

**BUY**

TP: Rs 600 | ▲ 51%

**HINDWARE HOME  
INNOVATION**

| Building Materials

| 29 May 2024

### In-line quarter; upbeat outlook across segments

- Beat our EBITDA estimate by 4.5% mainly due to better-than-expected plastic pipe sales volume
- Management provided upbeat outlook in anticipation of recovery in demand from Q3FY24 and margin improvement levers across segment
- Maintain BUY with unchanged TP of Rs 600 on strong earnings growth prospects and reasonable valuations

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**In-line quarter:** HINDWARE beat our revenue estimate by 2.8% in Q4FY24 mainly due to better-than-expected plastic pipe volume growth (+30.8% YoY vs +10% estimated). However, EBITDA was lower than our estimate by 18.3% mainly due to the impact of impairment loss of Rs 156mn related to the discontinuation of loss-making retail business in Q4FY24. After adjusting for impairment loss, adjusted EBITDA was ahead of our estimate by 4.5% for Q4FY24. Overall, HINDWARE's revenue grew by 0.9% YoY, but adjusted EBITDA fell 12.4% YoY in Q4FY24 due to sharp operating loss in consumer appliance segment.

**Key highlights:** Bathware EBITDA grew by 3.2% YoY in Q4 driven by higher revenue (+3.1%) with flat margin (+1bps YoY to 15.3%). Pipe EBITDA grew by 11.9% YoY in Q4 driven by higher volumes (+30.8%) with flat margin (+8bps YoY to 10.8%). Consumer appliances revenue fell sharply by 15.1% YoY and reported operating loss of Rs 125mn in Q4FY24 owing to weak demand and rationalisation of a few non-performing product categories. Net debt fell to Rs 8.52bn in Mar'24 from Rs 9.34 bn in Dec'23 due to better inventory management.

**Outlook:** We expect demand conditions to improve from Q3FY25. The company expects bathware revenue to grow at 10-15% and margin to improve by 100-200bps over the next 18-24 months. The company aims to grow its pipe volume at 15-17% YoY and margin to improve by 100bps in FY25. It expects the consumer appliances division's performance to turn around over the next two quarters. The company plans to raise equity in future to deleverage its balance sheet.

**Maintain BUY with unchanged TP of Rs 600:** We maintain our BUY rating on the stock due to strong earnings growth prospects (in anticipation of healthy revenue growth prospect with levers of margin improvement for each segments) and reasonable valuations (stock trades at 29.1x on 1Y forward P/E vs historical average of 41.6x). We have reduced our EPS estimates by 26.8%/23.5% for FY25/FY26, but have kept our TP unchanged at Rs 600 as we roll forward our valuation from Sep'25 to Mar'26. We value HINDWARE at an unchanged P/E of 30x on Mar'26E EPS.

### Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	HINDWARE IN/Rs 397
Market cap	US\$ 349.1mn
Free float	49%
3M ADV	US\$ 1.0mn
52wk high/low	Rs 664/Rs 315
Promoter/FPI/DII	51%/7%/9%

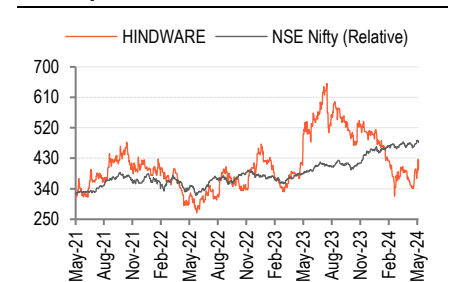
Source: NSE | Price as of 29 May 2024

### Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,000	30,738	34,715
EBITDA (Rs mn)	2,377	3,316	4,106
Adj. net profit (Rs mn)	286	893	1,446
Adj. EPS (Rs)	4.0	12.4	20.0
Consensus EPS (Rs)	4.0	19.8	28.1
Adj. ROAE (%)	4.8	13.8	19.1
Adj. P/E (x)	100.3	32.1	19.8
EV/EBITDA (x)	10.4	6.4	5.2
Adj. EPS growth (%)	(50.2)	212.3	61.9

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**Fig 1 – Quarterly performance – Consolidated**

