

BUY
 TP: Rs 250 | ▲ 28%

HINDWARE HOME INNOVATION

| Building Materials

| 17 February 2025

Another disappointing quarter on muted demand

- Dismal Q3 on weak performance across segments due to muted demand environment
- Demand remains sluggish in Q4FY25 (YTD); bathware & consumer product performances to improve over the next 2-3 quarters
- Maintain BUY; TP cut by 38% to Rs 250 on sharp earnings downgrade as well as cut our target P/E (from 30x to 20x)

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Dismal quarter: HINDWARE Q3FY25 result came below our estimates (Revenue: -11%; EBITDA: -14%) driven by lower-than-expected bathware segment revenue (-15.9% YoY vs -5.0% estimated) and higher operating loss for the consumer product segment (Rs 97mn in Q3FY25 vs Rs 46mn in Q3FY24). Share of loss from JV (for water heater) has also gone up to Rs 51mn in Q3FY25 from Rs 16mn in Q3FY24. Overall, the company's revenue/EBITDA de-grew by 13.6%/43.8% YoY in Q3FY25. It posted net loss of Rs 178mn in Q3FY25 vs net profit of Rs 42mn in Q3FY24.

Key highlights: Bathware segment EBITDA was down by 37% YoY in Q3FY25 driven by lower revenue (-16% YoY) as well as sharp margin contraction (-335bps YoY to 10.2%) on account of muted demand environment. Plastic pipe segment EBITDA was down 2% YoY in Q3FY25 as the impact of higher volumes (+9.7%) was offset by margin pressure (-78bps YoY to 6.9%). Consumer appliances again posted sharp operating loss in Q3FY25 due to lower revenue (-40% YoY). Net debt was down to Rs 6.7bn in Dec'24 from Rs 9.2bn in Sep'24 due to the successful completion of the rights issue programme of Rs 2.5bn in Q3FY25.

Outlook: HINDWARE management believes market conditions continued to remain sluggish in Q4FY25 (YTD). Management expects the performance of bathware and consumer products to improve over the next two to three quarters due to the benefit of various strategic initiatives in distribution, product launches, engagement with influencers, new hirings in projects business, etc.

Maintain BUY; TP cut by 38% to Rs 250: We maintain our BUY rating on the stock as we expect its EPS to grow at a healthy 44% CAGR over FY24-FY27E over a weak base in anticipation of gradual improvement in its margin profile over the next two years. We reduce our TP to Rs 250 (Rs 400 earlier) due to sharp earnings downgrade based on weak Q3 results as well as cut our target P/E (from 30x to 20x on Dec'26E due to the dismal performance for the past four straight quarters). At the CMP, the stock trades at a P/E of 49.0x/16.3x on FY26E/FY27E.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HINDWARE IN/Rs 195
Market cap	US\$ 162.2mn
Free float	47%
3M ADV	US\$ 0.4mn
52wk high/low	Rs 477/Rs 190
Promoter/FPI/DII	53%/4%/8%

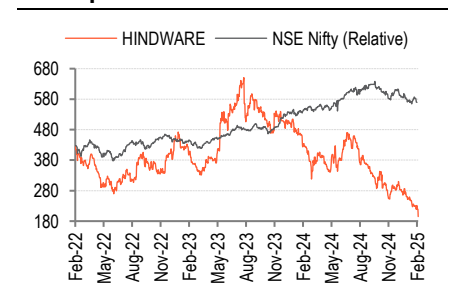
Source: NSE | Price as of 17 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,000	25,353	27,751
EBITDA (Rs mn)	2,383	1,499	2,321
Adj. net profit (Rs mn)	290	(385)	333
Adj. EPS (Rs)	4.0	(4.6)	4.0
Consensus EPS (Rs)	4.0	4.3	9.9
Adj. ROAE (%)	4.9	(5.4)	4.0
Adj. P/E (x)	48.6	(42.4)	49.0
EV/EBITDA (x)	4.3	4.4	3.3
Adj. EPS growth (%)	(49.5)	(214.6)	(186.5)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance (consolidated)

(Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)	BOBCAPS Q3FY25E	Variance (%)
Total operating income	5,942	6,877	(13.6)	6,298	(5.7)	18,240	20,039	(9.0)	6,670	(10.9)
Raw-Material expense	3,240	3,730	(13.1)	3,517	(7.9)	9,936	10,767	(7.7)		
Gross Profit	2,702	3,147	(14.1)	2,781	(2.8)	8,304	9,272	(10.4)		
Employee expense	1,084	1,052	3.0	1,077	0.6	3,240	3,150	2.9		
Energy costs	222	218	1.9	224	(0.7)	655	657	(0.3)		
Other expense	1,102	1,353	(18.5)	1,183	(6.8)	3,388	3,572	(5.2)		
EBITDA	294	524	(43.8)	297	(1.0)	1,021	1,893	(8)	342	(13.9)
D&A	306	304	0.4	309	(1.1)	922	882	4.6		
EBIT	(11)	219	NM	(12)	(3.4)	100	1,012	(90.2)		
Interest cost	226	227	(0.8)	236	(4.2)	700	683	2.5		
Non-operating expense/ (income)	(30)	(90)	(66.3)	(133)	(77.3)	(178)	(220)	(19.2)		
PBT	(207)	81	NM	(114)	80.8	(423)	548	NM		
Tax	(37)	14	NM	(39)	(3.9)	(74)	222	NM		
Reported PAT	(169)	67	NM	(75)	124.4	(349)	327	NM		
Adjusted PAT	(178)	42	NM	(148)	19.8	(366)	265	NM	(89)	98.5
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	45.5	45.8	(28)	44.2	132	45.5	46.3	(74)		
Employee cost	18.2	15.3	294	17.1	113	17.8	15.7	204		
Other cost	18.5	19.7	(113)	18.8	(23)	18.6	17.8	75		
EBITDA margin	4.9	7.6	(266)	4.7	23	5.6	9.4	(385)		
Tax rate	18.1	17.2	89	34.0	(1,592)	17.5	40.5	(2,291)		
APAT margin	(3.0)	0.6	(360)	(2.4)	(64)	(2.0)	1.3	(333)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

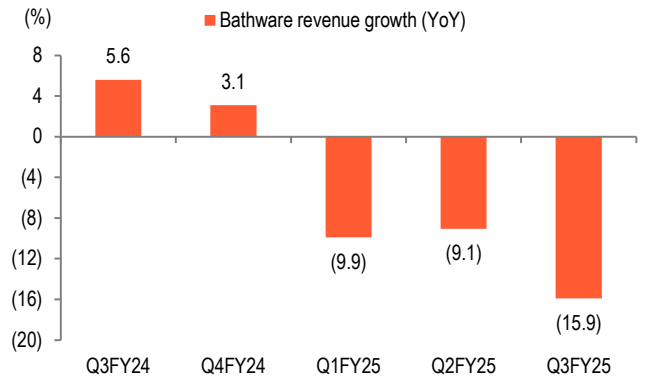
Segment Performance	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (Rs mn)								
Bathware	3,377	4,016	(15.9)	3,602	(6.2)	10,241	11,597	(11.7)
Plastic Pipe	1,892	1,740	8.7	1,871	1.1	5,395	5,311	1.6
Consumer Products	674	1,124	(40.1)	825	(18.4)	2,604	3,137	(17.0)
EBITDA margin (%)			(bps)		(bps)			(bps)
Bathware	10.2	13.6	(335bps)	9.5	75	10.8	15.4	(467)
Plastic Pipe	6.9	7.7	(78bps)	6.8	14	6.8	8.6	(176)
Consumer Products	(14.4)	(4.1)	(1,031bps)	(8.7)	(568)	(5.3)	(1.9)	(346)

