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hindware
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NEAPS/BSE ONLINE

21st February, 2025

The Corporate Relationship Department
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1st Floor, New Trading Ring,
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(BSE Scrip Code: 542905)

Listing Department
National Stock Exchange of India Limited
Plot No. C-1, Block-G
Exchange Plaza, 5th Floor,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051
(NSE Symbol: HINDWAREAP)

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on 17th February, 2025

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Conference Call held on Monday, 17th February, 2025 for discussion of the financial results of the Company for the third quarter and nine months ended 31st December, 2024.

The transcript will also be available on the website of the Company i.e. www.hindwarehomes.com.

You are requested to take the above information on your record.

For **Hindware Home Innovation Limited**

PAYAL M PURI
Digitally signed by PAYAL M PURI

Payal M Puri
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Encl: As Above

Q3 & 9M FY25 Earnings Conference Call

February 17, 2025

MANAGEMENT:	**MR. NIRUPAM SAHAY** – CEO, BATH BUSINESS **MR. NAVEEN MALIK** – CEO & CFO – HINDWARE HOME INNOVATION LIMITED **MR. SANDEEP SIKKA** – GROUP CFO
MODERATOR:	**MR. RONAK OSTHWAL** – ARIHANT CAPITAL MARKETS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 & 9M FY25 Earnings Conference Call of Hindware Home Innovation Limited, hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Osthwal from Arihant Capital Markets. Thank you, and over to you, sir.

Ronak Osthwal: Good evening and welcome everyone. On behalf of Arihant Capital Markets Limited, we invite you to Hindware Home Innovation Limited's Q3 & 9M FY25 Earnings Conference Call. From the management side, we have Mr. Nirupam Sahay, CEO of Bath Business; Mr. Naveen Malik, CEO and CFO of Hindware Home Innovation Limited; and Mr. Sandeep Sikka, the Group CFO.

Kindly note that some of the remarks or observations made during today's call might be forward-looking, such as financial projections or statements regarding the company's plans, objectives, expectations or intentions. The company does not have any obligation to revise these forward-looking statements to reflect any future events or developments. For a comprehensive disclaimer, please refer to Slide number 2 of the results presentation.

With that, I would now like to hand over the call to the management for their opening remarks, post which we will open for question and answer session. Thank you, and over to you, Mr. Naveen Malik.

Naveen Malik: Good evening, everyone, and welcome to Hindware Home Innovation Limited's Q3 and nine months FY25 Earnings Call.

I will start with a brief summary of our performance for the first nine months of FY25. Our business CEOs will then share updates on their respective segments.

In Q3 FY25, the consolidated revenue was ₹594 crore, with an EBITDA of ₹37 crore, reflecting a continued subdued demand environment. For the nine months of FY25, revenue reached ₹1824 crore, and EBITDA was ₹132 crore.

Our CEO Pipes Mr Rajesh Pajnoo is slightly under weather with seasonal viral hence he is unable to join us on the call. We will be sharing update on the Pipes Business.

Despite challenging market conditions and volatile raw material prices impacting revenue growth, Truflo delivered strong volume growth. In Q3 FY25, we reported revenue of ₹189 crore and EBITDA of ₹13 crore. For the nine months of FY25, revenue was ₹539 crore, and EBITDA was ₹37 crore.

We achieved an 11% year-over-year volume increase in 9MFY25, demonstrating the effectiveness of our strategies and the strength of our operations. CPVC remains a key contributor, representing over 38% of revenue during 9MFY25, highlighting the continued strength of this product line.

Building on this operational strength, we continue to focus on product innovation. This quarter, we launched foam core products for underground drainage, and we have plans to introduce Double Wall Corrugated pipes and fire sprinkler systems in coming months. We continue to actively engage with the plumbing community through training programs, feedback sessions, and industry events.

To further support our growth initiatives, our Roorkee plant in Uttarakhand is nearing completion and is set to commence production in the coming months. This will significantly expand our capacity and help us to efficiently cater customers in Northern India.

To further strengthen our market position, we are pursuing three key strategic priorities: Expanding our distribution network and manufacturing capabilities to reach new customers and deepen penetration in existing markets, offering a comprehensive range of solutions to meet diverse customer needs and Optimizing margins to capture greater market share.

We are confident these initiatives will drive continued success for Truflo.

I am delighted to introduce Mr. Nirpuam Sahay, who recently joined us as CEO of the bathware business. Nirupam will now take us through the business update.

Nirupam Sahay: Thank you Naveen, and good evening, everyone.

As Naveen mentioned, our Q3 performance was impacted by challenging market conditions, including sluggish demand and rising input costs within the Bathware industry. Consequently, sales remained subdued.

The Bathware business delivered INR338 crore revenue and INR35 crore in EBITDA for Q3 FY25. For the 9 months of FY25, revenue was at INR1,024 crore and EBITDA was INR110 crore.

