

Hindware Home Innovation

HOLD

Choice

The top line of the company has declined by 10.1% YoY basis to Rs 6.29bn vs our estimates Rs.7.01bn backed subdued real estate demand. Bathware segment revenue de-grew by 9% to Rs 3.6bn vs CEBPL est of Rs 4.08bn and margins declined by 664bps to 9.5%. Pipes segment reported a revenue decline of -7% on YoY to 1.87bn vs CEBPL est of 1.89bn due to decline of RM prices by 9%, whereas company saw a flattish volume growth of 1% on YoY basis to 10,396MT, Pipes Realization down by 8% YoY led to decline in EBITDA/MT by 42% to Rs 12,216 and margins down by 400bps YoY to 6.8% in Q2FY25. Consumer Appliance segment delivered a revenue decline of 14% on YoY basis to 825mn vs CEBPL est of Rs 1,040mn backed by muted demand.

- **Capacity expansion Pipes:** Hindware via its brand "TRUFLO" has done excellent sales growth to Rs 7.7bn in FY24 a revenue CAGR of 43% over FY19 to FY24. overall pipes volume up by 1% YoY to 10,188MT and 11% in 1HFY25 to 20,584MT and we expect going forward Volume/Revenue to grow at CAGR 16/18% over FY24 to FY27E and anticipates going forward the revenue contribution from this segment to increase from 28% in FY24 to 36% by FY27E. To capture ongoing demand Hindware expanding and putting up the new capex in Roorkee (Uttarakhand) of Rs 1.8bn and increasing pipes capacity by 12,500MT P.A (expandable up to 25,000MT P.A.) after this, total capacity will be 66,500MT P.A. and this project is expected to complete by 4QFY25, this capacity will also lead to reduction of logistic cost and margin improvement of 1 to 2%.
- **Muted Demand Undermines Growth in the Bath ware Market:** Bathware segment revenue de-grew by 9% to Rs 3.6bn, whereas launching of new products in faucet were segment and better product mix has helped to maintain market share. The revenue share from Faucet were stands at 41% and sanitary ware stands at 59%. The gross margins mainly down due to lower sales and increased RM prices, overall brass price up by 10% YTD, Management has combined both sanitary were and faucet were business which led to increase of employee cost by 25%.
- **Subdued Demand In Consumer Appliances:** The Consumer Appliance segment revenue de-grew by 14% YoY to ₹825mn due to lower sales of kitchen appliance and Cooler season was there in 1Q only, HINDWARE retained its leading position in the kitchen appliances segment. The company is actively expanding its kitchen appliance portfolio, leveraging its strengths, and streamlining product offerings to enhance margins amidst rising inflation and increased competition.
- **View and valuation:** HHIL to witness healthy Revenue/EBITDA/PAT growth of 8/19/59% CAGR over FY24-27E backed by 1) Strong position in bathware 2) greater presence in Pipes & fittings and consumer appliance 3) Strong brand call 4) strong distribution reach and better product offerings **Further its upcoming new facility in Roorkee and strong presence in Bathware segment will likely to improve the overall profitability of Hindware Home's (improvement in margin by 300bps over FY24 to FY27E from 8.5% to 11.5%). We like to change our rating from BUY to Hold rating on the stock led by with a TP of Rs. 297 (23x of FY27 Sept EPS).**

Quarterly performance

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Net Sales (incl OOI)	6,298	7,004	-10.1	5,999	5.0
Material Exp	3,517	3,765	-6.6	3,178	10.7
Gross Profit	2,781	3,238	-14.1	2,821	-1.4
Employee Exp	1077	1064	1.2	1079	-0.1
Power & Fuel Cost	224	234	-4.1	209	7.3
Other Exp	1183	1222	-3.2	1103	7.2
EBITDA	297	719	-58.7	430	-30.9
Depreciation	309	304	1.6	307	0.5
EBIT	-12	415	-102.8	123	-109.6
Other Income	98	81	20.8	124	-20.7
Interest Cost	236	243	-3.2	239	-1.6
PBT	-149	253	-159.1	7	-2202.8
EO Items (Adj For Tax)	-34.9	-12	198.3	-38.9	-10.3
Tax	-39	44	-188.6	2	-1952.4
RPAT	-110	209	-152.9	5	-2308.0
APAT	-145	197	-173.8	-34	328.6
Adj EPS (Rs)	-1.5	2.9	-152.9	0.07	-2308.0

