

Hindware Home Innovation

BUY

Choice

The company has reported muted top line growth of 1% YoY basis to Rs 7.7bn vs our estimates Rs.7.5bn backed by steady home improvement demand. However, Bathware segment reported a flat growth of 3% to Rs 4.2bn vs CEBPL est of Rs 4.2bn and margins expanded by 180bps to 15.4%. whereas Pipes segment reported double digit revenue growth of 11/40% on YoY/QoQ to 2.4bn vs CEBPL est of 2.09bn backed by healthy volume growth of 31/35.4% on YoY/QoQ basis to 13,903MT and improvement in Pipes Realization by 3% YoY and better product mix led to improvement in EBITDA/MT by 45.5% to Rs 18,989 and margins expanded by 10/320bps YoY/QoQ to 10.9% in Q4FY24. Consumer appliance Segment de-grew by 15% YoY to 1.08bn vs CEBPS est of Rs 1.2bn 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 15% YoY to 42,677MT and we expect going forward Volume/Revenue to grow at CAGR 18/13% over FY23 to FY26E and anticipates going forward the revenue contribution from this segment to increase from 28% in FY24 to 32% by FY26E. 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 3QFY25, this capacity will also lead to reduction of logistic cost and margin improvement of 1 to 2%. The Current Hyderabad Pipe plant is running at 78% vs industry average of 60%.
- **Weak Demand Undermines Growth in the Bath ware Market:** Bathware segment reported a flat revenue to Rs 15.8bn up 3.2% over FY23 backed by muted demand, whereas launching of new products in faucetware segment and better product mix led margins expansion of 150bps to 15.4%. New products launches contributed 18% of revenue in FY24 we anticipatin 9% revenue CAGR over FY23 to FY26E and margin expansion of 100 to 200bps in next 2 years.
- **Subdued Demand in Consumer Appliances:** Revenue dropped -15.7% over FY23to Rs 4.22bn. Gross margins compressed by 2 to 3% in FY24. Growth down due to weak demand environment and inflationary pressures., Despite these challenges, 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/PAT growth of 7/32% CAGR over FY23-26E 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 industries (improvement in margin by 350bps over FY23 to FY26E from 8.5% to 12%. We like to maintain our BUY rating on the stock led by with a TP of Rs. 457 (23x of FY26 EPS).**

Quarterly performance

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Sales (incl OOI)	7,737	7,669	0.9	6,926	11.7
Material Exp	4,401	4,384	0.4	3,751	17.3
Gross Profit	3,336	3,285	1.5	3,176	5.0
Employee Exp	1,121	970	15.5	1,064	5.3
Power & Fuel Cost	265	241	9.8	219	20.6
Other Exp	1,391	1,257	10.6	1,389	0.1
EBITDA	560	816	(31.4)	503	11.2
Depreciation	321	284	13.1	313	2.4
EBIT	239	533	(55.2)	190	25.6
Other Income	92	81	13.0	110	(16.1)
Interest Cost	248	229	8.0	235	5.2
PBT	83	385	(78.4)	64	29.1
EO Items (Adj For Tax)	-42	-60	(30.2)	-16	161.6
Tax	14	98	(85.5)	3	354.8
RPAT	69	287	(76.0)	61	12.6
APAT	27	228	(88.0)	45	(39.7)
Adj EPS (Rs)	0.4	3.1	(88.0)	0.6	(39.7)

Margin Analysis	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Gross Margin (%)	43.1	42.8	27.9	45.8	(273.4)
Employee Exp. % of Sales	14.5	12.7	183.3	15.4	(87.4)
Power & Fuel Cost % of Sales	3.4	5.5	(207.7)	5.8	(242.9)
Other Op. Exp % of Sales	18.0	16.4	158.0	20.1	(207.7)
EBITDA Margin (%)	7.23	10.64	(341.2)	7.27	(3.5)
Tax Rate (%)	1699%	14%	1,684.5	29%	1,669.6
APAT Margin (%)	0.4	3.0	(261.4)	0.7	(30.1)

Source: Company, CEBPL

May 30, 2024	
CMP (Rs)	396
Target Price (Rs)	457
Potential Upside (%)	15%
CMP as on 29 th May 2024	