We understand our Q3 results are not where we want them to be, and we have undertaken a comprehensive internal review and detailed analysis. Hindware's leading brand position, driven by high brand awareness and recall provides a strong foundation for future growth. We are committed to capitalizing on the significant potential in addition to strengthening our distribution and product portfolio to drive accelerated growth.

Since joining in mid-January 2025, I have been analyzing the business and identifying key strategic areas. Our primary focus is on refining our go-to-market strategy and strengthening our product portfolio. Furthermore, we are undertaking a comprehensive cost review to identify opportunity for margin expansion through driving operational efficiencies and a zero-based budgeting approach. We anticipate a two to three quarter time frame to implement these initiatives and are confident we will begin to see the positive impact on our performance within this time frame.

To ensure we are effectively executing our strategy, we are conducting regular data-driven reviews of our short and medium-term objectives and benchmarking them against evolving market dynamics.

Moving to our Consumer Appliances business. We reported a revenue of INR67 crore for the quarter with an EBITDA loss of INR10 crore. For the 9 months of FY25, revenue stood at INR260 crore with an EBITDA loss of INR14 crore.

In our Consumer Appliances business, we are taking decisive steps to improve profitability. This involves a comprehensive product portfolio review, analyzing performance and competitive positioning. We will continue to invest in high potential areas like kitchen appliances, where we see strong growth opportunities while strategically streamlining SKUs and categories. Concurrently, we are also reviewing operational costs to identify savings opportunities and improve efficiency. This targeted approach will help us in optimizing resource allocation and driving profitability. With that, we open it up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viraj Mehta from Enigma Investments.

Viraj Mehta: Sir, my first question is regarding our Bathware division. We used to be bellwether in this division. But inch by inch, quarter by quarter, year by year, we have consistently lost market leadership, we have lost market share, and now we have lost even profitability. Our competitors, both listed and unlisted, are still doing double-digit, mid-double-digit 12%, 13% margins, and we have come down to 5%, 6% margin in this division. And we have consistently lost revenue. Can you please tell us as minority investors what concrete steps are you taking? And why has this happened and what are we trying to do to reverse this? From being the number one player in the country, we are now nowhere to be seen. Why has that happened?

Nirupam Sahay: Yes. Thank you so much for the question. Like I mentioned, I have come recently in mid-January into the business. I have done a thorough analysis of the business and we are taking steps along a few key parameters to improve the health of the business. The first is the go-to-market. We have a combination of distributors, dealers and brand stores. We also have e-commerce, and we have institutional sales. So those are our primary channels for growth going forward.

On the institutional sales, we have strengthened the team over the last 6 months, and we're already starting to see the results of that. The contribution of institutional sales has gone up to 22% for Q3FY25 versus 19% for Q3FY24. We're starting to see the results of strengthening the institutional sales team and have a strong focus on that already.

Similarly, in e-commerce, we're driving growth in both the Consumer Appliances business as well as wherever there are opportunities in the Bathware business as well. So e-commerce will also be a growth driver going forward, and we are focusing on that.

On our distributor and dealer network, we are working on strengthening it. We are looking at geographies where we have relatively higher growth, to what we call high potential low market share areas. So we're looking at strengthening the distributor and dealer network in these high potential low market share areas. Now with existing distributors and dealers, making sure that we strengthen the relationship with them with sustained loyalty programs and activities to keep them engaged with the company.

And on the brand stores, we are refreshing the older brand stores, and there's a brand-new redesign of all new brand stores that we are putting in to make it even more attractive for our customers. So the go-to-market across all of these channels is going to be one key factor in driving future growth.

The second is on the product portfolio. We are developing a product portfolio road map not only for the next quarter or two, but for the next 18 months. So we'll have a robust product portfolio road map, which covers all price segments both in Sanitaryware and in Faucets, also focusing on the premium segment where there's relatively higher growth in the market.

We have a very strong R&D team, which is based out of our Bahadurgarh plant. So the R&D team is working on a lot of very interesting things, both in Consumer Appliances and in Bathware. We have a robust product portfolio already starting from quarter 4 and going forward for the next 1 year and beyond.

The third is in terms of deepening our engagement with key influencers. So we've had a plumber program for some time. We've taken steps already in terms of strengthening the plumber engagement, again using automation. So we have a plumber app, which again we strengthened to make sure that we're able to drive loyalty of plumbers. And our architect and interior designer program also we will be focusing on in a big way in the coming quarters to make sure that our engagement with these key influencers keeps increasing as well.

In terms of communication to consumers, we'll use a combination of above the line and below the line. There will be work on the brand that you see in the course of the year but also leveraging digital in a big way. So that's something that we've done over the last few quarters. We will strengthen our digital activities to make sure that we are reaching out to consumers, talking about the benefits of our products and the differentiation versus competition. So these are some of the key parameters in terms of driving growth.