Margin Analysis	Q2FY25	Q2FY24	YoY (bps)	Q1FY25	QoQ (bps)
Gross Margin (%)	44.2	46.2	-208.3	47.0	-286.2
Employee Exp. % of Sales	17.1	15.2	190.8	18.0	-87.8
Power & Fuel Cost % of Sales	3.6	3.3	22.1	3.5	7.8
Other Op. Exp % of Sales	18.8	17.4	133.4	18.4	39.0
EBITDA Margin (%)	4.7	10.3	-554.6	7.2	-245.2
Tax Rate (%)	26.1	17.4	867.6	29.6	-352.3
APAT Margin (%)	-1.8	3.0	-473.3	0.1	-183.6

Source: Company, CEBPL

	Nov 14, 2024
CMP (Rs)	261.5
Target Price (Rs)	297.0
Potential Upside (%)	14%

*CMP as on 13th nov 2024

Company Info

	HINDWARE IN EQUITY
BB Code	INE05AN01011
ISIN	INE05AN01011
Face Value (Rs.)	2.0
52 Week High (Rs.)	528.9
52 Week Low (Rs.)	257.6
Mkt Cap (Rs bn.)	21.9
Mkt Cap (\$ bn.)	0.26
Shares o/s (Mn.)/Free Float (%)	72.3/48
EPS FY24 (Rs.)	3.8
EPS FY27E (Rs.)	16.5

Shareholding Pattern (%)

	Sept-24	Jun-24	Mar-24
Promoters	51.32	51.32	51.32
FII's	5.65	6.05	7.49
DII's	6.91	7.09	7.34
Public	36.12	35.54	33.85

Relative Performance (%)

YTD	3Y	2Y	1Y
BSESmallcap	91.1	92.4	43.7
Hindware	-35.5	-18.3	-42.3

Year end March (INR bn)

Particular	FY24	FY25E	FY26E	FY27E
Revenue	28	29.3	31.7	35.3
Gross Profit	12.7	12.9	14.1	15.8
EBITDA	2.4	2.5	3.1	4.0
EBITDA (%)	8.5	10.3	12.0	12.0
EPS (INR)	3.8	5.1	9.3	16.5

Rebased Price Performance



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Changes in Estimates

Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	6,298	7,010	-10.2
EBITDA	297	657	(54.7)
EBITDA Margins(%)	4.7	9.4	(464.7)
PAT	-110	138	(180.3)

Source: Company, CEBPL

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	New	Old	Dev. (%)	New	Old	Dev. (%)	New
Net sales	29,255	30,086	(2.8)	31,724	34,049	(6.8)	35,269
EBITDA	2,530	2,858	(11.5)	3,104	4,086	(24.0)	4,048
EBITDAM %	8.6	9.5	(9.0)	9.8	12.0	(18.5)	11.5
APAT	517	732	(29.4)	873	1,531	(43.0)	1,471
EPS	5.1	8.9	(42.6)	9.3	19.9	(53.1)	16.5

Source: Company, CEBPL

Management Call - Highlights

Bathware

- The sanitary and faucet segment experienced a revenue de-growth of 10% YoY and 22% (QoQ), backed by challenging environment. Faucet were grew by mid single digit whereas Sanitary were de-grew by higher double digit.
- Faucet were Segment contributed 41% to Bathware segment whereas sanitary were segment contributed 59%
- Brass which is RM of Faucet were is up by 10%, whereas manufacturing cost sanitary were saw a decline of 10% in last 2 months.
- Management has taken a price hike of 1 to 1.5% in Oct whereas as peer companies have taken in 2Q.
- Management has combined Sanitary and faucet division which led to increase in employee cost by 25% and it is one of cost.
- Tiles segment grew by mid single digit.

