

Hindware Home Innovation Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** Management's decision to execute a massive internal restructuring (merging sales teams/warehouses) during a macro downturn has resulted in a "self-inflicted" market share loss and margin collapse, pushing the recovery timeline well into FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Revenue down 9% YoY in Bathware; PAT crashed from ₹23.6 Cr to a ₹11 Cr loss.	☐
Earnings Quality	Low	Negative PAT; operating profit insufficient to cover rising interest/depreciation from the recent slump sale.	☐
Guidance Confidence	Weak	Guiding for "flattish" H2 and 18% Bathware margins in 18-24 months despite current EBIT of 4.4%.	☐
Management Credibility	Neutral	High transparency on restructuring "blunders," but the scale of the execution miss is concerning for a "senior" team.	☐
Business Quality Signal	Deteriorating	Core Bathware business is losing volume to peers; Consumer Appliances remains a persistent EBITDA drag.	☐
Key Q&A Exchange	Q7: Restructuring Impact	Management admitted losing ~350 employees and merging teams during a slump hurt primary sales.	☐
The Street's Primary Anxiety	Competitive Loss	Why is Hindware declining while peers (Cera/Jaquar) are growing or stable? (Mgmt: "Temporary blip").	☐
Capital Cycle Stage	Investment/Stressed	Commissioning Roorkee plant in Q4FY25; high leverage forced a ₹250 Cr rights issue.	☐
Margin / Return Trajectory	Deteriorating	Consolidated EBITDA margin fell from 11.9% to 6.3% YoY.	☐
Pricing Power	Eroding	Only 1.5% price hike in Faucets vs 10% brass inflation; no hikes in Sanitaryware.	☐
FCF Conversion & Quality	Weak	Negative PAT and ongoing Roorkee capex indicate persistent cash burn.	☐
Competitive Moat Signals	Shrinking	Internal chaos is allowing competitors to entrench themselves with disgruntled dealers.	☐
Balance Sheet Strength	Stressed	High debt/depreciation costs; Rights issue needed to "prune" debt.	☐
Working Capital Efficiency	Improving	NWC days improved in Bathware (93 vs 101 QoQ) and Pipes (74 vs 86 QoQ).	☐
Mgmt Guidance Track Record	Mixed	Consistent optimism on "synergies" hasn't translated to the P&L yet.	☐
Key Vulnerability	Operating Leverage	Massive fixed cost base (plants + high-cost debt) requires high growth to break even.	☐
Management Tone	Cautious/Humble	Acknowledged "challenging market" and internal "experiments" that impacted performance.	☐

Sentiment: ☐Negative

Key Takeaways (Positives & Negatives): * **Positives:** Management is aggressively cutting fat, merging the back-ends of Consumer Appliances and Bathware to save ~₹20 Cr in costs. Pipes volume growth (+11% H1) remains resilient despite RM volatility, and the new Roorkee plant (Q4FY25) offers a 12,500 MT capacity catalyst with 11% EBITDA potential. Manufacturing efficiency in Sanitaryware improved significantly, with "first-time right" throughput up from 76% to 85%. * **Negatives:** The "Self-Inflicted" Wound. Merging sales teams and firing 350 staff during a demand slump caused a 10% revenue drop in Bathware, while peers held steady. The Consumer Appliance business continues to bleed cash (₹7.2 Cr EBITDA loss in Q2) with no clear timeline for break-even. High leverage from the previous HSIL manufacturing buyout is now punishing the P&L as interest costs eat the shrinking operating profit. * **Watchpoint:** H2 FY25 guidance is merely "flattish." If the Roorkee plant start-up coincides with continued macro weakness, the fixed-cost hit could further delay the 18% margin target.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures as primary. Concall for commentary and missing data.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	629.8	↓ 9.1%	↑ 5.0%	↓	Weak demand + restructuring impact in Bathware.
Gross Margin (%)	Not in Doc	↓	↓	↓	Impacted by 10% brass inflation and higher discounting.
EBITDA (₹Cr)	39.5	↓ 52.1%	↓ 28.7%	↓	Operational deleverage + internal team churn.
EBITDA Margin %	6.3%	↓ 560 bps	↓ 290 bps	↓	Negative product mix and high discounting (50% of gap).
PAT (₹Cr)	-11.0	↓ 146.6%	↓ 2300%	↓	Loss due to high fixed costs on lower revenue base.
Volume (Pipes - MT)	10,396	↑ 1.0%	↑ 2.0%	↑	H1 volume up 11%; growth lead over industry.
Capacity (Pipes - MT)	14,666	↑ 22.2%	→	→	Capacity expanded in Q1; Roorkee on track for Q4.
Net Debt / (Cash)	Not in Doc	↑	↓	↓	Rights issue of ₹250 Cr planned to reduce leverage.
Working Capital (Bath)	93 Days	↓ 8 Days	↓ 8 Days	↑	Inventory rationalization starting to reflect.
Working Capital (Pipe)	74 Days	↓ 12 Days	↓ 12 Days	↑	Efficient supply chain management.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	EBIT Margin	Trend	vs Co. Avg	Key Development
Bathware	360.2	↓ 9.1%	4.4%	↓	Below	Restructuring of 25% sales force hit primaries.
Plastic Pipes	187.1	↓ 7.0%	2.5%	↓	Below	Falling RM prices hit realizations; volumes steady.
Consumer App.	82.5	↓ 14.3%	-14.1%	↓	Below	Kitchen demand flat; seasonal cooling missing.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Margins	18% EBITDA in Bathware (18-24 months).	Needs ~200-300 bps jump per quarter; highly unlikely in FY25.	Missed	High
Guidance	Volume	11% Pipe Volume growth.	Currently at 11% H1; feasible given H2 seasonality.	On Track	Low
Guidance	Capex Plan	Roorkee Plant operational Q4FY25.	On track for Feb/Mar; 12.5k MT initial capacity.	On Track	Medium
Strategy	In-house Mfg	Reduce China imports to low single digits.	Achieved; focused on increasing throughput (now 85%).	Delivered	Low
Strategy	Profitability	Get Consumer segment into positive EBITDA.	Requires kitchen segment to offset seasonal volatility.	Missed	High
Balance	Debt Reduction	₹250 Cr Rights Issue.	Successful issue would save ~₹20 Cr in annual interest.	New Target	Medium