At the same time, we're also focused on improving profitability. So while the EBITDA margin is still double digits, we believe that we can increase that substantially. So we are working on multiple levers there. One is improving the gross margin. For that, what we'll be doing is we are pruning all the low-margin products that we have in the portfolio, low volume, low-margin products will be pruned. All the new products that we launch will be launched at a higher gross margin than existing products to ensure that the overall gross margin mix improves over a period of time. Also, I mentioned zero-based budgeting. So we're looking at cost with a completely fresh eye to make sure that whether it's in operations in our plants for driving productivity and efficiency in the plant, but also looking at every single cost lever, whether it is employee cost, whether it is advertising and promotion costs, etc, all of them, we're using a zero-based approach versus an incremental versus last year approach.

I think through a combination of these factors, we are very confident that over the next 2 to 3 quarters, as I mentioned in my opening remarks, we will see a bounce back in terms of growth, both in Bathware and Consumer Appliances, and definitely an improvement in profitability as well.

Viraj Mehta: Right, sir. My second question is, if you look at the industry as a whole, where do you think in Bathware segment, your market share will be today?

Nirupam Sahay: Yes. So we don't really share the market share figures. What I can say is that we have a relatively high market share in the mid-premium range of faucets. We have a healthy market share again in the entry level and mid-premium bathware. I think a strong focus going forward is increasing our market share in premium. As I mentioned earlier, that is a category which is growing relatively faster than mid-premium and entry. So we'll have a strong focus on driving smart intelligent technology-driven products, innovative products, which will help us to win in the premium segment in both faucets as well as in bathware.

Viraj Mehta: And sir, in that premium segment, I had just one question. (a) Don't you think it's a slightly cluttered market in terms of the number of new entrants, which have entered in the premium segment, both in faucets as well as bathware? And obviously, the dominance of the largest player still remains. (b) Our brand is predominantly mid-market or slightly above mid-market brand. So what is the acceptability you think we will have in the premium segment where we are trying to focus?

Nirupam Sahay: So we have a brand called Queo, which is in the premium segment. We are ensuring that we have a strong product portfolio in Queo across both sanitaryware and faucets. So that's something that we are strongly focused on and also putting some marketing muscle behind Queo.

Now we believe that with the kind of distributor and dealer network that we already have, so that's our strength. Our distribution has been our strength. I talked about strengthening it further. But really, we have a ready-made platform. And obviously, not all distributors and dealers will be able to sell premium products, but a large number of them will. So we've done a selection of the distributors and dealers that we will use to leverage and, of course, the brand stores that we have. We have about 650 brand stores now – 70 for tiles and about 580 for bathware. So we'll be leveraging these brand stores, particularly for the premium products. So, I think primarily using digital, e-commerce, brand stores and then the distributor and dealer network. So that's, I think, where having a robust product portfolio and leveraging these channels particularly will give us good growth in the premium segment.

And I think the mid-premium segment is also something that is critical because that's become a very, very large part of the market. So I think in that, we have Hindware Italian Collection. Now that, again, is something that has given us good dividends over the last few quarters. And we are confident that in Hindware Italian Collection for the mid-premium and Queo in premium, we will have a robust product portfolio, we will have the distribution muscle and relatively new channels that we will use to basically push them. So we're fairly confident that basically in the premium segment, yes, there's competition, but with a robust product portfolio and a very focused channel approach, we have a right to win there as well.

Viraj Mehta: Sir, last is a book-keeping question. You mentioned that our significant focus will be on digital and will be on e-commerce channel. Today, of our total sales of bathware, what percentage of sales comes through these channels?

Nirupam Sahay: So it would roughly be between 10% and 13% across quarters.

Viraj Mehta: Total or each?

Nirupam Sahay: No. I'm talking right now about total. If I look across both Consumer Appliances and Bathware, there is more sale of the Consumer Appliance products happening through e-commerce. Sanitaryware, there's not too much sales either for us or for the industry in general. But Faucets, there's an opportunity to increase. So the focus within Bathware will be on faucets and in Consumer Appliances it will be on kitchen appliances. So those are the categories that we'll focus on.

Viraj Mehta: Just a last suggestion, sir. We have talked a lot about e-commerce as well as digital, but our total sales coming out of those channels is predominantly very less and majorly faucets, as you said. But our major bread and butter is Bathware still. And I leave with not too much clarity in terms of what are we explicitly doing for our largest bread and butter and our market leadership product to grow.

Moderator: The next question is from the line of Utkarsh Nopany from Bank of Baroda Capital Markets.

Utkarsh Nopany: Sir, I have a few questions. First, on the Consumer Products segment, we have made an EBITDA loss of INR10 crore in the December quarter. And even after operating for more than a decade in this segment, we have also taken a lot of product and cost rationalization steps in the past few quarters, but still that is not yielding result. So my question to you is that why we are not thinking of exiting this segment and focus entirely on improving the core Bathware business, which is a bread-and-butter business for us?

