth(%)		808.7	39.3	22.9	21.2
PER(x)	396.8	43.7	31.3	25.5	21.0
ROANW(%)	2.1	17.4	21.5	24.2	26.8
ROACE(%)	8.0	18.2	27.1	28.8	30.5

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E-mail: mukuld@dolatcapital.com

Initiate coverage at Accumulate

Given its relatively lower presence in the pan India market, we believe it could take it longer to establish a bigger market share, as it catches up with peers. Hence we initiate coverage with an Accumulate rating and a TP of Rs1070, valuing it at 31xFY23E.

Key management Profile

- **V.M. Lakshminarayanan – Chairman & Managing Director**

  In the past Mr. V. M. Lakshminarayanan was Chairman & Managing Director at Gangadharam Appliances Ltd.

- **V.M. Seshadri- Managing Director**

  Promoter- Entrepreneur and rich experience of over five decades in all key management area of the home appliances industry

- **V.M. Gangadharam -Executive Director**

  Promoter-Entrepreneur 'Hands-on' experience of over four decades in all key areas of the home appliances industry

- **V.M. Kumaresan - Executive Director, Technical**

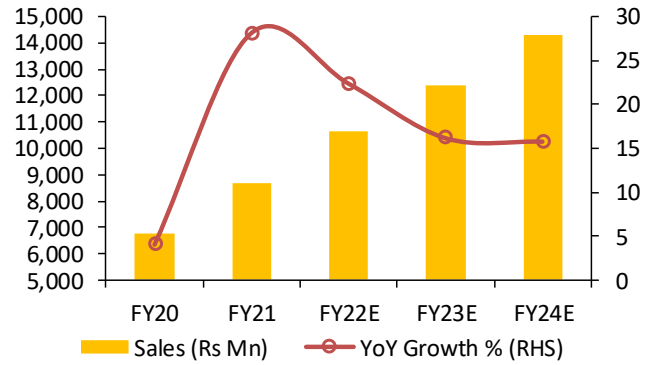
  He possesses sound technical knowledge in deep drawing process, sheet metal forming, making tools and dyes and has dedicated about 38 years in Research & Development and Innovation of new home appliances products.

- **V.M.G. Mayuresan - Vice President-Corporate Strategy & Finance**

  After qualifying in Electronics and Communication Engineering, worked as a Management trainee in the Company for a period of one and a half years from June 2007 to December 2008. Thereafter he pursued Post Graduate Master of Business Administration Degree in Operations Management in the Pittsburg State University, U.S.A. Notwithstanding lucrative overseas assignments, Mr.Mayuresan has taken up the challenge to richly contribute to the family business.

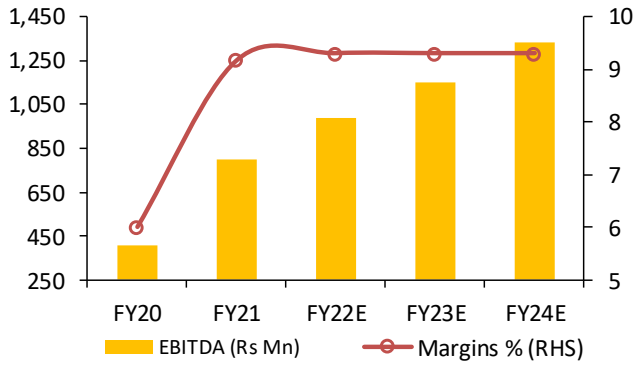
- **R.Nagarajan – Chief financial Officer**

