12 November 2026

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
Scrip Code: 543260

National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
NSE Symbol: STOVEKRAFT

Dear Sir / Madam,

Sub: Intimation under Regulation 30 - Transcript of Earnings Call

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 05 November 2026.

Please also note that the transcript of the Earnings call will also be made available on our website https://stovekraft.com/investors/

Request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Stove Kraft Limited

SHRINIVAS PRANESHACHARYA HARAPANAHALLI
Digitally signed by SHRINIVAS PRANESHACHARYA HARAPANAHALLI
Date: 2026.11.12 15:29:26 +05'30'

Shrinivas P Harapanahalli
Company Secretary & Compliance Officer

“Stove Kraft Limited

Q2 and H1 FY27 Earnings Conference Call”

November 05, 2026

MANAGEMENT: **MR. RAJENDRA GANDHI – MANAGING DIRECTOR – STOVE KRAFT LIMITED**
MR. SUBHADEEP PAL – CHIEF FINANCIAL OFFICER – STOVE KRAFT LIMITED
MR. CHANDRU KALRO – VICE CHAIRPERSON – STOVE KRAFT LIMITED
MR. HEMANT KUMAR KOTHARI – VICE PRESIDENT, INVESTOR RELATIONS – STOVE KRAFT LIMITED

MODERATOR: **MS. VIDHI VASA – MUFG INTIME**

Moderator: Ladies and gentlemen, good day, and welcome to Stove Kraft Limited Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vidhi Vasa from MUFG Intime. Thank you, and over to you.

Vidhi Vasa: Thank you, Anam. On behalf of MUFG Intime, I welcome you all to Stove Kraft Limited Q2 and H1 FY27 Earnings Call. Today on this call, we have Mr. Rajendra Gandhi, sir, Managing Director; Mr. Subhadeep Pal, sir, Chief Financial Officer; Mr. Chandru Kalro, sir, Vice Chairperson; and Mr. Hemant Kumar Kothari, sir, Vice President, Investor Relations.

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

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

Rajendra Gandhi: Thank you. Good afternoon, everyone, on behalf of Stove Kraft Limited, I extend a warm welcome to all participants to the Q2 and H1 FY27 financial results earnings call. We also have MUFG Intime with us on this call who are our advisers on Investor Relations.

Along with me is industry veteran Chandru Kalro, Vice Chairman; Mr. Subhadeep Pal, CFO; and Hemant Kothari, Vice President, Investor Relations. We have uploaded our investor deck and earnings press release on the stock exchanges and on the company's website. I hope everybody had an opportunity to go through them.

We are pleased to report a robust overall performance in Q2 FY27 despite persistent inflationary pressures and raw material cost volatility. Our strong backend manufacturing capabilities supported by operational efficiencies and cost optimization initiatives have enabled us to deliver healthy revenue growth of 23.5% year-on-year.

We have improved our EBITDA margins, improved by 12.9% which is our highest EBITDA margin improved by 96 basis points and achieved PAT growth of 35.7% with PAT margin at 5%. This performance underscores the strength of our integrated manufacturing model and our continued focus on profitable growth and strengthening our market position.

Discussing about our product-wise performance, the induction cooktop category witnessed growth of about 108% year-on-year. The pressure cooker category witnessed growth of 46.8% year-on-year, supported by healthy underlying demand trends and our ability to capitalize on emerging market opportunities following geopolitical disruptions.

Our strong manufacturing capability enabled us to respond swiftly to increased demand and strengthen our position in this category. While the small appliances grew by 9.1% year-on-year,

overall, our diversified product portfolio manufacturing agility and expanding distribution network continue to support our growth momentum across key categories.

Product innovation continues to remain a key focus area as we expand our portfolio to address evolving consumer preferences. During the quarter, we introduced several new projects at the Pigeon brand, including the portable blenders, new models of air fryers, and new models of mixer grinders, the immersion heating rod, and toasters.

These launches are aimed at strengthening our presence across kitchen appliances categories, enhancing consumer choice, and supporting our long-term growth ambitions. Pigeon continues to demonstrate strong growth momentum, delivering a CAGR of 21% over the past 3 years, supported by it's strong positioning in the value segment and expanding distribution network, including both offline and online.

During Q2 FY27, we added 16 new stores across 9 cities, taking our Pigeon exclusive stores down to 360. Alongside this we have relaunched Gilma, our premium brand in the southern markets, with 17 stores operational now.

We believe this dual brand strategy combining business value with growth, with value of Gilma's premium purchasing, will further strengthen our market presence and support our next phase of growth. We believe re-promotion will continue to be a significant growth lever for our company, and play an important role in driving both revenue growth and margin expansion in the years ahead.

Moving on to the channel-wise sales, our channel-wise performance, e-commerce and general trade continued to be key growth drivers. During Q2 FY27, e-commerce grew by 16%, while general trade recorded a 3-year CAGR of 16.3% for H1 FY27. General trade and e-commerce registered a healthy year-on-year growth of 52.2% and 24.2% respectively.