Source: Company, BOBCAPS Research

Earnings call highlights

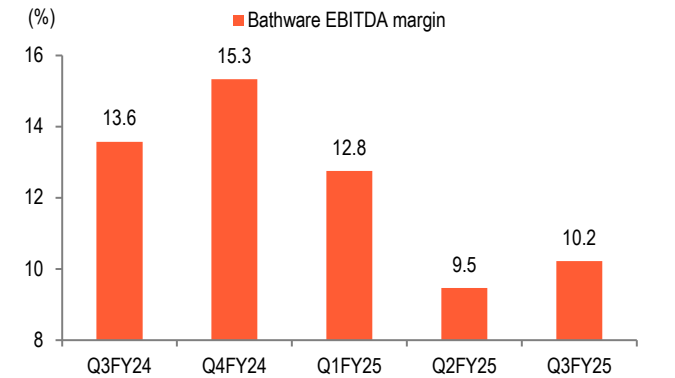
- **Bathware:** Revenue de-grew by 15.9% YoY in Q3FY25 due to a weak demand environment. EBITDA margin fell by 335bps YoY to 10.2% in Q3FY25 on account of higher raw material cost, and negative operating leverage. The company hiked faucetware prices by 4.7% in Q3FY25. Project sales share was 22% in Q3FY25 vs 19% in Q2FY25. Going ahead, the company expects bathware performance to improve over the next two to three quarters due to the benefits of various strategic initiatives in the areas of distribution, product launches, engagement with influencers, new hirings in projects business, etc.
- **Plastic pipes:** Volumes grew by 9.7% YoY in Q3FY25 on a low base (-3.3% YoY in Q3FY24). However, segment EBITDA margin was down by 78bps YoY to 6.9% in Q3FY25 due to a significant fall in PVC resin prices. CPVC accounted for 38% of total sales in 9MFY25. The company expects its upcoming Roorkee plant to operate at 75% rate within nine months from the date of commencement of production (i.e. Q1FY26 vs Q4FY25 earlier). The Roorkee plant could generate peak annual revenue of Rs 2.25bn-2.5bn at full capacity.
- **Consumer product:** Segment revenue fell sharply by 40.1% YoY in Q3FY25 even on a weak base (-5.3% YoY in Q3FY24). Segment posted operating loss of Rs 97mn in Q3FY25 vs loss of Rs 46mn in Q3FY24. Going ahead, the company expects this segment to see sharp improvement in performance over the next two to three quarters as it is exiting the low-margin fans business. Going ahead, the company would focus only on kitchen appliances and heaters. Kitchen appliances forms 75% of consumer appliance sales.
- **Water heater (JV):** The company is making losses in the JV business due to low operating rate. Going ahead, management expects losses to come down in the coming quarters as it is planning to enter into contract with a few OEMs to quickly recover the fixed cost.

Fig 3 – HINDWARE’s bathware revenue fell by 15.9% YoY in Q3FY25 due to muted demand environment



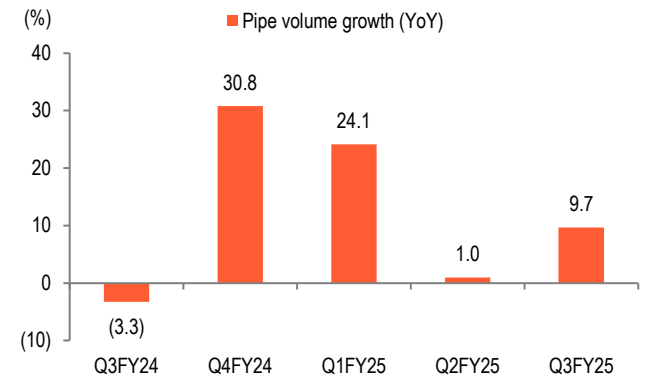
Source: Company, BOBCAPS Research

Fig 4 – Bathware EBITDA margin was down 335bps YoY to 10.2% in Q3FY25 due to negative operating leverage