Exhibit 1: Sales growth YoY %



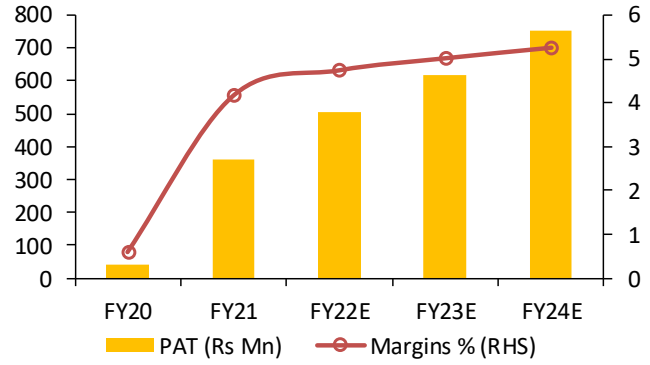
Source: Company, DART

Exhibit 2: EBITDA Margins %



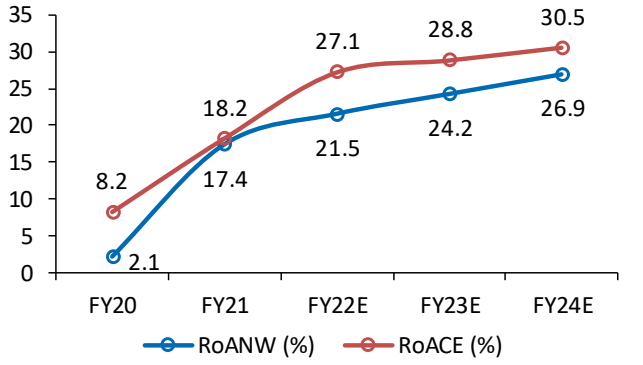
Source: Company, DART

Exhibit 3: PAT Margins %



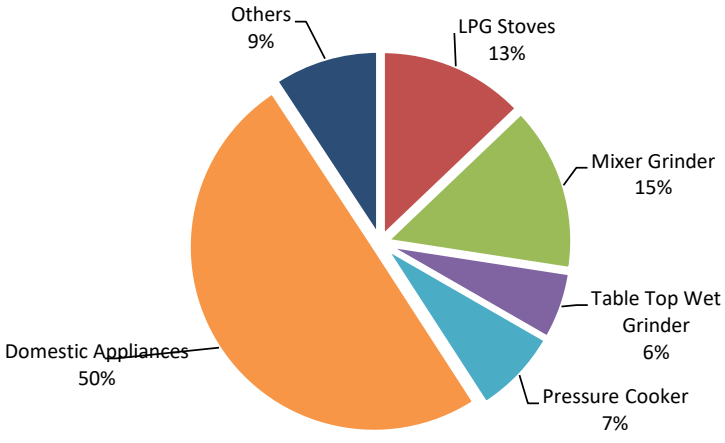
Source: Company, DART

Exhibit 4: Return ratios (%)



Source: Company, DART

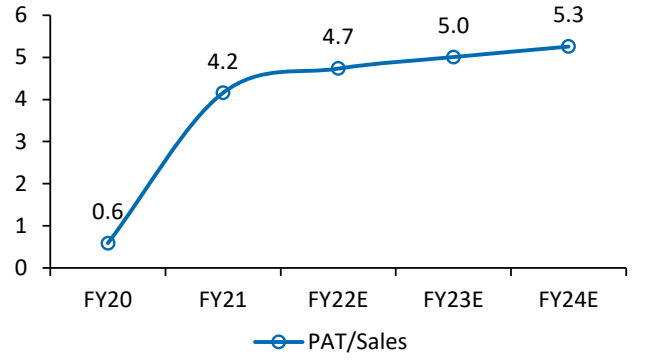
Exhibit 5: Revenue Segregation FY21



Source: Company, DART

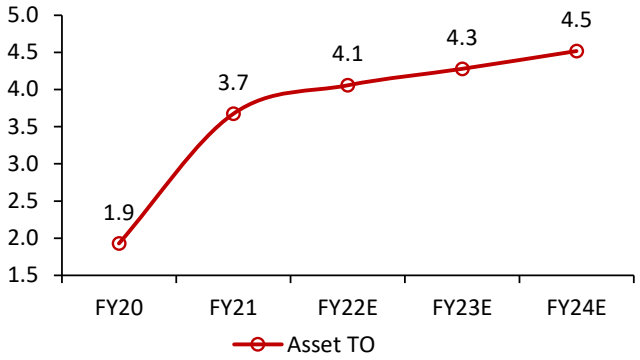
Dupont Analysis

Exhibit 6: PAT/Sales



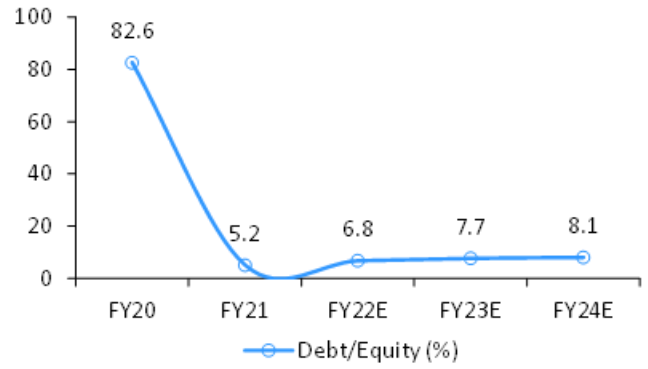
Source: Company, DART

Exhibit 7: Asset Turnover



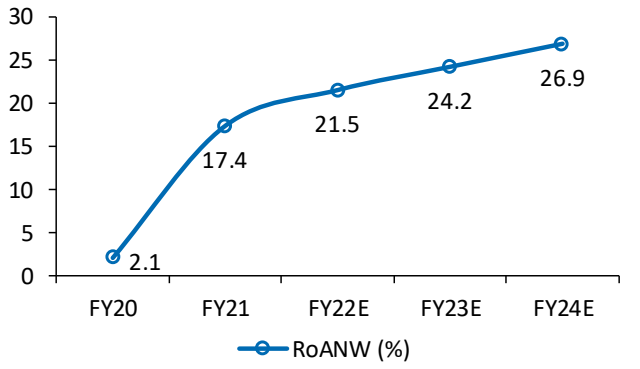
Source: Company, DART

Exhibit 8: Debt to Equity (%)



