16 February 2024

To,

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

National Stock Exchanges 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,

Subject: Intimation under Regulation 30 - Transcript of Earnings Call

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 09 February 2024.

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: 2024.02.16 12:33:35 +05'30'

Shrinivas P Harapanahalli
Company Secretary & Compliance Officer

Stove Kraft Limited
#81/1 Medamaranahalli Village, Harohalli Hobli, Harohalli Industrial Area,
Kanakapura Taluk, Ramanagara District, Bengaluru, India- 562 112
+91 80 28016222 | +91 80 2801 6209 | info@stovekraft.com

CIN: L29301KA1999PLC025387

"Stove Kraft Limited

Q3 & 9M FY'24 Earnings Conference Call"

February 09, 2024

MANAGEMENT: **MR. RAJENDRA GANDHI – MANAGING DIRECTOR – STOVE KRAFT LIMITED**
MR. RAMAKRISHNA PENDYALA – CHIEF FINANCIAL OFFICER – STOVE KRAFT LIMITED
MR. HEMANT KOTHARI – CHIEF BUSINESS ANALYST – STOVE KRAFT LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Stove Kraft Limited Q3 and 9 Months FY '24 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 call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajendra Gandhi, Managing Director, Stove Kraft Limited. Thank you, and over to you, sir.

Rajendra Gandhi: Thank you. Good evening. everyone. On behalf of Stove Kraft Limited, I extend a warm welcome to all participants on the Q3 FY '24 Financial Results Earnings Call. We also have Orient Capital with us on this call. Along with me are Mr. Ramakrishna Pendyala, our CFO; and Mr. Hemant Kothari, our Chief Business Analyst.

We have uploaded our Investor deck and earnings press release on the stock exchanges and the company's website. I hope everybody had an opportunity to go through them.

In the third quarter of FY '24, our revenue stood at INR362 crores with a gross margin of 38.5%, plus registering a growth of 11.4% in revenue on a Y-o-Y basis. Our gross margins improved by 503 basis points on a Y-o-Y basis on the back of softening in commodity prices and optimization of our operations.

The softening of inflation over the last few quarters aided well for our sector, but recovery on the horizon across rural and urban areas put us in a strong position. Meanwhile, India's economy remains resilient and the country is on the course to become the fastest-growing major economy. Further India's consumption story, we can expand is highly aspirational middle class with increased purchasing power, makes it a promising market for consumer businesses.

Growing Internet penetration and the rise of e-commerce, further strengthened prospects for the Indian consumer sector. As the customer-centric business accessibility is crucial, we have strategically expanded our presence across various channels, including general trade, modern trade, e-commerce, corporate sales and exports.

Our foray into direct retail through company-owned and managed stores has further strengthened our accessibility and deepened our connection with the consumers. The overwhelming response has motivated us to expand our store reach even further to South India. We are also glad to announce that in the recent quarter, we have also opened our first store outside of South India in NCR. We are still to bring our innovative and reliable kitchen appliances to the deserving consumers of North India.

This marks the beginning of our expansion plan in the Northern region, and we aim to further expand our operations outside Southern India through our reliable and innovative kitchen appliances solutions. For the current quarter, our major revenue contribution came from general trade, which contributed the most and the revenue contribution of 41%, 30% came from e-commerce, 11% from modern trade, 9% from our exports followed by 6% and 3% from corporate and retail businesses.

This diversified approach will further boost our sales and, as mentioned, these results will increase accessibility, better customer engagement and strong brand building of our brands as well. In-house manufacturing has helped our company to increase volume as we cater to a larger target consumer segment. Volume growth has been seen across product categories, except LED lighting in comparison with the 9 months Y-o-Y.

Our focus has been on building a strong foundation rooted in consumer satisfaction, which inspires us to push the boundaries of innovation. This quarter, we expanded our product portfolio and ventured into new categories, always keeping our customers priority at the core. During the quarter, the company has successfully added new variants of products to widen its product offering that includes our ultrafast double chopper, a thermo cup and the Pigeon jumbo series of cooktops, the Electra Electric pressure cooker, to name some of them. The first is on in-house manufacturing and increased backward integration has strengthened our business agility while ensuring quality and cost efficiency.