Modern retail also demonstrated strong momentum, growing by 11.9% in Q2 and 27.3% in H1 FY27. Our own retail channel continued to expand, registering growth of 70.3% in H1 FY27. We remain focused on strengthening our omnichannel distribution network and expanding consumer reach to sustain long-term growth.

Now I will discuss the Q2 FY27 financial performance. The consolidated revenue for the quarter stood at approximately INR585 crores, registering a growth of 23.2% year-on-year compared to INR475 crores in Q2 FY26. This represents the company's highest ever second quarter revenue, reflecting strong business momentum and healthy demand across our business segments. Gross margin has improved from 38.5% in Q2 FY26 to 39.6% in Q2 FY27. That is improvement of 120 basis points.

EBITDA of Q2 FY27 stood at INR75.3 crores versus INR56.8 crores in the same quarter last year witnessing a growth of 32.7% year-on-year. The company also recorded highest ever EBITDA margin for the current quarter which stood at 12.9% versus 12% in Q2 FY26. Profit after tax Q2 FY27 stood at INR29 crores versus INR21.4 crores in Q2 FY26. The PAT margin for the quarter stood at 5% versus 4.5% in Q2 FY26.

The growth in profitability ahead of revenue growth reflects the continued benefits of operating and financial leverage supported by improved operational efficiencies. Our focus continues to remain on strengthening profitability, improving cost efficiency and enhancing overall business performance.

On the working capital front, we have made significant progress with net working capital days improving to 32 days in Q2 FY27 compared to 45 days in Q1 FY27, driven by better inventory utilization and strong pursued seasonal demand. Our return ratios are also continuing to improve with ROCE and ROE standing at 15.6% and 10.4% in H1 FY27, respectively against 12.6% and 8.3% in FY26 reflecting improved capital efficiency and our continued focus on strengthening shareholder returns.

Now I will discuss financial performance of H1 FY27. The consolidate revenue for H1 FY27 stood at INR1,065 crores registering a growth of 30.8% year on year compared to INR814.5 crores in H1 FY26.

The gross margins for H1 FY27 stood at INR422 crores registering a growth of 34.8% year-on-year, compared to INR313 crores in H1 FY26 improving gross margins to 39.6% in H1 FY27 from 38.4% in H1 FY26, that is an improvement of 120 basis points.

EBITDA on H1 FY27 registered a growth of 39.7% year-on-year, while PAT grew by 44.8% year-on-year reaching INR46 crores compared to INR31.8 crores in H1 FY26. The strong growth in profitability relative to revenue reflects the benefit of operating leverage and our continued focus on driving profitable growth.

Overall, our H1 performance reflects strong revenue momentum, improving profitability, better working capital management and strengthening the return ratios. Looking ahead, we remain confident of sustaining our growth momentum through product innovation, premiumization and deeper distribution penetration.

Our focus on manufacturing efficiencies, working capital optimization and disciplined capital allocation will continue to support profitable growth, margin improvement and long-term value creation. We thank all our shareholders for supporting us in our journey.

Now I request the moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Praneet from SJ Investments.

Praneet: So just one question with regards to our exports. I think the exports revenue has not moved that much. And I guess you were supposed to contribute during this quarter. So just trying to understand what happened with OEM and exports?

Rajendra Gandhi: We continue to focus on our exports. We are tied up for good growth on exports. There is a strategy from the partners that we are working, some of them and some of the products that we are now developing for the new market.

We have let go some nonstick cookware, PTFE cookware, those ceramic cookware and also the IKEA partnership. All of these will start reflecting. For the year-end, we will end up at a good growth. And going forward, we have a very strong order book because these export orders are tied up for long term and so we have a strong order book. We are very confident of good growth in exports.

Praneet: My question with regards to why was there an underperformance during this quarter, sir? Was there a specific reason?

Rajendra Gandhi: There are some changes in the products that we were exporting in the past and we are developing some alternate products forsame customers. So there is a lag in this changeover. the revenues for the earlier products have gone up the revenue stream, but there are new products that we are adding with the existing customers. And the IKEA thing has just started now.

Praneet: Understood, sir. Got it. And with regards to our receivables and non-receivables regards to our inventory and payables, they have shortened quite drastically during this quarter. Could you just explain what happened here? And why was there such a drastic increase in both of them?

Rajendra Gandhi: This was a strategic decision and a plan that we started this year. We are a manufacturing company, but our business is differs over the quarters. So we wanted a uniform manufacturing which gives us optimum cost realization. So we have rationalized the uniform production around the year. So because the quarter 1 is smaller and the quarter 3 is quite larger, so we have built up the inventory for these quarters, the second and third quarter.

And as you see, as we progress in the year, you will see that inventory coming back to its original and the same cycle will continue. Every year, probably in the second and third quarter, we will have higher inventories. By the end of third quarter, it will come back to normal and the fourth quarter will be again back to its original.

Because we want a uniform manufacturing so that we have that cost optimization in our cost. Otherwise, we are not able to produce the products when they are required and then we are not utilizing the full the capability of our manufacturing during the lean period of the last and first quarter.