Particulars (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Total operating income	7,737	7,669	0.9	6,926	11.7	28,006	28,723	(2.5)
Raw-Material expense	4,401	4,384	0.4	3,751	17.3	15,298	16,374	(6.6)
Gross Profit	3,336	3,285	1.5	3,176	5.0	12,708	12,349	2.9
Employee expense	1,121	970	15.5	1,064	5.3	4,305	4,023	7.0
Energy costs	265	241	9.8	219	20.6	925	1,103	(16.2)
Other expense	1,391	1,257	10.6	1,389	0.1	5,095	4,768	6.9
EBITDA	560	816	(31.4)	503	11.2	2,383	2,455	5
D&A	321	284	13.1	313	2.4	1,230	1,010	21.8
EBIT	239	533	(55.2)	190	25.6	1,152	1,445	(20.3)
Interest cost	248	229	8.0	235	5.2	951	771	23.3
Non-operating expense/(income)	(50)	(22)	131.8	(126)	(59.9)	(275)	(267)	3.0
PBT	41	325	(87.3)	80	(48.4)	476	941	(49.4)
Tax	14	98	(85.5)	3	354.8	200	365	(45.3)
Reported PAT	27	228	(88.0)	77	(64.6)	276	576	(4)
Adjusted PAT	21	224	(90.4)	42	(49.3)	296	572	(48.3)
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
Gross margin	43.1	42.8	28	45.8	(273)	45.4	43.0	238
Employee cost	14.5	12.7	183	15.4	(87)	15.4	14.0	136
Other cost	18.0	16.4	158	20.1	(208)	18.2	16.6	159
EBITDA margin	7.2	10.6	(341)	7.3	(3)	8.5	8.5	(4)
Tax rate	34.1	30.0	406	3.9	3019	42.0	38.8	316
APAT margin	0.3	2.9	(264)	0.6	(33)	1.1	2.0	(94)

Source: Company, BOBCAPS Research

**Fig 2 – Segment financials**

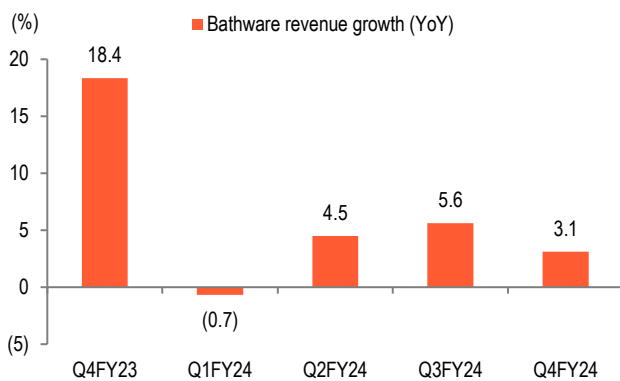
Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Revenue (Rs mn)</b>								
Bathware	4,207	4,080	3.1	4,016	4.8	15,804	15,317	3.2
Plastic Pipe	2,435	2,192	11.1	1,740	39.9	7,746	7,846	(1.3)
Consumer Products	1,082	1,275	(15.1)	1,124	(3.7)	4,222	5,009	(15.7)
<b>EBITDA margin (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
Bathware	15.3	15.3	1	13.6	176	15.4	13.9	151
Plastic Pipe	10.8	10.8	8	7.7	314	9.3	5.6	371
Consumer Products	(11.5)	2.9	(1445)	(4.1)	(746)	(4.4)	4.9	(929)

