



IPO DETAILS

| | |
|---------------------|---|
| Issue Date | 25 th Jan-28 th Jan 2021 |
| Price Band | 384-385per Share |
| Bid Lot | 38 & in multiplethere |
| Face Value | Rs 10/Share |
| Listing | BSE, NSE |
| Fresh Issue | Rs 95 Cr |
| Offer For sale | 8,250,000 Eq Shares |
| Pre Issue Eq Shares | 30,080,631 Eq Shares |
| BRLM | Edelweiss Financial Services Ltd, JM Financial Ltd |
| Registrar | KFin Technologies Private Limited |

Company is into providing kitchen solutions .It is one of the leading brands for kitchen appliances in India & among one of the prominent players for pressure cookers and market leaders in the sale of free standing hobs and cooktops. Company is engaged in the manufacture and retail of a wide and diverse suite of kitchen solutions under *Pigeon* and *Gilma* brands.

Key Highlights

Strong market Share: During the six month periods ended September 30, company's *Pigeon* branded products contributed 76.90% of its overall sales, respectively and were amongst the leading brands in the market for certain products such as free standing hobs, cooktops, non-stick cookware, LPG gas stoves and induction During the same period ,company's *Gilma* branded products contributed 5.43% of its overall sales and its *BLACK + DECKER* products contributed 1.50% of its overall sales respectively,

Strong distribution network : Company have a separate distribution network for each of its *Pigeon*, *Gilma* and *BLACK + DECKER* brands. Further, there is a separate distribution network for the *Pigeon* LED products. As of September 30, 2020, company's manufacturing facilities in Bengaluru and Baddi are well connected with nine strategically located C&F agents. Additionally, company have 651 distributors in 27 states and five union territories of India and 12 distributors for its products that are exported as of September 30, 2020. As of September 30, 2020, the C&F agents and distributors are, in turn, connected with a dealer network comprising of over 45,475 retail outlets, which are driven through a sales force of 566 personnel.

Agreements with e-commerce platforms : Company have entered into commercial arrangements with retail chains such as Metro Cash And Carry India Private Limited for the sale of its *Pigeon* branded products from several of their retail outlets in India. Further, company have also entered into agreements with e-commerce platforms such as Flipkart India Private Limited for the sale of its products on their portals. Outside of India, company export its products which are manufactured by it to retail chains in the United States of America and Mexico with e-commerce retailers such as Flipkart India

International presence : Internationally, company's products were exported to 14 countries including UAE, Qatar, Bahrain, Kuwait, Tanzania, Uganda, Nepal, Sri Lanka, Bangladesh, Oman, Ghana, United States of America, Mexico and Saudi Arabia in Fiscal 2020 and the six month period ended September 30, 2020. Further, company supply its products to retail chains in the United States of America and Mexico and company also undertake original equipment manufacturing for retail chains in the United States of America under their brands.

Valuation

Company is bringing the issue at p/e multiple of approx 33x at higher end of price band of Rs 384-385/share on H1FY21 PAT basis. Due to small size of issue , stock may be volatile in short term but looking after financial performance, company seems to be performed well in H1FY21 as compare to last few years hence we would like to see sustainability of H1FY21 financial performance.Also looking after margin profile we feel that there is lot of scope for company to match its peers going forward on margin front as company's margins seems to be lower at present. Hence we recommending investor to subscribe the issue for long term.