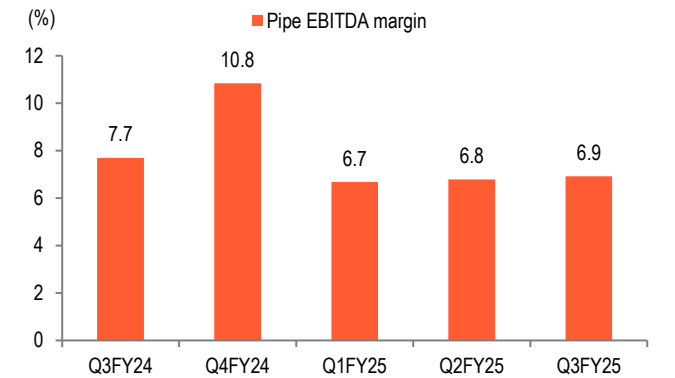
Source: Company, BOBCAPS Research

Fig 5 – Pipe volume grew by 9.7% YoY in Q3FY25 over a low base



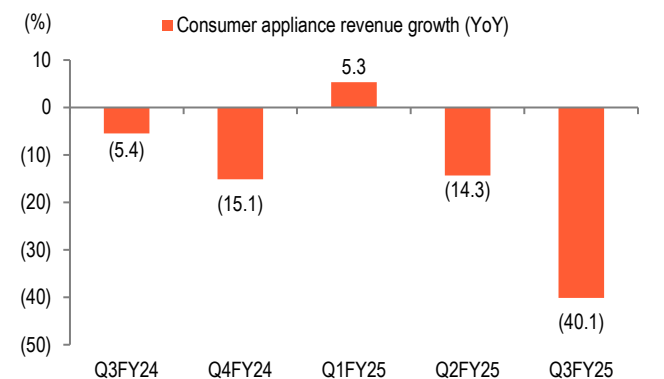
Source: Company, BOBCAPS Research

Fig 6 – Pipe EBITDA margin was down 78bps YoY to 6.9% in Q3FY25 due to intense competition



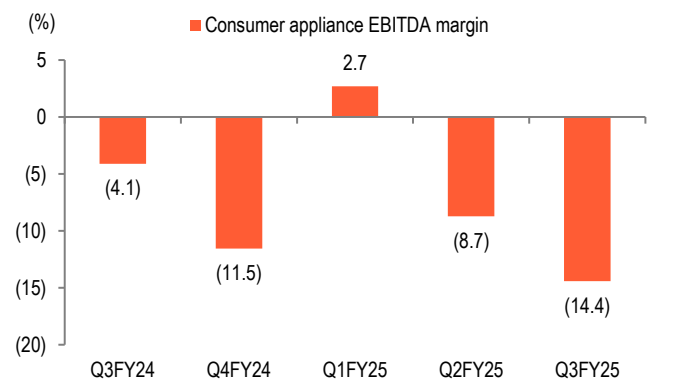
Source: Company, BOBCAPS Research

Fig 7 – Consumer appliance segment revenue fell sharply by 40.1% YoY in Q3FY25 over a weak base