Now I will discuss the Q3 FY '24 financial performance.

The consolidated **revenue** stood at INR362 crores for the current quarter versus INR325 crores in the Y-o-Y quarter, hence registering a growth of 11.4% on Y-o-Y basis.

Gross profit for the quarter stood at INR139 crores versus INR109 crores in Q3 FY '23 and INR134 crores in Q2 FY '24, registering a growth of 28.2% Y-o-Y and 3.8% quarter-on-quarter.

Gross profit margin for the current quarter stood at 39%. That is an increase of 503 basis points Y-o-Y. Our gross profit margin continues to stay above the 35% level for the third quarter -- third straight quarter. And we are moving towards upward of 37% gross margin.

EBITDA for Q3 FY '24 stood at INR30 crores versus INR25 crores in Q3 FY '23, showing a growth of 18% Y-o-Y. The EBITDA margin for the current quarter stood at 8.3% versus 7.8% in Q3 FY '23, improving by 48 basis points Y-o-Y.

Profit after tax for Q3 FY '24 stood at INR6.8 crores versus INR7.8 crores in Q3 FY '23, majorly being impacted by the disruptions in operations by the I-T raid during this quarter.

Now I will discuss the 9-month FY '24 financial performance.

The consolidated **revenue** at INR1,039 crores for 9 months FY '24 versus INR1,006 crores revenue for 9 months FY '23, hence registering a growth of 3.3% on Y-o-Y basis.

Gross profit for the 9 months FY '24 stood at INR383 crores versus INR331 crores in 9 months FY '23, registering a growth of 16% Y-o-Y.Gross profit stood at 37%, that is an increase of 397 basis points Y-o-Y.

EBITDA for 9 months FY '24 stood at INR94 crores versus INR93 crores in 9 months FY '23, showing a growth of 1% Y-o-Y.

The EBITDA margin for 9 months FY '24 stood at 9% versus 9.3% in 9 months FY '23.

Profit after tax for 9 months FY '24 stood at INR32 crores versus INR42 crores in 9 months FY '23.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Achal Lohade from JM Financial.

Achal Lohade: Sir, my first question is with respect to the revenue. Within that, the first thing is, in the last call, you mentioned that there was a INR50 crores of sales worth of INR50 crores got pushed to 3Q because of the delayed festival. Now if I adjust for that, it seems we have seen a decline Y-o-Y. So the question is, a, what is the volume growth for the quarter, b, is that -- is there a particular slowdown in any of the category, any of these geographies? Yes, that's my first question, sir.

Rajendra Gandhi: Yes. So for the volume growth, we have grown on every segment -- every product segment Y-o-Y on volume. If you want the detailed volume growth, on pressure cooker, we have grown by 11%. The gas cooktops, we have grown by 14%. Non-stick cookware, we've grown by 21%. Induction cooktop, we've grown by 26%. We have degrown on LED by 28%. But on small appliances, we have grown by 37%.

So -- but there will be a difference in growth on value basis because there has been softening of input costs. And so the value growth also, if you want, I can share with you.

Achal Lohade: Yes, please.

Rajendra Gandhi: So on value, on pressure cooker, we are down by 6.9%, cooktop also we're minus 7.7%, nonstick cookware, we are up by 17.4%, induction cooktop by 26.2% and small appliances by value, we are also growing there at 33%.

The different -- in the third quarter, our assumption was, of course, because the festive was pushed to in the third quarter. We are assuming to grow over the second quarter. There is definitely a disruption in the overall revenue. We were shut down for about between 5 to 6 days at the peak of the performing period.

Generally, our sales between the 20th and 30th generally contribute a larger number compared to the remaining part of the month. And the operations were shut down during the I-T raid for 6 days. So this has definitely impacted both revenue and, in fact, it has definitely impacted our bottom line because all the costs continue to remain and the direct gross margin, otherwise, would have flown into the bottom line.

Achal Lohade: Okay. Sir, without being argumentative, I'm just checking because the Diwali was in the 1st or the 2nd week of November, this I-T raid happened in 3rd week of November, anyways, the season would have, I mean, the push is kind of done in October itself. So was that -- I mean, was that disruption not kind of recouped after that? I mean, how can that be a permanent loss when it happened during the quarter and not towards the back end of the quarter, sir?

