

## Hindware Home Innovation

BUY

Choice

The top line of the company has declined by 3.7% YoY basis to Rs 5.99bn vs our estimates Rs.6.7bn backed by muted home improvement demand. However, Bathware segment revenue de-grew by 10% to Rs 3.2bn vs CEBPL est of Rs 3.9bn and margins declined by 287bps to 7.2%. whereas Pipes segment reported a revenue growth of 5% on YoY to 1.6bn vs CEBPL est of 1.7bn backed by healthy volume growth of 24% on YoY basis to 10,188MT, Pipes Realization down by 16% YoY led to decline in EBITDA/MT by 16% to Rs 10,699 and margins down by 10bps YoY to 7% in Q1FY25. Consumer Appliance segment delivered an unexpected performance, surprising the market with a 5% revenue growth YoY to 1.1bn 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 5% YoY to 10,188MT and we expect going forward Volume/Revenue to grow at CAGR 20/12% 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%.
- **Muted Demand Undermines Growth in the Bath ware Market:** Bathware segment revenue de-grew by 10% to Rs 3.2bn, whereas launching of new products in faucet were segment and better product mix has helped to maintain market share. The gross margins mainly down due to lower sales, Management has combined both sanitary were and faucet were business which led to increase of employee cost by 25%.
- **Better Demand Consumer Appliances:** The Consumer Appliance segment exceeded market expectations with an impressive 5% year-on-year revenue growth, bringing in ₹1.1 billion, 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 6/19/32% 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 Home's (improvement in margin by 345bps 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. 458 (23x of FY26 EPS).**

## Quarterly performance

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Net Sales (incl OOI)</b>	<b>5,999</b>	<b>6,230</b>	<b>-3.7</b>	<b>7,724</b>	<b>-22.3</b>
Material Exp	3,178	3,312	0.4	4,350	-26.9
<b>Gross Profit</b>	<b>2,821</b>	<b>2,918</b>	<b>1.5</b>	<b>3,374</b>	<b>-16.4</b>
Employee Exp	1,079	1,045	15.5	1,112	-3.0
Power & Fuel Cost	209	206	9.8	264	-21.1
Other Exp	1,103	1,042	10.6	1,246	-11.4
<b>EBITDA</b>	<b>430</b>	<b>625.4</b>	<b>-31.4</b>	<b>752.1</b>	<b>-42.8</b>
Depreciation	307	283	13.1	307	0.1
<b>EBIT</b>	<b>123</b>	<b>342.8</b>	<b>-55.2</b>	<b>445.2</b>	<b>-72.4</b>
Other Income	124	83	13	86	44.2
Interest Cost	239	218	8	243	-1.5
<b>PBT</b>	<b>7</b>	<b>207.7</b>	<b>-78.4</b>	<b>288</b>	<b>-97.5</b>
EO Items (Adj For Tax)	(39)	-22	-30.2	-42	-6.5
Tax	2	151.3	-85.5	77	-97.3
<b>RPAT</b>	<b>5</b>	<b>56.4</b>	<b>-76</b>	<b>211.3</b>	<b>-97.6</b>
<b>APAT</b>	<b>(34)</b>	<b>34.4</b>	<b>-88</b>	<b>169.7</b>	<b>-120.0</b>
<b>Adj EPS (Rs)</b>	<b>0.1</b>	<b>0.8</b>	<b>-88</b>	<b>2.9</b>	<b>-97.6</b>

Margin Analysis	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
<b>Gross Margin (%)</b>	<b>47.0</b>	<b>46.8</b>	<b>17.6</b>	<b>43.7</b>	<b>333.6</b>
Employee Exp. % of Sales	18.0	16.8	121.6	14.4	358.7
Power & Fuel Cost % of Sales	3.5	3.3	16.4	3.4	5.6
Other Op. Exp % of Sales	18.4	16.7	166.6	16.1	226.1
<b>EBITDA Margin (%)</b>	<b>7.2</b>	<b>10.0</b>	<b>-287.0</b>	<b>9.7</b>	<b>-256.7</b>
Tax Rate (%)	30%	73%	-43.3	27%	2.9
APAT Margin (%)	0.1	0.9	-82.2	2.7	-265.2

Source: Company, CEBPL

Aug 13, 2024	
CMP (Rs)	396
Target Price (Rs)	458
Potential Upside (%)	16%
<b>Company Info</b>	
BB Code	HINDWARE IN EQUITY
ISIN	INE05AN01011
Face Value (Rs.)	2
52 Week High (Rs.)	615
52 Week Low (Rs.)	315
Mkt Cap (Rs bn.)	28.48
Mkt Cap (\$ bn.)	0.33
Shares o/s (Mn.)/Free Float (%)	72.2/48
Adj. TTM EPS (Rs)	3.09
EPS FY26E (Rs)	19.9