Company Info

HINDWARE IN EQUITY	
BB Code	HINDWARE IN EQUITY
ISIN	INE05AN01011
Face Value (Rs.)	2
52 Week High (Rs.)	664
52 Week Low (Rs.)	315
Mkt Cap (Rs bn.)	28.54
Mkt Cap (\$ bn.)	0.34
Shares o/s (Mn.)	72.3
Adj. TTM EPS (Rs)	3.56
EPS FY26E (Rs)	20.0

Shareholding Pattern (%)

	Mar-24	Dec-23	Sep-23
Promoters	51.32	51.32	51.32
FII's	7.49	7.59	7.15
DII's	7.34	9.82	9.16
Public	33.85	31.27	32.36

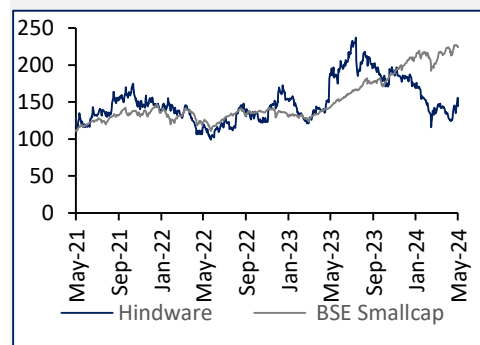
Relative Performance (%)

YTD	3Y	2Y	1Y
BSE smallcap	102.5	85.6	57.1
Hindware	21.9	25.3	-23.4

Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	28.0	30.9	35.5
Gross Profit	12.7	14.2	16.3
EBITDA	2.4	3.2	4.3
EBITDA (%)	8.5	10.3	12.0
EPS (INR)	3.8	10.6	19.9

Rebased Price Performance



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Changes in Estimates

Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	7,737	7,597	1.8
EBITDA	560	977	(42.7)
EBITDA Margins(%)	7.23	12.86	(43.7)
PAT	27	348	(92.1)

Source: Company, CEBPL

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	30,926	31,220	(0.9)	35,500	35,370	0.4
EBITDA	3,185	3,590	(11.3)	4,260	4,209	1.2
EBITDAM %	10.3	11.5	(10.4)	12.0	11.9	0.8
APAT	768	1,185	(35.2)	1,435	1,583	(9.3)
EPS	11	16	(35.2)	20	22	(9.3)

Source: Company, CEBPL

Management Call - Highlights

Bathware

- The sanitary and faucet segment experienced a revenue growth of 3% YoY and 4.8% (QoQ), despite muted demand.
- Entry level products contributed 49% of sales in FY24 Vs 45% in FY23
- Premium products contributed 51% of sales in FY24 Vs 55% in FY23
- Dependency on Chinese products declined significantly to 7% in FY24 from 20% previously.
- Capacity utilization stands at 60% vs 63% in FY23.
- In-house production of faucet products is projected to rise to 75% in FY25, up from 32% in FY24, where the production was split 32% in-house and 68% outsourced.

Pipes

- Pipes and fittings revenue up by 11% on YoY basis to Rs 2.4bn backed by the volume growth of 31% on YoY to 13,903MT backed by healthy Agri demand.
- CPVC revenue contribution for FY24 stands at 40% vs 35% in FY23 and for FY25 it will be 40%.
- Capacity Utilization for Hyderabad pipe plant is 78% vs 60% for industry.
- Capex for Pipes at Roorkee is on track, operations will start from 3QFY25, this will reduce the logistic cost for the company.
- Company is targeting 15 to 17% volume growth and margins to expand by 1 to 2%.

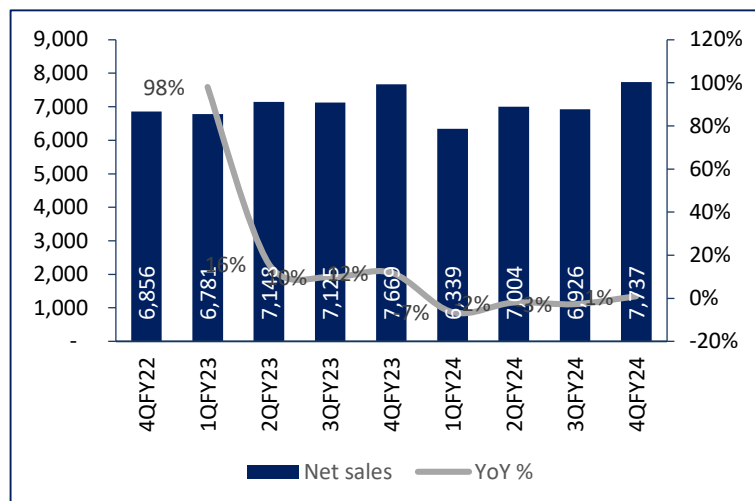
Consumer Appliances

- Revenue Declined by 15% on YoY to Rs 1.08bn backed by muted demand.
- Despite these challenges, HINDWARE retained its leading position in the kitchen appliances segment.
- Gross margins compressed by 2 to 3% over FY23.
- No plans to spin of this business.
- Company is taking various steps to cut the cost and positive improvement expected from 3QFY25
- Management anticipates 8 to 10% margins in next 3 to 4 years.