Rajendra Gandhi: So we had -- we continue to have high demand for several of the products and we are actually not able to meet the demand or we are just able to meet the demand. Definitely, the disruption has affected the revenue. There are several products like our kettles and air fryers. So though the Diwali was over, the pipeline throughout the channel was empty and there was adequate demand. Definitely, it has impacted our -- both the sales and manufacturing -- both at the manufacturing level and the sales level.

Achal Lohade: Understood. Sir, just to probe on this, in terms of pressure cooker, you said volume growth is 11%, but the value decline is 7%. That means the price impact is closer to 18%. I mean, is that a price reduction? Is that schemes discounts? And can you broadly speak about what kind of discounts have you seen across categories? If you could guide category by category, please?

Rajendra Gandhi: Yes, there is a softening on the aluminium versus the last year. And majorly, the metal that contributes both stainless and aluminium. And we have seen a softening in the input costs. Generally, we are a cost-plus model, while we are working on improving our margins.

But otherwise, it's driven by cost plus, and definitely, those things get passed down. There is an improvement on our gross margins because of our initiative to increase our gross margins also. But otherwise, we are a cost plus company.

Achal Lohade: Sir, what I wanted to ask is what is the extent of discount category by category? Is it like in pressure cooker, you have had a 15% kind of a discount of schemes, which were running? Or this is actual price reduction you have taken across the categories?

Rajendra Gandhi: Particularly in pressure cookers, I think it's not about reducing the price. This is a cost plus every quarter based on our input costs. This more or less gets passed on, which may be some lag, of course, but otherwise, it gets passed down. And definitely, there has been input cost reduction in pressure cooker. So the net impact is what, as I mentioned, while we have degrown by 7%, our volume growth has been there to the extent of 11%.

Achal Lohade: Understood. And if I may ask with respect to the other expenses, they have gone up 42% Y-o-Y. Would you want to split the -- I mean the key line item?

Rajendra Gandhi: The major 2 line items that have gone up for us is people costs have gone in excess of INR20 crores over the 9 months period. And we have been introducing new products continuously during the year. And this -- as we have invested more to the extent of INR10 crores on marketing, this INR30 crores of impact has come with these 2 major line items.

Achal Lohade: Okay. For the quarter, if you could quantify, sir, because where I'm coming from, typically 2Q and 3Q will be double-digit margins. And we have seen 3Q is actually at 8.3%, which means that what you had mentioned in the last call that you are looking at a double-digit margin for FY '24, that may not be achieved.

Rajendra Gandhi: Yes. So Q3 FY '24, we have INR8 crores of impact on employee costs in the quarter. And in the Q3 quarter, we have an increase of INR3.8 crores in the marketing cost. So approximately an impact of INR11.8 crores crores there.

Achal Lohade: Correct. But even if I adjust for that, the other expenses have gone up by 40%. So is it largely on account of the COCO stores?

Rajendra Gandhi: That is also one of the -- because these are company-owned, company-operated stores. We have an operational cost of almost 30% on these stores.

Achal Lohade: 30% of revenue is operational cost?

Rajendra Gandhi: 30%,

Achal Lohade: Yes, yes. Of the store revenue is operational cost, right?

Rajendra Gandhi: Yes.

Achal Lohade: Okay. Okay. So how do you look at the -- now what is the revised guidance in terms of revenue margins for FY '24?

Rajendra Gandhi: So we have seen good demand. There is increase in volume of each of these products. Because of this price correction, the net growth by value seems a little tepid. Of course, again, I'm coming back to that. In the quarter, we would have ideally wanted to end up with at least INR25 crores, INR30 crores higher revenue. We have missed on that. So we are seeing reasonably good demand. There is not a very high demand situation, but there is no worries, and we continue to see similar demand and it is growing.

On the margins, I can tell you the most important thing for us was to improve on our gross margins. We are also cognizant of the additional cost that has gone up in the -- both on the employee -- employee costs. But all that is at the bring now, and there is a possibility of remaining at the current level. And as our revenues grow in absolute -- or in percentage terms, our employee costs will definitely come down. And that will aid the improvement in EBITDA margin.