Pipes

- Pipes and fittings revenue down by 7% on YoY basis to Rs 1.87bn backed by the volume growth of 1% on YoY to 10,396MT and delivered 11% volume growth in H1 vs H1FY25 of FY24 due to subdued demand.
- CPVC revenue contribution increased from 33% 1QFY25 to 43% in Q2FY25 for 1H it stands at 38%.
- Capex for Pipes at Roorkee is on track, operations will start from 4QFY25, this will reduce the logistic cost for the company.
- Company is targeting 15 to 18% volume growth and margins to expand to 11%.

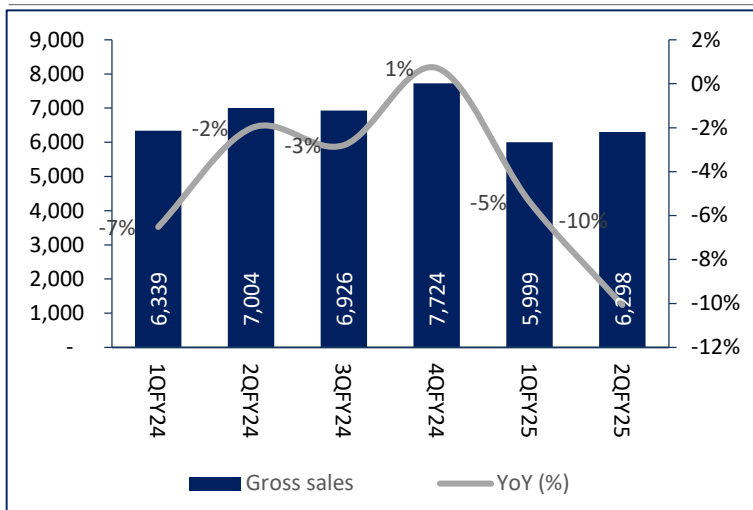
Consumer Appliances

- Revenue down by 14% on YoY to Rs 825mn backed by muted demand. Usually cooler demand was there in 1Q and kitchen appliances segment not picked.
- Despite these challenges, HINDWARE retained its leading position in the kitchen appliances segment.
- The Revenue from air cooler business is less than 20% and large part of the revenue comes from kitchen appliance segment.
- Management stated their target is to get this business profitable in next 1 to 2 quarters.

Overall

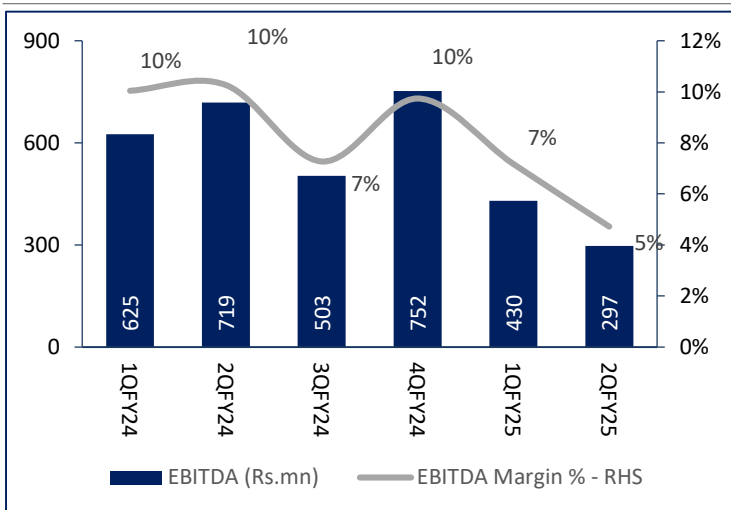
- Company anticipates to grow 1.25 to 1.5x over industry growth and margins to expand by 1 to 2% in next 12 to 18 months.
- The Board has approved raising funds through right issue of Rs 250cr, for repayment of debt and other purpose
- Capex spends for FY25E will be 1.4 to 1.5bn.

