

NEAPS/BSE ONLINE

31st May, 2025

The Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
1st Floor, New Trading Ring,
Rotunda Building
Mumbai - 400 001
(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 27th May, 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 Tuesday, 27th May, 2025 for discussion of the financial results of the Company for the fourth quarter and year ended 31st March, 2025

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 Digitally signed
by PAYAL M PURI
Date: 2025.05.31
M PURI 14:35:23 +05'30'

Payal M Puri

(Company Secretary and Sr. V. P. Group General Counsel)

Name: Payal M Puri
Address: 301-302, 3rd Floor, Park Centra, Sector-30, Gurugram-122001
Membership No.: 16068

Encl: As Above

Hindware Home Innovation Limited

Corporate Office: Unit No 201 (I), (II), (IIIA), (XVI) 2nd Floor, BPTP Park Centra, Sector-30, NH-8, Gurugram-122001

T. +91 124-4779200, e-mail: wecare@hindware.co.in | investors@hindwarehomes.com

Registered Office: 2, Red Cross Place, Kolkata- 700001, West Bengal, India. T. +91 33-22487407/5668

www.hindwarehomes.com | CIN: L74999WB2017PLC222970

hindware
smart appliances





Hindware Home Innovation Limited Q4 & FY25 Earnings Conference Call

May 27, 2025



MANAGEMENT: **MR. NIRUPAM SAHAY** – CEO, BATH AND CONSUMER APPLIANCES BUSINESS

MR. RAJESH PAJNOO – CEO, PIPES 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 Hindware Home Innovation Limited Q4 & FY25 Earnings Conference Call, 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 Ostwal from Arihant Capital Markets Limited. Thank you and over to you, sir.

Ronak Ostwal: Thank you. Good evening and welcome everyone. On behalf of Arihant Capital Market Limited, we welcome you to Hindware Home Innovation Limited's Q4 & FY25 earnings conference call.

From the Management side we have Mr. Nirupam Sahay – CEO of Bath and Consumer Appliances Business; Mr. Rajesh Pajnoo – CEO of Pipes Business; Mr. Naveen Malik – CEO & CFO of Hindware Home Innovation Limited; and Mr. Sandeep Sikka, the Group CFO.

Kindly note that some of the remarks or observation made during today's call might be forward-looking such as financial projections or statement regarding companies, 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 #2 of the Results Presentation.

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

Naveen Malik: Good evening, everyone, and welcome to Hindware Home Innovation Limited's FY25 and Q4FY25 Earnings Call.

Kindly note that some remarks and observations made during today's call might be forward-looking. These may include but are not limited to financial projections and 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 No. 2 of the Result Presentation.

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

For Q4 FY25, the company reported consolidated revenue was ₹699 crore, with an EBITDA of ₹51 crore and for FY25, consolidated revenue was ₹2523 crore, with the EBITDA at ₹184 crore.

We are undertaking strategic initiatives across Bathware, Pipes, and Consumer Appliances businesses. Key priorities include optimizing product portfolios for high-growth premium

segments, expanding market reach, focusing on top key cities, fostering innovation, strengthening brand loyalty, and enhancing operational efficiency.

I am would now like to turn it over to Mr. Nirupam Sahay to take you through the Bathware and Consumer Appliance business. Over to you, Nirupam.

Nirupam Sahay:

Thank you Naveen and good evening everyone.

For Q4 FY25, the Bathware business reported Rs. 360 crore revenue and Rs. 37 crore EBITDA. For FY25, revenue was Rs. 1,384 crore and EBITDA was Rs. 147 crore. Despite the challenges in FY25, our robust foundation provides a significant advantage to us. Hindware's leading brand position, characterized by high brand awareness and strong recall, remains a key asset for future growth.

The past year has been a period of profound strategic introspection for our business, during which we vigorously identify critical areas to not only recapture market share, but also to significantly bolster overall profitability. This deep dive immediately propelled us into decisive action across our businesses and operations. We have implemented comprehensive cost optimization by rationalization of our employee cost structures, strategically focusing our efforts on top tier cities, streamlining our supply chain, and fundamentally strengthening our after sales service.