Snapshot : Key Product Categories in Indian Kitchen Appliances Market

| | Market Size: Retail Volume (2020) | Market Size: Retail Volume (2025F) | CAGR (2020-2025F) | Mkt Size: Retail Value (2020) | Mkt Size: Retail Value (2025F) | CAGR *(2020-2025F) | Mkt Leader Company (2020) | Market Share of Market Leader (2020) | Market Share of Stove Kraft (2020) |
|---------------------------------|-----------------------------------|------------------------------------|-------------------|-------------------------------|--------------------------------|--------------------|---------------------------|--------------------------------------|------------------------------------|
| | '000 Units | '000 Units | % | INR Mn | INR Mn | % | | % | % |
| Large Cooking Appliances | 14209 | 21761 | 8.7% | 110958 | 201898 | 12.5% | | | |
| Cook Tops | 1751 | 3305 | 13.6% | 25606 | 52,564 | 15.5 % | Stove Kraft Ltd | 25.0% | 25.0 % |
| Free -Standing Hobs | 10,432 | 14,721 | 7.1% | 55,276 | 89,022 | 10.0% | Stove Kraft Ltd | 20.3% | 20.3 % |
| Built in Hobs | 284 | 440 | 9.1% | 4732 | 7924 | 10.9 % | Faber | 23.0 % | 4.8 % |
| Cooker Hoods | 1742 | 3296 | 13.6% | 25344 | 52388 | 15.6% | Faber | 23.0% | 3.8% |
| Non -Stick Cookware | | | | | | | | | |
| Non -Stick Cookware | 7117 | 11389 | 9.9% | 9646 | 20977 | 16.8% | TTK Prestige | 58.2% | 18.9% |
| Small Cooking Appliances | 52613 | 74511 | 7.2% | 86908 | 127247 | 8.1% | | | |
| Pressure Cooker | 31697 | 45273 | 7.4% | 17728 | 27239 | 9.0% | TTK Prestige | 48.2% | 11.4% |
| Electric Kettle | 757 | 1024 | 6.2% | 1482 | 2307 | 9.3% | Bajaj | 23.8% | 21.1% |
| Electric Rice Cooker | 2186 | 2995 | 6.5% | 4421 | 6140 | 6.8% | Panasonic | 35.0% | 4.7% |
| Coffee Maker | 327 | 455 | 6.8% | 1238 | 2333 | 13.5% | Bajaj | 29.1% | 6.6% |
| Juice Extractor | 249 | 348 | 6.9% | 970 | 1431 | 8.1% | Bajaj | 25.7% | 3.8% |
| Mixer Grinder | 13860 | 19484 | 7.1% | 44352 | 64477 | 7.8% | Bajaj | 21.1% | 2.7% |
| Blender | 1229 | 1713 | 6.9% | 3623 | 5063 | 6.9% | Phillips | 44.6% | 0.5% |
| Food Processor | 2309 | 3218 | 6.9% | 12283 | 18257 | 8.3% | Phillips | 25.6% | -- |

PEERS DATA



INVESTMENT RATIONALE

A one stop shop for well recognized, award winning portfolio of kitchen solutions brands with a diverse range of products : Company's brand portfolio, comprising of the *Pigeon, Gilma* and *BLACK + DECKER* brands caters to the value, semi-premium and premium customer segments in the kitchen solutions industry, and allows its customers to engage with the brand specifically designed for their budget and lifestyle. Company's *Gilma* brand is focussed on offering the semi-premium experience to its customers with a wide variety of products such as chimneys, hobs, glass cooktops etc. In September 2016, company entered into the *BLACK + DECKER* Brand Licensing Agreement with Stanley Black & Decker, Inc. and The Black and Decker Corporation, a diversified global provider of hand tools, with a large presence in the small domestic appliances space. Company's tie-up with Stanley Black & Decker, Inc. and The Black and Decker Corporation will enable company to penetrate the premium segment of the kitchen appliances industry, and contribute significantly in the recognition, demand and growth of company's overall brand portfolio.

Widespread, well connected distribution network with a presence across multiple retail channels and a dedicated after-sales network: As of September 30, 2020, company's *Gilma* brand products are sold exclusively through 65 *Gilma* stores located across 28 cities and towns in four states. Internationally, company's products were exported to 14 countries including UAE, Qatar, Bahrain, Kuwait, Tanzania, Uganda, Nepal, Sri Lanka, Bangladesh, Oman, Ghana, United States of America, Mexico and Saudi Arabia in Fiscal 2020 and the six month period ended September 30, 2020. Further, company supply its products to retail chains in the United States of America and Mexico and company also undertake original equipment manufacturing for retail chains in the United States of America under their brands.

Strong manufacturing capability with efficient backward integration: Company's Bengaluru Facility is a large facility for the manufacture of kitchen solutions, which is spread over approximately 46 acres and five guntas out of which 30 acres and one gunta is available for future expansion. It is an integrated facility comprising of 12 manufacturing units, tailored to manufacture pressure cookers, non-stick cookware, hard anodized cookware, mixer grinders, induction cooktops, LPG stove, glass cooktops, IR thermometer and handy vegetable chopper. Further, Company has also commenced manufacturing LED products in its Bengaluru Facility. For Fiscal 2020, it had an aggregate production capacity of 19.50 million units per annum and as of September 30, 2020, the aggregate production capacity increased to 38.40 million units per annum.

Strong R&D

Over the years, based on experience company have focussed on investing in experience based product innovations that are most relevant in creating the best consumer experience. The year on year expansion and optimisation of company's product portfolio has also been innovative, and company have added segments based on shifts in consumer preferences and market demand. As of September 30, 2020, company have a dedicated in-house R&D facility, comprising of 13 personnel, and company have progressively increased its investment in R&D in the last few years. To strengthen innovation, in the past, company had also entered into tie-ups with foreign companies for technology enablement and tech knowhow agreements with them from Fiscal 2013 to Fiscal 2015. As a result of company's focus on innovation, company developed the '*Super Cooker*' which has a registered design and is customizable into products with multiple utilities. Company have also developed the '*Super Storm Advanced*' mixer grinder, with forced air cooling technology, and the '*Infinity*' glass cooktops with a fastener free body.