Source: Company, BOBCAPS Research

### Earnings call highlights

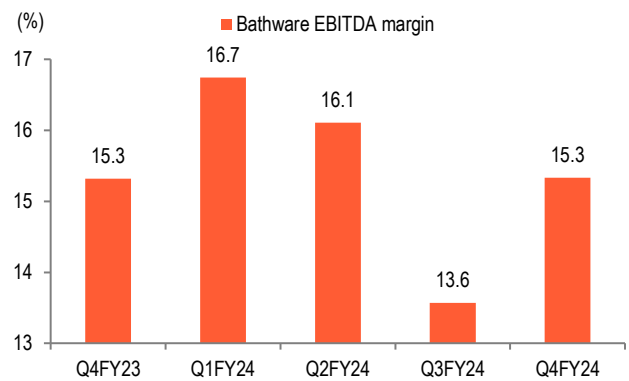
- Bathware:** Revenue was up 3.1% YoY and EBITDA margin was relatively flat at 15.3% YoY in Q4FY24. Going ahead, the bathware industry is expected to grow at 8-10% and the company aims to outpace industry growth by 1.25x-1.5x. The company expects bathware margin to improve by 100-200bps over the next 18-24 months.
- Plastic pipes:** Volumes grew sharply by 30.8% YoY with marginal improvement in EBITDA margin (+8bps YoY to 10.8%) in Q4FY24. The company expects pipe volume to grow at 15-17% rate and EBITDA margin to improve by 100bps in FY25. CPVC revenue share fell to 40% in FY24 due to flat industry demand, but management hopes to improve it to 45% in FY25 on expectations of a pickup in demand from Q2FY25.
- Consumer appliances:** Revenue de-grew sharply by 15.1% YoY in Q4FY24 due to weak demand and rationalisation of product portfolio. The company expects the segment performance to turn around over the next two quarters. The company expects the segment margin to improve to 8-10% over the next three to four years.
- Capex:** The company plans to spend Rs 1.2bn-1.4bn in FY25. The greenfield plastic pipe plant in Roorkee is expected to become operational by Q3FY25.
- Net debt:** Net debt fell to Rs 8.52bn in Mar'24 from Rs 9.34bn in Dec'23 due to better inventory management. Going ahead, the company aims to reduce net working capital by another 15% by reducing inventories and receivables, which would help reduce debt further in the near future. Also, the company plans to raise equity to deleverage its balance sheet.