Overall Performance

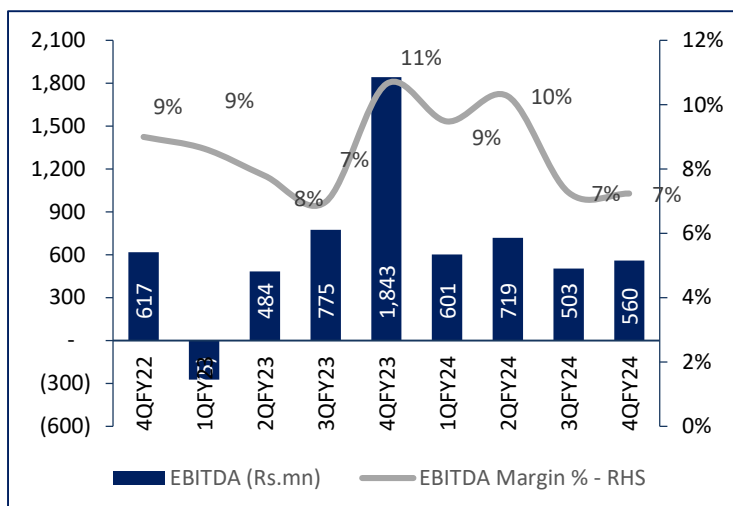
- Company anticipates to grow 1.25 to 1.5x over industry growth and margins to expand by 1 to 2% in next 12 to 18 months.
- Company has spent Rs 250mn for Advertisement purpose for 4QFY24.
- The Board has approved raising funds through equity dilution to repay debt, with an official announcement expected in the next two months.
- Capex spends for FY25 will be 1.2 to 1.4bn.