Achal Lohade: Any number you want to guide for EBITDA margin, sir?

Rajendra Gandhi: This year, I think we will miss 11%, but we are very confident of that 11% going forward because we believe that at the gross margin, whatever -- wherever we want us to be, we are almost there. And if we continue to be there, then I don't think we have any challenges with the 11% expectation.

Moderator: Next question is from the line of Khush Gosrani from InCred Asset Management.

Khush Gosrani: Sir, if you could highlight what has been the revenues in last 9 months from our own COCO stores?

Rajendra Gandhi: Yes, just a minute. We are closer to INR30 crores.

Khush Gosrani: INR30 crores. And what would be the -- this would be now at EBITDA basis? Or what would be the -- are we incurring some losses there?

Rajendra Gandhi: No. We are EBITDA positive. We may -- our EBITDA margins are in line with the company's EBITDA margin, or I can say in the retail, even at the current level, we are better than the company's EBITDA margin.

Khush Gosrani: Okay. And sir, in this quarter, we have grown sales by 11%. So what would be the volume growth? How much of it would be due to volume, sir?

Rajendra Gandhi: Actually, I will have to consolidate and give you because product-wise volume growth -- volume growth margins, but I can consolidate, but it is in the range of 15% to 17%.

Khush Gosrani: And sir, given that -- this question is a bit on the short-term side. But sir, given that generally Q4 is bit of a leaner quarter for us. How are you seeing the demand ramping up? So you have -- I guess you have the volumes over there, but I think can you highlight over there?

Rajendra Gandhi: Can you please come back?

Khush Gosrani: So sir, in Q4, how are the sales looking since now January has gone by? How is the demand trends that you are seeing, sir? Can you fill the gap that INR20 crores, INR25 crores that we have missed in this quarter?

Rajendra Gandhi: So the Q4 relatively is a smaller quarter compared to the Q2 and Q3. But for the period that has gone by, we're seeing growth over the previous Y-o-Y quarter, we are seeing good growth.

Khush Gosrani: Okay, sir. And a bit on the long-term side, sir, we will continue to grow by double digits for FY '25, '26 and reach that double-digit guidance of 11% margin. How confident are you now?

Rajendra Gandhi: We are more confident than before in the -- compared to the recent quarters both because we are now hovering around that 37-plus gross margin, and we believe there is scope for improvement because more and more new products that we have introduced have got good traction at the right margin.

And even our retail, as it starts contributing more, our gross margins will improve. Of course, there is also a cost to the retail business. And on the demand side and growth, I can only -- I can say that the sector that we were not very large is where we are getting -- is going to become the largest for us and the contribution from small appliances, we believe, will be the largest.

So this is a completely new business that is getting accrued to our business and our existing product categories are also growing. So we are confident in a normal scenario to grow at a very high double digit. But even otherwise, considering not a great situation because of, I can say, on volume growth, we have no regret, but definitely on value this year, we would have ideally wanted to grow at our historical 19%, 20% CAGR. But I think we will end up at around two -- still closer to a double digit or maybe a notch lower for the year.

Moderator: The next question is from Akash Jain from MoneyCurves Analytics.

Akash Jain: Yes. I have a couple of questions. Given the current demand scenario, which is reasonably tepid across companies and across consumer categories also, we are seeing that. Can you throw some light in terms of, is there rethink on the total capex plans because we're already hitting on significant capacity and utilization is not that high.

So is there a rethink on capex? Because obviously, it starts hitting you on fixed cost and depreciation as well. So just one question on what is the plans for capex both in -- maybe in the next 1 or 2 years, what is the plan? And the second question is...

Rajendra Gandhi: I think we are at the back-end of our capex cycle. We have put all the plans in place. There is an ongoing capex, which will conclude by the middle of next year. Apart from the retail store expansion capex and normal maintenance capex, majority of that is done.

Of course, there is work in progress. It also will be part of our next year plan. But I can say we are at the back-end of our capex cycle. So all that we aspire to have more or less is in place. And so wherever we are at the current level, there is enough room for growth from here.

Akash Jain: The cast iron project, what -- how much more capacity to be incurred next year, sir?

Rajendra Gandhi: I think we'll be able to put the plant in place by March, April. Approximately 60% of the capex is done, and we believe about between INR20 crores to INR25 crores of capex is due.