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.0	Utkarsh Nopany, BOB Capital	Management Outlook	By when we can expect performance to improve and guidance on margins?	Management expects margin expansion of 200 bps over 18-24 months in Bathware, targeting 18% by March 2026. This implies the current pain is structural-recovery, not just macro-cyclical.	None	3.0	Vague timeline
2	5.0	Utkarsh Nopany, BOB Capital	Business Overview	Why did we lose market share in Bathware (revenue -9% vs peers growing)?	Loss was "temporary" due to primary dispatch issues following the merger of sanitary and faucet teams. This confirms the Q2 miss was self-inflicted execution error.	None	4.0	Clear admission
3	3.5	Utkarsh Nopany, BOB Capital	Business Overview	Dealers are unhappy with sales service and frequent pricing/ scheme changes.	Pricing (MRP) hasn't changed in 4 years, but tactical schemes are varied zonally to fight competition. Dealer friction is a major risk to brand equity during restructuring.	None	3.0	Defensive
4	4.0	Kaustav Bubna, BMSPL	Capex and Allocation	How did debt go from ₹400 Cr to ₹1,000 Cr in 2 years?	Increase driven by the slump sale of manufacturing plants from HSIL to Hindware to reduce related-party transactions. High interest/ depreciation is the "price" for this integration.	None	4.0	Contextual
7	4.5	Nikhil Gada, Abakkus AMC	Business Overview	Was the loss of business in Bathware a permanent market share loss?	Restructuring hit 350+ jobs and primary sales, but distributor secondaries were 3% higher than reported primaries. The "gap" suggests a inventory clearing at dealer level.	None	3.5	Directional
8	4.0	Nikhil Gada, Abakkus AMC	Management Outlook	Will H2 see a growth recovery?	Internal S&OP forecasting shows a "flattish" number for H2 FY25. This resets expectations for any "hockey-stick" recovery this fiscal.	None	4.5	Honest/ Bleak
9	3.5	Nikhil Gada, Abakkus AMC	Financials	Have we taken price hikes to offset brass inflation?	Hindware took a 1.5% hike in Faucets (October) vs 10% brass inflation. Management is following Jaquar's lead (no hike) to maintain volume.	None	4.0	Specific
10	4.0	Nikhil Gada,	Capex and Allocation	What is the Roorkee plant	Targeting ₹150-160 Cr revenue at 11% EBITDA	None	4.5	Quantified

Q#	Rel.	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
		Abakkus AMC		guidance for FY26?	with 11k MT production in year 1. Crucial for regional margin expansion in North India.			
14	3.5	Naitik Vakharia, NV Alpha	Financials	Details on the 8-10% cost savings in Sanitaryware?	Improved "first-time throughput" from 76% to 85% and reduced gas costs via renegotiations. This provides a structural gross margin floor for FY26.	None	5.0	Specific
19	3.0	Parikshit Gupta, Fair Value	Management Outlook	Target for Consumer segment to reach EBITDA positive?	Management declined to give a specific quarter for break-even. This segment remains the "black hole" of the consolidated P&L.	Specific timing	1.0	Evasive

PATTERN FLAGS & SENTIMENT Analyst anxiety was centered on why Hindware is "breaking its own business" via restructuring during a weak market. Management's posture was one of regretful necessity—admitting that cutting 350 jobs and merging teams caused internal chaos that competitors exploited. The secondary concern was the debt burden; analysts pressed for details on how the company plans to survive the high interest-rate environment with shrinking margins.

Analyst Sentiment Verdict: Skeptical. The admission of "flattish" H2 guidance after a poor H1 suggests the bull case for FY25 is over. Management's credibility on the 18% Bathware margin target is under watch as it requires a massive execution pivot.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | | Growth | Optimizing for "future success." | H2 guidance is only "flattish." | Expected a recovery; now admitting a lost year. | High | | Margins | Efficiency benefits. | 50% of margin gap is from "higher discounting." | Efficiency is being traded for volume support. | Medium |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Q1 FY25 (Prior)	Q2 FY25 (Current)	Direction
Bathware EBIT Margin	7.1%	4.4%	↓
PAT (Consolidated)	₹0.5 Cr Profit	-₹11.0 Cr Loss	↓
H2 FY25 Outlook	Cautious Growth	"Flattish" guidance	↓
Pipe CPVC Mix	33%	43%	↑
Restructuring Status	Initial Phase	Implementation pain (350 jobs cut)	↓ (Short-term)
Brass Price Pass-through	Minimal	1.5% hike taken (Oct)	↑
Working Capital Cycle	101 Days (Bathware)	93 Days (Bathware)	↑
Consumer App. EBITDA	-₹3.0 Cr	-₹7.2 Cr	↓

STOP HERE.