Praneet: Understood, sir. And coming to our borrowings, I think was it a factor of the same?

Rajendra Gandhi: Can you be a bit louder, sir?

Praneet: One second, sir. So is it better now?

Rajendra Gandhi: Yes. Yes, it's better.

Praneet: I was trying to understand the borrowing, sir. Last quarter, we cleared off almost everything, but we added back during this quarter. I was trying to understand why was this, sir?

Rajendra Gandhi: I think it explains, see our inventory, we have increased our inventory during this period. And we have also done meaningful investments during this period. We are with the high growth, we

are also expanding. So we have bought some facilities, we are building some land and new facilities. And also we have invested in our subsidiary in China.

All these collectively is where the cash has moved, but with the inventory coming back to its normal before the end of this quarter and with additional inflow into our generation of cash, we will see meaningful and positive cash flow coming back before the end of the year.

Praneet: Got it, sir. And as you alluded to the fact of China's subsidiary, could you explain the plan with that because you mentioned a substantial amount. Is there going to be substantialamount invested there? And what is the exact strategy there?

Rajendra Gandhi: We have a plan of investing CNY20 million equivalent to about INR29 crores, INR30 crores, and that is strapped to that. We are investing both in our subsidiary, the wholly owned subsidiary, which is a trading arm and then we have a step-down subsidiary, which is the manufacturing arm, which is a JV.

All the total investment in the China operations, both in the WOS and the step-down subsidiary is capped at CNY20 million or equivalent to about INR29, INR30 crores. We are expanding our facility. actually we have applied for this.

It's not that we have got,there is a process where the government has to allocate this. So we are expanding our manufacturing facility at Himachal, Baddi. We already have one plant, but we are expanding our facility there. And we had also applied to KIADB in Bangalore adjacent to our factory and we are acquiring some lines.

So all these have absorbed some investments, which will actually fructify over the next, say, 6 to 8 months, we'll actually get the position of all this. And the manufacturing facility at China also will start maybe say by end of December, early Jan.

Praneet: Got it. In the China manufacturing basis, is it getting still built or are they acquiring some brownfield one in China?

Rajendra Gandhi: It's a brownfield.

Praneet: It's a brownfield. Got it. And what exact components are you going to make there? Is it electronics or something else?

Rajendra Gandhi: No. This is a raw material for inputs of our pressure cooker and cookware. This is a facility which will make triply circles. So it's a gliding facility for aluminum, stainless steel or any other metal. It's a new trend for cookware and pressure cooker. It will go into the manufacture of our products. It's kind of a backward integration, mitigating supply chain risk and also cost optimization.

Praneet: Got it, sir. So why did we have to do it? So is it the cost advantage, the fact that we are doing it in China instead of India or what is the specific reason that we are doing in China?

Rajendra Gandhi: Yes, more than technological availability today and also the cost advantage of exporting it from China. Overall, it is a cost advantage. The reason why we want to set set it up in China is, there is a cost advantage.

Praneet: Got it, sir. And coming to the last question with regards to Gilma strategy. So I think we revamped our branding and everything. So just trying to understand what's the strategy here? And where are we at today in terms of sales and number of stores?

And where do we expect it to go in the next 1 to 2 years?

Chandru Kalro: This is Chandru here. I'll take that question. So you know Pigeon is a value brand. We need a second brand to transcend certain price points and to attract certain customer cohort. Gilma will be our premium offering to customers who are looking for technologically superior products, innovative products and for a distinct brand experience, which is going to be very different from what Pigeon is offering, as Pigeon is a mass brand.

So this is a little more exclusive brand, and therefore, we are largely keeping a D2C to begin with. And the idea is to sell it through our own stores and eventually through our website in other marketplace. So that's the idea with this Gilma brand.

Praneet: Got it, sir. But in terms of sales and stores where are we at today and where do you think we want to be?

Chandru Kalro: So we have 17 stores right now, largely in 2 states, 3 states actually of Telangana, Andhra and Karnataka. The idea is to take that to about 100 stores in the next 24 months. And right now, we are clocking about INR1 crores a month, and that's quite rapidly moving up. We're seeing very good response to the brand and it's largely D2C.

Praneet: Got it, sir. And the gross margins and net margins are similar to our Pigeon stores or a little bit different?

Chandru Kalro: No, they are slightly higher than Pigeon. It's slightly higher than Pigeon. The idea is that it should pay us back because we would be investing in marketing in the brand. It's a new brand. We have to build it. So the margins are slightly higher.

Praneet: Got it, sir. And with regards to stores, we are planning on doing around 100 with Gilma in the next 2 years and Pigeon stores also will add on to it. That could have a 100 more probably?

Chandru Kalro: Pigeon will also add between 75 and 100 stores every year. And we want total of 500 stores by the next 24 months, by FY28, thereabouts.

Praneet: Got it, sir. So the retail is going,so next 2 years, 200 stores are going to be added combined brands?

Chandru Kalro: Yes, correct.