Akash Jain: Which is going to happen in Q4 and maybe a little bit in Q1, but mostly Q4?

Rajendra Gandhi: Yes, sir.

Akash Jain: Sir, the second question is related to retail. So right now, the whole strategy has been on opening stores and having like COCO stores. Is there a thought process towards franchising it? That is one part. Second, I also want to understand the whole profitability on how we are looking at profitability of retail? See, one is on EBITDA margin, you are looking at it, but the gross margin obviously is higher because you are capturing the retail part of the margins also.

What is distributor sales? What is our own retail sales, right? So gross margins ought to be higher. But are we -- from a cost perspective, how much cost we are allocating, etcetera? I want to understand broadly what is the profitability the company is looking at, at a retail business level?

Rajendra Gandhi: Okay. So first, I'll answer both your questions. On the franchising model, we already started this. So all the plans for the next year that we have on opening these stores, it is a cash neutral for us. So these will continue to be company-owned, but franchisee-operated. So all the capex that goes or the cash outflow that goes into each of these stores, is recovered by way of non-refundable or refundable deposits from the franchisees.

We are already having enough traction for that. And so there is not additional cash allocation for expanding these stores. On the gross margin, I can say that we are in the range of 48% to 52% on gross margin for these stores. And we are at about 30% on operational cost. So overall, it's a positive to our EBITDA even at the PAT level for the retail business. And actually, as the stores mature, they start contributing better.

Akash Jain: Are we going to convert all of our existing stores to franchisee model that are company-owned franchise operated or part of it will remain COCO and part of it will be franchise?

Rajendra Gandhi: We have a different strategy for this. We first open these stores as company-owned, company-operated stores. And when these are well established, then we appoint these franchisees. So this is a dynamic situation. So existing stores move to franchisee-operated and new stores get opened as company-owned company operated, but it is not limiting to this.

There are franchisees who have already started experiencing and if they want to open more stores because there is a sow-crop way of operating these stores, but we believe they are required to fall in line with our expectations. And so -- but with the kind of, what you call, acceptance from the franchisees.

The plan for us is that going forward, assuming we are already at 140 at the beginning of this quarter, or at the end of last quarter, assuming we are at the 160, 170 stores. At any point of time, this 140 to 170 stores is the maximum where our investments will remain and all the new stores will automatically move to the franchisee-operated company-owned stores.

Moderator: The next question is from the line of Arkopratim Pal from Sanjay Agarwal Broking.

Arkopratim Pal: Most of my questions you already answered, but only I want to ask that what is your expectation about the demand scenario of this current coming quarter compared to last quarter?

Rajendra Gandhi: So our fourth quarter is softer than the third quarter always historically, but we are growing over the similar period last year. Y-o-Y, so far for the quarter, we are seeing good growth.

Arkopratim Pal: Okay. And could you please elaborate on any potential change in OPA that might be anticipated for the current quarter?

Rajendra Gandhi: Can you please come back?

Arkopratim Pal: I'm asking can you please elaborate any potential changes in operating profit margin that might be anticipated for the current quarter?

Rajendra Gandhi: So we are hovering around 37%, 38% on gross margin, and we believe that we can definitely cross the current EBITDA margin levels for the quarter.

Arkopratim Pal: Okay. And one more question I want to ask that how much does the price decrease or increase in that quarter?

Rajendra Gandhi: In the current quarter, it's stable, is in line with last quarter. We have taken a small jump post January. We have taken a small increment in our prices.

Moderator: Next question is from Rajesh Jain from NB Investments.

Rajesh Jain: Sir, first the small clarification, in any of the stores, exclusive brand stores that were opened during Q3 or anything that you're planning for Q4, any of these are on the franchisee or still all are in COCO only?

Rajendra Gandhi: Okay. So about 10 stores from our existing stores have moved to franchisee, but there is a pipeline of franchisees. And we have a run rate of 8 to 10 stores per month. We are currently not at the run rate of 8 to 10 stores per month on franchisee. But at the beginning of next year, we'll be ready with the same run rate at the rate that we open new stores and what we will be franchising.