Revenue grew by 1/12% YoY/QoQ



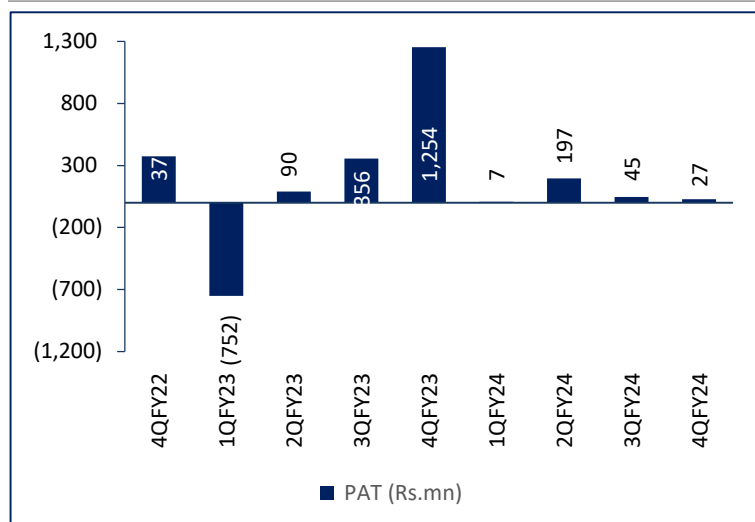
Source: Company, CEBPL

Margin decreased 340bps YoY



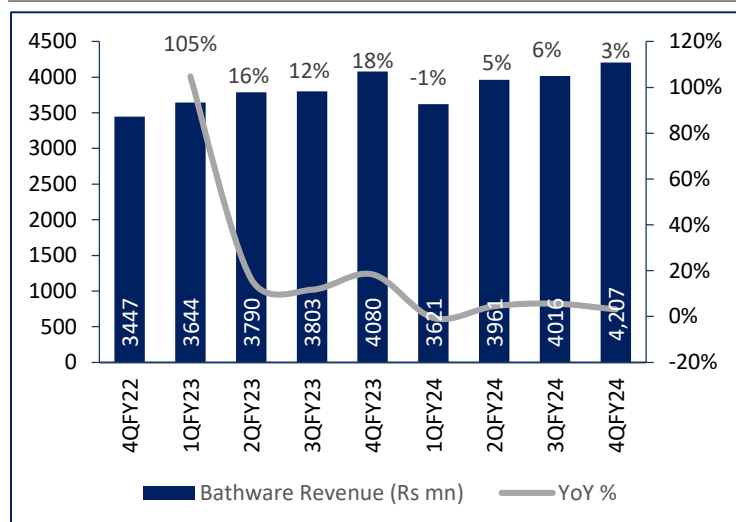
Source: Company, CEBPL

PAT Trend



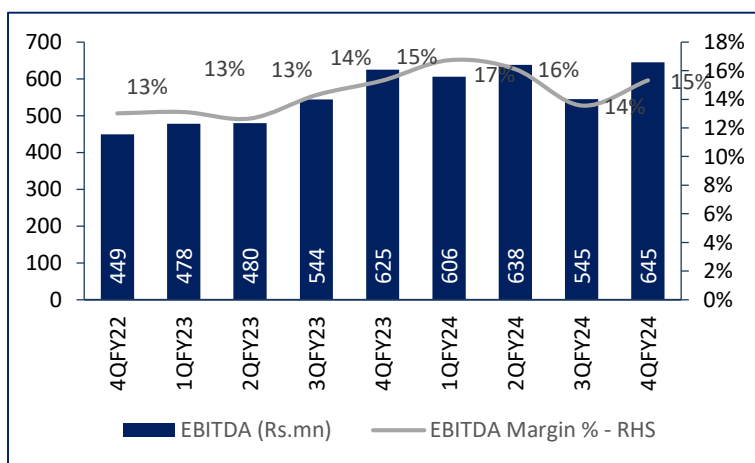
Source: Company, CEBPL

Bathware Revenue grew by 3% YoY



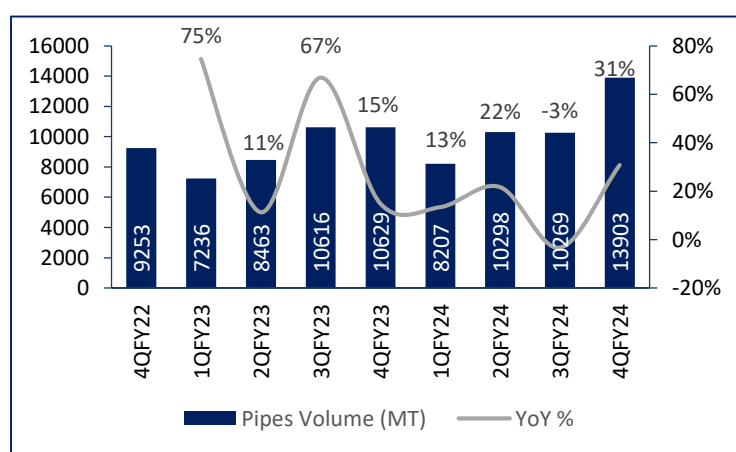
Source: Company, CEBPL

Bathware EBITDA & Margins expanded by 195bps QoQ