Nirupam Sahay: Yes. So I think what we have done, as you rightly pointed out, is taken a call, and I talked in my opening remarks about the portfolio that we'll be going ahead with. The strong focus going ahead in Consumer Appliances is going to be on kitchen appliances, specifically chimneys, hobs and cooktops. Now in these products, particularly chimneys, we have a good market share. We are in the top players in that space. So we've developed a strong product portfolio. We've got a strong channel, which is selling it. So we believe that by focusing on kitchen appliances, we have a path forward for both revenue and profit growth in the future.

The second category that we'll focus on is on the heating products, primarily water heaters, and to some extent, room heaters. So those are the two categories that we plan to focus on. We will get out of fans, for example, as you know, we were in fans, but we will get out of fans completely. So our focus of the entire sales team in Consumer Appliances will then only be on kitchen appliances and on heating appliances, and that's it. I think with that strong focused approach, building a sustainable business from the point of view of growth in top-line and improving profitability quarter-on-quarter.

I would treat the last quarter a little bit of an aberration. We had some regions where we had a loss of the sales team. Those sales teams are now back in place, and we can already start seeing momentum in this quarter itself. So with a strong focus on a few categories, building a strong, robust product portfolio, including some smart intelligent products in that space, and I think with the sales team back in force with a strong focus, I believe that we are on the right path. And the idea is not to expand into new categories for some time until we stabilize and grow these categories that I just talked about.

Utkarsh Nopany: Just wanted a sense from you, the share of loss from our JV, which is the water heater business, has been around INR4 crore to INR5 crore per quarter for the past four quarters. So can you please throw some light on when do you expect this JV to at least breakeven? And second, on the Consumer Product segment, do you see mid-single-digit or high single-digit kind of an EBITDA margin in near future? And if yes, by when we can expect that number to be delivered?

Sandeep Sikka: Coming to your question on water heaters, the major chunk of losses, which are right now coming in the joint venture is on account of higher depreciation and interest with the start of the commercial production of the factory. We are working on various options, including selling products to other OEMs from the water heater and also evaluating other options. So that the full loading of the factory comes into the play as soon as possible. Since the plant has been set up, this is a plant with the European machinery and all those things because Groupe Atlantic is our partner. We are internally evaluating and also talking to various other OEMs to load the plant fully. Once the loading pattern comes into the play, we feel the losses should come down on the joint venture.

Nirupam Sahay: On the second part of your question, so I think we have a very clear path to getting back to good growth on top-line, and improvement in profitability quarter-on-quarter. Difficult to give an exact time frame when we expect to get back to solid profitability, but I think very, very confident in the plans that we have already that we'll see improvement pretty much quarter-on-quarter as we go along.

Utkarsh Nopany: Sir, my second question is on your Bathware segment. Can you please provide some comment like how has been the demand scenario in the current March quarter period for Bathware segment? And have we taken any pricing action for Sanitaryware and Faucets portfolio in the December quarter? And do we plan to take any price hike in the current March quarter as well?

Nirupam Sahay: Yes. So the market in this quarter continues to remain subdued. Having said that, we are focusing on making sure that we improve on the per month and per quarter run rate that we have in terms of top-line. We took a price increase of 4.7% on MRP in Faucets in quarter 3. In quarter 4 at this point of time, given the subdued demand environment, we are not planning any major price increases in Sanitaryware or Faucets.

Utkarsh Nopany: Okay. So we have not taken any price increase for Sanitaryware in December quarter, is that correct?

Nirupam Sahay: Yes. Just on Faucets, 4.7% on MRP.

Utkarsh Nopany: And sir, what has been the revenue growth for Sanitaryware and Faucets in December quarter as well as 9 months of FY25?

Nirupam Sahay: Yes. So in Bathware, we had a degrowth in the quarter of 15.9%. And in the 9 months, we have a degrowth of 11.7%.

Utkarsh Nopany: Sir, I'm talking specifically for Sanitaryware and Faucets, if you can provide the data.

Nirupam Sahay: Yes, yes. So this is Sanitaryware and Faucets that I'm talking about. Do you want it separately for Sanitaryware and Faucets?

Utkarsh Nopany: Yes.

Sandeep Sikka: I think we can come back to this question while we get the data and maybe move on to the next question.

Utkarsh Nopany: Okay sir, like what would be the gross margin for our Bathware division, say, in December quarter versus the previous December quarter?

Nirupam Sahay: So the EBITDA percentage was 10.2% in the quarter, and for the 9 months, it's at 10.8%.

Utkarsh Nopany: Okay. Sir, Lastly, what would be the expected capex for FY25 and FY26 for us?

