

Hindware Home Innovation (HINDWARE)

A turn around story in the making!

BUY

(Maintained)

CMP: INR 209 | Target Price: INR 253

Upon demerger of EBITDA loss making Consumer Products Business, market would 1) rerate Building Products Business valuation multiple and 2) ascribe positive value to the loss - making consumer business

HINDWARE' Consumer Products Business has been loss making at the EBITDA level (FY24/9MFY25 EBITDA loss of INR 125/139Mn) and has always been a drag on the core financials of HINDWARE. Separating the 2 businesses is a welcome development and would most likely rerate the Building Products Business. Additionally, Consumer Products Business, despite being loss making at EBITDA level, may be ascribed a positive value by the market as management's focus on kitchen appliances sub segment may show path to profitability. **Our proforma workings below show value unlocking of up to INR -4,750Mn (INR 57/sh)**; half of it driven by rerating of Building Products Business and half of it from explicit value ascribed to loss-making Consumer Products Business.

Initiatives to turn around Building Products Business also underway under the new leadership

The Building Products Business of HINDWARE (86% of TTM revenues) has been struggling, with revenue growth volatility owing to internal restructuring over the past two years. However, turnaround initiatives are underway, led by newly appointed CEO Nirupam Sahay, who brings 30+ years of leadership experience in driving profitable growth across marquee companies. His strategy includes a refreshed go-to-market approach, product portfolio revitalization, brand-strengthening efforts, and a focus on high-margin products, which would most likely start producing results (profitable growth) over the next 3-4 quarters.

Our View:

We continue to maintain **BUY** rating on the stock with a **TP of 253/sh (23x FY27E EPS)**. We have not revised our estimates and valuation as of now. We would factor in the benefits of the composite scheme of demerger i.e. 1) revising higher the valuation multiple of Building Products Business and 2) ascribing a positive value to the Consumer Products Business, **as proposed demerger scheme receives the requisite regulatory approvals**. Given the recent interest of large business conglomerates (Birla/Adani groups) in the building materials sector and adjacencies (paints, wires and cables, cement), we don't rule out any consolidation in the industry.

Proforma Workings:

Hindware Ltd (Building Products Business)

INR Mn	FY25P	FY26P	FY27P
Revenue	22,068	23,972	26,493
Operating Costs	19,953	21,465	23,404
EBITDA	2,115	2,507	3,089
Depreciation	1,049	1,198	1,328
EBIT	1,066	1,309	1,761
Less: Interest	895	744	578
PBT	171	565	1,184
Valuation (INR/sh) @ 10x FY27E EV/ EBITDA multiple. Peers trading in the range 15x+	290		

Source: Company, CEBPL

HHIL Ltd (Consumer Products Business)

INR Mn	FY25P	FY26P	FY27P
Revenue	3,542	3,365	3,399
Operating Costs	3,720	3,332	3,365
EBITDA	(177)	34	34
Depreciation	225	242	260
EBIT	(402)	(208)	(226)
Less: Interest	12	11	10
PBT	(415)	(219)	(236)
Valuation (INR/sh) @ 0.5x FY27E MCap to Sales multiple	20		

Source: Company, CEBPL

Business Insights

Components of value unlocking due to demerger (INR Mn)

Building Products Business (Hindware Ltd) valuation (INR/sh) @ 10x FY27E EBITDA multiple ---> A	290
Consumer Products Business (HHIL) valuation (INR/sh) @ 0.9x FY27E MCap to Sales multiple ---> B	20
Total Value (INR/sh) of HINDWARE post demerger (A+B)	310
Potential Upside to CMP	48%
Potential upside to our current TP (INR/sh)	57

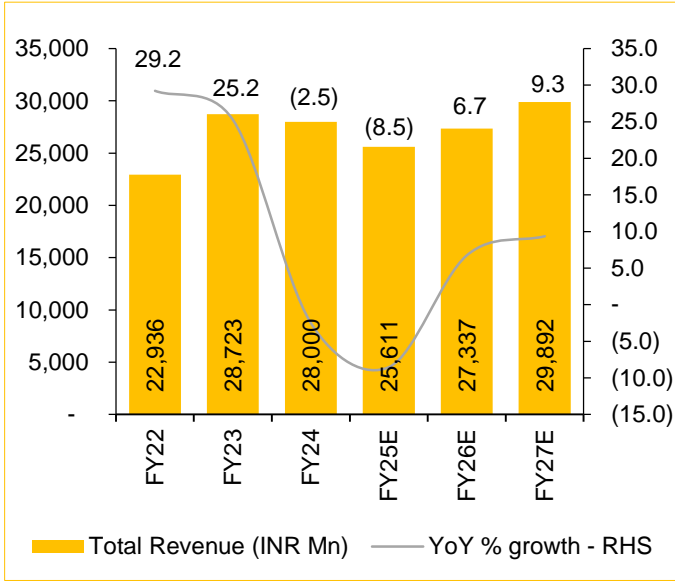
Source: Company, CEBPL

Event Update: Composite scheme of demerger announced - Consumer and Building products businesses to be separated