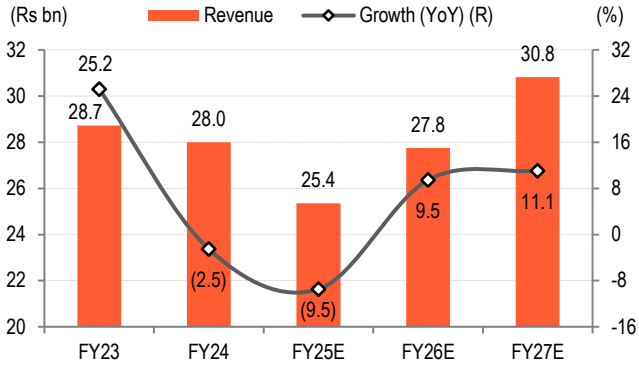
Source: Company, BOBCAPS Research

Fig 8 – Consumer appliance segment again posted operating loss in Q3FY25



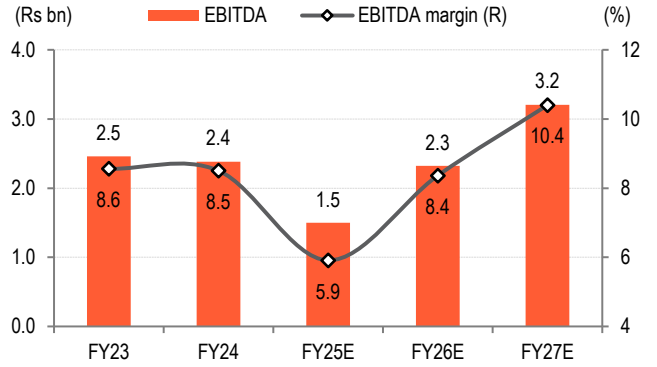
Source: Company, BOBCAPS Research

Fig 9 – HINDWARE’s revenue is projected to grow at 10% CAGR over FY25-FY27E on a low base



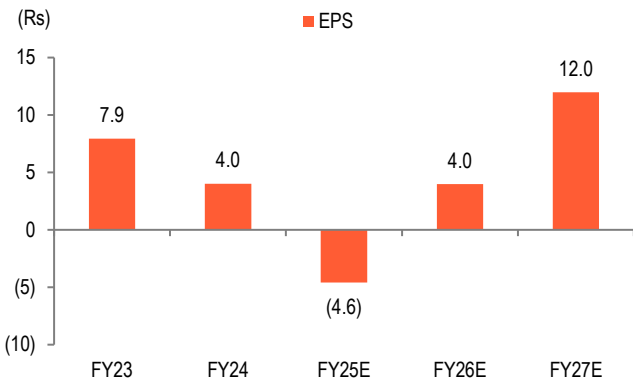
Source: Company, BOBCAPS Research

Fig 10 – Hindware EBITDA margin to improve gradually from 5.9% in FY25E to 10.4% in FY27E on a low base



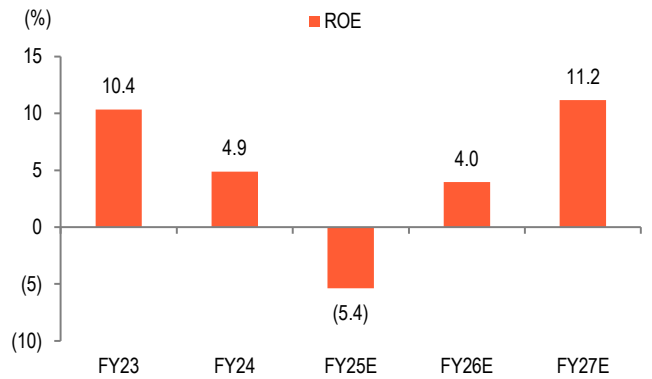
Source: Company, BOBCAPS Research

Fig 11 – HINDWARE’s EPS forecast to grow sharply at 44% CAGR over FY24-FY27E



Source: Company, BOBCAPS Research

Fig 12 – ROE is also projected to improve gradually over FY24-FY27E



Source: Company, BOBCAPS Research

Valuation methodology

We maintain our BUY rating on the stock as we expect its EPS to grow at a healthy 44% CAGR over FY24-FY27E over a weak base in anticipation of gradual improvement in its margin profile over the next two years. We reduce our TP to Rs 250 (Rs 400 earlier) due to a sharp earnings downgrade based on weak Q3 results as well as cut in our target P/E (from 30x to 20x on Dec'26E due to the dismal performance in the past four consecutive quarters). At CMP, the stock trades at a P/E of 49.0x/16.3x on FY26E/FY27E.

Fig 13 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Total operating income	25.4	27.8	30.8	27.5	31.0	35.0	(7.8)	(10.6)	(11.9)
EBITDA	1.5	2.3	3.2	2.0	2.7	3.4	(25.5)	(14.2)	(5.5)
EBITDA Margin (%)	5.9	8.4	10.4	7.3	8.7	9.7	(140bps)	(35bps)	71bps
Adjusted PAT	(0.4)	0.3	1.0	0.1	0.7	1.2	NM	(53.7)	(17.1)
EPS (Rs)	(4.6)	4.0	12.0	1.0	8.6	14.5	NM	(53.7)	(17.1)