So in all the sum and substance is that our new year -- the next year, the next financial year, there is no cash outflow on account of new stores that are being opened. We have aggressive plans on opening stores, but we also are equally confident of having franchisees to manage these stores.

Rajesh Jain: Correct. Sir, in response to the earlier questionnaire, so my understanding is that what you are saying is, let's say, you end up the year with 160 or 170 stores. So next year also, by end of FY '25, you would still have 160 COCOs only, but the number of stores would have gone up maybe 250 or something. The balance 90 would be franchisee. Is that is what you're saying, correct?

Rajendra Gandhi: Your understanding is absolutely right, sir.

Rajesh Jain: Okay, fair enough. Sir, my second question is, what is -- how is the response to our modular kitchen, sir, because you were very bullish. So anything -- after that, we haven't heard anything from you. So how is the sales? Anything has happened during the FY '24 from this segment?

Rajendra Gandhi: So modular kitchens are part of our retail stores, and we are not marketing these modular kitchens anywhere outside the retail stores. We have reasonably very -- I mean, it's not a significant revenue contributor to our sales, but we are selling about 15 to 20 kitchens a month, and the kitchen size is quite low. So it's not very substantial.

Rajesh Jain: So how much you have done, let's say, in FY '24 till now from this segment?

Rajendra Gandhi: We will have to get this number, but -- we'll share it with you, sir.

Rajesh Jain: No problem, but what I'm saying is, is it not as per your expectations when you had acquired this company?

Rajendra Gandhi: To be very honest with you, we have not explored any other channels of sales, but it's part of our retail stores and is not significant.

Rajesh Jain: Okay. Fair enough. But going ahead, in FY '25, are you want to explore any new ways or anything to get a significant revenue from this product?

Rajendra Gandhi: From the kitchen business or business...

Rajesh Jain: From the modular kitchens, I'm asking.

Rajendra Gandhi: Modular kitchen, no. We will continue to have these kitchens in our stores and organically grow on the retail business.

Rajesh Jain: Okay. Fair enough. Sir, my next question was regarding the another company that you bought towards the SKAVA. So is there anything happening with this company, which you had acquired?

Rajendra Gandhi: That is part of our LED business now. And gradually, these are moving to the Pigeon brand.

Rajesh Jain: Okay. So -- but anything we have got -- I think there were discussions that you want to bring down the credit facilities and all that from those dealers of SKAVA. So now how much revenue we are getting from the SKAVA products?

Rajendra Gandhi: These are part of the LED business. I will also want to say that we have not grown on the LED business in the last 9 months, both because of fall in unit prices, and there is strict competition on this, but we are more excited with our appliances business and the growth in the appliances business. Our more focus is moving towards our core business that is the kitchen and home. And the -- while the business continues to be there, it is not that it is on -- neither it is on high growth, nor it is on a high focus.

Rajesh Jain: So what you're trying to say is both these modular kitchen and the SKAVA products, they are there part of our products, but it has not been given more focus because it is not a high-growth product segment, correct?

Rajendra Gandhi: No, it's not that they're not a win for us. We believe that we'll be more focused on our kitchen and home. We did endeavour to get into these lines. We'll continue to be there in both the segments, but they are not of high focus.

Rajesh Jain: Okay. Fair enough. Sir, my last question is, I was going to the earlier calls. There was a mention of selling the BLACK+DECKER products through Lifestyle. So anything we got the approval or any update on that?

Rajendra Gandhi: We never mention Lifestyle. We continue to sell our BLACK+DECKER range of products, and we are going to add quite a few products to the brand in the few quarters -- in the coming quarters. But we may also sell to any of these modern retailer -- modern retail outlets. But I don't remember having specifically mentioned to you.

Rajesh Jain: So there was no plan to sell it through Lifestyle or anything, right?

Rajendra Gandhi: We may be selling. I'm not ruling it out...

Rajesh Jain: Okay, okay. But not as planned as of now. That's what you're trying to say?

Rajendra Gandhi: I think we may be talking to them. So the team that handles BLACK+DECKER would be able to know better. But it's not that we would have made a mention of this.