Revenue degrew by -10% YoY



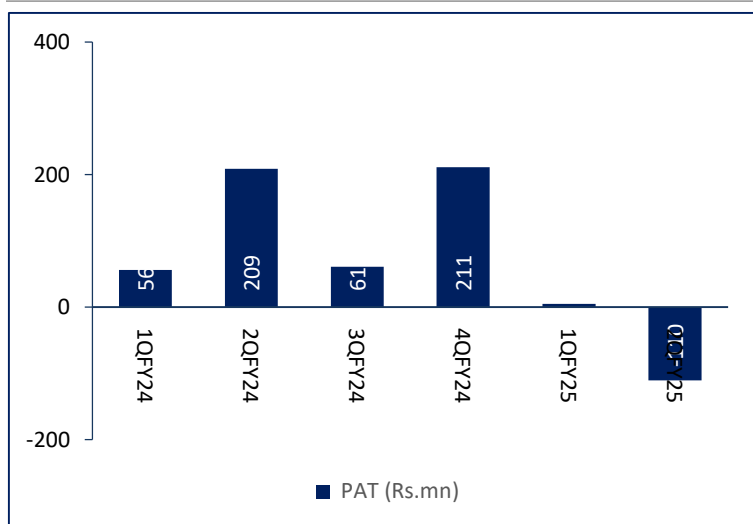
Source: Company, CEBPL

Margins decline Marginally



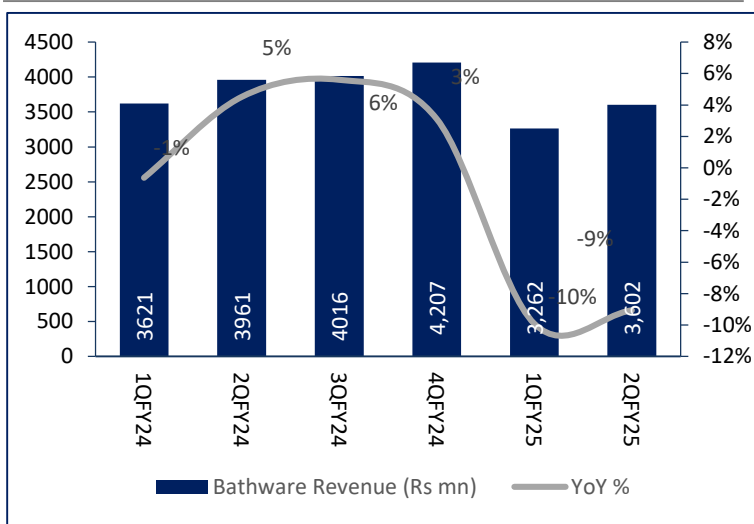
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PAT Trend