HINDWARE board approved a composite scheme of demerger on Mar 27, 2025, the contours of which are as follows: 1) Consumer Products Business (kitchen appliance, consumer appliance, fixtures and fitting, offline/online retail, water heaters) will be demerged into a newly formed subsidiary HHIL Ltd and 2) amalgamation of the remaining assets of HINDWARE into other subsidiary, Hindware Ltd, which is the Building Products Business entity (comprising of sanitaryware, faucets, tiles, other bath fittings, pipes and related building products).

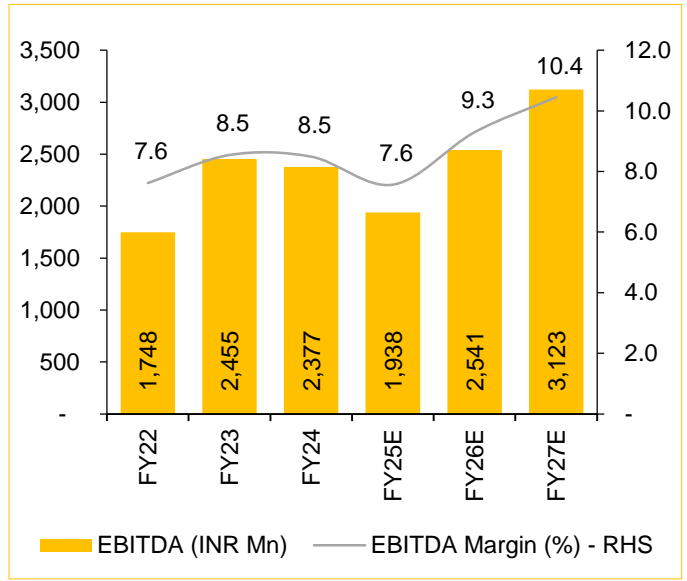
As per the scheme, the Building Products Business will be hosted under Hindware Ltd, while the Consumer Products Business will be hosted under HHIL, both separate and distinct companies. Shares of Hindware Ltd and HHIL will be listed on the stock exchanges while HINDWARE and consequently its shares will cease to exist as a result of the amalgamation of its residual assets (after demerging the Consumer Products Business into HHIL) into Hindware Ltd. It could take 6+ months for all regulatory approvals to be completed.