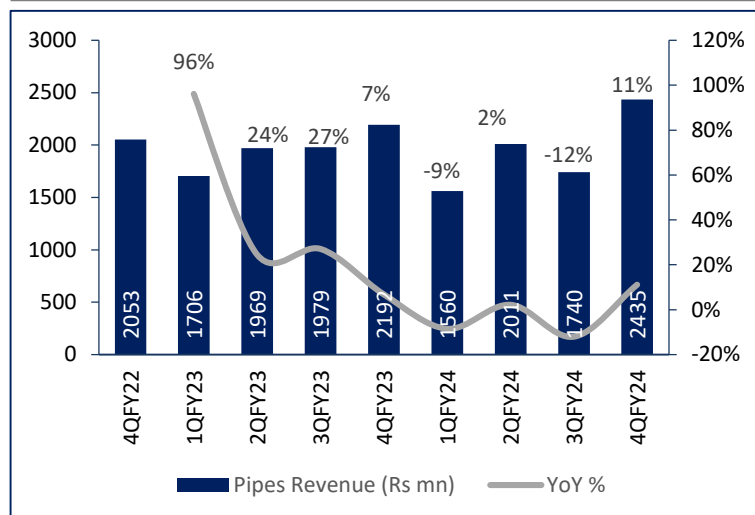
Source: Company, CEBPL

Pipes Volume grew by 31% YoY



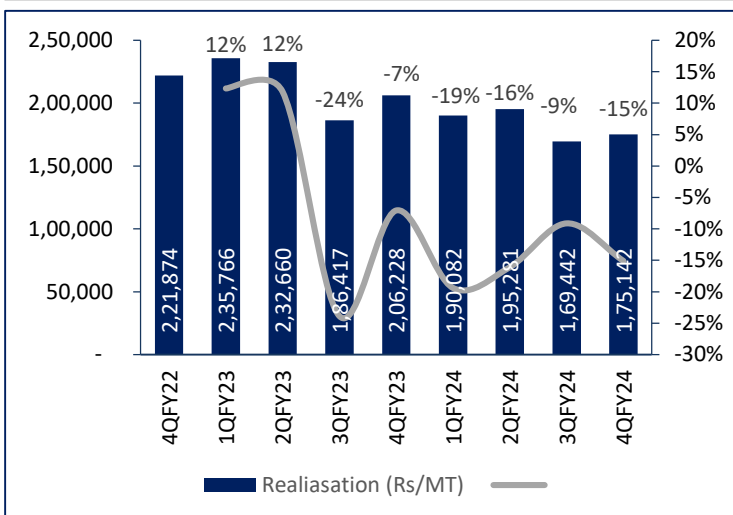
Source: Company, CEBPL

Pipes Revenue grew by 11% YoY



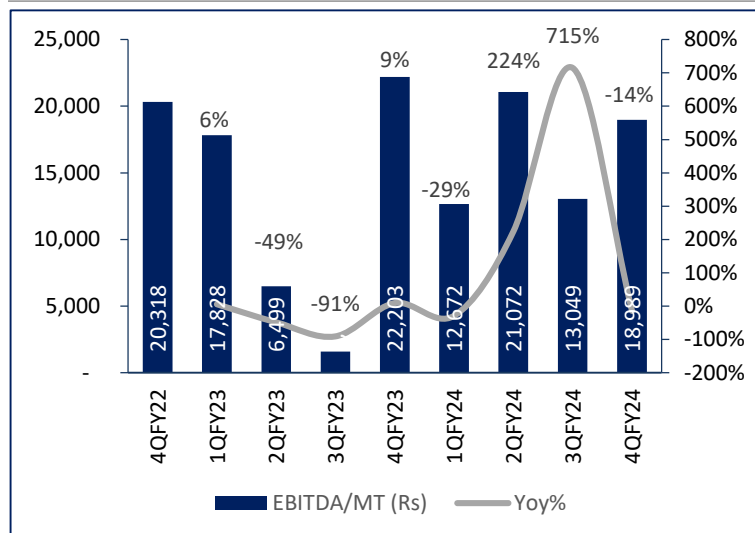
Source: Company, CEBPL

Realisations declined by 15% YoY



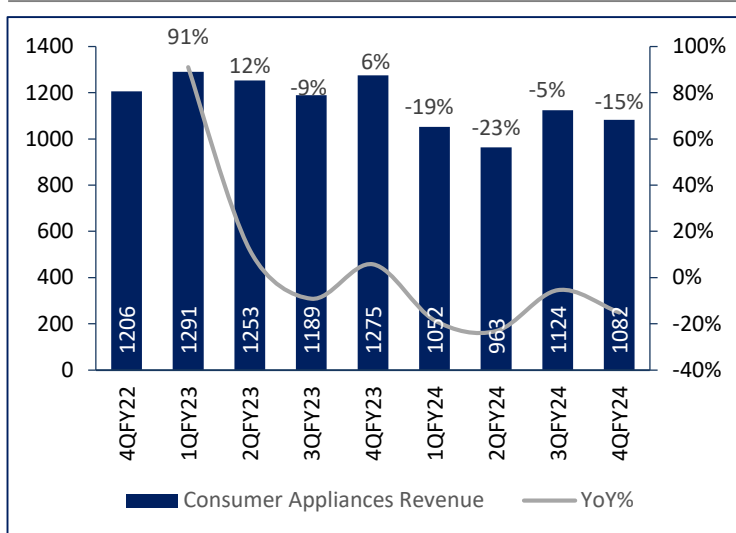
Source: Company, CEBPL

EBITDA/MT Improved by 46% QoQ.