Nirupam Sahay: We are actually in the process of finalizing the plans on capex. So I don't have that figure straight away. Like I mentioned, we are basically looking at everything from a zero-based point of view. So I think within a month or so, we will have that final capex plan in place. I can't give a figure right now.

Moderator: The next question is from the line of Naysar Parikh from Native Capital.

Naysar Parikh: Again on the Bathware business, can you just give us some comment. The disclosure is obviously very less when you see versus competition. So can you just give some color in terms of retail versus projects, what's doing good versus bad? And also either by region or something like that? Just give us some flavors so that we get a sense of what is the reason for the underperformance if you can, please?

Nirupam Sahay: Yes. I think as I mentioned earlier, we focused on institutional and strengthening that team. And we've seen growth in the institutional sales over the last couple of quarters. So we have a strong single-digit growth in institutional sales, which has happened. Where we faced some headwinds and seen a little bit of degrowth is basically in the general trade.

Now in response to the first question that came, what we are doing is really working on going back to the distributor and dealer network that we have already, strengthening our relationship with them, building strong loyalty programs with them and looking at opportunities in high potential low market share areas where we don't have strong presence.

Naysar Parikh: What do you think is the reason, like are they paying a higher commission? Is it quality of the product? Like what is your diagnosis? Where are we falling short versus competition? Why are dealers not pushing our product? It's not like things are not getting sold. And if you grew in institutional retail, we are down 20%, right?

Nirupam Sahay: I think there are a couple of ways to look at it. One is in terms of geographies. We are very strong in North and have a relatively high market share in the North. We are strong in large parts of the South where, again, we have a relatively high market share. Central and East would come next. West is one region where we've, over a period of time, not built a very strong distribution network. Now clearly, there's an opportunity because the West is a large market for Sanitaryware and for Faucets. So we will be focusing our efforts on strengthening the West as a full region. And then going micro in the other regions, like I said, we look at high potential low market share and then make targeted efforts to really grow our market share there. So, it's getting into far more granular detail at a region, district and a town level to make sure that we strengthen distribution where we need to.

Naysar Parikh: So what was the growth in the North market for this quarter, given that is the strongest market for us?

Nirupam Sahay: We don't share region-wise data.

Naysar Parikh: Okay. But I'm Sorry, the first participant also asked the same question, but I don't think it answers the question. The question is what is it that the competition is doing better versus us? Is it product? Is it incentive? Is it pricing? What is it that we are going to target? Do we need to change our pricing? What is the problem? Is it the brand that is impacted? So you're talking just the term of high potential low market share, but in that, what are we going to do, is the question?

Nirupam Sahay: So we talked about several things. I mentioned not only go-to-market, but product portfolio. So looking at the product portfolio across price segments, both in Sanitaryware and in Faucets, making sure that we have a robust product portfolio, not only for the coming 3 months, 6 months, but we're basically having a product portfolio road map for the long term. So absolutely, part of winning in the market in Bathware is going to be having the right product portfolio across price segments. There are certain price segments where we have a good portfolio, and we have a relatively higher market share. There are certain price segments where we need to do more in terms of strengthening the product portfolio, having the right price points, using the right channels to sell. I gave premium as an example in an earlier answer. So I think product portfolio is the second part of it, making sure that we have a product portfolio, which is relevant across price segments. And there are peculiarities in certain markets. A Mumbai is different from a Kochi versus a Delhi. So making sure that we have the right product to win in each one of those markets. So that's having a targeted approach in terms of product portfolio. And then I talked about the influencer program. So there are multiple things that we're doing. So it's not just distribution, dealers and brand stores. It is product portfolio. It is the influencer program, for strengthening the plumber loyalty program that we have, strengthening the program that we have for architect, interior designers, using digitization and automation more and more, whether it's with our influencers or whether it's with our customers. So using automation, for example, in customer service as well to make it a better experience for our end consumers. So I think multiple things that we are doing across all the key levers to make sure that we get back to both top-line and profitability improvement.

Naysar Parikh: And given the margins where they are, are we looking at areas where either costs need to go down or some cost cutting? Or are you expecting opex to actually go up because of all the things that you're going to do and there will be more pressure on margins?

Nirupam Sahay: No. So one thing which we had talked about in the earlier quarters is we have actually combined the back end for Bathware and Consumer Appliances. So that has already led to cost reductions in the last quarter, and will definitely be there in this quarter and going forward. So that's one concrete thing that we've already done. The other, like I said, is we're using a zero-based budgeting approach to developing the plan for the next financial year to make sure that at a cost level as well, so whether it is in operations in the plants, whether it's in supply chain, whether it's in advertising and promotion, marketing in general and employee costs, of course. On all of them, making sure that we're extremely sharp based on the plans that we have. So the idea is not to increase any of these lines as a percentage of sales, but really look at sharpening it to make sure that the EBITDA then transfers into PBT as well.