## Shareholding Pattern (%)

	June-24	Mar-24	Dec-23
Promoters	51.32	51.32	51.32
FII's	6.05	7.49	7.59
DII's	7.09	7.34	9.82
Public	35.54	33.85	31.27

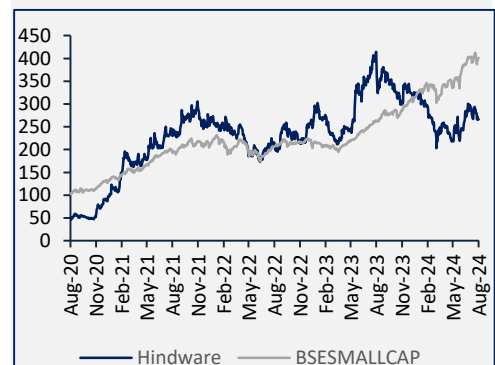
## Relative Performance (%)

YTD	3Y	2Y	1Y
BSEsmallcap	104.4	93.1	52.7
Hindware	4.1	27.1	-30.2

## Year end March (INR bn)

Particular	FY24	FY25E	FY26E
Revenue	28	30.1	34
Gross Profit	12.7	13.8	15.8
EBITDA	2.4	2.9	4.1
EBITDA (%)	8.5	9.5	12
EPS (INR)	3.8	8.9	19.9

## Rebased Price Performance



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## Changes in Estimates

Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	5,999	6,176	10.7
EBITDA	430	706	(39.1)
EBITDA Margins(%)	7.2	10.6	(31.8)
PAT	5	144	(96.5)

Source: Company, CEBPL

Income Statement (INR Mn.)	FY25E			FY26E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	30,086	30,926	-2.72	34,049	35,500	-4.1
EBITDA	2,858	3,185	-10.3	4,086	4,260	-4.1
EBITDAM %	9.5	10.3	-7.8	12	12	0.0
APAT	732.4	859	-14.7	1,531	1,527	0.3
EPS	8.9	10.6	-16.5	19.9	19.9	0.3

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.
- Economy products contributed 53% of sales in 1QFY25 Vs 47% in 1QFY24
- Premium products contributed 47% of sales in 1QFY25 Vs 53% in 1QFY24
- Dependency on Chinese products declined significantly to 3% in 1QFY25.
- Capacity utilization for Sanitary/Faucet were stands at 86/58.5 1QFY25.
- Management has combined Sanitary and faucet division which led to increase in employee cost by 25% and it is one of cost.

### Pipes

- Pipes and fittings revenue up by 5% on YoY basis to Rs 1,63bn backed by the volume growth of 24% on YoY to 10,188MT backed by healthy Agri demand.
- CPVC revenue contribution for 1QFY25 stands at 33% vs 40% as on FY24.
- 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 16 to 18% volume growth and margins to expand to 10%.

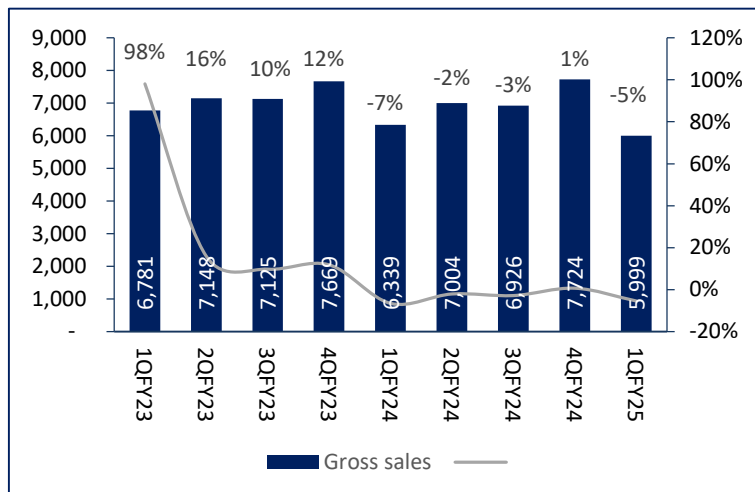
### Consumer Appliances

- Revenue up by 5% on YoY to Rs 1.10bn backed by healthy demand.
- 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.
- Company is taking various steps to cut the cost and positive improvement expected from 3QFY25