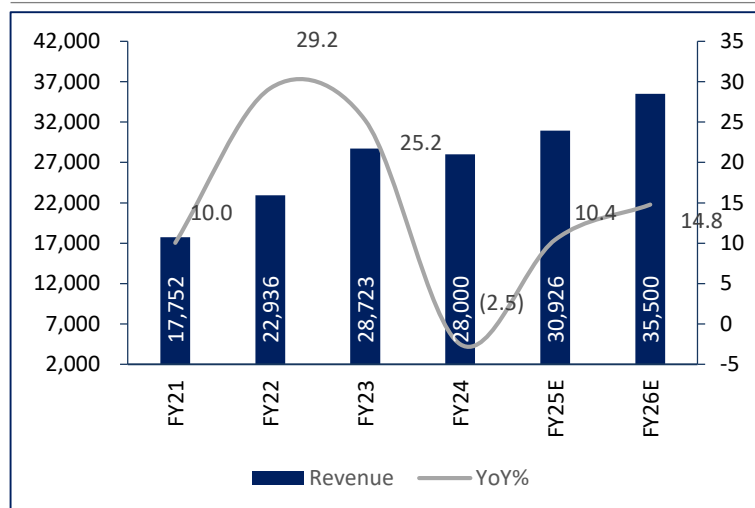
Source: Company, CEBPL

Consumer Appliance Revenue de - grew by 15% YoY



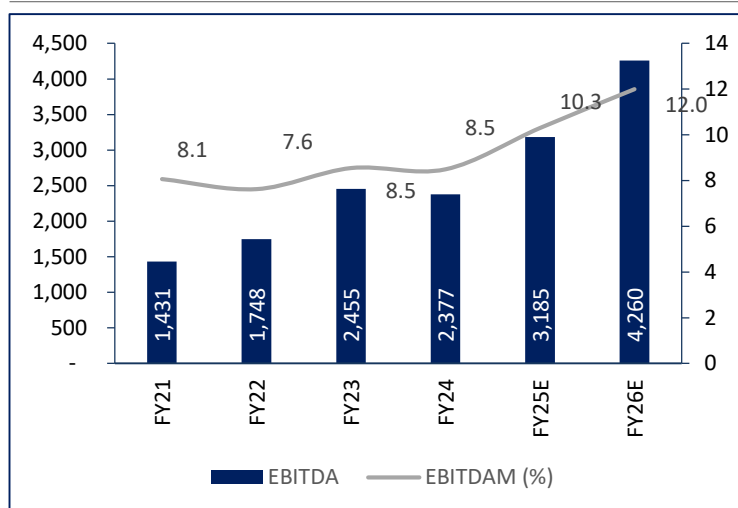
Source: Company, CEBPL

Revenue to grow by 7% over FY23-26E



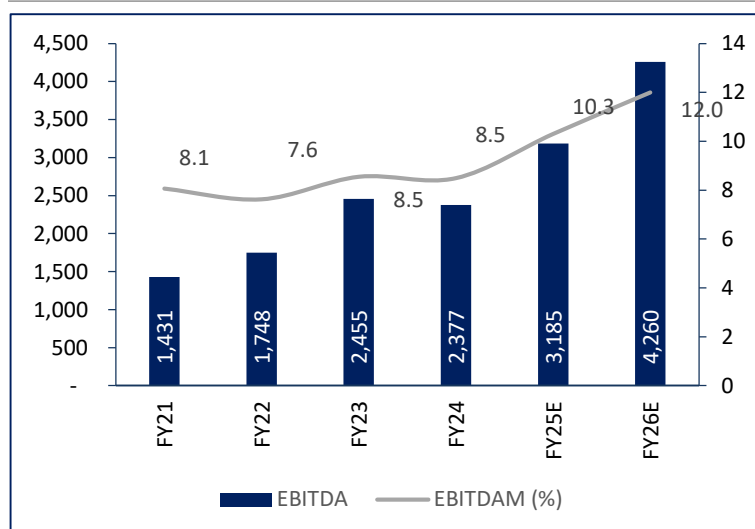
Source: Company, CEBPL

EBITDA & EBITDA % to improve 180bps over FY23-26E



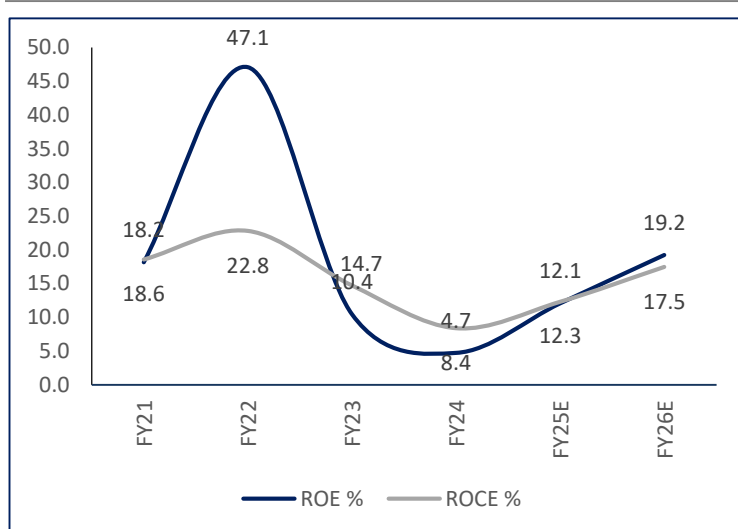
Source: Company, CEBPL

PAT & PAT Margins



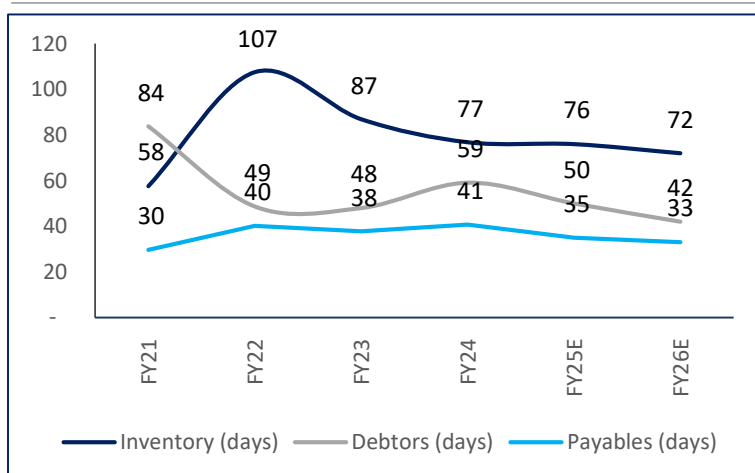
Source: Company, CEBPL

ROE & ROCE %



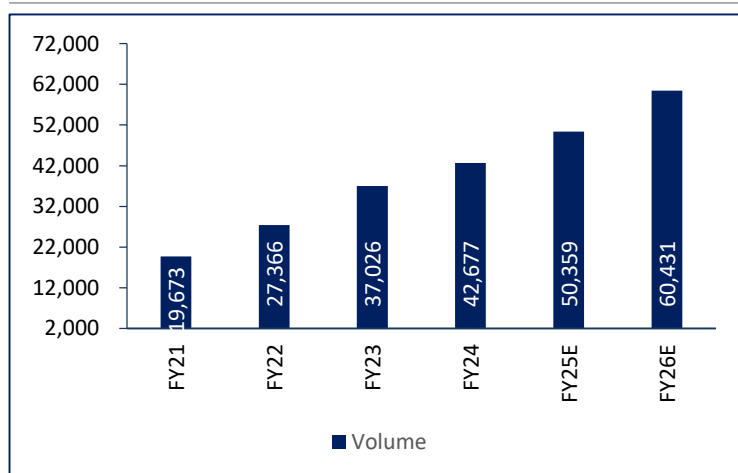
Source: Company, CEBPL

Working Capital Cycle



Source: Company, CEBPL

Pipes Volume to grow 18% CAGR



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E
Revenue	22,936	28,723	28,000	30,926	35,500
Gross profit	7,291	12,349	12,702	14,164	16,330
EBITDA	1,748	2,455	2,377	3,185	4,260
Depreciation	393	1,010	1,230	1,364	1,569
EBIT	1,355	1,445	1,147	1,822	2,691
Interest expense	204	771	951	920	810
Other Income (Including EO Items)	293	356	372	420	450
Reported PAT	2,035	665	367	859	1,527
Adjusted PAT	2,017	576	276	768	1,435
EPS (Rs)	28	8	4	11	20
NOPAT	1,124	932	743	1,184	1,763

Balance sheet (Consolidated in INR Mn.)