Naysar Parikh: Okay. And last question, given the debt level that we have and obviously, given where the stock price is, I'm assuming you may not do more capital raise on equity level. So what is the plan? Is this debt sustainable if we don't raise any equity for the next 12 months? Or are you going to raise equity? If you can talk a bit about that.

Sandeep Sikka: We have recently done a rights issue, which on a consolidated basis has reduced our debt. We are fairly confident with all the initiatives which Nirupam has talked about, we should come back.

Naysar Parikh: Our debt is at INR700 crore, right?

Sandeep Sikka: Yes.

Naysar Parikh: Is that sustainable is my question.

Sandeep Sikka: Yes, you have to see that based on the current run rate, definitely, you will have some questions on it. But we are working on a full recovery path, which is there, which we are very confident that we should be able to complete that very fast. And this debt can be sustained. That's not an issue.

Moderator: The next question is from the line of Maitri Shah from Sapphire Capital.

Maitri Shah: Most of my questions have been answered. I just wanted to know that we're on the recovery path, as you mentioned multiple times. How long will it take us to be EBITDA positive in the Consumer Appliances business?

Nirupam Sahay: I think that was the question asked earlier as well. Like I said earlier, it's difficult to put an exact time frame. What we are confident of given the strong focus categories and focused approach in go-to-market and the robustness of the product portfolio that we have going forward, we will see an improvement quarter-on-quarter. So exact time frame, difficult to give, but I think over the next few quarters, we'll start seeing the improvements in top-line and bottom line straight away.

Maitri Shah: And any quantifiable number you can give for the guidance of FY25 and FY26 on top-line and margins?

Sandeep Sikka: As we are still in the budgeting process. It's not advisable to give such a short-term guidance. We'll come back maybe with the medium to long-term guidance, give us a quarter or so.

Moderator: The next question is from the line of Vivek Kumar from Bestpals LLP.

Vivek Kumar: Sir, can you at least tell us if we are number one, number two in sanitary and faucets. Leave the market share, at least are we in the top 2 or top 3 in both the segments, Sanitaryware and Faucets?

Nirupam Sahay: Yes. So the way to look at it is combined Sanitaryware and Faucets, we are definitely a top three player.

Vivek Kumar: Not top two?

Sandeep Sikka: Top 3**,** in the segment in which we are.

Nirupam Sahay: Yes, in the segment that we play in.

Vivek Kumar: You're not in the top two, but in the top three.

Nirupam Sahay: Correct.

Vivek Kumar: Okay. But in Bathware?

Nirupam Sahay: Bathware as a whole, that's what I said. Bathware segment is Sanitaryware and Faucets.

Vivek Kumar: In Sanitaryware alone, because you used to be number one, are you still number one there or you have come to number three or two?

Nirupam Sahay: Yes. I think the way we look at it is Sanitaryware and Faucets together. And there, like I said, we are a top three player.

Vivek Kumar: Sir, same question that we are trying to ask. I agree, and I appreciate all the steps that the company is taking, but what is the reason why we lost? Okay, we understand we may come back. But was it product or brand? Or other company is doing something that we have failed to catch on with the preferences of the customers and the value has migrated in terms of preferences of customers somewhere? Or is it just we didn't give enough push to the distributors and the plumbers? We clearly now understand what you want to do, or what you're going to do, but if you can diagnose what led to us losing market share because we used to be number one.

Nirupam Sahay: Yes. It's a little difficult for me to talk about what happened historically since I've joined only in January. So obviously, it's a combination of factors, and I think it's very difficult at this stage to say which one led to what reaction. Having said that, we are looking at what we need to do to take the business back to a strong leadership position, strong top-line growth and improvement in profitability. I think those are the key parameters that me and my team are working on, and we remain focused on that. I think postmortem of what happened would be a little unfair at this point of time.

Vivek Kumar: Are you at least confident that whatever led to our market share loss is not a permanent loss? Or is it a structural thing that is difficult for us to get back?

Nirupam Sahay: I think I can unequivocally say that having spent a month now and been to the market, been to our plants, met the team, met distributors, dealers, customers. So I am absolutely confident that we're on the right path to get back to both growth as well as improvement in profitability. Absolutely.

Vivek Kumar: So within a year, we would definitely see increase in your market share too apart from the growth, at least in the Bathware?

Nirupam Sahay: Yes, that's what I indicated. So all the actions that we're taking over the next 2 to 3 quarters, we will start seeing the results.

Vivek Kumar: Sir, last concall, you mentioned that there was a 10% saving on the manufacturing cost, like is it done deal or it's still going on?