Concurrently, we have reinforced our go-to-market, our quality control measures and achieved tighter inventory control by prioritizing domestic sourcing. Our forward-looking strategy centers on premiumization, on weighted dealer approach, and strengthening distribution in top cities. Our sales force is actively driving demand through architect engagements, contractor collaborations, plumber connect, and strategic project partnerships. These concerted efforts are already proving instrumental and we are now observing early promising offshoots of growth within our Bathware and Consumer business segments.

Despite challenges, our robust foundation and leading brand position remain pivotal assets for us. We anticipate a positive impact on performance within two to three quarters. And we are confident in recovery of significant market share so that we achieve numbers higher than our past performance of FY24 to start with.

Moving to our Consumer Business, we reported revenue of Rs. 92 crore for the quarter with an EBITDA loss of Rs. 7 crore. For FY25, revenues stood at Rs. 352 crore with an EBITDA loss of Rs. 17 crore. We have taken decisive steps in the consumer appliances business to cut losses, driven by a thorough product portfolio rationalization and driving operational cost efficiencies. We have rationalized our offerings, prioritizing high demand all season kitchen appliances like chimneys, cook tops, hobs and sinks. And accordingly optimized our resources to strengthen our business returns.

I would like to reiterate that with all the efforts and investments made over the last few years, our kitchen appliances, chimneys, hobs and cooktops business has made significant strides in terms of sales and market share. And going forward, we will put all our energies in driving strong profitable growth in this segment.

To maximize impact, we are concentrating our efforts on top tier cities, efficiently targeting key demographics and bolstering our brand presence. Additionally, we are sharpening our focus on institutional sales and streamlining our e-commerce portfolio, ensuring a lean, effective approach to drive accelerated growth.

I would now like to hand it over to Mr. Rajesh Pajnoo to take you through the pipes and fitting business. Over to you, Rajesh.

Rajesh Pajnoo:

Thank you, Nirupam. Good evening, everyone, and welcome to our investor call. It's a pleasure always to speak with you all.

In Q4 FY25, we reported a revenue of Rs. 247 crore and EBITDA of Rs. 24 crore. For FY25 complete year, revenue was Rs. 786 crore and EBITDA was Rs. 61 crore. Despite challenging market conditions and volatile raw material prices impacting revenue growth, we achieved strong 12% year-over-year volume growth in FY25, demonstrating the effectiveness of our strategies and the strength of our operations. CPVC remains a key contributor, representing 39% of the revenue during the financial year, highlighting the continued strength of this product line.

Our new plant in Roorkee, Uttarakhand, is nearing completion and will soon commence production, significantly boosting our manufacturing capability and establishing a key footprint in northern India. We are also actively expanding our product portfolio to capture new market opportunities and enhance overall value. We have successfully launched the new offerings, including foam core pipes for underground drainage very recently, and the products which are lined up for this year are double wall corrugated pipes, polypropylene random copolymer pipes, we have a fire sprinkler system, and we have PTMT faucets.

We are also focused on implementing initiatives across all business functions to optimize resource allocation, leverage technology and enhance productivity and cost optimisation. Finally, we have made strategic investment in our brand and distribution channels to significantly boost our market presence and penetration. We are confident that these initiatives will drive substantial profitable growth.

We are now ready to open the floor for your questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Prakash from Marshmallow Capital.

Rohit Prakash:

I have two, three questions, and my first question is on the long-term trend that I see in the business. So, if I go back to late 2000, around 2006, 2007, Parryware and Cera together barely found Hindustan Sanitaryware or Hindware' sales was equal to the sum of Parryware and Cera. Now it's not a short-term trend, but if you see over the last couple of decades what's happened is each of them are either equal or larger than us, individually, and Jaquar also which is larger than us. So, the long-term trend seems to be that we are losing mind share in the customers' mind and because of that losing market share as well. So, just wanted to hear your comments on that, I mean, how do we plan to restore Hindware to the old dominance that we had?