Praneet: Got it, sir. And going forward, do you see any other with regards to our partnerships with companies like Black & Decker and other things, are we adding more like this? Or are we just letting those be it?

Rajendra Gandhi: We want to build the brands which are in-house, which are our own. And therefore, we would put all our energies in both Pigeon and Gilma going forward.

Moderator: The next question comes from the line of Rajas Joshi from Chrys Capital.

Rajas Joshi: Congratulations on the good set of numbers. My question would be per se about if I look at the current manufacturing footprint, what level of ,- I mean, at a broad level could you give some sense on the level of utilization that we are at in terms of our manufacturing capacity?

And then how should one think of the capex that we're doing, part of which will be in India specifically, will that be for existing products where short of capacity or will that be more so for some of the newer products?

And is it -- I mean, while we're acquiring land in the short term, do we expect to spend on, I mean, facilities per se in the short term or it's more of medium to long-term capex? So a bit on the capex number for the short and medium term, that would be really helpful?

Rajendra Gandhi: Yes. So the land acquisition is for the medium term, not for the immediate. We have enough lands and these are lands adjacent to our factory. There is a process that was begun long back, but it will take, in the next 6 to 8 months, I believe it will be on the books of the company and there is some more investment in the land, but this is for the medium term, not for the immediate. But we are acquiring a factory building, a complete ready building in Baddi.

This is for theimmediate term. And we are expanding some more products. And within our product category we are expanding capacities for appliances at Baddi. We have a factory at Baddi which is producing pressure cookers, inner-lid pressure cookers and we are growing very fast there. In fact, fastest growing inner-lid pressure cooker brand.

Currently we are the fastest growing. So we are expanding both for the pressure cooker and small appliances there. And rest I have told you about China investment. This is to augment our requirement for pipeline both to mitigate the supply chain risk and also to be cost effective. It's an investment that we will get help us in our cost strategy.

Rajas Joshi: Some kind of utilization or another way to ask the same question would be?

Rajendra Gandhi: Currently, all the facility that we have and if we don't expand we will still be able to get between INR2,500 crores to INR3,000 crores revenue with the current facility. This is for future growth plans and we believe we are growing faster than planned. So we are little advancing our investment strategy.

Rajas Joshi: This is very helpful. And secondly, a small query with regard to some of our product segments, we have seen sharp growth after the Iran war conflict, given what LPG constraints and otherwise

we were seeing. So how is that kind of demand holding up for us? Are we seeing any change there? If you could just share your thoughts around how you're seeing that, please?

Rajendra Gandhi: Yes, you're right. I mean the induction cooktops had a very sharp increase. But you can see that even in Q2, we've grown more than double ,I mean we have more than doubled the sales, 108% has been the growth. The other thing that we are very conscious about is what is the growth outside of that. And you will see that there is a mid-teen growth in the other products as well.

So that's one. The second thing that we are seeing is that the induction cooktop and infrared cooktops combined would still see a higher baseline sales as we go along because now people are a, getting used to using these products; and b, they probably come back for better products and upgrades also, which also we are preparing ourselves for.

So it's a very important category for us, and we intend to keep it growing and it is still growing for us. And the ancillary benefit of pressure cookers and cookware growing alongside the induction cooktop category augurs very well for surplus.

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

Anand Mundra: Congratulations on good results. Sir, I wanted to understand what is the price point difference between Gilma products and Pigeon products?

Rajendra Gandhi: Yes, Anand-ji, the Gilma brand is positions premium. Of course, the product differentiation is also there. For the consumer, it will be around 30%, 40% higher than the Pigeon offering. But they are not same like-to-like products, they are different.

Anand Mundra: Understood. And our gross margin will be slightly better as compared to Pigeon products?

Rajendra Gandhi: Yes, the D2C means all the Gilma is sold only through our stores. Obviously, the gross margin is much higher. And initial period will be investing more on the rebuilding the brand. But the gross margins definitely higher.

Anand Mundra: And where we are getting these products manufactured within our own facility, sir?

Rajendra Gandhi: Both. Some of the SKUs, which have already have scale, we manufacture within our facilities. But it is a premium brand. And initially, we will also be sourcing, of course, importing. If not fully built units, which there is a lot of restriction today because of BIS. We may still buy CKD part of this and assemble there. We may call it manufacturing, but some of them will also be importing.

Anand Mundra: Okay. And sir, with respect to your change in manufacturing, now you want to do manufacturing throughout the year as compared to when the season happens. So your interest cost generally will be higher as compared to earlier scenarios?

Rajendra Gandhi: No, the company is generating enough free cash. Maybe we have delayed our net debt 0 a little later, which we still believe will be net debt free company very soon. I don't think the interest cost is anywhere in our mind our growth will not require additional working capital at all.

Anand Mundra: Understood, sir, your guidance for export for this year, given the second quarter was subdued?

Rajendra Gandhi: Will grow. Over the last year, we will still grow.

Anand Mundra: Okay. And sir, what is the capex guidance for this year from the cash flow statement?

