Hindware Home Innovation Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline **One-line:** Strong top-line momentum in the core Building Products division and market share gains in Sanitaryware/Faucets are being partially masked by severe margin compression in Consumer Appliances and one-off accounting gains in the 9M figures.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue grew 26% YoY; EBITDA grew 6% YoY due to margin pressure.	□
Earnings Quality	Low (One-off driven)	9M PAT includes □100.86 Cr in one-off gains from HPL JV transition.	□
Guidance Confidence	Neutral	Ambitious TRUFLO targets (Top 5 in 5 years) require sustained execution.	□
Management Credibility	Strong	Successfully transitioned Water Heaters to a JV; scaling Pipes rapidly.	□
Business Quality Signal	Improving	Building Products margins expanded (+30 bps) despite peak inflation.	□
Key Q&A Exchange	Section not applicable	PPT_ONLY mode — no concall transcript provided.	□
The Street's Primary Anxiety	Input cost inflation in Appliances	Management reported 72% YoY drop in Appliances EBIT due to costs.	□
Capital Cycle Stage	Harvesting / Investment	Harvesting Sanitaryware; Investing heavily in Plastic Pipes (TRUFLO).	□
Margin / Return Ratio Trajectory	Deteriorating (Consolidated)	Consol. EBITDA margin fell from 11.3% to 9.5% YoY.	□
Pricing Power	Expanding (BPD) / Eroding (Appliances)	BPD expanded margins during inflation; Appliances margins collapsed.	□
FCF Conversion & Quality	Distorted	PAT inflated by non-cash fair value gains (□66.11 Cr).	□
Competitive Moat Signals	Widening	Market share gains in Sanitaryware; TRUFLO is "fastest growing brand."	□
Balance Sheet Strength	Strong	Asset-light model and JV structure for high-capex categories.	□
Working Capital Efficiency	Stable	Reach expanded to 20k touchpoints without reported stress.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on retail store (Evok) expansion and Pipe growth.	□
Key Vulnerability / Red Flag	Heavy reliance on BPD	BPD contributes ~76% of revenue; Appliances/ Retail are laggards.	□
Management Tone	Not applicable	No concall provided.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives):

Positives: * **Core Strength:** The Building Products Division (BPD) continues to be the primary value driver, with 32% YoY revenue growth and margin expansion to 9.3% despite significant input cost headwinds, signaling strong pricing power and brand salience. * **Pipe Segment Scaling:** TRUFLO registered 33% YoY growth, with a favorable product mix (CPVC contribution), positioning it well toward the management's goal of being a top 5 player. * **Retail Turnaround:** The Retail business (Evok) has successfully moved from "cash burn to cash earn," reporting an 8.4% EBIT margin and 23% revenue growth.

Negatives: * **Appliances Under Pressure:** The Consumer Appliances segment saw an 18% decline in EBIT margins (adjusted), with EBIT falling 72% YoY. Management attributes this to high input costs and slow demand, suggesting a lack of pricing power in this crowded segment. * **Low Earnings Quality:** While 9M PAT shows a 124% increase, investors must discount the □100.86 Cr gain from the HPL slump sale and fair value adjustments. Excluding these, core profitability growth is significantly lower. * **Inflation Overhang:** Management notes "frequent fluctuations in raw material prices" as a persistent challenge for the Pipes and Appliances businesses.

Forward-looking watchpoint: Monitor if the market share gains in Sanitaryware can be sustained as competitors ramp up capacity, and whether the Consumer Appliances business can recover margins to double digits in Q4.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	649.0	↑ 26%	↑ 5.2%	↑	Driven by 32% growth in Building Products (BPD).
Gross Margin (%)	Not in doc	First entry	First entry	→	Not explicitly disclosed in PPT.
EBITDA (□Cr)	62.0	↑ 6%	↑ 6.9%	↑	Growth lagged revenue due to Appliance RM costs.
EBITDA Margin %	9.5%	↓ 180 bps	↑ 10 bps	↓	11.3% in Q3 FY21; impacted by input inflation.
PAT (□Cr)	35.9	↑ 7%	↑ 44%	↑	Q3 FY21 adjusted PAT was □33.4 Cr.
ROCE (%)	Not in doc	First entry	First entry	→	Only mentioned as "long term emphasis."
Cash Flow (OCF)	Not in doc	First entry	First entry	→	9M data not provided in Q3 PPT.
Net Debt / (Cash)	Not in doc	First entry	First entry	→	Balance sheet not provided in Q3 PPT.
Interest Coverage	Not in doc	First entry	First entry	→	Not in document.
Volume Growth (%)	Not in doc	First entry	First entry	→	Mgmt cites "stellar growth" but no units given.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Building Products (BPD)*	496.3	↑ 32%	9.3%	↑	Above	Market share gains in Sanitaryware/Faucets.
Plastic Pipes (TRUFLO)**	155.6	↑ 33%	Not stated	↑	N/A	Favorable mix; CPVC contributing significantly.
Consumer Appliances	130.9	↑ 7%	3.4%	↓	Below	EBIT fell 72% YoY due to RM inflation.
Retail (Evok)	21.8	↑ 23%	8.4%	↑	In-line	10 new franchise stores added (39 total).

**BPD revenue includes TRUFLO. **TRUFLO sales is a sub-set of BPD reported by management.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Sustain "Industry-leading performance" in Sanitaryware.	Requires ~30%+ growth to keep pace with current trajectory.	Delivered: 32% YoY growth in BPD.	Low
Guidance	Volume	TRUFLO to be among Top 5 players in 5 years.	Requires ~□2,500 Cr+ revenue (est. industry 5th player); implies ~35% CAGR.	On track: 33% growth this quarter.	Medium
Strategy	Retail	Move from "Cash burn to Cash earn" for Evok.	Maintain 8%+ EBIT margins consistently.	Delivered: EBIT grew 80% YoY to □1.8 Cr.	Low
Strategy	R&D	Scale IoT-enabled "smart" appliances.	19 new launches in Q3; total 32 patents.	High activity: 4 patents in FY22.	Low
Macro	Demand	Demand supported by home improvement & real estate growth.	Dependent on low interest rates and govt incentives.	Consistent with sector trends.	Medium
Macro	RM Costs	Manage "frequent fluctuations" in raw material prices.	N/A - Qualitative claim.	Mixed: Margins held in BPD but failed in Appliances.	High

(Note: N/A — no concall conducted or available to verify prior quarter commitments.)

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Revenue Growth Momentum	First entry	26% YoY Consol.	↑
Consumer Appliance EBIT	First entry	3.4% Margin	↓
Pipe Segment Contribution	First entry	□155.6 Cr Sales	↑
Corporate Structure	First entry	HPL moved to 50:50 JV	→
Asset Base	First entry	Proposed acquisition of BPD manufacturing assets	↑

STOP HERE.