**Fig 3 – HINDWARE’s bathware revenue grew at a muted 3.1% YoY in Q4FY24 due to weak demand**



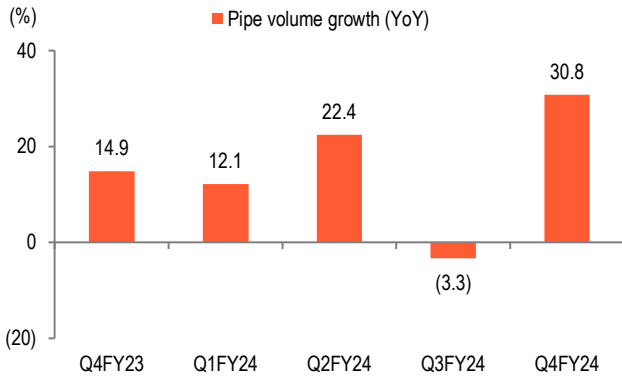
Source: Company, BOBCAPS Research

**Fig 4 – Bathware EBITDA margin was relatively flat on YoY basis in Q4FY24**



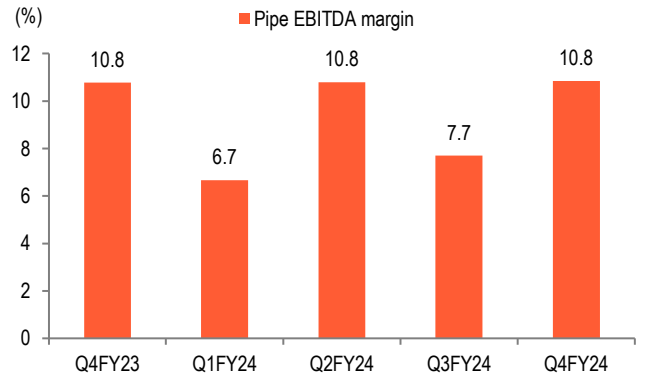
Source: Company, BOBCAPS Research

**Fig 5 – Pipe volumes grew sharply by 30.8% YoY in Q4FY24**



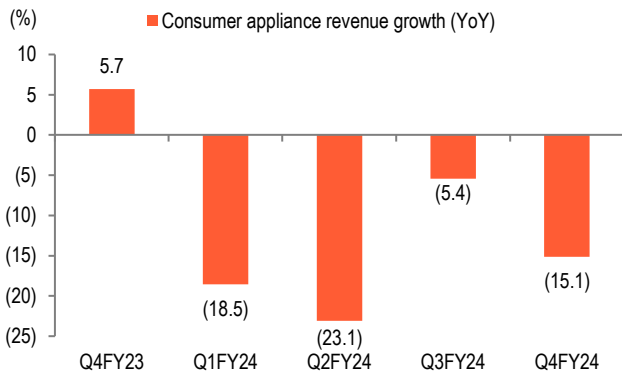
Source: Company, BOBCAPS Research

**Fig 6 – Pipe EBITDA margin was relatively flat at 10.8% in Q4FY24, despite high base effect**



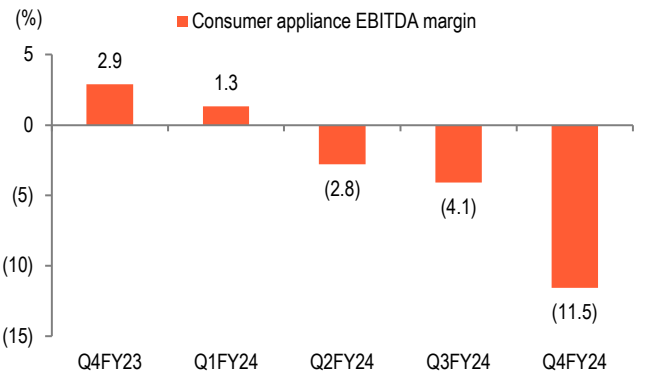
Source: Company, BOBCAPS Research

**Fig 7 – Consumer appliance revenue declined for the fourth consecutive quarter and...**



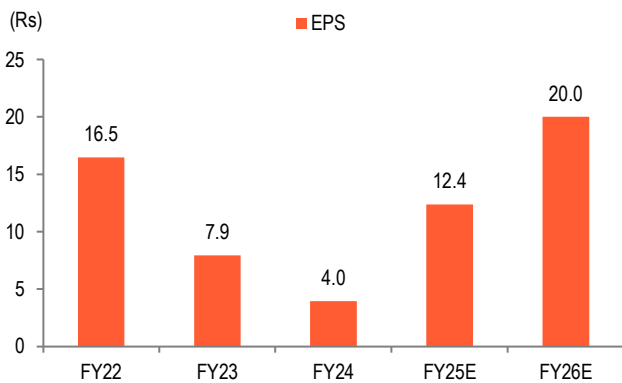
Source: Company, BOBCAPS Research

**Fig 8 – ... reported operating loss for third consecutive quarter due to weak demand and portfolio rationalisation**



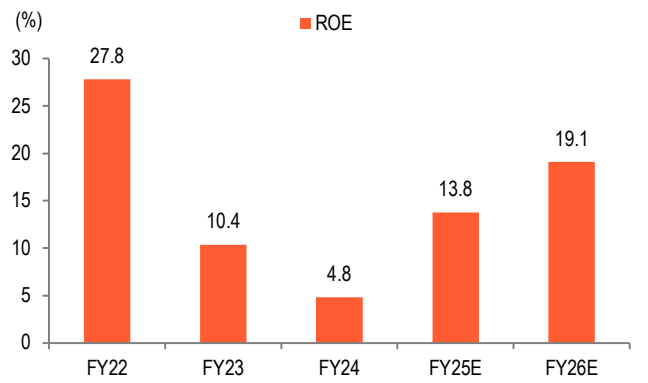
Source: Company, BOBCAPS Research

**Fig 9 – HINDWARE’s EPS forecast to grow sharply over FY24-FY26E**



Source: Company, BOBCAPS Research

**Fig 10 – ROE projected to improve from 4.8% in FY24 to 19.1% in FY26E**



Source: Company, BOBCAPS Research

### Valuation methodology

We maintain our BUY rating on the stock due to strong earnings growth prospects (in anticipation of healthy revenue growth with levers of margin improvement for each segment) and reasonable valuations (stock trades at 29.1x on 1Y forward P/E vs historical average of 41.6x).