Rajendra Gandhi: See some are capex that are going into manufacturing, we still continue to be below INR50 crores. But there are some capex that we are investing in land and the new subsidiary. So this will be outside that number. And I think between these 2, it could be around INR100 crores.

Anand Mundra: Okay. Noted, sir. Sir, in the recent notice to accounts, there was an appointment of joint MD, where it was mentioned that the incentives are designed to the extent of INR3,000 crores revenue in the next 2, 3 years.

So assuming we would be doing closer to INR1,900 crores to INR2,000 crores revenue, the incremental INR1,000 crores revenue, which products you are focusing more or it would be across products, any new categories you want to add? There is a fan, which has already been added. So can you throw some light on that, sir?

Rajendra Gandhi: We are continuously introducing new products Anand-ji and also continuously adding new variants of the existing categories. We are also expanding our channels. So all these will definitely lead to growth. There are some categories which we are currently not into, and definitely we are getting into these categories. We definitely announce all this when we do.

For the near term, I think that we are getting into coolers and heaters that is water heaters and coolers. We have started with one product, one heating rod for now, but we will get into geysers and coolers. This is to offset both the seasons for hot and cold. We are getting into this. But there are several categories that we are getting into.

After the last quarter, during the current quarter, we have got into air purifiers already if you have seen any of our marketing activity. So there are several categories that are planned. And there are also categories there within our existing portfolio. We are expanding them. We are expanding our air fryer category.

We are getting into new variants of pressure cooker. There is a complete new lineup for our cookware coming. So there is a lot of plans that we have in plan, and this is ambitious and what you call is our endeavor to grow to that and to a number that is part of some arrangements with Chandru, but it should not give you some guidance.

Moderator: The next question comes from the line of Rachna Kukreja from SIMPL.

Rachna Kukreja: Congrats on a decent set of numbers. My first question is aluminum prices have declined recently. And if easing of raw material cost continues, will this be passed on to customers or there will be some level of discounting or promotional offers across categories? And also with this, how do you see the competitors, especially unorganized and a large regional players responding?

Rajendra Gandhi: Actually, while your question is true, but it's not the fact. The aluminum prices have gone up by upwards of 50% and corrected by about 10%. So there is no meaningful reduction in cost. We have also observed some, there has been severe margin pressures when the costs have gone up. But there is a lot of shift from aluminum to stainless steel irrespective of the input cost.

So a lot of this pressure cooker market and the consumption of pressure cooker is moving to alternate metals like stainless steel, tri-ply and such things. Of course, we are a cost-plus company. If there is a lot of changes that are going to happen in the aluminum cooker market, definitely, we will also adjust accordingly. Currently, there is no meaningful correction. Actually, the price increase is far higher to whatwe are seeing some correction.

Rachna Kukreja: Okay. Understood. Second would be on the overall demand environment for kitchen cookware and appliances. If you could give some color of how it is shaping up across different price segments, categories and channels, which are doing better overall in the industry as well as for us. And after the festive season, what will drive growth for the kitchen appliances industry?

And do you think the demand will sustain or slow down? And also the competition from unorganized players is easing? And if it is happening, which category is seeing a larger share of unorganized players exiting?

Rajendra Gandhi: So you have to understand Stove Kraft a little more. We are a manufacturing brand and distribution company all these housed in one company. The competitive advantage that we have, we can always challenge any unorganized player at the size and scale that we operate and highly backward manufacturing facility.

It will be extremely difficult for anybody of any size in this country currently to compete with us with a strong distribution network that we have, various channels. In fact, our general trade in the last 2 quarters is growing in the range of 50%.

It is far higher than our company growth rate. E-commerce has continued to be growing. Our own retail network will be large enough to compete any kind of competition, whether it is organized or unorganized.

Overall, we don't see any challenge in terms of our market position and our growth and our capability to acquire market share in all the categories of products that we are currently dealing with. We are very confident of our growth.

of course, the festival season give spikes to sales, but it is not that every year we have this festival. And every year, that is why our quarters are divided and we have different performance in different quarters.

The second and third quarter, which most of the festivals in India are housed in these 2 quarters, we have higher revenue. We also have worked on how to minimize the impact of the variance between the quarters, between the first and fourth quarter.

Definitely, the fourth quarter and the first quarter can never match the second and third quarter. Otherwise, we are in the category where these are of daily and daily use. They are not only you

bought for the fancy of a festival. These are now consumer products. Life cycles of most of the category of products that we deal are going down.

People are willing to change early. So both the life cycle and the way people are consuming more and more of our category of products in their homes, all this is giving us huge opportunity for growth.

Rachna Kukreja: Okay. Understood. So the overall demand for kitchen cookware at hands will be stable over the long term. Is that the right assumption?

Rajendra Gandhi: Absolutely.

Rachna Kukreja: Okay. Last question would be over the last few quarters, we have seen a lot of new product launches. If you could give a brief ball park figure, how much do those contribute to our revenues versus 2, 3 years back?