Revenue to grow by 2% CAGR over FY24-27E



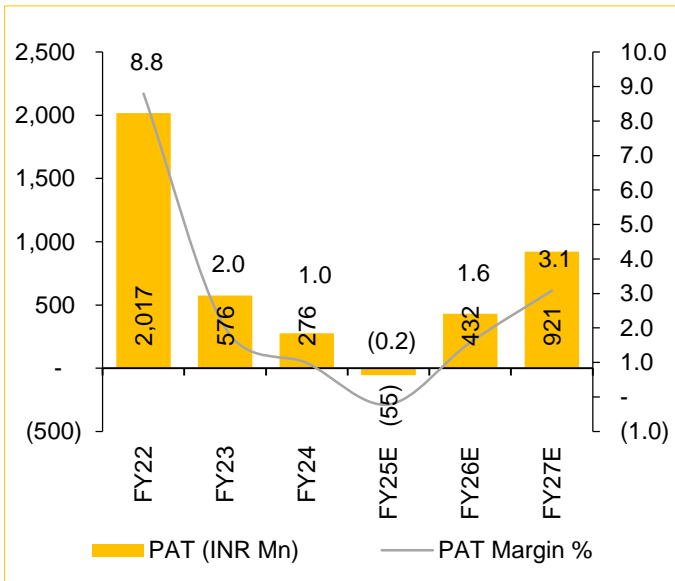
Source: Company, CEBPL

EBITDA to grow by 10% CAGR over FY24-FY27E



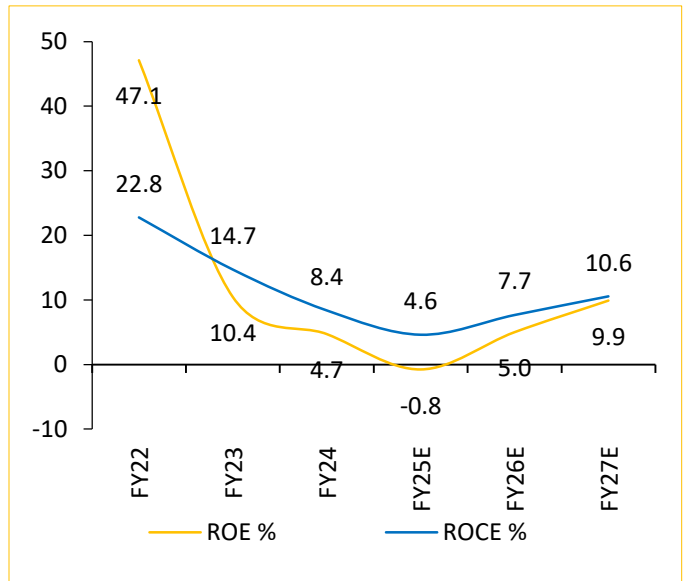
Source: Company, CEBPL

PAT to grow by 49% CAGR over FY24-27E



Source: Company, CEBPL

ROE and ROCE trend to be upward sloping



Source: Company, CEBPL

Business Insights

*All figures are in INR Million

Income Statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,723	28,000	25,611	27,337	29,892
Gross profit	12,349	12,702	11,653	12,439	13,750
EBITDA	2,455	2,377	1,938	2,541	3,123
Depreciation	1,010	1,230	1,274	1,440	1,588
EBIT	1,445	1,147	664	1,101	1,535
Interest expense	771	951	907	755	587
Other Income (Including EO Items)	356	372	400	450	500
Reported PAT	665	368	110	597	1,086
Adjusted PAT	576	276	(55)	432	921
EPS	8.0	3.8	(0.7)	5.2	11.0

Source: Company, CEBPL

Balance Sheet

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	5,757	5,978	8,420	8,852	9,773
Minority Interest	73	89	89	89	89
Other Financial Liability	5,924	5,475	5,671	5,881	6,106
Total debt	7,117	8,367	5,893	5,393	4,893
Other liabilities & provisions	181	201	201	202	203
Total Net Worth & liabilities	19,052	20,109	20,273	20,416	21,063
Net Fixed Assets	9,101	9,156	9,882	9,942	9,954
Capital Work in progress	381	572	269	269	269
Investments	879	1,035	1,035	1,035	1,035
Cash & bank balance	92	293	1,019	157	195
Loans & Advances & other assets	691	1,315	602	670	732
Net Current Assets	7,908	7,737	7,465	8,343	8,877
Total Assets	19,052	20,109	20,273	20,416	21,063
Capital Employed	12,874	14,345	14,313	14,244	14,666
Invested Capital	12,401	13,480	13,024	13,819	14,202
Net Debt	7,025	8,074	4,874	5,236	4,698

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	2,208	2,408	3,284	1,897	2,733
Capex	(1,944)	(1,816)	(1,697)	(1,500)	(1,600)
FCF	263	592	1,587	397	1,133
CFI	(7,047)	(2,188)	(1,674)	(1,506)	(1,609)
CFF	4,667	(19)	(884)	(1,254)	(1,086)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	25.2	(2.5)	(8.5)	6.7	9.3
EBITDA	40.4	(3.2)	(18.5)	31.1	22.9
PAT	(71.5)	(52.0)	(120.0)	NA	113.4
Margin Ratios (%)					
EBITDA	8.5	8.5	7.6	9.3	10.4
Gross	43.0	45.4	45.5	45.5	46.0
PAT	2.0	1.0	(0.2)	1.6	3.1
Performance ratios					
ROE	10.4	4.7	(0.8)	5.0	9.9
ROCE	14.7	8.4	4.6	7.7	10.6
ROIC	11.7	8.5	5.1	8.0	10.8
Financial Stability Ratios					
Net Debt to Equity	1.2	1.4	0.6	0.6	0.5
Net Debt to EBITDA	2.9	3.4	2.5	2.1	1.5
Interest Cover	1.9	1.2	0.7	1.5	2.6
Valuation metrics					
Fully diluted shares (Mn)	72	72	84	84	84
Price (INR)	209	209	209	209	209
Market Cap(INR. Mn)	15,110	15,110	17,482	17,482	17,482
PE(x)	26	55	(316)	40	19
EV (INR.Mn)	21,255	22,149	21,321	21,683	21,145
EV/EBITDA (x)	8.7	9.3	11.0	8.5	6.8
Price to BV (x)	2.6	2.5	2.1	2.0	1.8
OCF/IC	17.8	17.9	25.2	13.7	19.2
EV/OCF (x)	9.6	9.2	6.5	11.4	7.7
EV/IC	1.7	1.6	1.6	1.6	1.5

Source: Company, CEBPL

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