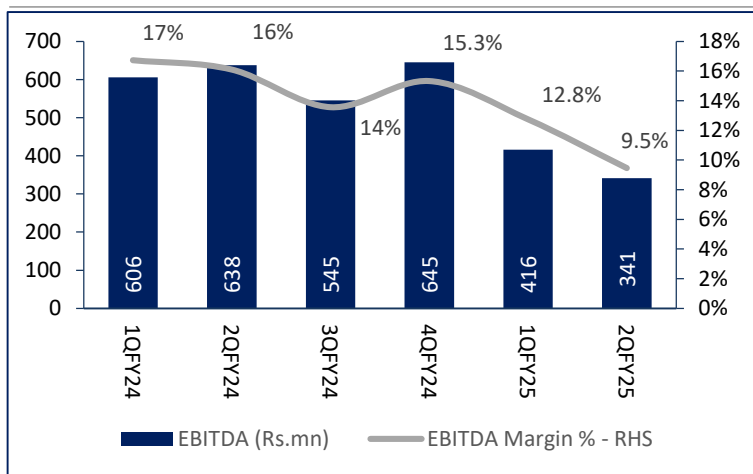
Source: Company, CEBPL

Bathware Revenue De-grew by 9% YoY



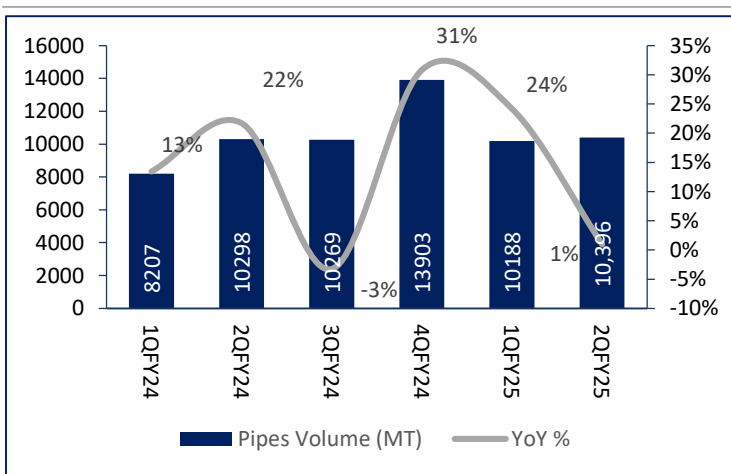
Source: Company, CEBPL

Bathware EBITDA & Margins



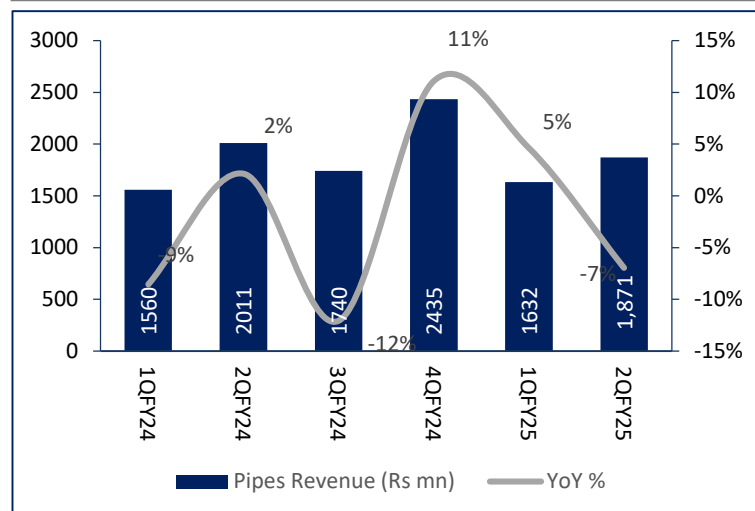
Source: Company, CEBPL

Pipes volume growth was flat on YoY