Source: BOBCAPS Research

Fig 14 – Key assumptions

(%)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue-mix						
Bathware	51.9	53.3	56.4	55.3	56.3	55.8
Plastic Pipe	26.4	27.3	27.7	31.4	32.1	32.8
Consumer Product	18.8	17.4	15.1	13.3	11.5	11.4
Retail	2.9	2.0	0.8	-	-	-
Revenue growth						
Bathware	38.6	28.8	3.2	(11.2)	11.4	10.0
Plastic Pipe	50.1	29.4	(1.3)	2.8	12.0	13.3
Consumer Product	(5.2)	16.2	(15.8)	(20.3)	(4.8)	10.0
Retail	14.7	(16.0)	(57.9)	-	-	-
EBITDA margin						
Bathware	11.4	13.9	15.4	11.1	13.3	14.7
Plastic Pipe	7.6	5.6	9.3	6.9	8.1	9.3
Consumer Product	2.2	2.5	(4.4)	(6.4)	(5.0)	1.4
Retail	7.4	3.3	13.4	-	-	-

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- sharp slowdown in real estate activity; and
- market share loss in bathware and plastic pipes.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	28,723	28,000	25,353	27,751	30,821
EBITDA	2,459	2,383	1,499	2,321	3,206
Depreciation	1,010	1,230	1,272	1,385	1,565
EBIT	1,449	1,152	227	936	1,641
Net interest inc./(exp.)	(771)	(951)	(916)	(702)	(582)
Other inc./(exp.)	356	372	383	323	323
Exceptional items	4	5	0	0	0
EBT	1,030	567	(306)	557	1,382
Income taxes	365	200	(86)	112	337
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(94)	(110)	(165)	(112)	(42)
Reported net profit	571	258	(385)	333	1,002
Adjustments	3	32	0	0	0
Adjusted net profit	574	290	(385)	333	1,002

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	2,972	3,120	2,825	3,092	3,434
Other current liabilities	4,234	4,026	4,026	4,026	4,026
Provisions	61	44	40	44	48
Debt funds	7,117	8,367	5,392	6,142	6,642
Other liabilities	2,812	2,580	2,580	2,580	2,580
Equity capital	145	145	167	167	167
Reserves & surplus	5,613	5,834	7,967	8,262	9,152
Shareholders' fund	5,830	6,067	8,223	8,518	9,408
Total liab. and equities	23,027	24,203	23,085	24,401	26,137
Cash and cash eq.	93	293	564	483	687
Accounts receivables	3,776	4,533	3,473	3,802	4,222
Inventories	6,838	5,894	4,969	5,303	5,827
Other current assets	1,268	1,404	1,271	1,391	1,545
Investments	880	1,035	1,035	1,035	1,035
Net fixed assets	9,078	9,134	9,862	10,477	10,912
CWIP	358	539	539	539	539
Intangible assets	46	55	55	55	55
Deferred tax assets, net	390	598	598	598	598
Other assets	301	718	718	718	718
Total assets	23,027	24,203	23,085	24,401	26,137

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	(3,203)	1,604	3,239	1,585	2,076
Capital expenditures	(2,491)	(1,873)	(2,000)	(2,000)	(2,000)
Change in investments	(6)	(156)	0	0	0
Other investing cash flows	352	366	383	323	323
Cash flow from investing	(2,145)	(1,663)	(1,617)	(1,677)	(1,677)
Equities issued/Others	0	0	23	0	0
Debt raised/repaid	5,685	1,250	(2,975)	750	500
Interest expenses	(771)	(951)	(916)	(702)	(582)
Dividends paid	(36)	(29)	43	(37)	(112)
Other financing cash flows	27	(11)	2,474	0	0
Cash flow from financing	4,905	260	(1,351)	10	(195)
Chg in cash & cash eq.	(444)	201	271	(82)	204
Closing cash & cash eq.	93	293	564	483	687

