

# Stove Kraft Ltd.

CMP: 669

Target: 870

Upside: 30%



Stove Kraft Ltd, headquartered in Bengaluru, is one of India's leading kitchen solutions providers with over two decades of presence in the home and kitchen appliances sector. The company enjoys strong market positions in pressure cookers, cooktops, hobs, and non-stick cookware, and markets products under three key brands – **Pigeon** (value segment), **Gilma** (semi-premium modular kitchens, chimneys, and hobs), and **BLACK+DECKER** (premium appliances - an exclusive licensing agreement with Stanley Black & Decker). It has a presence in the 19 states (110 cities) in India, and has expanded internationally, with products being sold in the US, Mexico, Southeast Asian nations, & Gulf countries.

- **Major CAPEX to drive future business growth:**

- Stove kraft had recently completed its major capex as a part of planned strategy during FY24, which includes projects such as -

- i) Commissioned largest cast iron foundry at its factory at Harohalli, Karnataka (Capex: INR 40 cr, Capacity: 2.2 mn units, scalable upto 4.4 mn units in the future),
- ii) Dedicated manufacturing facility for IKEA export orders to be commissioned in Dec'25 (Cost: INR 30 cr).

- Going forward, it expects to spend ~INR 50 cr annually for maintenance capex and retail expansion strategy.

- **Exports led growth:** Original Equipment Manufacturer (OEM) Partnerships with global retail businesses like Walmart and IKEA are expected to support international business. From Dec'25, export deliveries will start for IKEA, which will contribute to overall growth and the major benefit will come in FY27 and onwards. It is believed to be a multifold business opportunity for stove Kraft. Overall, it has guided for 50% growth in its exports in FY26E (INR 160 cr in FY25, 11.4% of sales).

- **Distribution at core, asset light retail expansion to support domestic growth:** The company's multi-channel strategy has delivered robust performance and supports a strong growth outlook. It has recently ventured into quick commerce, which is gaining significant traction, while e-commerce and modern trade channels are expected to sustain steady growth. In 2022, the company launched Pigeon Exclusive Stores in Bangalore (retail channel) to boost national brand presence. It aims to broaden its footprint across North and West India, reducing regional concentration. It has established a presence across various store formats, where COCO stores are capped at 171, with select outlets transitioning to the FOFO model. This shift curtails CAPEX by limiting direct cash outflow and utilizing franchise deposits for store setup. As on Jun'25, total store count stood at 281.

- **New product launches:** The Company has launched a variety of high aspiration products across different categories over the last two to three years. These include a new range of pressure cookers, Airwhirl technology-based air fryers, 'Jumbo' gas stove range, Pigeon Ultra-Fast Turbo Chopper, and Cold Press Juicer, among others. It has also revamped entire range of chimney, hobs and launched new products in the garment care, small appliances, and kitchenware segments. It believes that high value products will drive topline growth in value terms, while limiting the volume growth over the near term and expects steady business growth over the medium term, backed by retail store expansion and growth across channels.

## • Valuation:

Stove Kraft Ltd has delivered a decent performance over the last few years with revenue growth at 6% CAGR between FY23-25 and EBITDA growth at 23%. Company's increased leverage led to muted growth in its PAT during the same period.

- The business growth is supported by company's various growth projects and industry tailwinds. India's consumption pattern is expected to see a positive change on account of recent announcement of GST reforms. GST cuts from 28% to 18% on key kitchen products have made Stove Kraft's offerings more affordable, supporting volume growth. This price reduction particularly benefits the lower middle-class households, for whom affordability plays a decisive role in purchase decisions. With aspirational demand for branded and reliable kitchen appliances rising in this segment, Stove Kraft is well-positioned to capture incremental consumption.
- The company has largely completed its major capex cycle. In addition, change in retail stores expansion model with asset light approach with a shift from COCO to FOFO model will curtail distribution capex limiting direct cash outflow. Thus, it will generate higher free cash flow (FCF) going forward, which will be utilized for the debt repayment and aims to be net debt free over the next few years.
- New high-value launches, backward integration, recent capex commissioning, and export-led growth have driven gross margins from ~32% in Mar'23 to ~38% over the past eight quarters. Management targets ~40% in FY26, with a gradual increase to 42-43% thereafter, supporting an improvement in return ratios over the next 2-3 years.
- Overall, the management has guided for 10-15% revenue growth, where growth in domestic business is expected at ~10% and export business is expected at ~50% for FY26E.

We estimate revenue to grow at ~13% CAGR between FY25-27E, and PAT at ~58% CAGR. Key drivers of Stove Kraft's growth include margin expansion, debt reduction through likely FCF generation, overseas business growth, and a favorable shift in Indian consumption patterns. The stock is currently trading at 23.1x to FY27E EPS which is believed to be at discount when compared to its historic average valuation. We assign a P/E valuation of 30x to FY27E EPS to arrive at a target price of INR 870/share and recommend to BUY the stock.

Year	Revenues	Growth	EBIDTA	Margin	PAT	Margin	EPS	P/E	EV/EBITDA	ROE	ROCE
FY24	1364	6.3%	119	8.7%	34	2.5%	10.32	64.8x	20.2x	7.8%	11.9%
FY25	1450	6.3%	151	10.4%	39	2.7%	11.64	57.5x	16.0x	8.2%	12.3%
FY26	1638	13.0%	189	11.5%	69	4.2%	21.01	31.8x	12.4x	13.1%	17.5%
FY27	1851	13.0%	230	12.4%	96	5.2%	28.97	23.1x	9.9x	15.5%	21.2%

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