### Overall

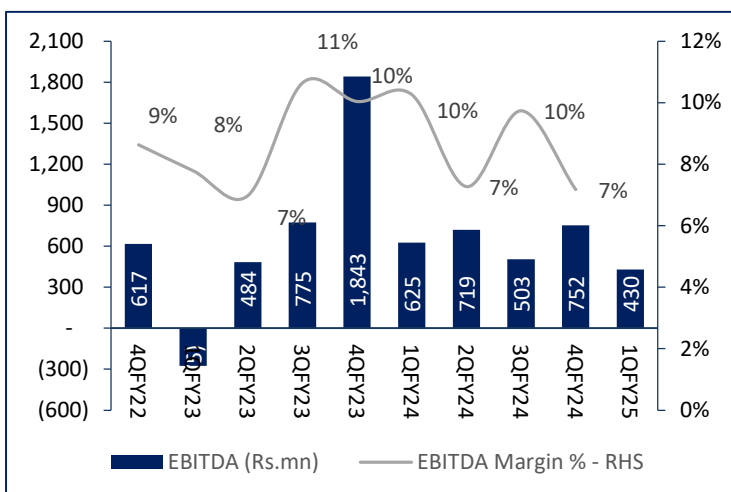
- Company anticipates to grow 1.25 to 1.5x over industry growth and margins to expand by 1 to 2% in next 12 to 18 months.
- The Board has approved raising funds through right issue of Rs 200cr, for repayment of debt and other purpose
- Capex spends for FY25 will be 1.4 to 1.5bn.