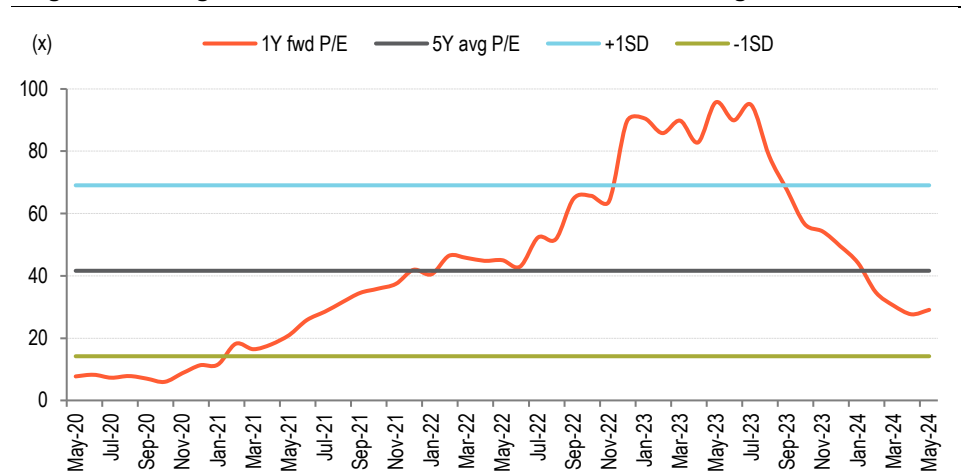
We have reduced our EPS estimates by 26.8%/23.5% for FY25/FY26, but have kept our TP unchanged at Rs 600 as we roll forward our valuation from Sep'25 to Mar'26. We value HINDWARE at an unchanged P/E of 30x on Mar'26E EPS.

**Fig 11 – Revised estimates**

Consolidated (Rs bn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Total operating income	30.7	34.7	30.7	34.4	0.1	0.9
EBITDA	3.3	4.1	3.5	4.3	(5.5)	(4.4)
EBITDA Margin (%)	10.8	11.8	11.4	12.5	(65bps)	(65bps)
Adjusted PAT	0.9	1.4	1.2	1.9	(26.8)	(23.5)
EPS (Rs)	12.4	20.0	16.9	26.2	(26.8)	(23.5)

Source: BOBCAPS Research

**Fig 12 – Trading at 29.1x on 1Y forward P/E vs historical average of 41.6x**



Source: Bloomberg, BOBCAPS Research

**Fig 13 – Key assumptions**

Particulars	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue-Mix (%)</b>						
Bathware	48.3	51.9	53.3	56.4	55.7	54.2
Plastic Pipe	22.8	26.4	27.3	27.7	29.2	31.1
Consumer Product	25.6	18.8	17.4	15.1	15.1	14.7
Retail	3.3	2.9	2.0	0.8	-	-
<b>Segment Revenue Growth (%)</b>						
Bathware	(7.8)	38.6	28.8	3.2	8.1	10.0
Plastic Pipe	75.5	50.1	29.4	(1.3)	15.7	20.1
Consumer Product	25.8	(5.2)	16.2	(15.7)	10.0	10.0
Retail	(35.5)	14.7	(16.0)	(57.9)	-	-
<b>EBITDA margin (%)</b>						
Bathware	13.2	11.4	13.9	15.4	15.3	15.7
Plastic Pipe Segment	NA	7.6	5.6	9.3	10.2	11.1
Consumer Products Segment	6.8	2.2	2.5	(4.4)	2.5	5.6
Retail	(1.9)	7.4	3.3	(92.8)	-	-

Source: Company, BOBCAPS Research

### Key risks

- Market share loss in bathware and plastic pipes would be a key downside risk to our estimates.

### Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Apollo Pipes	APOLP IN	0.3	659	650	HOLD
Astral	ASTRA IN	6.9	2,114	2,200	HOLD
Century Plyboards	CPBI IN	1.8	660	700	HOLD
Cera Sanitaryware	CRS IN	1.1	7,068	7,700	HOLD
Finolex Industries	FNXP IN	2.4	322	265	HOLD
Greenlam Industries	GRLM IN	0.9	588	500	HOLD
Greenpanel Industries	GREENP IN	0.4	297	340	HOLD
Greenply Industries	MTLM IN	0.4	257	320	BUY
Hindware Home Innovation	HINDWARE IN	0.3	397	600	BUY
Kajaria Ceramics	KJC IN	2.5	1,270	1,400	BUY
Prince Pipes & Fittings	PRINCP IN	0.8	614	750	HOLD
Somany Ceramics	SOMC IN	0.4	719	900	BUY
Supreme Industries	SI IN	8.5	5,516	4,650	HOLD