Rajendra Gandhi: So this is a continuous activity at Stove Kraft. We keep innovating. We keep getting into newer categories of products, which are accepted by our channels and our consumers. So this is a continuous activity to bifurcate and give you a number it will be very difficult, but you can get a clue from the growth that we are doing. We are growing at the moment at about 25%, and we are also very confident of a continuous 30% growth in the near term.

So some of that growth will definitely come from new products. There will also be products example, see I was explaining to you about the aluminum pressure cooker. It was a large category for us and it continues to be a large category but it is moving, from there we are moving to stainless steel and tri-ply. So it is also getting obstructed by letting go some older products. And some of the businesses we rationalized.

In the past, we have built an LED business. So we realized that it was not making too much synergy with our business and also there was a continuous drop in the ASP updates and the margin pressures we let go this category.

So these corrections will continue to happen. The bigger growth drivers will be our expansion, distribution channel expansion and new product introduction. We will continue to innovate, bring new products. We continue to expand our channels. This is how we will grow.

Moderator: The next question comes from the line of Nikhat Koor from Dolat Capital.

Nikhat Koor: So how should we look at exports for this year and for the next 2, 3 years? Like how would be the export contribution? And my second question is how was the growth in the South versus non-South, if you can quantify?

Rajendra Gandhi: Exports will continue to grow. We have had a correction here, sometime back we had challenges of tariff and all that. We have a correction in the portfolio of the products. There is overall negative consumer sentiments on PTFE cookware. So we have moved to a different type of cookware that we currently ongoing development and addition to range from our consumers.

And we also added IKEA. So both of these will contribute, To answer your question will be around 11%, 12% contribution currently for the annualized period for export. But in the next 3, 4 years, we can see this moving to 15%, our export will grow.

On the south, non-south, we are stronger in the south, of course in terms of percentage growth, we will be smaller in the south in terms of percentage growth definitely they are growing faster in the north. But absolute terms, north is relatively smaller than the south.

And for us, the differentiation only comes in the GT channel. Otherwise through the other channels, particularly when we talk about e-commerce and ecommerce channels, they are spread across the country and almost uniform growth across.

Nikhat Koor: Okay. And we have annual guidance for 100 bps expansion in gross margin every year. So are we sticking to that guidance? And also EBITDA margin can we clock around 14%, 15% in the next 2-3 years?

Rajendra Gandhi: We are definitely working towards improving our gross margins. And as we grow definitely there will be financial leverage that will also add and improve our EBITDA. And definitely we will be at a better at our endeavor is to get in the range between 12% to 15% in the coming years. So maybe in the next 3, 4 years, we should be in the range. There will always be challenges, price, import pressure or something like that will crop up.

But we are working towards getting to between 12% to 15%. We are still not there, of course, it is only the quarter that we have done. Annualized we still believe that it's a different scenario. But our ambition is definitely to between the 12% to 15% and we are confident in that.

Moderator: The next question comes from the line of Haider Kachwalla from YES Securities Private Limited.

Haider Kachwalla: Congratulations on the good set of numbers. So my question was mainly regarding if you have taken any price hikes during this quarter? And what is the magnitude of price hikes that you have taken?

Rajendra Gandhi: The immediate quarter was a festival period. We did price corrections before the beginning of last quarter. And generally, there is always a lag when this is implemented. Over the last 3, 4 months, this price impact has come, but there is also an impact of cost increase. So overall, after considering the impact of the price increase and the impact of input cost, that's what you see in the gross margin expansion by 1%.

Haider Kachwalla: Okay. So because the reason I ask this question is that copper has structurally moved higher and your induction cooktop sales have also moved higher. And if I'm not wrong, the coils used in induction cooktops are made up of copper. So how will you manage the raw material going forward?

As last quarter, you had said that you had preemptively stocked on raw material and hence, you did not see the impact of the RM inflation? So that's the reason behind this question. If you could just provide some light on that?

Rajendra Gandhi: That is our strength. We are able to effectively source components at the right price, not only at the right price and at the right time. That is our strength. We continue to do such activity. We have a very strong team to on sourcing and sourcing at the right price at the right time.

And also we continuously work on value engineering and cost optimization. All this is helping. Of course, the oil that you mentioned need not necessarily be only copper, but all metals have gone up. So we have to pass on those prices increases. All input price pressures has to be passed on.

We are a cost less company. If there is price increase that we cannot observe, then definitely we have to pass it on. We have corrected prices for all these in the current inflationary scenario, we have corrected the prices.

Haider Kachwalla: Okay. Sir, my last question would be, sir, so this quarter, we have seen a very strong margin profile. But could it just mean that because it's a seasonally strong quarter, you have seen the benefits of operating leverage and maybe because you have some lower cost raw materials left, hence, your gross margins and your EBITDA margins have seen improvement and maybe going ahead in Q4 and the coming quarters, you might see a bit of margin pressure. Is this the right way to think or maybe you can help me?

Rajendra Gandhi: Larger quarters will definitely have better margins, but it is not correct to say that we are continuously working on our cost. So I don't think there's any challenge on that account. But larger quarters will have financial leverage and better margins.