Revenue grew by 1/12% YoY/QuoQ



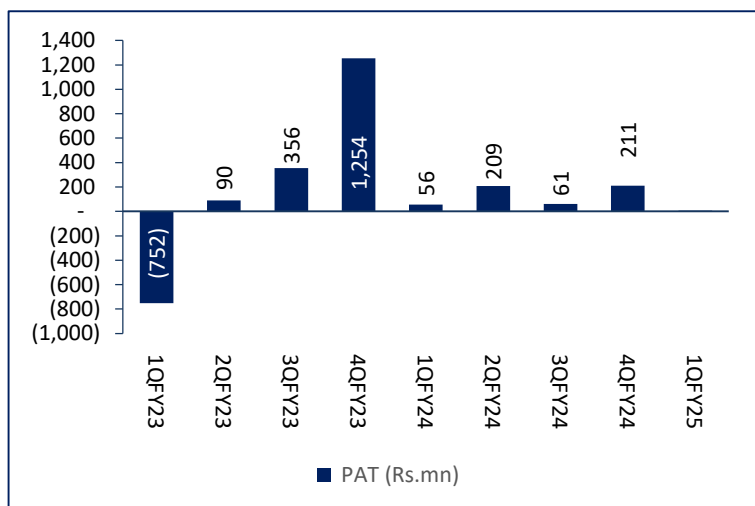
Source: Company, CEBPL

Margin decreased 287bps YoY



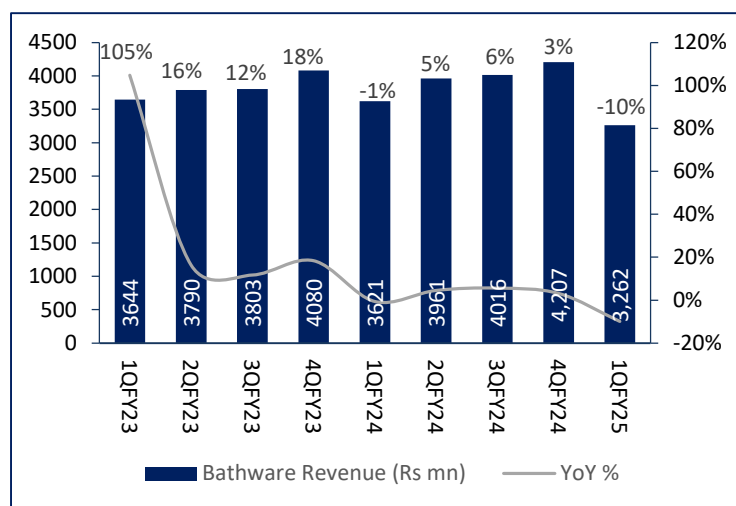
Source: Company, CEBPL

PAT Trend



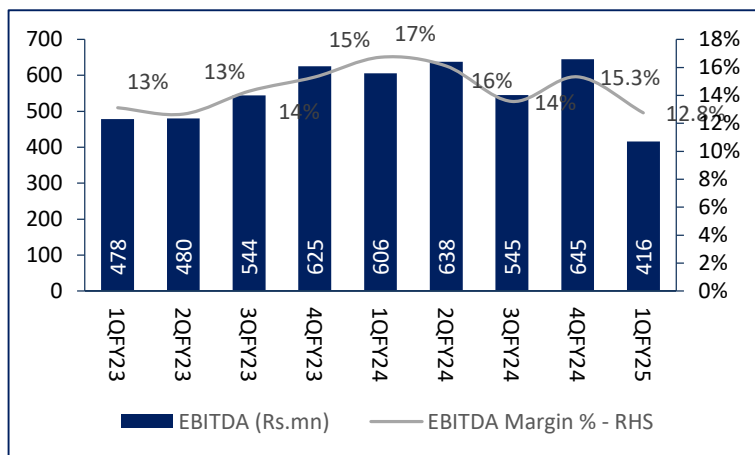
Source: Company, CEBPL

Bathware Revenue De-grew by 10% YoY



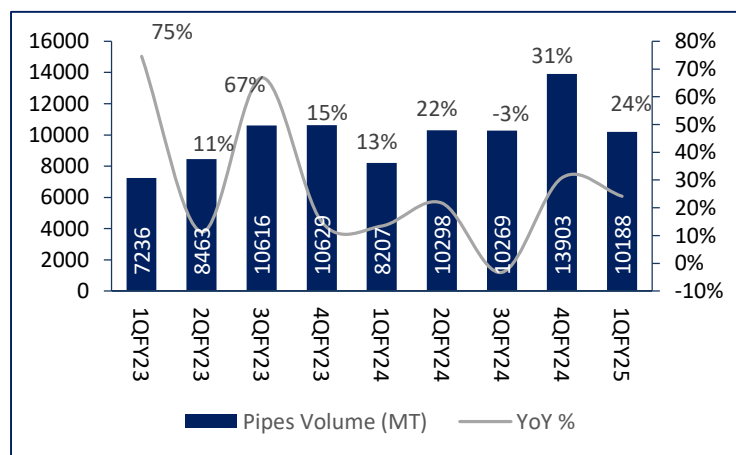
Source: Company, CEBPL

Bathware EBITDA & Margins down by 398bps YoY