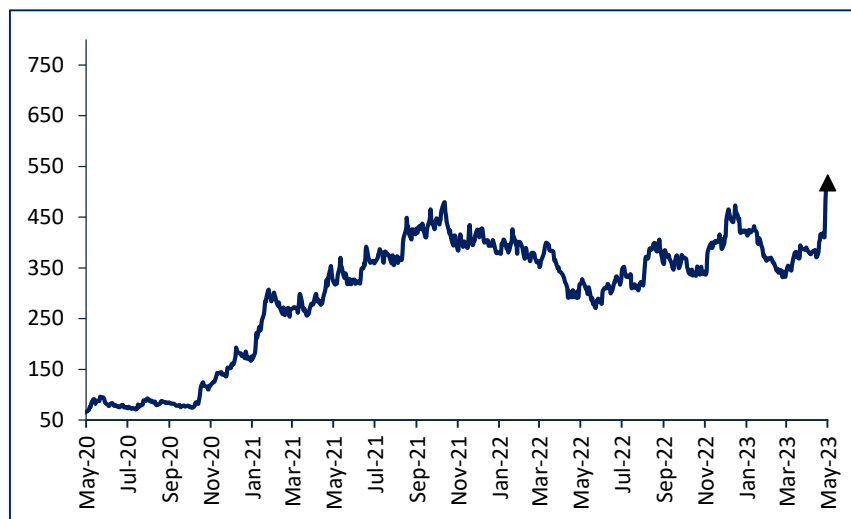
Particular	FY22	FY23	FY24	FY25E	FY26E
Net worth	5,264	5,757	5,978	6,746	8,181
Minority Income	-	73	89	89	89
Other Financial Liability	11,163	5,924	5,475	5,671	5,881
Total debt	1,432	7,117	8,367	8,367	7,367
Other liabilities & provisions	158	181	201	201	202
Total Net Worth & liabilities	18,017	19,052	20,109	21,073	21,719
Net Fixed Assets	7,411	9,101	9,156	9,892	10,324
Capital Work in progress	585	362	553	250	-
Investments	873	879	1,035	1,035	1,035
Cash & bank balance	265	92	293	728	778
Loans & Advances & other assets	704	710	1,335	746	889
Net Current Assets	8,444	8,000	8,030	9,150	9,472
Total Assets	18,017	19,052	20,109	21,073	21,719
Capital Employed	6,696	12,874	14,345	15,113	15,548
Net Debt	1,167	7,025	8,074	7,639	6,589

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E
CFO	2,261	2,208	2,408	3,147	3,625
Capex	(393)	(1,944)	(1,816)	(1,797)	(1,750)
FCF	1,867	264	592	1,350	1,875
CFI	(1,240)	(7,047)	(2,188)	(1,792)	(1,766)
CFF	(832)	4,667	(19)	(919)	(1,809)
Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E
Growth Ratios (%)					
Revenue (%)	29.2	25.2	(2.5)	10.4	14.8
EBITDA (%)	22.2	40.4	(3.2)	34.0	33.7
PAT (%)	267.7	(71.5)	(52.0)	177.8	87.0
Margin ratios (%)					
EBITDA	7.6	8.5	8.5	10.3	12.0
PAT	8.8	2.0	1.0	2.5	4.0
Performance Ratios (%)					
OCF/EBITDA (X)	1.3	0.9	1.0	1.0	0.9
RoE %	47.1	10.4	4.7	12.1	19.2
ROCE %	22.8	14.7	8.4	12.3	17.5
Turnover Ratios (Days)					
Inventory	107	87	77	76	72
Debtor	49	48	59	50	42
Payables (days)	40	38	41	35	33
Cash Conversion Cycle	126	100	101	99	89
Financial Stability ratios (x)					
Net debt to Equity	0.2	1.2	1.4	1.1	0.8
Net debt to EBITDA	0.7	2.9	3.4	2.4	1.5
Interest Cover	0.2	0.5	0.8	0.5	0.3
Valuation metrics					
Fully diluted shares (mn)	72	72	72	72	72
Price (Rs)	475	475	396	396	396
Market Cap(Rs. Mn)	34,341	34,341	28,631	28,631	28,631
PE(x)	17	60	104	37	20
EV (Rs.mn)	35,508	41,366	36,705	36,270	35,220
EV/EBITDA (x)	20	17	15	11	8
Book value (Rs/share)	73	80	83	93	113
Price to BV (x)	7	6	5	4	3
EV/OCF (x)	16	19	15	12	10

Source: Company, CEBPL

Historical recommendations and target price: Hindware Home Innovation



Hindware Home Innovation

- 28.03.2024 Outperform Target Price Rs503
- 30.05.2024 Buy Target Price Rs457

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
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