Stovekraft Private Limited

Instrument	Amount (Rs Crore)	Rating Action (November 2016)
Long term scale - Fund based	54.74	Downgraded from [ICRA]BB to [ICRA]BB-, outlook revised from 'Stable' to 'Negative'
Short term scale - Fund based	25.00	[ICRA]A4 reaffirmed
Short term scale - Non fund based	25.00	[ICRA]A4 reaffirmed
Total	**104.74**	

ICRA has downgraded the long term rating assigned to the Rs. 54.74 crore fund based limits of Stovekraft Private Limited ('SKPL' / the company) from [ICRA]BB (pronounced as ICRA double B) to [ICRA]BB- (pronounced as ICAR double B minus). ICRA has reaffirmed the short term rating assigned to the Rs. 25.00 crore fund based limits and Rs. 25.00 crore non-fund based limits of the company at [ICRA]A4 (pronounced as ICRA A four). The outlook on the long term rating has been revised from 'Stable' to 'Negative'.

The rating downgrade and revision in outlook factors in the deterioration in financial profile of SKPL on account of operating and net losses reported by the company during FY2016. The company's margins were impacted by inventory adjustments and provisions following stock verification and review of slow moving inventory, as well as lower than expected revenue growth due to loss of market share in certain segments such as direct sales to oil marketing companies. The losses have further widened the balance sheet funding mismatches and strained the liquidity position of the company, as reflected in the low current ratio, stretched payable days and consistently high utilization of working capital limits. The rating is also constrained by the weakened capital structure and debt coverage metrics on account of the losses incurred; moreover, considering that the private equity investments in the company carry a buy back provision, the adjusted gearing levels are significantly higher at 2.91 times as on March 2016.

The rating, however, continues to take into account the established presence of the company in the domestic kitchen appliances industry, particularly in southern Indian market. The company's sales from the retail segment for Pigeon branded products has seen stable growth over the last two years, which has also been aided by the competitive pricing offered by the company for its products.

Going forward, ability of the company to show recovery in profit margins and correction of balance sheet funding mismatches through raising of long-term funds would be the key rating monitorables.

Company Profile:
Stovekraft Private Limited (SKPL) is a Bangalore based company engaged in the manufacture and sale of a wide range of kitchen appliances. The company markets its products under two brands: 'Pigeon' and 'Gilma'. Products sold under the 'Pigeon' brand through multi-brand retailersinclude pressure cookers, LPG gas stoves and non-stick cookware. Under the 'Gilma' brand, SKPL markets chimneys, hobs and a range of kitchen appliances including mixer-grinders, wet grinders, microwave ovens, etc, besides catering to the growing modular kitchen segment. The company has a strong presence in Southern India with states such as Karnataka, Kerala, Tamil Nadu and Andhra Pradesh being the major markets. SKPL's manufacturing facilities are located at Ramanagara, Karnataka, and Baddi, Himachal Pradesh.

Recent Results:
For the half-year ended 30th September 2016, SKPL reported a net profit of Rs 1.59 crore on operating income of Rs 242.47 crore (based on consolidated numbers). In financial year 2015-16, SKPL reported a net loss of Rs 25.25 crore on operating income of Rs. 347.07 crore. During the financial year 2014-15, SKPL reported a net profit of Rs. 3.38 crore on operating income of Rs. 328.54 crore.

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