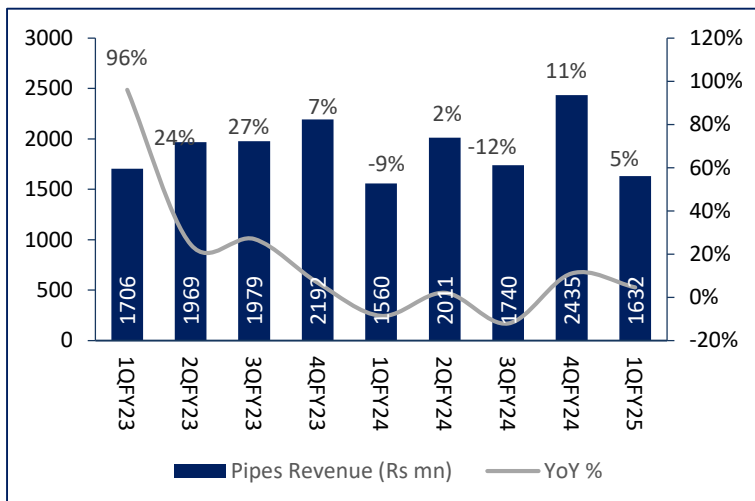
Source: Company, CEBPL

Pipes Volume grew by 24% YoY



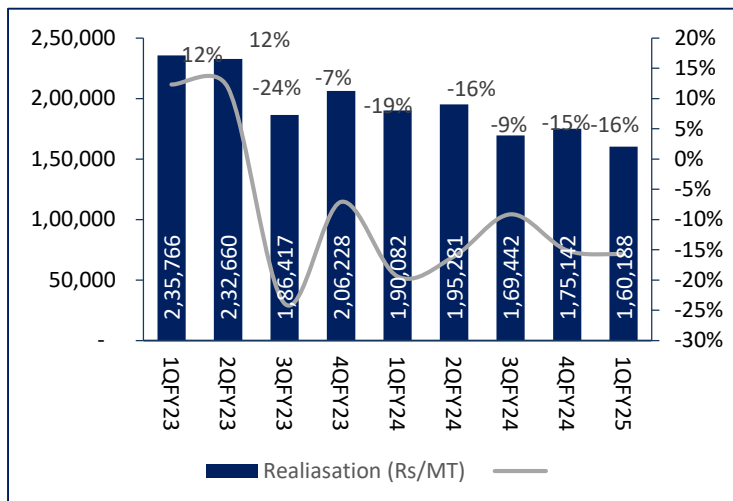
Source: Company, CEBPL

Pipes Revenue grew by 5% YoY



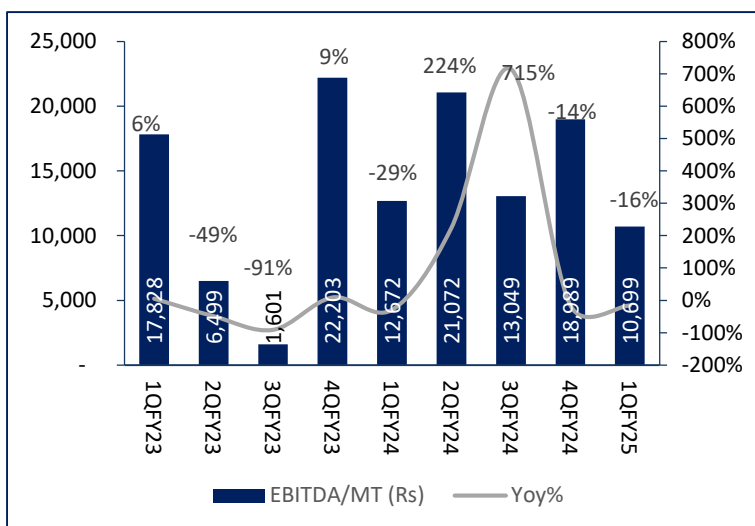
Source: Company, CEBPL

Realisations declined by 16% YoY



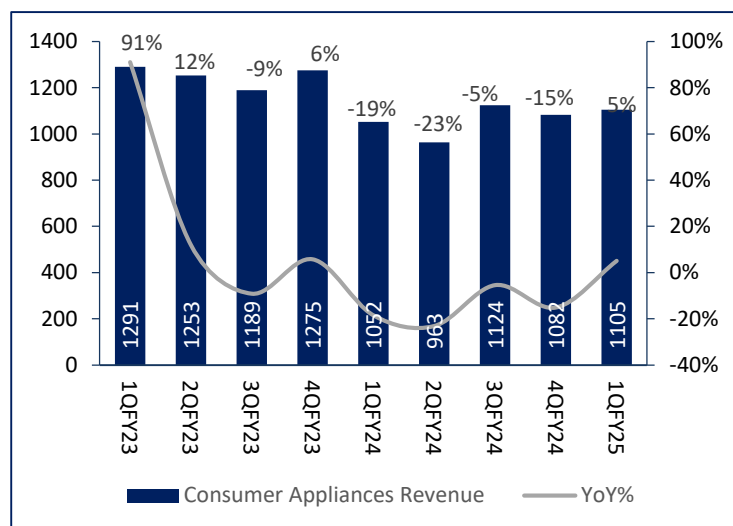
Source: Company, CEBPL

EBITDA/MT down by 16% YoY.