Source: BOBCAPS Research, NSE | Price as of 29 May 2024

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Total revenue</b>	<b>22,936</b>	<b>28,723</b>	<b>28,000</b>	<b>30,738</b>	<b>34,715</b>
EBITDA	1,760	2,459	2,377	3,316	4,106
Depreciation	393	1,010	1,230	1,368	1,419
EBIT	1,367	1,449	1,147	1,948	2,687
Net interest inc./(exp.)	(204)	(771)	(951)	(990)	(990)
Other inc./(exp.)	293	356	372	320	320
Exceptional items	12	4	0	0	0
EBT	1,444	1,030	567	1,278	2,017
Income taxes	417	365	200	300	486
Extraordinary items	(1,009)	0	0	0	0
Min. int./Inc. from assoc.	(18)	(94)	(110)	(84)	(84)
<b>Reported net profit</b>	<b>2,017</b>	<b>571</b>	<b>258</b>	<b>893</b>	<b>1,446</b>
Adjustments	(826)	3	28	0	0
<b>Adjusted net profit</b>	<b>1,191</b>	<b>574</b>	<b>286</b>	<b>893</b>	<b>1,446</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Accounts payables	2,524	2,972	3,120	3,425	3,868
Other current liabilities	9,517	4,234	4,026	4,026	4,026
Provisions	81	61	44	48	54
Debt funds	1,432	7,117	8,367	7,392	6,892
Other liabilities	2,640	2,812	2,580	2,580	2,580
Equity capital	145	145	145	145	145
Reserves & surplus	5,119	5,613	5,834	6,667	8,016
Shareholders' fund	5,264	5,830	6,067	6,900	8,250
<b>Total liab. and equities</b>	<b>21,457</b>	<b>23,027</b>	<b>24,203</b>	<b>24,371</b>	<b>25,670</b>
Cash and cash eq.	536	93	293	630	259
Accounts receivables	3,059	3,776	4,533	4,211	4,756
Inventories	6,753	6,838	5,894	5,778	6,622
Other current assets	1,535	1,268	1,404	1,541	1,740
Investments	873	880	1,035	1,035	1,035
Net fixed assets	4,902	6,527	7,012	7,144	7,225
CWIP	579	358	539	539	539
Intangible assets	2,534	2,597	2,178	2,178	2,178
Deferred tax assets, net	391	390	598	598	598
Other assets	294	301	718	718	718
<b>Total assets</b>	<b>21,457</b>	<b>23,027</b>	<b>24,203</b>	<b>24,371</b>	<b>25,670</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash flow from operations</b>	<b>7,376</b>	<b>(3,208)</b>	<b>1,581</b>	<b>3,542</b>	<b>2,397</b>
Capital expenditures	(6,869)	(2,491)	(1,875)	(1,500)	(1,500)
Change in investments	(873)	(6)	(156)	0	0
Other investing cash flows	1,290	352	372	320	320
<b>Cash flow from investing</b>	<b>(6,453)</b>	<b>(2,145)</b>	<b>(1,659)</b>	<b>(1,180)</b>	<b>(1,180)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(462)	5,685	1,250	(975)	(500)
Interest expenses	(204)	(771)	(951)	(990)	(990)
Dividends paid	0	(36)	(29)	(60)	(97)
Other financing cash flows	(53)	27	(11)	0	0
<b>Cash flow from financing</b>	<b>(719)</b>	<b>4,905</b>	<b>260</b>	<b>(2,025)</b>	<b>(1,587)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>204</b>	<b>(448)</b>	<b>182</b>	<b>337</b>	<b>(371)</b>
<b>Closing cash &amp; cash eq.</b>	<b>320</b>	<b>321</b>	<b>2,314</b>	<b>7,684</b>	<b>5,264</b>