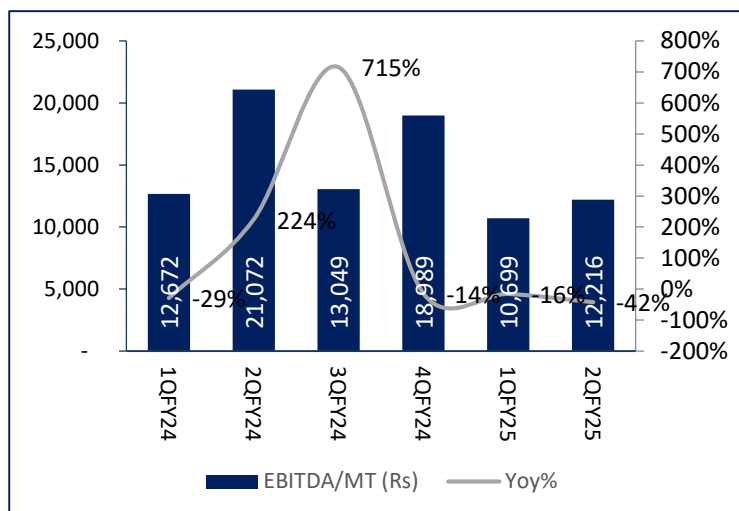
Source: Company, CEBPL

Pipes Revenue degrew by 7% YoY



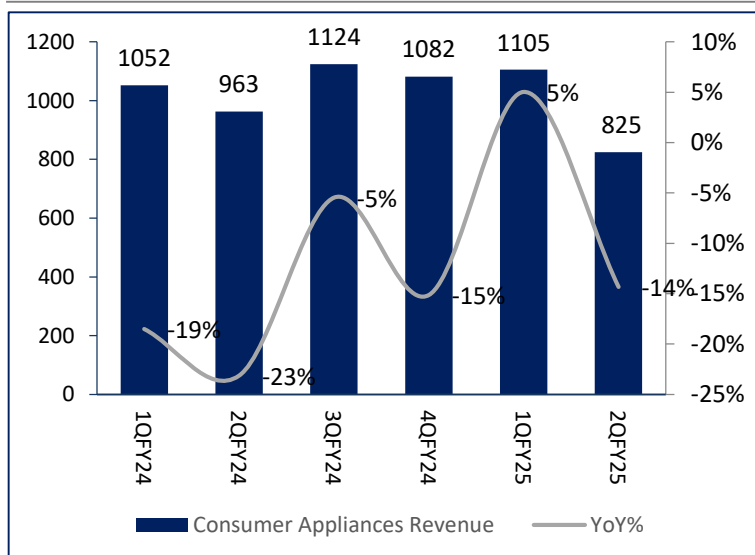
Source: Company, CEBPL

EBITDA/MT down by 42% YoY



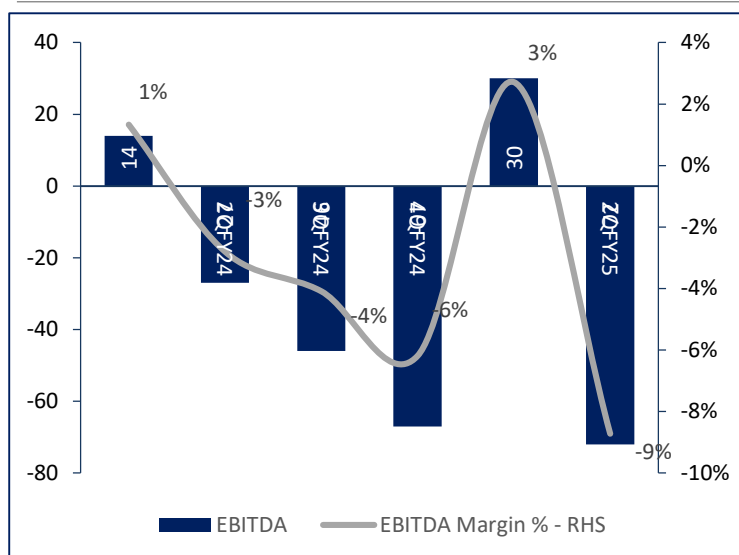
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Consumer Appliance Revenue degrew by 14% YoY