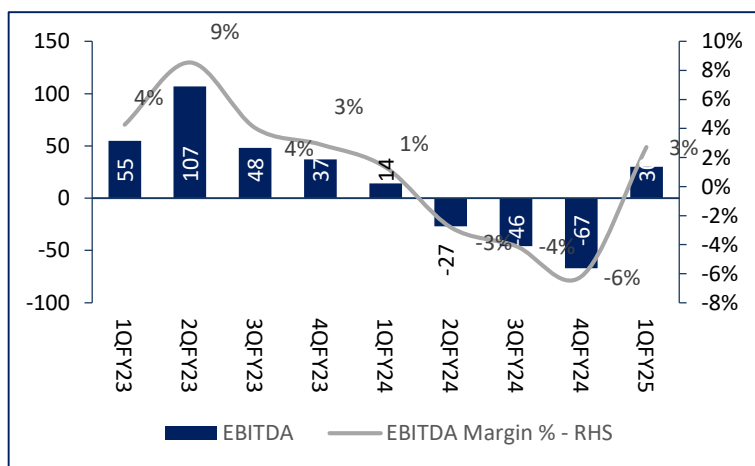
Source: Company, CEBPL

Consumer Appliance Revenue grew by 5% YoY



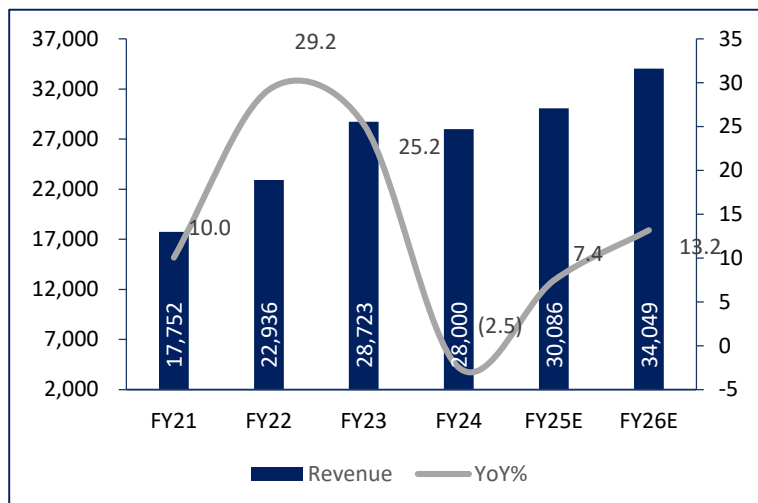
Source: Company, CEBPL

Consumer Appliance EBITDA grew by 114% YoY



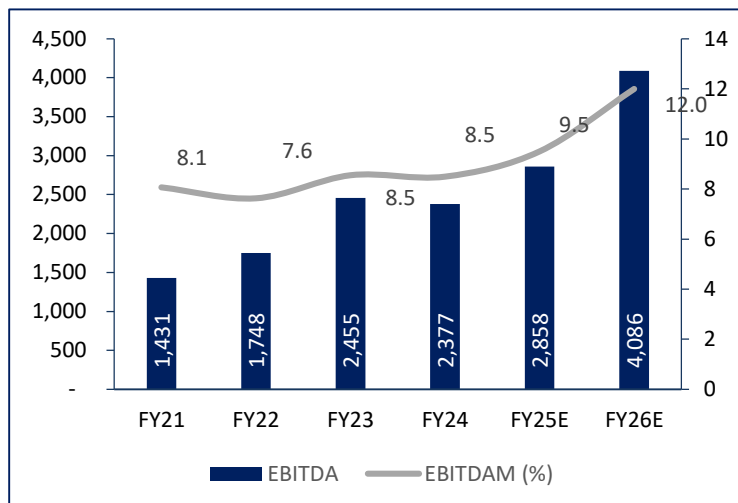
Source: Company, CMIE, CEBPL

Revenue to grow by 6% over FY23-26E



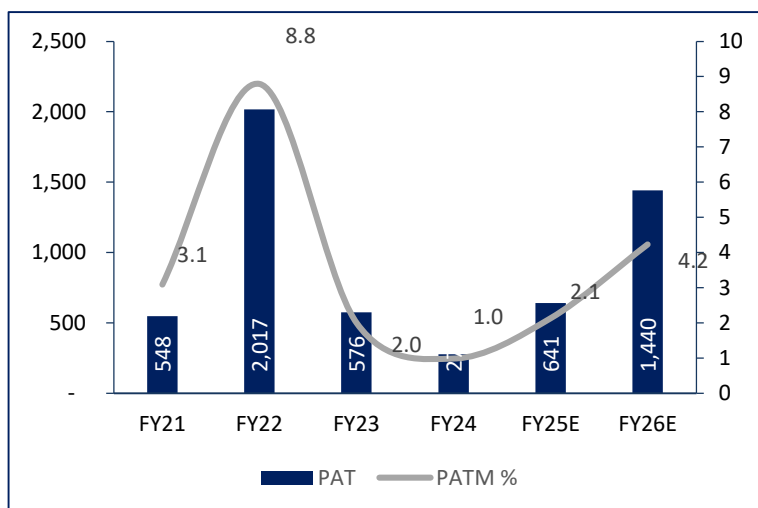
Source: Company, CEBPL

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



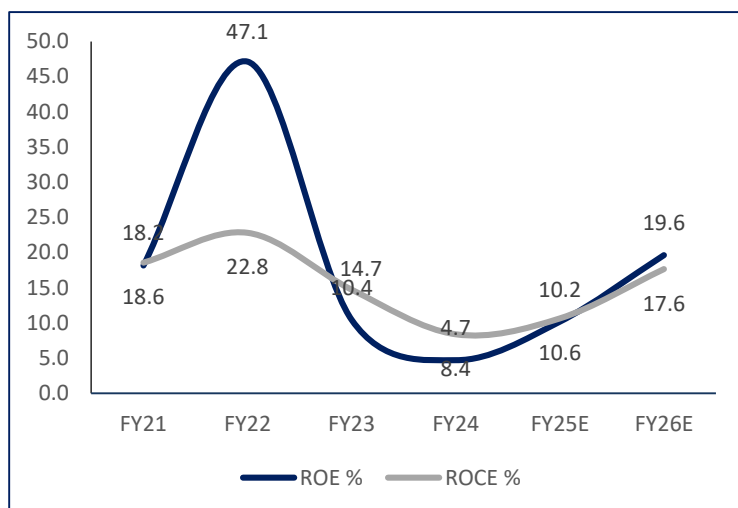
Source: Company, CEBPL

PAT & PAT Margins



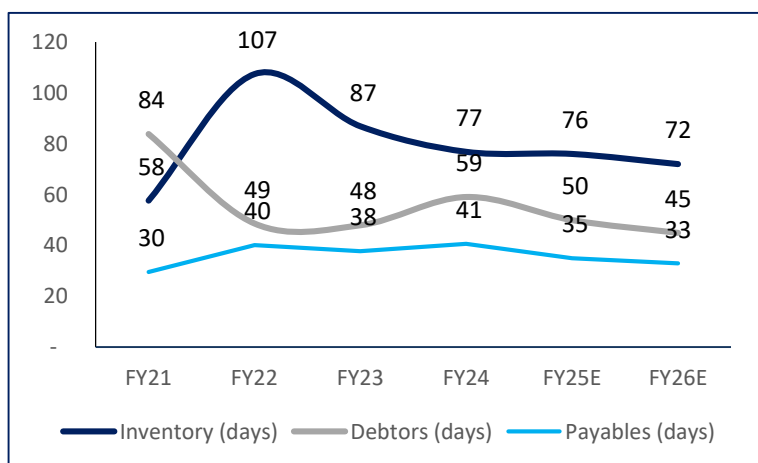
Source: Company, CEBPL

ROE & ROCE %



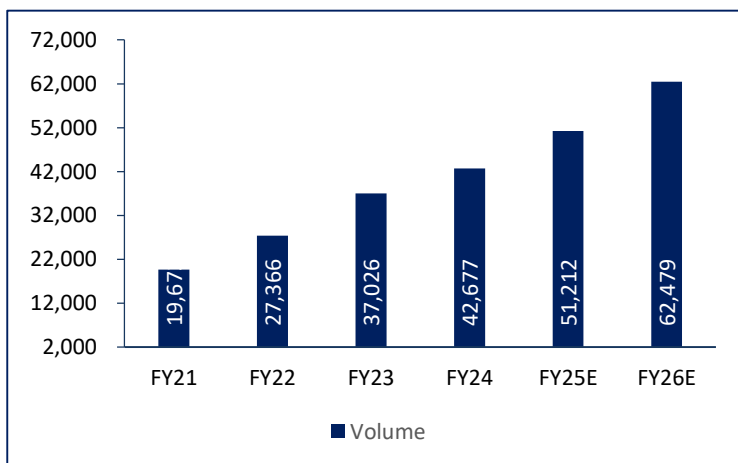
Source: Company, CEBPL

Working Capital Cycle



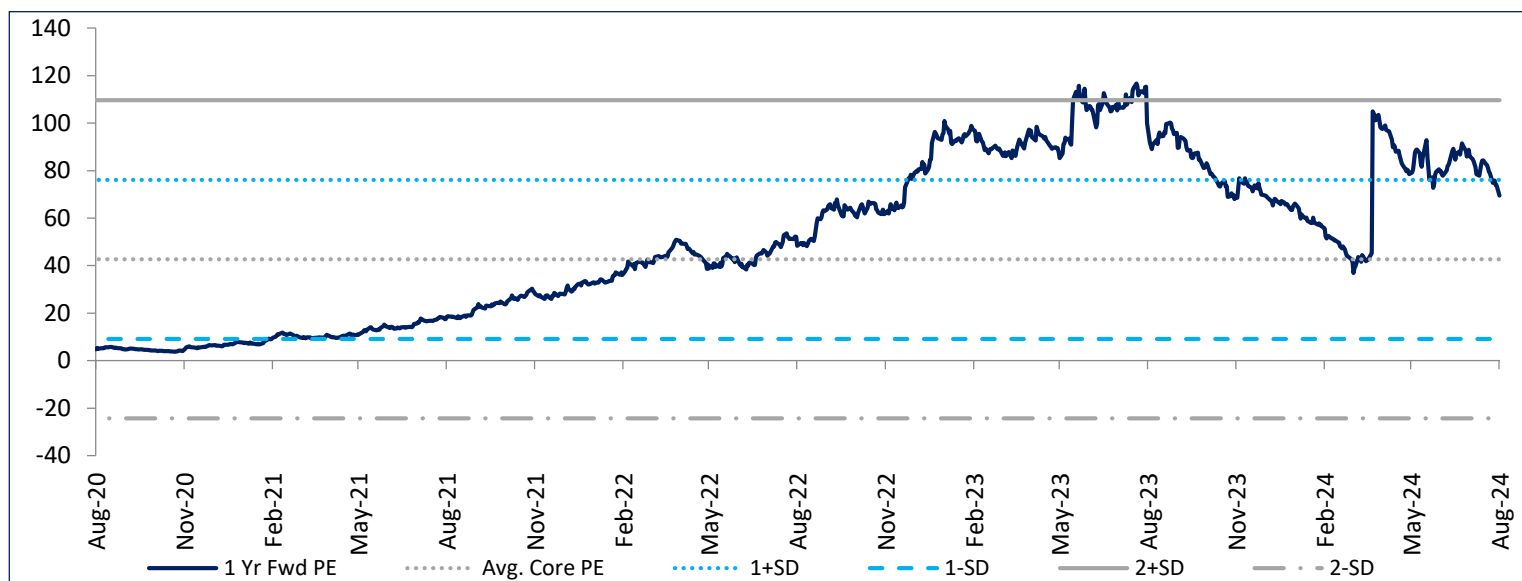
Source: Company, CMIE, CEBPL

Pipes Volume to grow 20% CAGR



Source: Company, CMIE, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

## Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Revenue	22,936	28,723	28,000	30,086	34,049
Gross profit	7,291	12,349	12,702	13,840	15,833
EBITDA	1,748	2,455	2,377	2,858	4,086
Depreciation	393	1,010	1,230	1,316	1,476
EBIT	1,355	1,445	1,147	1,542	2,610
Interest expense	204	771	951	865	742
Other Income (Including EO Items)	293	356	372	450	470
Reported PAT	2,035	665	368	732	1,531