Nirupam Sahay:

Yes. I will take that. I think there are a few things which I mentioned in my opening remarks, and I will elaborate a little on that. I think what we are focusing on is, over the next few years clearly driving growth ahead of the market, basically meaning that we gain market share year-on-year. So, how do we plan to do that? The first is really our go-to-market strategy. So, I mentioned that we are really doubling down on distribution to really focusing on making sure that we have strong distributors across the country. Wherever we have relatively weak distributors, we are strengthening the distribution in those places. We are also going in for a weighted dealer strategy. We have already kicked that off, which means that we are focusing on the weighted dealers or the larger dealers in each one of the key markets. We are also driving a strategy on products of clearly distinguishing between our mass, mass premium, premium products, so between Hindware, Hindware Italian collection and Queo, which are our three brands for mass, mass premium and premium; clear delineation between the brands and making sure that we have robust product portfolios for each one of those segments. What we are also doing, and which has already kicked off starting from Q4 of FY25 and has accelerated in Q1 of this year, is focusing the sales team on demand generation. So, not only getting in sales, but also generating demand, whether it's through architects, whether it's through plumbers or whether it's through contractors, so really making sure that our sales force spends about 40%, 50% of their time on demand generation. So, through a combined impact of the go-to-market changes we are making, the product portfolio changes that we are making, the way of working of our sales team in terms of more focus on demand generation. We are extremely confident that we will get back to good growth in this business and a significant growth above the market growth rate, which means that even gain market share year-on-year. A lot of our internal processes are now geared to driving this growth, so whether it's incentives for the trade or incentives for the sales force, they are all now focused on driving growth. So, I think with the combination of all these factors, we are extremely confident. We are already starting to see the impact of it. And as we had said in the opening remarks, over the next two three quarters, we will definitely see the impact of all these actions in terms of good positive growth ahead of the market.

Rohit Prakash:

Thank you for that elaborate answer. And Mr. Sahay, we have hopes on you because, I mean, it was interesting to see some of your interviews from when you worked on Phillips, and how in a declining revenue business you improved margins. So, we hope to see the growth and margins coming back here. See, my second question is, if I see the last decade in Hindware, right, we have had a lot of internal structuring, like we had three corporate restructurings, one demerger, one sale of asset, and then another demerger that we are going through right now. On top of that,

we have had other organizational restructurings also. So, we combined the faucetware and the sanitaryware sales force, we combined the support system of both the consumer appliance and the Bathware business, now we are separating those businesses now. I mean, at least it's a very small sample size, but I mean it seems like there's a lot of confusion within the ranks on what is happening strategically. When you compare that with some of the competition like Parryware or Cera or somebody, they are just in the bathroom still, they have not gone out of the bathroom, and they are just focusing on doing more of the same as they did five, seven years back. So, are we done with all the structuring, restructurings and going forward will be just plain old vanilla running the business as is?

Sandeep Sikka:

We have seen this over the last 10 years. But first I will talk about corporate restructuring and then we can talk about proposed restructuring. In terms of the corporate restructuring, we had a demerger followed by a slump sale, and we have communicated this in the past very extensively. This was for unlocking the values, our previous Company, which was HSIL, has packaging as well as the consumer facing, sanitaryware, faucets and the other businesses together. The first two restructurings were purely focused on segregating the subset of B2B businesses and the B2C businesses. I think from any shareholder who would have held the shares pre-2018 till now, it would have been a substantial value creation. The proposed restructuring which is right now underway for which the Board has approved, and we are awaiting the approval from the stock exchanges, that is further to unlock two subsets of businesses separately, one is on the consumer side and second is on the building product side. When you do all these exercises you learn also, and you should take steps to improvise wherever the market demand needs. Right now our building product business and our consumer product businesses were getting clubbed. As a result of this whole demerger and amalgamation as proposed in the scheme, we strongly feel it will further create a new subset of value for any long-term shareholder. I think that's one part on the corporate restructuring. Second on the businesses, like over the last 10 years we have focused on including more segments into our businesses such as pipes. We were not a faucet player 15 years back, now faucet plays a bigger role. And also, in the kitchen chimneys and hobs and cooktops segment, we have definitely been successful and on some seasonal businesses like air cooler, fans, and air purifiers we were not so successful. So, these are the learnings which we are improvising on. And now when you see as the combined entity of HHIL and Hindware Limited together, obviously, they will get demerged. We are very focused on four key businesses, which are sanitaryware, faucets, pipes and kitchen chimneys & hobs. And in each one of these businesses, we have a significant, I will say, market share and a growing market share for each one of them. We feel that now having made investments over last six to eight years and over the last two years we have done lot of internal rejigs in terms of optimizing the cost, realigning the teams. All I can assure you is for the good of the organization, nobody plans for the bad, it's always for the good.