Source: Company, DART

Exhibit 9: RoANW (%)



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Revenue	**8,696**	**10,643**	**12,365**	**14,317**
Total Expense	**7,899**	**9,653**	**11,215**	**12,986**
COGS	5,061	6,279	7,295	8,447
Employees Cost	770	926	1,076	1,246
Other expenses	2,068	2,448	2,844	3,293
EBIDTA	**797**	**990**	**1,150**	**1,332**
Depreciation	156	163	171	180
EBIT	**641**	**826**	**979**	**1,151**
Interest	174	174	174	174
Other Income	16	19	21	23
Exc. / E.O. items	0	0	0	0
EBT	**483**	**672**	**826**	**1,001**
Tax	122	168	206	250
RPAT	362	504	619	751
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**362**	**504**	**619**	**751**

Balance Sheet

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	179	179	179	179
Minority Interest	0	0	0	0
Reserves & Surplus	2,061	2,267	2,494	2,743
Net Worth	**2,240**	**2,446**	**2,673**	**2,922**
Total Debt	116	166	206	236
Net Deferred Tax Liability	13	13	13	13
Total Capital Employed	**2,368**	**2,624**	**2,891**	**3,170**
Applications of Funds				
Net Block	**1,641**	**1,878**	**2,106**	**2,326**
CWIP	21	21	21	21
Investments	3	3	3	3
Current Assets, Loans & Advances	**3,224**	**3,329**	**3,786**	**4,321**
Inventories	1,779	1,290	1,499	1,736
Receivables	744	1,166	1,355	1,569
Cash and Bank Balances	374	396	363	322
Loans and Advances	0	0	0	0
Other Current Assets	328	476	570	694
Less: Current Liabilities & Provisions	**2,520**	**2,606**	**3,025**	**3,501**
Payables	1,636	1,750	2,033	2,354
Other Current Liabilities	884	857	993	1,147
sub total				
Net Current Assets	703	723	761	820
Total Assets	**2,368**	**2,624**	**2,891**	**3,170**

E – Estimates

Important Ratios

Particulars	FY21A	FY22E	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	41.8	41.0	41.0	41.0
EBIDTA Margin	9.2	9.3	9.3	9.3
EBIT Margin	7.4	7.8	7.9	8.0
Tax rate	25.2	25.0	25.0	25.0
Net Profit Margin	4.2	4.7	5.0	5.2
(B) As Percentage of Net Sales (%)				
COGS	58.2	59.0	59.0	59.0
Employee	8.9	8.7	8.7	8.7
Other	23.8	23.0	23.0	23.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	3.7	4.8	5.6	6.6
Inventory days	75	44	44	44
Debtors days	31	40	40	40
Average Cost of Debt	20.4	123.6	93.6	78.8
Payable days	69	60	60	60
Working Capital days	30	25	22	21
FA T/O	5.3	5.7	5.9	6.2
(D) Measures of Investment				
AEPS (Rs)	20.2	28.2	34.6	42.0
CEPS (Rs)	28.9	37.3	44.2	52.0
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	125.3	136.8	149.5	163.4
RoANW (%)	17.4	21.5	24.2	26.8
RoACE (%)	18.2	27.1	28.8	30.5
RoAIC (%)	23.5	39.2	41.1	42.8
(E) Valuation Ratios				
CMP (Rs)	883	883	883	883
P/E	43.7	31.3	25.5	21.0
Mcap (Rs Mn)	15,790	15,790	15,790	15,790
MCap/ Sales	1.8	1.5	1.3	1.1
EV	15,532	15,559	15,633	15,704
EV/Sales	1.8	1.5	1.3	1.1
EV/EBITDA	19.5	15.7	13.6	11.8
P/BV	7.0	6.5	5.9	5.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	28.1	22.4	16.2	15.8
EBITDA	95.6	24.2	16.2	15.8
EBIT	139.3	28.9	18.4	17.7
PBT	1071.2	38.9	22.9	21.2
APAT	808.7	39.3	22.9	21.2
EPS	808.7	39.3	22.9	21.2

Cash Flow

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	2,105	592	560	578
CFI	(120)	(400)	(400)	(400)
CFF	(1,678)	(169)	(194)	(219)
FCFF	1,986	192	160	178
Opening Cash	46	374	396	363
Closing Cash	352	396	363	322

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

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