The second and third quarter are larger quarters compared to the first and the last quarter. There will always be between, say, 0.5% to 1% difference between unless there are some other meaningful advantages during this quarter. There always be a little different in the margin percentage between these 2 quarters versus the first and the last quarter.

Moderator: The next question comes from the line of Shreyansh from Svan Investment Managers.

Shreyansh: Congratulation on the set of numbers. My first question is, sir, on our plans to increase capacities and obviously incur some capex. So I'm just trying to understand, sir, given that we have enough capacity to reach about INR2,500 crores, INR3,000 crores of top line. So why are we going forward with this capex right now?

Because in the past, we've seen that we've added capex and the whole industry sort of slows down and then you tend to suffer on the margins and the ROCE front. So I'm just trying to understand why not delay it and wait for us to reach INR2,000 crores, INR2,500 crores and then probably look at new capex?

Rajendra Gandhi: Yes. We are fully on it. We are confident of delivering higher ROCE with the plans that we have. We only see ourselves growing a little faster than we had planned. There's not that we are doing a very large capex.

We are building some reserves for the land adjacent to our own facility. And the investment in China will only add to our margin because it will mitigate the challenges of supply chain and also it will have improved cost for our products.

But right now, raw material will go both in the manufacturing of our pressure cookers and our cooker. There is a small investment that we are doing for the near term at our Delhi facility and this is to increase our capacity on appliances and all this takes some time. This does not happen overnight. And we assume our capacities will be fully utilized before the end of next year.

Chandru Kalro: I'd like to add to that. I'd like you to look at capex in 2 buckets. One is on capacity expansion. The second is on capability change or capability additions. Now what you see in China is clearly a capability addition towards sourcing and raw material backward integration, which is very strategic in nature.

None of our peers have that capability. And we see that as a distinct competitive advantage going forward. So it's not capacity, it's capability. The second is technology. Last year, for example, we added the cold spray plant, which no one has in the country.

This means that we can acquire customers which no one else can in India. So that was a capability expansion. You're right when you say up to INR2,500 crores, we don't have to add capacity. We're not adding there. What we are adding is these things, just to make it clear.

Shreyansh: Got it. Sir, I mean, I clearly understand your point and it's well appreciated. But it's just that when you sort of add capacities before time, we've seen last , 3, 4 years, profit suddenly goes for a toss for a company of our size, just doing INR30 crores, INR40 crores of profits. That was the only point that I was trying to understand.

Next question, sir, is we see a significant increase in the other expenses even on a H1 basis, INR120 crores has become INR180 crores, which is a 43% increase. So what's happening there, if you could just point a few line items, which have increased a lot?

Subhadeep Pal: This is Subhadeep here. I'd like to start with telling that our other expense in the P&L basically comprises 3 important levers or drivers. So there is one bucket that is showing expenses linked to sales where there is increase in commission that we pay to our retail stores. The retail stores have moved from a company-owned format to a franchise format over a period. And year-on-year, the quarterly numbers, 44% to 62% is the composition change.

So that's one very important conscious move that we did, which is also more efficient in the way the store functions when it is more franchise run. On the second lever, there are expenses which are linked with manufacturing and production volume linked. So which is where the contract labor, the direct cost of power, fuel, freight went up.

And lastly, we took cognizance of the demand outside and we arrested that opportunity using job work that we did for the first half. So it's again something that we have done in the first 6 months. We have captured that and in the next half, it will not appear. So that way the other expenses would only improve from here on a full year basis as a percentage of sales.

Shreyansh: Got it. Sir, my last question is we mentioned somewhere on the call that we intend to do about INR100-odd crores, including investments in China, WOS, right? But when I look at your cash flow statement, sir, we already have done INR90 crores in H1. So is it fair to understand that the next 6 months will only entail INR10 crores of incremental capex?

Rajendra Gandhi: So the overall capex and the cash flow may not be the same. There are some payments in the cash flow or which there will be deferred payments for earlier investments. But for the capex, I would want to guide you that we are well within the INR50 crores for the capex side. The non-capex what we consider the investment in our China subsidiary and the new land acquisition are not part of the originally planned capex. And for the remaining part of the year, we don't have any meaningful large capex.

Moderator: The next question comes from the line of Varun from Equitree Capital.

Varun: Congratulations on good set of numbers. My question is with regards to the small appliance category.Since last 1, 1.5 years, we have seen that growth has been tapering down despite adding so many products. First of all, I wanted to understand how we have been launching so many different categories like fans, air purifiers. So what makes you enter such different categories?

And how is the decision made? And despite that, we are not able to grow much on this. If you could also provide a breakup of the major revenue contributors in this segment, it would be helpful.

Rajendra Gandhi: It will not be right that we are not growing on our appliances category. Some of the appliances category we already got leadership and growing from there. Example, we launched our air fryers a few years back, not very long time back. We are very large in the air category. We launched our kettles during the COVID time.

They are by far the largest in the category. Similarly, there are several products that we are leaders in the appliances business and we continue to believe that we will be the strongest players in the appliances because of the capability that we have built around this category. We manufactured them completely and of course, the distribution network that we have.