Adjusted PAT	2,017	576	276	641	1,440
EPS (Rs)	28	8	4	9	20
NOPAT	1,124	932	743	1,002	1,709

## Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Net worth	5,264	5,757	5,978	6,619	8,060
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	7,867	6,867
Other liabilities & provisions	158	181	201	201	202
<b>Total Net Worth &amp; liabilities</b>	<b>18,017</b>	<b>19,052</b>	<b>20,109</b>	<b>20,446</b>	<b>21,098</b>
Net Fixed Assets	7,411	9,101	9,156	9,340	9,564
Capital Work in progress	585	362	553	250	-
Investments	873	879	1,035	1,035	1,035
Cash & bank balance	265	92	293	902	1,026
Loans & Advances & other assets	704	710	1,335	726	853
Net Current Assets	8,444	8,000	8,030	9,095	9,645
<b>Total Assets</b>	<b>18,017</b>	<b>19,052</b>	<b>20,109</b>	<b>20,446</b>	<b>21,098</b>
Capital Employed	6,696	12,874	14,345	14,486	14,927
Net Debt	1,167	7,025	8,074	6,965	5,841

Source: Company, CEBPL



Cash Flows (INR Mn.)	FY22	FY23	FY24E	FY25E	FY26E
CFO	2,261	2,208	2,407	3,164	3,329
Capex	(393)	(1,944)	(1,816)	(1,197)	(1,450)
FCF	1,867	264	592	1,967	1,879
CFI	(1,240)	(7,047)	(2,188)	(1,189)	(1,464)
CFF	(832)	4,667	(19)	(1,364)	(1,741)
Ratio Analysis	FY22	FY23	FY24E	FY25E	FY26E
Growth Ratios (%)					
Revenue (%)	29.2	25.2	(2.5)	7.4	13.2
EBITDA (%)	22.2	40.4	(3.2)	20.2	43.0
PAT (%)	267.7	(71.5)	(52.0)	132.0	124.6