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	7.9	3.6	(4.6)	4.0	12.0
Adjusted EPS	7.9	4.0	(4.6)	4.0	12.0
Dividend per share	0.5	0.4	(0.5)	0.4	1.3
Book value per share	79.6	82.7	97.2	100.8	111.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	0.4	0.4	0.3	0.3	0.3
EV/EBITDA	5.2	4.3	4.4	3.3	2.8
Adjusted P/E	24.5	48.6	(42.4)	49.0	16.3
P/BV	2.4	2.4	2.0	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	55.7	51.1	125.7	59.7	72.5
Interest burden (PBT/EBIT)	71.1	49.2	(134.7)	59.5	84.2
EBIT margin (EBIT/Revenue)	5.0	4.1	0.9	3.4	5.3
Asset turnover (Rev./Avg TA)	124.7	115.7	109.8	113.7	117.9
Leverage (Avg TA/Avg Equity)	4.2	4.1	3.2	2.9	2.9
Adjusted ROAE	10.4	4.9	(5.4)	4.0	11.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	25.2	(2.5)	(9.5)	9.5	11.1
EBITDA	39.7	(3.1)	(37.1)	54.9	38.1
Adjusted EPS	(51.8)	(49.5)	(214.6)	(186.5)	201.2
Profitability & Return ratios (%)					
EBITDA margin	8.6	8.5	5.9	8.4	10.4
EBIT margin	5.0	4.1	0.9	3.4	5.3
Adjusted profit margin	2.0	1.0	(1.5)	1.2	3.3
Adjusted ROAE	10.4	4.9	(5.4)	4.0	11.2
ROCE	13.9	10.6	4.5	8.6	12.2
Working capital days (days)					
Receivables	48	59	50	50	50
Inventory	87	77	72	70	69
Payables	38	41	41	41	41
Ratios (x)					
Gross asset turnover	2.9	2.4	1.9	1.8	1.8
Current ratio	1.1	1.0	1.2	1.2	1.3
Net interest coverage ratio	1.9	1.2	0.2	1.3	2.8
Adjusted debt/equity	1.2	1.3	0.6	0.7	0.6

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%

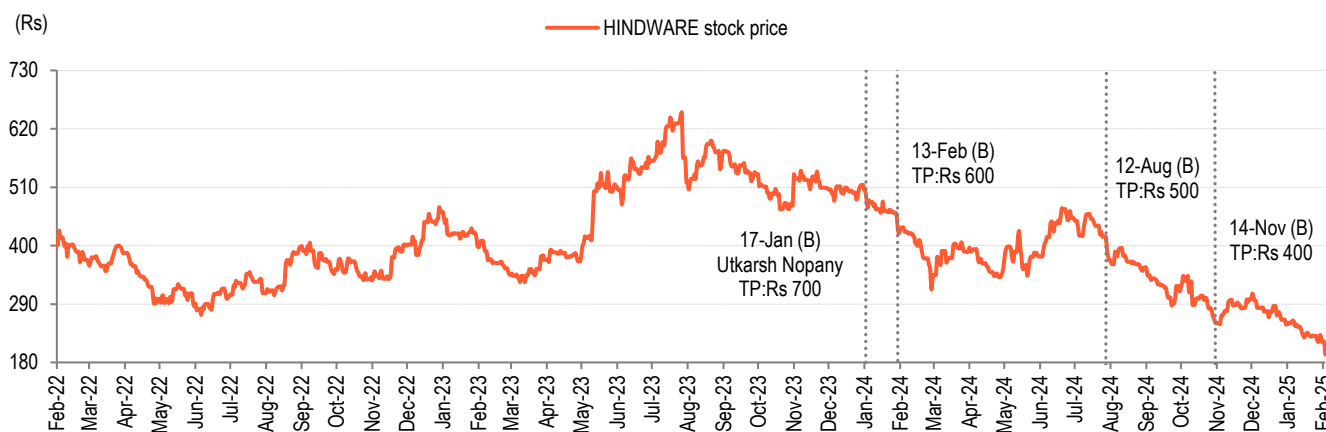
HOLD – Expected return from -6% to +15%

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

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