

## Hindustan Sanitaryware (India), Ltd– Growth acceleration likely

The company is the leader in India's sanitaryware industry and also occupies the second position in the container glass industry. The hallmark of the company is regular launching of new products in each segment and presence across the value chain and at all price points.

While the building products segment (BPS) has been doing very well the glass container segment(GCS) has been facing tough market conditions ,high input cost and over –capacity which affects pricing power. The BPS segment has seen a steady 15-20 % growth y-0-y for the last 3-4 year while some turnaround is expected in the GCS segment for FY 15 when the management expects higher offtake in the user industry and a growth of 15% is expected. This is expected to substantially reduce losses of the division and the management expects a best case scenario of break –even by end of FY 15 .Besides the company has also adopted some cost-control measures in power and fuel which constitutes 40% of the raw material costs.

In the BPS segment the EBIDTA margins are expected to be around 18% for FY15 against 16.5% for FY 14 . The company launched the Hindware Art and Hindware Italian Collection brand of products around seven years ago and over the years these two brands have gained big market share and today around 56 percent of the revenues of the building product division comes out of these two brands.

The sluggish economy and muted growth in the construction and real estate space, has also seen its effect in the company's performance in FY14 with a shrinking bottomline. With some boost expected from the new Govt to these beleaguered sectors, HSIL could see some acceleration in growth and profitability in the coming months.

### Valuation

The current market price of around 210 discounts estimated earnings for FY 15 by about 13-14 times .Buying at declines could be considered with a possible target of 280-290 in the next 6 months.

### Financials

(INR in crore)

Particulars	Q4FY14	Q4FY13	% Chg (YoY)	Q3FY14	% Chg (QoQ)	FY14	FY13	% Chg
Net Sales	629.02	506.00	24.31%	366.55	71.61%	1,858.20	1,761.27	5.50%
Expenditure	523.15	426.91	22.54%	305.73	71.12%	1,604.89	1,502.57	6.81%
Ebidta	105.87	79.09	33.86%	60.82	74.07%	253.31	258.70	-2.08%
Other Income	0.97	1.04	-6.73%	0.55	76.36%	3.81	3.84	-0.78%
PBIDT	106.84	80.13	33.33%	61.37	74.09%	257.12	262.54	-2.06%
Depreciation	36.19	23.01	57.28%	24.42	48.20%	110.12	93.21	18.14%
Interest	18.38	17.07	7.67%	17.93	2.51%	71.78	69.39	3.44%
PBT & exceptional item	52.27	40.05	30.51%	19.02	174.82%	75.22	99.94	-24.73%
Exceptional item	0.00	-23.66	0.00%	0.00	0.00%	0.00	-23.66	0.00%
PBT	52.27	63.71	-17.96%	19.02	174.82%	75.22	123.60	-39.14%
Tax	22.91	15.6	46.86%	7.23	216.87%	41.24	41.55	-0.75%
PAT	29.36	48.11	-38.97%	11.79	149.02%	33.98	82.05	-58.59%
No. of shares	6.60	6.60	-	6.60	-	6.60	6.60	-
EBITDA %	16.83%	15.63%	7.68%	16.59%	1.44%	13.63%	14.69%	-7.19%
NPM %	4.67%	9.51%	-50.91%	3.22%	45.11%	1.83%	4.66%	-60.75%
Adjusted EPS	4.45	7.29		1.79		5.15	12.43	

Source: Bseindia.com