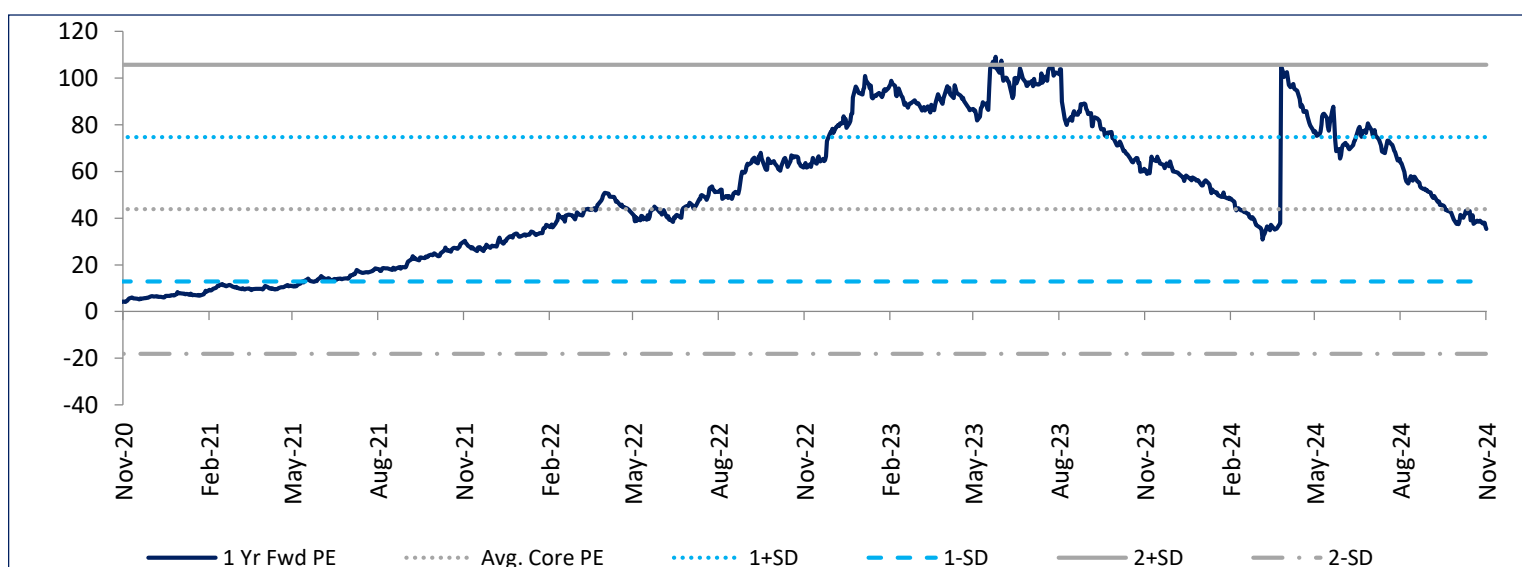


Source: Company, CEBPL

Consumer Appliance EBITDA degrew by 9% YoY



1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,723	28,000	29,255	31,724	35,269
Gross profit	12,349	12,702	12,931	14,117	15,765
EBITDA	2,455	2,377	2,530	3,104	4,048
Depreciation	1,010	1,230	1,265	1,431	1,592
EBIT	1,445	1,147	1,265	1,673	2,455
Interest expense	771	951	920	810	700
Other Income (Including EO Items)	356	372	450	470	490
Reported PAT	665	368	517	873	1,471
Adjusted PAT	576	276	425	782	1,379
EPS (Rs)	8.0	3.8	5.1	9.3	16.5
NOPAT	932	743	822	1,096	1,608

Balance sheet (Consolidated in INR Mn.)