Rajesh Jain: Okay. No problem. Sir, my last question, if I could squeeze in. Sir, you are very much stick to this brand of -- the range of 11% to 13% EBITDA margins. And whatever you do the backward integrations, whatever savings you do, you always want to profit on to these customers. So I just wanted to know why are you so much particularly in that 11% to 12% EBITDA? Why we can't aspire for higher range?

Rajendra Gandhi: I think directionally, I hope you would have got that we have moved from 32%, 33% gross margin to 37%, 38% gross margin. It's also aided by our backward integration also. There would have been instances of additional spend during this growth period and expansion period. This is all stabilized and we believe that ultimately, we will be in that range, and we first want to protect our 11% and then grow from there.

Rajesh Jain: You're trying to tell me that, let's say, next year onward, there is not much of CapEx and your employee costs also would have stabilized, all that. So you mean to say we can aspire for 13% to 15% range, maybe after a year or 2?

Rajendra Gandhi: I would not be able to guide you for margins like that. But I can assure you that we will be able to protect this 11% aspiration.

Moderator: Next question is from Achal Lohade from JM Financial.

Achal Lohade: Sir, can you help us with the fixed cost in terms of the fixed employee cost and the fixed overheads in part of other expenses, which is there for a quarter or a monthly basis? Can you help us with that number?

Rajendra Gandhi: So on the employee cost, we are moving towards -- for the annualized, I can say, we are towards INR165 crores annualized employee cost.

Achal Lohade: Okay. And what about the other cost, sir?

Rajendra Gandhi: The other major cost is our marketing spend. We continue to spend 3.5% of our revenue on marketing. The overall other cost other than these 2, including our output rate are in the range of 8%.

Achal Lohade: Freight alone is 8% or the all other costs included...

Rajendra Gandhi: Freight is in the range of 3.5%. And all -- other than the employee and marketing spend, all other costs including the outward freight is in the range of 8%.

Achal Lohade: Understood. Sir, can you help us with the capex number for FY '24 and '25?

Rajendra Gandhi: It will be far lesser than our overall depreciation for the year.

Achal Lohade: Any numbers, sir?

Rajendra Gandhi: INR50 crores.

Achal Lohade: This is for FY '24. And FY '25?

Rajendra Gandhi: I meant FY '25. FY '24, we are in the same range. So FY '25, we have -- we are going to conclude all the capex that are ongoing.

Achal Lohade: Got it. And can you talk a bit on the exports as to how it is doing, what is the outlook, if you have seen any sluggishness, is there any impact of the rates disruption because of the issues and any impact on the containers availability, pricing, etcetera?

Rajendra Gandhi: We have no problem with our exports. In fact, our exports continue to grow. And because of the nature of that business, we get the visibility for a longer period. We have larger commitments for the coming year. Of course, for them, the year is January to December.

And we see very good growth on our exports, but we will also want to be as cautious on the export. So we will not be -- while we are adding our new customers. And -- but we are seeing -- we'll continue to go on our exports. There is no sluggishness.

Achal Lohade: Why would you be cautious? Any particular reason, sir?

Rajendra Gandhi: Our experience has always been that on export business, if everything is well executed, it's a very good and profitable business. In your admits and if you pay somewhere, then the cost impact is very high. So we would want to do it rightly, both in terms of execution, quality, product development. The most important thing is timely execution.

Achal Lohade: Okay. Understood. And the e-comm have what -- any changes are you seeing on the e-comm front in terms of whether the way the pricing, the competition, the margins?

Rajendra Gandhi: We are very strong -- we have strong presence in e-comm. It gives us that, I can say, power to also price as it is, we are very aggressively priced. So there is no such challenges that we have. And there are several products where we are leaders in this channel also. We are growing on our e-commerce, and similarly, our discussions with them for the next year gives us higher confidence on higher growth for the coming year.

Achal Lohade: Got it. And just one question with respect to these new categories. I remember LED, we started 4 years back, and now we are seeing the struggle to grow given whatever is happening with the competition or the scale. We've also seen that nothing much has really happened on the modular kitchen, the switch, switch gear front, right? So sir, what are your thoughts about the categories? I mean, would you want to be focused only on the kitchen or you want to do the home products as well eventually?