Rohit Prakash:

My last question is on debt. I think a couple of years back when the market cap was above Rs. 4,000 crore, there was a suggestion by a shareholder on raising equity to pay down debt. But we believe, at that time, the cost of equity was much higher and we have debt for strategic reasons. And then we have had to dilute when the market cap was half that level at around Rs. 2,000

crore to pay down debt. And if you see some of the leaders in the business, they tend to do the opposite; they dilute and make the balance sheet strong. Then they up the cycle and they reckon debt and become aggressive in a down cycle to gain market share. So, in the context of business cycles and the learnings, is there any rethought-on balance sheet strength and debt, and hopefully becoming strong there so that we do not have to dilute equity at a very low price in the future?

Sandeep Sikka:

I will take your point, but we keep evaluating all this in terms of how we make our overall balance sheet much stronger. Financial Year 2024-25 has not been a great year for us. And that has led us to a lot of introspection internally where we need to improvise and what are the strengths on which we need to further leverage on. I think you will have to give us another 12 to 18 months. In terms of first stage we feel that in the next 12 to 18 months our restructuring and putting both the companies in the listed mode will be there. And this is backed up by a very robust internal plan for each business segments. Which then technically should throw out free cash flows and will require may be 24 months to get back into a situation where in major chunk of the debt is actually paid out of the free cash flows.

Rohit Prakash:

Thank you. So, over the next two, three years the idea is to reduce debt to a more reasonable levels, am I right?

Sandeep Sikka:

Yes.

Moderator:

Our next question comes from the line of Parikshit Gupta from Fair Value Capital.

Parikshit Gupta:

Thank you very much for the opportunity. I have a couple of questions across segments, first on pipes and fittings. Can you please help me with a split between B2B, B2C and if there was B2G as well for FY25? And the aspiration going forward in the next two and two to three years?

Rajesh Pajnoo:

See, as far as this business is concerned, the quantum of B2C is always around 65% to 70% of the total business, and B2B is around 30% to 35%. And as such, we were a new player, we have enrolled with almost all the projects in the country, all the consultants approvals are in place. So, we are at the threshold of around 30% of our business comes from B2B, and the rest is from retail segment. And going forward, in any case this is going to be the trend, 70:30. But yes, we expect to perform better going forward. However, given the current raw material prices, we foresee growth in volume rather than in value.

Parikshit Gupta:

I understand, sir, with the pressed PVC pipes, I believe recently there was a green shoot basically and a slight uptick in the PVC prices.

Rajesh Pajnoo:

Yes, that's happened in the last one week. Just last one week, and that's the silver lining, it has happened after a long, long time, maybe after around two and a half quarters we have been waiting for this. So, there is a slight upward price which has happened, that's Rs. 1.5 per kg. So, we presume this is too small at a base of around Rs. 67 a kg. Last one year has been from Rs. 78 to Rs. 67.5. But last three years it has gone down from Rs. 140 to Rs. 67.5. But we definitely

aspire that, yes, maybe down the line two months we will be having some upward movement in raising prices, then things will be stabilized. Otherwise, as a Company, as our policy and whatever we have been doing last three, four years, as far as percentage is concerned, we are the fastest developing player in pipes so we will be continuing our volume growth. The value growth will only come once the resin prices go up.

Parikshit Gupta:

Understood. In terms of the volume growth, we all understand that with the Roorkee plant commissioning 100%, it will add 12,500 metric tons. However, are there any further near-term plans for further augmenting capacity maybe for new product segments like DWC or other ones in the FY26?