Margin ratios (%)					
EBITDA	7.6	8.5	8.5	9.5	12.0
PAT	8.8	2.0	1.0	2.1	4.2
Performance Ratios (%)					
OCF/EBITDA (X)	1.3	0.9	1.0	1.1	0.8
RoE %	47.1	10.4	4.7	10.2	19.6
ROCE %	22.8	14.7	8.4	10.6	17.6
Turnover Ratios (Days)					
Inventory	107	87	77	76	72
Debtor	49	48	59	50	45
Payables (days)	40	38	41	35	33
Cash Conversion Cycle	126	100	101	99	92
Financial Stability ratios (x)					
Net debt to Equity	0.2	1.2	1.4	1.1	0.7
Net debt to EBITDA	0.7	2.9	3.4	2.4	1.4
Interest Cover	0.2	0.5	0.8	0.6	0.3
Valuation metrics					
Fully diluted shares (mn)	72	72	72	72	72
Price (Rs)	475	475	395	395	395
Market Cap(Rs. Mn)	34,341	34,341	28,559	28,559	28,559
PE(x)	17	60	103	45	20
EV (Rs.mn)	35,508	41,366	36,632	35,523	34,399
EV/EBITDA (x)	20	17	15	12	8
Book value (Rs/share)	73	80	83	92	111
Price to BV (x)	7	6	5	4	4
EV/OCF (x)	16	19	15	11	10

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

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<b>OUTPERFORM</b>	The security is expected to generate more than 25% returns over the next 12 months
<b>BUY</b>	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
<b>REDUCE</b>	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
<b>SELL</b>	The security expected to show Below 0% next 12 months

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