Sandeep Sikka: This process is already on. We are trying to in-source a lot of material, and that process is already on. But right now, the volumes are not picking up in the market, you're not seeing the full impact of that. Once the whole set of volume comes back, the manufacturing, as you will understand, has a lot of fixed cost and the variable cost structure built into it. As the volume builds up, you will see it has a double advantage to that. You reduce the cost of production in factory, your ability to talk with the distribution also increases substantially and eating the market share also becomes much easier. It's a vehicle which has to now again pick up the momentum as it was in the past. I think with all the initiatives which Nirupam is talking about, we should be able to build that momentum, but it may take 1 or 2 quarters, these are not immediate short-term stuffs, which we can do. Some of those changes are external in nature, which may take some time, maybe 2 quarters or 3 quarters. But there are subset of internal activities which we have thought of, and the work has already started.

Vivek Kumar: Sir, last question. So are you assuming a market growth in your projections of your growth? Or let's say, market stay where it is, still you will be able to get back to your growth path?

Nirupam Sahay: No. So the idea clearly is that while we're expecting the market growth not to be very high in the coming year, but to gain market share, the plan is to grow ahead of the market growth rate.

Vivek Kumar: So you're assuming some growth in the market, like little bit growth?

Nirupam Sahay: Yes. So it's going to be single-digit growth. But within that, we should grow faster than the market to gain market share by the end of the year, absolutely.

Moderator: The next question is from the line of Vatsal Shah from Knightstone Capital Management.

Vatsal Shah: Can you share your target EBITDA margins and revenue growth for each segment?

Sandeep Sikka: You mean our projections for FY25, FY26?

Vatsal Shah: Yes. For the next 1, 2 years, your target EBITDA margins and growth for each segment?

Sandeep Sikka: We have already discussed about this. I think you got disconnected in the interim in the queue. We are running this entire process internally. Maybe by the next call, we should be able to give some medium to long-term ranges wherein we see that our performance should be, as we had done a few years back, I think we'll walk that path. Give us a quarter because a lot of internal working is being done, both on the cost side, market, eating away into the market share, market growth and other things. Kindly bear with us until the next quarter to have these figures.

Vatsal Shah: Sure. Okay. And one question on the plastic pipe side. So we have a technology partner and one other player also has the same technology partner. So the EBITDA margins are substantially different inspite of having the same realization. So like what is stopping us from getting those mid-double-digit EBITDA margins in that segment? Is there something else here?

Sandeep Sikka: If you have to see this is a fairly sort of a young business for us, we are now 7-8 years into this business. We have demonstrated extensively. Despite all the downturns in the market, there is a volume expansion, which has happened in this business by around 11%. But that's not visible because input PVC resin prices have come down. In order to eat away this market and build, as I was saying, in 2021, we had given a guidance that our pipe business by 2025 should be around INR1,000 crore. And that time, we were doing around INR400 crore of business when the guidance was given. If you see today, if we talk on the same pricing terms as was in 2021, actually, we should have been doing INR1,000 crore plus but we have got impacted with the reduction in input raw material prices. But the good part about the whole game is that we have been fairly successful in terms of our strategy on this. But we had to make some investments in order to eat away this market, like if you see our manpower costs, right now in this business is slightly higher. We have only one plant. There is an additional supply chain cost to us. These are the various delta points on which you see a margin differentiation between the other players and us.

With the onset of our Roorkee plant, which we feel that should start in another few months, there has been a delay there in terms of the equipments coming in. But once we start within the next first quarter or so, you'll start seeing some improvements happening, incremental sales will also come through. And that will overall affect the operating cost leverage for us because the teams which have been employed, in terms of the sales. We'll be more effective there in terms of percentages. These are the few pointers on which we can talk in terms of the delta on the margins between other players and us.

Vatsal Shah: Got it. And on the consumer side, what will be our mix in the kitchenware and heating appliances, like on top-line, what percentage are we doing on this part, which we are going to retain?

Nirupam Sahay: So at this point of time, 75% of the sales that we do in Consumer Appliances is kitchen appliances. Going forward, like I said, because we are focusing on only kitchen appliances and heating appliances in the short term at least and probably medium term, that mix is unlikely to change much because we have a strong focus on growing in kitchen appliances, where our right to win is strong. We have a very strong product portfolio. We have dedicated brand stores for it. So we expect that segment that we are focusing on to drive growth going forward. So that ratio will remain similar probably going forward.

Vatsal Shah: Got it. And what will be the percentage of fans, are we going to get out of it completely?

Nirupam Sahay: Yes. Fans, absolutely. So we've stopped the fans business, and the stock that we have we will get rid of, and there's no future plan for selling fans.

Moderator: The next question is from the line of Rusmik Oza from 9 Rays EquiResearch.

Rusmik Oza: I had a follow-up question on the plastics and pipes business only. So revenue annualized right now, it's around INR730 crore, utilization is already 77%, and we are at around 7% EBITDA margin. Just want to understand this Roorkee plant, how much is the potential revenue we can add over here? And you already illustrated some examples, but can we go to double-digit EBITDA margins with INR1,000 crore revenue? And if this is possible, by when can this happen?