Rajesh Pajnoo:

See, the product lines which I talked about, DWC is already in place. The machines have come, we have taken the trials, we are waiting for the BIS approvals, because this product has a BIS license, so we have applied. We are expecting the licenses to be there in the next 15, 20 days, and we shall be commercializing this product. As far as other products are concerned, it's like sprinkler system which takes some time and this will be launched somewhere around the last part of quarter three. And there is PTMP faucets which will take another 1.5 to 2 months to get launched. But these all are value added products. As well as volume is concerned, it will only come from your PVC and CPVC products. As far as Roorkee is concerned, we are starting with a capacity of 12,500 metric tons. That's right about the figures you have. But seeing way forward, like once we commission it, I think by 1st of July we should be commercializing the operations there. We are at the fag-end; we have almost closed down all the things which are to be done there. Once we start the operations, seeing forward next three, four months how the market behaves, we have created the entire plant, and we are just installing some machines there. So, we will be in a position to install more machines because the full plant is ready, and we will be enhancing our production capacity there, but that would be totally dependent on the market reception.

Parikshit Gupta:

Understood. These are very helpful. Just one more question before I rejoin the queue. In sanitaryware, can you please help me with the share of faucets in terms of the top line? And just on that, I recently visited the 'Vibrant Buildcon Expo'. During that I was able to meet with a couple of manufacturers from Morbi. We understand that there was a downturn in the Morbi industry because of the mass segment players losing out on volumes because of the export tensions. However, as a general trend, they have also started to expand domestically, be it through B2B or even B2C channels. Some players are also on e-commerce platforms as well as have their own brand presence in northern and even central Indian markets. So, just on this, do you see this as something which has been happening since a while now or is it a new imminent sort of a threat to players like us?

Nirupam Sahay:

So, on the first question, the share of faucets in our overall sales is between 35% and 40% quarter-on-quarter. So, we have seen good growth in faucets over the last few years, so the share has gone up to between 35% and 40% every quarter. On Morbi, this is something that has happened over the last year and a half since the export issue came up, particularly the USA, and

there was a little bit of desperation in the Morbi manufacturers to try and make up for that loss of exports sale. So, it's not very recent, it's been happening for more than a year and 1.5 years. I am firmly of the belief that at the end of the day, the consumer is looking for quality products. And in our case, since we have our own manufacturing units both for sanitaryware and faucets, we are focusing on offering the best quality products at the best possible prices. And if you continue to do that, I think Morbi will be there. But I think it will eat away a little more at the smaller brands or the unbranded segment rather than the top three, four layers. So, I think we will just stay focused on providing quality products at the right price. And I think that should hold us in good stead. If we continue with our strategy on the go-to-market on the product portfolio, etc. that I talked about earlier, I think we can overcome the potential threats from Morbi local suppliers.

Parikshit Gupta:

This is very helpful, but just a final follow-up in terms of the portfolio of Hindware in terms of sanitaryware, I believe there is a wide range which essentially caters to almost all economic segments of the consumers. Although you mentioned the focus on more premiumization in your opening remarks, but the products that I witnessed at the Expo were also of high quality and the price point be it in sanitaryware or even in consumer appliances was relatively competitive from all the A Grade players like ourselves. So, I mean, given this context, are we further rationalizing our portfolio or is there something that is incorrect here?

Nirupam Sahay:

Yes. So, there are two steps that we are talking on the portfolio, one is rationalization. So, low volume, low gross margin products we have rationalized and are continuing to rationalize. And the focus in the new product introductions over the next year and a half, we already made the plan for the next six quarters, is basically largely on the mass premium and premium segment. Making sure that we plug any gaps that are there in the portfolio, whether it's in terms of products themselves or price points and really focusing on the categories that are growing in the market. For example, if wall mounted is growing, so really making sure that we have a strong robust portfolio in wall mounted which is higher value and higher gross margin. Similarly in something like basins for example, making sure that we have a robust product portfolio in over-the-counter basins where again there's disproportionate growth happening in the market. So, really making sure that we are with the market or ahead of the market in terms of trends, and having the right products, and largely focused on the mass premium and premium.

Moderator:

Our next question comes from the line of Utkarsh Nopany from BOB Capital Markets Limited.