ABOUT COMPANY

Company Overview:

Company's products are sold under three brands, viz. *Pigeon*, *Gilma* and *BLACK + DECKER* to cater to the value, semi-premium and premium customer segments, respectively. Set out below is a brief overview of the class of products retailed under each of the brands:

Pigeon, which is value for money brand, offers a wide array of products under various sub categories. Set out below is an overview of the products currently offered by company under the *Pigeon* brand:

| Cookware | Cooktops & other Kitchen Solutions | Small Appliances | Other Products |
|---|--|--|---|
| <ul style="list-style-type: none"> Pressure Cookers Titanium Hard anodized cookware Wondercast cookware Non-stick cookware Electric rice cookers | <ul style="list-style-type: none"> Hobs Glass cooktops Stainless steel cooktops Induction cooktops Chimneys | <ul style="list-style-type: none"> Mixer Grinders Rice cookers Electric kettles Toasters Sandwich makers Knives Steam irons Juicers Food steamers Electric grills Handy vegetable chopper | <ul style="list-style-type: none"> Emergency Lamps Water bottles Aluminium ladders Cloth dryers Dustbins Floor mops Tiffin box |

Gilma

Currently, the *Gilma* portfolio comprises of chimneys, hobs and cooktops across price ranges and design offerings. While *Gilma* chimneys come built with higher suction power and a lifetime warranty, the hobs offer features such as anti-rust stainless steel body, energy efficiency and one touch auto ignition. Similarly, *Gilma* LPG stoves are designed keeping in mind thermal efficiency, durability and portability. *Gilma* LPG stoves use toughened glass and brass burners, and come with a two year warranty. Additionally, the Company has recently entered into the market of IR thermometer and pulse oximeters since July 2020 and August 2020, respectively, which, during the six month period ended September 30, 2020 has contributed 2.34% and 0.74%, respectively to company's overall sales.

BLACK+DECKER

| Small Appliances | Other Products |
|--|--|
| <ul style="list-style-type: none"> Food Processors Juicers Hand Blenders Hand Mixers Mini Choppers Oven toaster grills Ricer cookers Coffee makers Toasters Snadwich makers Kettles | <ul style="list-style-type: none"> Steam irons Dry irons Water heaters Oil fin radiators |



Risk Factors:

Company compete with national businesses that utilize a similar retail store strategy, as well as local unorganized kitchen cookware appliance manufacturers. The sales growth in the kitchen cookware appliances industry has encouraged the entry of many new competitors, new business models, and an increase in competition from established companies, many of whom are willing to spend significant funds and/ or reduce pricing in order to gain market share.

Objects of Issue:

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment/pre-payment, in full or part, of certain borrowings availed by company; and
2. General corporate purposes

Financial Statement

(Rs Cr)

| Particulars | FY18 | FY19 | FY20 | H1FY21 |
|-----------------|---------|--------|--------|--------|
| Total Income | 528.95 | 640.94 | 669.86 | 328.84 |
| Total Exp | 518.98 | 611.12 | 636.07 | 283.77 |
| EBIDTA | 9.97 | 29.82 | 33.79 | 45.06 |
| Other Income | 5.63 | 1.66 | 3.05 | 0.67 |
| Depreciation | 11.23 | 12.34 | 12.41 | 6.87 |
| EBIT | 4.38 | 19.14 | 24.43 | 38.87 |
| Interest | 16.94 | 17.92 | 20.90 | 10.10 |
| PBT | -12.56 | 1.22 | 3.53 | 28.78 |
| E/O Items | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT | -12.56 | 1.22 | 3.53 | 28.78 |
| Sh Of Profit in | | | | |
| Asso | 0.00 | 0.00 | 0.00 | 0.00 |
| PBT | -12.56 | 1.22 | 3.53 | 28.78 |
| Tax | -0.54 | 0.49 | 0.36 | 0.00 |
| PAT | -12.02 | 0.74 | 3.17 | 28.78 |
| Eq Cap | 18.90 | 24.72 | 24.72 | 24.72 |
| Net Worth | -180.10 | -63.95 | -60.18 | -29.94 |
| Eq Shares | 1.89 | 2.47 | 2.47 | 2.47 |
| EPS* | -4.95 | 0.27 | 1.05 | 1.46 |

Source:RHP

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