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24A	FY25E	FY26E
Reported EPS	27.9	7.9	3.6	12.4	20.0
Adjusted EPS	16.5	7.9	4.0	12.4	20.0
Dividend per share	0.0	0.5	0.4	0.8	1.3
Book value per share	72.8	79.6	82.7	94.2	112.9

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24A	FY25E	FY26E
EV/Sales	1.1	1.0	0.9	0.7	0.6
EV/EBITDA	14.9	11.2	10.4	6.4	5.2
Adjusted P/E	24.1	50.0	100.3	32.1	19.8
P/BV	5.5	5.0	4.8	4.2	3.5

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24A	FY25E	FY26E
Tax burden (Net profit/PBT)	82.5	55.7	50.4	69.9	71.7
Interest burden (PBT/EBIT)	105.6	71.1	49.5	65.6	75.1
EBIT margin (EBIT/Revenue)	6.0	5.0	4.1	6.3	7.7
Asset turnover (Rev./Avg TA)	106.9	124.7	115.7	126.1	135.2
Leverage (Avg TA/Avg Equity)	5.0	4.2	4.1	3.8	3.4
Adjusted ROAE	27.8	10.4	4.8	13.8	19.1

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24A	FY25E	FY26E
<b>YoY growth (%)</b>					
Revenue	29.2	25.2	(2.5)	9.8	12.9
EBITDA	22.7	39.7	(3.3)	39.5	23.8
Adjusted EPS	134.5	(51.8)	(50.2)	212.3	61.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	7.7	8.6	8.5	10.8	11.8
EBIT margin	6.0	5.0	4.1	6.3	7.7
Adjusted profit margin	5.2	2.0	1.0	2.9	4.2
Adjusted ROAE	27.8	10.4	4.8	13.8	19.1
ROCE	24.8	13.9	10.5	15.9	19.9
<b>Working capital days (days)</b>					
Receivables	49	48	59	50	50
Inventory	107	87	77	69	70
Payables	40	38	41	41	41
<b>Ratios (x)</b>					
Gross asset turnover	5.2	3.8	2.9	2.7	2.7
Current ratio	0.9	1.1	1.0	1.0	1.1
Net interest coverage ratio	6.7	1.9	1.2	2.0	2.7
Adjusted debt/equity	0.2	1.2	1.3	1.0	0.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

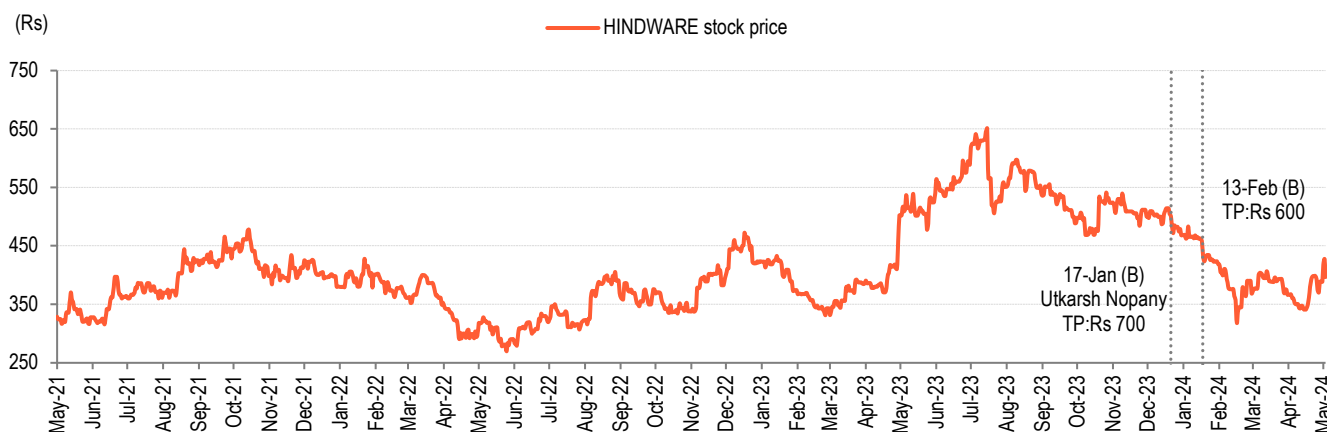
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): HINDWARE HOME INNOVATION (HINDWARE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

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