But there would also be some, I mentioned to you that we let go some of the business in the, which are qualifying under this. So currently the Black & Decker brand, we'd want to slowly let it go and so we are letting go of that category.

And because of the larger base, we are growing in terms of percentage much higher in the past because the base was smaller. Today, the appliances category is pretty large almost 45% above the base.

Varun: So which of the products are dragging the overall growth? Last year, we grew 5% in value terms. So any specific products which are dragging the overall growth?

Rajendra Gandhi: The last particular business you mentioned about last year, I want to guide you on that. When we get into any new category, new appliance category, initially we would have imported this. And so the ASP of these products would have been higher.

As we get into the competitive space and want to acquire more market share and get to leadership, while there is a cost reduction, our cost goes down, but also the ASP also has gone down. So while we have grown particularly over the last year, while we would have grown on volume, the value growth would have been either negative or at, no growth.

That's why the growth of the raw substance subdued. And the previous to that, our base was smaller, and we are growing very fast on both these categories, both the kettle and the air fryers. Regarding the new category, of course, when we get into new category, we do our own research, consumer research and arrive at what is our strength.

If we see that we can get to leadership and definitely, we want to initially get and try the market. If we find that we are getting good consumer acceptance, then we get into manufacturing and if we get into manufacturing, I can assure you that most of the time, whenever we have got into the Phase III that is we completely manufacture the product, we get into leadership. There is no doubt about our capability on delivering on appliances. We are very confident about the strategy.

Varun: And this new product air purifiers, currently must be imported?

Rajendra Gandhi: Initially, right.

Varun: And whenever we import, so how much margin do we make on that? It will be more than that?

Rajendra Gandhi: We will not dilute our margin. The company's margin will protect. It's not that when we introduce new products just because we source, we dilute ours. So at this stage, we are only testing customer acceptance.

Varun: And also chimneys come under this category, right? Small appliances?

Rajendra Gandhi: Chimneys also now come under the appliances category.

Varun: So how much revenue do we generate from that?

Rajendra Gandhi: Currently I will send you the revenue on chimneys. We have started manufacturing chimneys and we are growing. And with both Gilma and Pigeon brands, you will see good growth in chimneys in the quarters ahead.

Varun: Understood. One last question. So this year, we will close around INR250 crores plus EBITDA. Next year, do you target for more than INR300 crores of EBITDA?

Rajendra Gandhi: You are asking me some questions which I cannot answer you. But we will continue to grow and you would have got, you see, you are a financial analysis and you understand how numbers move better than us. I'm sure you have done your own math.

Varun: 12% margin is sustainable.

Rajendra Gandhi: Sorry?

Varun: 12% margin is sustainable, right?

Rajendra Gandhi: Yes, yes. We are confident of between 11% to 12% margin this year.

Moderator: The next question comes from the line of Kevin Shah from Aditya Birla Institutional Equities.

Kevin Shah: So my question is on the air purifier segment. So just wanted to get your thoughts about the industry, the opportunity at hand. And given that we have a stronger presence in the South, whereas the demand for this segment is more in the Northern Western region. So how is our regional strategy there? And any aspirations which we are looking for getting the market positioning and how the segment can be?

Rajendra Gandhi: We are equally getting stronger in the North. It's not that we are in all the channels in the North. We are there through e-commerce to channel. We are there through our own stores in the North. We have a general trade to cater to the markets in the North.

And this is now not limited only to the North, of course they are initially, the market grew, started growing from there. The air purifier category is now being accepted or kind of sought after across various cities, may not be in the rural, but in the cities. And we are seeing good traction. This is our first year or rather first 2 months of our launch, and we are seeing very good traction on this category.

Kevin Shah: Understood. And have we planned or are we taking any particular marketing initiatives in this segment to increase the penetration , if you see the penetration is low and even the awareness is on low?

Rajendra Gandhi: This is our standard GTM strategy when we launch any new product, we will communicate to our consumers through various media, including today's strong social/digital media and news print wherever however we want to reach our consumers, initially, we were to communicate we do that. I think with all the marketing communication so far that we have done for air purifiers, it has already got the traction that we wanted.

We are fully confident of whatever we set out to do this year. We are launching with only one model and like earlier one of you had inquired us, we are just importing and selling now. But when we see market acceptance of this product, obviously, we'll manufacture this year and it will be extremely difficult for anybody to compete them.

Moderator: Ladies and gentlemen, we will take this as the last question for today. I now hand over to the management for closing comments. Over to you, sir.

Rajendra Gandhi: Thank you. We hope we could answer all your questions. But if there is anything that you would want to know, you can always reach out to our Investor Relations partner MUFG, write to us. We'll definitely try our best to answer any of your queries. We really thank each one of you for participating in this call and having all that so much of interest in getting to know the company.

I really thank each one of you for participating. Andfrom Stove Kraft we wish you all a very, very prosperous Diwali, very happy Diwali, very prosperous new year ahead and thank you, again.

Moderator: Thank you. On behalf of Stove Kraft Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.