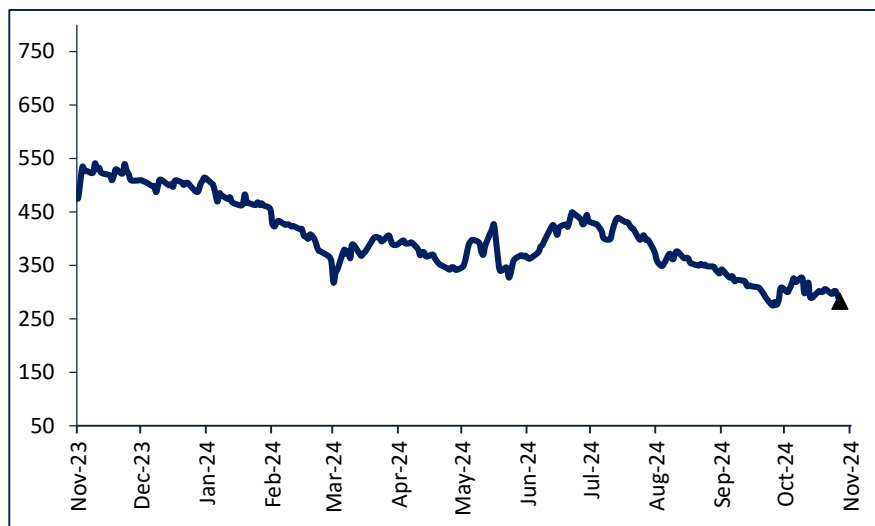
Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	5,757	5,978	6,427	7,208	8,588
Minority Income	73	89	89	89	89
Other Financial Liability	5,924	5,475	5,671	5,881	6,106
Total debt	7,117	8,367	8,367	7,367	6,367
Other liabilities & provisions	181	201	201	202	203
Total Net Worth & liabilities	19,052	20,109	20,754	20,746	21,352
Net Fixed Assets	9,101	9,156	9,692	9,961	10,069
Capital Work in progress	381	572	269	269	269
Investments	879	1,035	1,035	1,035	1,035
Cash & bank balance	92	293	1,104	326	283
Loans & Advances & other assets	691	1,315	687	777	864
Net Current Assets	7,908	7,737	7,967	8,378	8,831
Total Assets	19,052	20,109	20,754	20,746	21,352
Capital Employed	12,874	14,345	14,793	14,575	14,955
Net Debt	7,025	8,074	7,263	7,041	6,084

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	2,208	2,408	3,194	2,740	3,369
Capex	(1,944)	(1,816)	(1,497)	(1,700)	(1,700)
FCF	263	592	1,698	1,040	1,669
CFI	(7,047)	(2,188)	(1,486)	(1,709)	(1,712)
CFF	4,667	(19)	(897)	(1,809)	(1,699)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue (%)	25.2	(2.5)	4.5	8.4	11.2
EBITDA (%)	40.4	(3.2)	6.4	22.7	30.4
PAT (%)	(67.3)	(44.7)	40.6	68.9	68.5
Margin ratios (%)					
EBITDA	8.5	8.5	8.6	9.8	11.5
PAT	2.3	1.3	1.8	2.8	4.2
Performance Ratios (%)					
OCF/EBITDA (X)	0.9	1.0	1.3	0.9	0.8
RoE %	10.4	4.7	6.9	11.5	17.5
ROCE %	14.7	8.4	8.6	11.3	16.5
Turnover Ratios (Days)					
Inventory	87	77	76	74	71
Debtor	48	59	50	47	45
Payables (days)	38	41	35	33	33
Cash Conversion Cycle	100	101	99	96	91
Financial Stability ratios (x)					
Net debt to Equity	1.2	1.4	1.1	1.0	0.7
Net debt to EBITDA	2.9	3.4	2.9	2.3	1.5
Interest Cover	1.9	1.2	1.4	2.1	3.5
Valuation metrics					
Fully diluted shares (mn)	72	72	84	84	84
Price (Rs)	475	261	261	261	261
Market Cap(Rs. Mn)	34,341	18,870	21,833	21,833	21,833
PE(x)	60	68	51	28	16
EV (Rs.mn)	41,366	26,944	29,096	28,874	27,916
EV/EBITDA (x)	17	11	12	9	7
Book value (Rs/share)	80	83	77	86	103
Price to BV (x)	6	3	3	3	3
EV/OCF (x)	19	11	9	11	8

Source: Company, CEBPL

Historical recommendations and target price: Hindware Home Innovation



Hindware Home Innovation

1.	01/04/2024	BUY,	Target Price 503
2.	30/05/2024	BUY,	Target Price 457
3.	13/08/2024	BUY,	Target price 458
4.	14/11/2024	HOLD,	Target Price 297

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BUY	The security is expected to generate greater than or = 15% over the next 24 months
HOLD	The security expected to show upside or downside returns by 14% to -5% overhead 24 months
SELL	The security expected to show Below -5% next 24 months

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