Sandeep Sikka: I'll just start with the Roorkee plant. Roorkee plant is capable for pipes manufacturing and all the fittings, which we'll supply from Hyderabad. Technically, our coverage in the North will increase. From Roorkee plant, the total sales can be a figure of around INR225 crore to INR250 crore. This is with a capacity of 12,500 initial capacity, although we have been saying that we build the infrastructure of the plant so that future expansion becomes easy in this. But right now, with the marginal capex done, we can do around INR250 crore. In terms of a double-digit expansion, there are some levers, which we already talked about. One is our fixed cost structure is right now higher. If the value of the sales increase, let's say, had there not been a drop in the input resin prices, you would have seen our EBITDA margin expanding substantially because in 9 months, we have done around 10% - 11% of volume expansion, but the value expansion is not there. The input raw material prices, once it starts increasing, it will add directly to the bottom line. We have given a guidance that long term, we should be able to achieve the markets back and PVC resin prices are somewhere in the range of ₹85 to ₹90 plus, we should have healthy EBITDA margins around 10%-12%.

Rusmik Oza: Okay. And this Roorkee plant, when does it start full production? And in the first year, what kind of utilization levels are you anticipating?

Sandeep Sikka: We feel somewhere in April, May, we should start partially because this is an array of machines, so as the machine comes in, we will start production. And the full loading of plant may take around 9 months where it will be around somewhere around 70%-75% loaded.

Rusmik Oza: Okay. Sir, the last question is, I missed out on the debt figure. After the rights issue of INR400 crore, what is the current outstanding net debt? And based on the cash flows we'll anticipate, how can we see this debt figure going down in the next 2 years?

Sandeep Sikka: We did a rights issue of approx. INR250 crore, not INR400 crore. After which the total debt size today, net debt is around INR700 crore. Right now, I think your questions are very apt considering the current profitability, how the whole service of debt is going to happen. But we are confident with all the initiatives, our EBITDA is going to flow back, and we will have a substantial free cash flows from operations to pay the debt back, which is there on the company.

Moderator: The next question is a follow up from the line of Vivek Kumar from Bestpals LLP.

Vivek Kumar: Sir, in the Consumer Appliances division, we would be concentrating only on the kitchen appliances and the heating products, right? Even coolers we are out, right?

Nirupam Sahay: Yes. Coolers, we may sell only through e-commerce channel.

Vivek Kumar: Okay. That is for now, for the next few years?

Nirupam Sahay: Yes, at this point in time, yes.

Vivek Kumar: So you have been enumerating all the steps that you have taken. So in terms of market share and growth, even if assuming a low single-digit total market growth, when will we see because we still have West and parts of West, we can improve our penetration and all. When can we see good sustainable growth in Sanitaryware or Bathware? How many quarters after which you will get the confidence that we are on track and we are done with the downturn?

Nirupam Sahay: I think as Mr. Sikka and I have mentioned, we expect all the initiatives that we are putting into play, both on growth and cost to kick in, in the next 2 to 3 quarters.

Vivek Kumar: So by the end of next year, we should be on the growth path, right?

Nirupam Sahay: Correct.

Vivek Kumar: I'm not asking you to do the whole diagnosis for me, but did the brand get hit somewhere? Or you're still confident that your brand is still doing good in the sanitaryware part? Sanitaryware is where I'm asking. Did the brand get hit?

Nirupam Sahay: So in all consumer research that we do, the unaided brand recall for Hindware is the highest in the industry. So the brand continues to be extremely strong. Unaided recall is the highest. Aided recall is also very high. So I think the key is through all the actions we are taking, converting that awareness into preference, basically getting people to buy. So awareness of the brand is not the issue. It is basically being there where consumers are buying the products, so the go-to-market, having the right products at the right price point and also leveraging the influencers. I think all of those will basically go and help us in terms of gaining share there.

Vivek Kumar: Sir, in the pipes division, if you do not mind, please share more information in the presentation in terms of institutional versus retail and what percentage and what are the segments we are selling to? Or if you can tell on the call, it's okay, either way, in the pipes division, is it primarily B2B or B2C?

Sandeep Sikka: Pipe business is our distributor business. We sell out to a distributor. We don't go directly to the builders. That market opportunity still exists for us. But right now, the focus is purely on distributing it across the country. Maybe a few percentage of it might be going into the projects, but essentially through the distributor. That distributor might be tapping into it. Right now, we are not doing that.

Vivek Kumar: But end demand, you're not calculating or you're not tracking?

Sandeep Sikka: Distributors will not let you know like where they are selling because of competitors.

Moderator: Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Sandeep Sikka: Thank you, everybody, for joining the call today. I know the results have not been that great, but the number of initiatives, which we have spoken about, we are fairly confident we will come back very fast. So thanks for all the questions, and we appreciate it. Thank you.

Nirupam Sahay: Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.
2. Figures have been rounded off for convenience and ease of reference.
3.