Rajendra Gandhi: Yes, it's not that we cannot build these businesses, but we believe we are better and good at the kitchen and home business. Our channels, the existing and the channels that we are building can contribute. I mean, they can do better with our kitchen and home business. So I can tell you it's a conscious call that we'll continue to be in this business, but not focus on them. And the opportunity within this home and kitchen business is very exciting for us.

So of course, we did invest both in the kitchen and lighting business. So the size of the company, we believe they are not very large investments. So we continue to be there, but I don't think they'll be, at any point of time, core to our main business.

Achal Lohade: Sir, sorry, if I'm hopping on this, if it is not a focus, why would you want to be there? Because ultimately, there will be some amount of management bandwidth is being spared on those categories, right, if you're not going to kind of...

Rajendra Gandhi: So we have deleveraged it to a maximum extent. So when I say the kitchen business, we continue to sell it only through our stores even the manufacturing, we have kind of contract manufactured this kitchen business so that it's kind of a minimum involvement only like exhibiting the order.

Similarly, on the LED business, we'll continue to be on the consumer lighting business. We are doing well on that. And we already have the facility. And we are moving to a kind of a wholesaling kind of arrangement for that. So that is minimizing our expenses at the manpower, the cost -- the main cost to the business. And the same people can contribute better to our -- I mean our home and kitchen business.

Moderator: Next question is from Natasha Jain from Nirmal Bang.

Natasha Jain: Sir, most of my questions have been answered. Just a follow-up on the last participant's question. So earlier, you had said that you're guiding approximately 11%. Did you mean that on an annualized basis or in fourth quarter? Just can you clarify that?

Rajendra Gandhi: In the fourth quarter, we'll continue to be able to move the current trend, we are at about 9% for the year. And for the coming period after the fourth quarter, we believe that we will be able to get back to 11%.

Natasha Jain: Okay. So 9% is your FY '24 guidance and 11% is what you're guiding for FY '25?

Rajendra Gandhi: Yes.

Natasha Jain: All right. Sir, just wanted to understand what exactly is going to drive the 9% on an annualized basis because that would mean that you would have to register EBITDA double digit in quarter 4. Now in terms of the quarter, I believe, it's a softer quarter, gross margins have bottomed out. Sir, what exactly is going to drive our performance to get that EBITDA of 9% on an annualized basis? Can you just tell us what will be the driver there?

Rajendra Gandhi: So YTD, we are already at 9%. We are upwards of 9%. It's not 9%. And if we continue to be at the same level also, we'll continue -- we'll be at 9%. And within 9% and 10% is where we are, maybe -- but the current quarter, as I already mentioned, there was a disruption, we did lose a revenue of INR25 crores,. And majority of that gross margin otherwise flown into our bottom line, and that has impacted the current quarter. And otherwise, we are in that range. So even YTD, we are upwards of 9%.

Moderator: The next question is from Khush Gosrani from InCred Asset Management.

Khush Gosrani: I just wanted to get the sense on the other expense, is the INR61 crores run rate going to be there? Are there any one-offs because out of the INR9 crores increase on a sequential basis, you highlighted INR4 crores is because of additional advertising spends. So where is the remaining INR5 crores is going, sir? Could you help us to solve this mystery?

Rajendra Gandhi: I'll have to understand your question, please.

Khush Gosrani: So sir, this quarter, we did a INR61 crores of other expenses compared to INR52 crores in the September quarter. So that's a INR9 crores increase. Could you quantify why this 9 -- this jump is a bit higher because we were doing INR52 crores of kind of other expenses?

Rajendra Gandhi: Major spends are in these 2 buckets, the major increase on people cost and advertisement spend, the rest will get normal once again.

Khush Gosrani: Okay. So then the advertisement in this quarter was how much was the total quantum of your spend, sir?

Rajendra Gandhi: So the major spend in this quarter was advertising at about INR15.5 crores or INR16 crores and people cost was INR46 crores.

Moderator: In the interest of time, we'll have to take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Rajendra Gandhi: Good evening, all the participants on this call. First of all, thank you all for sparing the time and coming to this call in the late evening hours from your family time. We hope we are able to answer all your queries. And if you have anything that's beyond what we have discussed on this call, please reach out to us. You can directly type us or our Investor Relationship Managers. And thank you once again, and good evening to all of you.

Moderator: Thank you very much. On behalf of Stove Kraft Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.