Utkarsh Nopany:

Sir, my first question is for your Bathware segment, so if you can just guide us like how has the industry growth rate been in FY25? And what is your expectation for FY26?

Nirupam Sahay:

The overall industry has grown in single digits if I look at sanitaryware and faucets. The tiles business has grown in actually low single digits. Going forward, in FY26, the expectation is that tiles will continue to be in the low single digits in terms of market growth. Sanitaryware and faucets, again, likely to be in the mid to high single digits. So, the expectation is that there will be marginally higher growth in FY26 but still in single digits, and in tiles in low single digits.

- Utkarsh Nopany:** Okay, fine sir. And our Bathware revenue has degrown by around say 12%, so we have lost market share in FY25. So, if you can just help us understand, is it because that we are facing some stiff competition from our major peers or like we are facing stiff competition in any specific geography, if you can just highlight it would be very helpful.
- Nirupam Sahay:** Yes. So, I think there are a couple of aspects of the degrowth in FY25. One is, I think there were some gaps in our portfolio in line with the market trends. So, when I talked about focusing on things like wall mount, over-the-counter basin, etc., those are the areas in which we potentially had some gaps in our portfolio. That is what we are very quickly plugging and making sure that we have extremely strong portfolios where the market is growing. So, that was one aspect. The second was in terms of distribution. So, there was a little bit of disturbance in the course of the year in terms of distributors and dealers. We have gone back, as I mentioned in an earlier comment, on really focusing on strengthening our distributors, making sure that they are actually performing the task of the distributor, which is reaching out to multiple dealers across geography, giving credit in the market. Wherever we are finding distributors are not playing that part, we are making sure that they either improve or we find an alternative distributor there. I think in terms of focusing on the large dealers versus the mass dealers. So, we have a very large number of dealers that we reach out to, which is a strength. But really making sure the gaining counter share in the weighted dealers, I think that is a key element which probably did not go as well as we planned in FY25, and a strong focus starting end of Q4 last year FY25 and in Q1 of FY26. We have gone back to these weighted dealers, identified across markets, and really making concerted efforts to gain share in these weighted dealers. So, I think a combination of these two things is what is going to get us back to gaining market share overall and gaining market share in weighted dealers.
- Utkarsh Nopany:** Sir, like you mentioned that we are targeting to gain market share over the next two to three quarter period because of the initiatives which we have taken. So, like in the H1 FY26, can we expect to grow at a market level? If not more than market level and start posting positive revenue growth? Or you see that in H1 FY26 it would be a difficult thing to say right now or maybe after two or three quarters only we would be able to say more confidently?
- Nirupam Sahay:** So, what we have said very clearly is that we expect all the measures that we have taken over the last few months and are continuing to take to have an impact over the next two to three quarters. So, in this financial year we are confident of hitting double digit growth, and growth ahead of the market. So, if we look at it, it's going to play out over the next two, three quarters. And if I look at the whole four quarters of this year, it will definitely play out in term double-digit growth and growth ahead of the market, which I mentioned is likely to be in the single digits.
- Utkarsh Nopany:** Okay. Sir, my second question is on your consumer division. So, like earlier we have merged the sales and marketing, customer care, warehouse, logistics operation of our Bathware division with our consumer appliance division. And as we are now looking to demerge the consumer

appliance division, whether we are looking to create separate back-end functions for consumer division in future as well?

Nirupam Sahay:

So, that is still under internal discussion, so not at liberty to share right now.

Utkarsh Nopany:

Okay. Sir my third question is on your water heater JV business. So, like in this quarter we have provided an impairment loss of around Rs. 30 crore, which is roughly as per our calculation is 45% of your initial investment amount of Rs. 68.5 crore for this business. So, can you please help us understand the rationale for such a large impairment made for this JV business, which recently commenced operation in FY24? And are you going to book any further impairment loss in future? And we have made also an incremental investment of Rs. 17 crore for this business in this March quarter, what was the rationale for that?

Sandeep Sikka:

In the year 2021, water heater was part of the wholly owned subsidiary of HHIL by name of a Company called Hintastica Private Limited. And all the investments which were done into that subsidiary were technically at a face value. However, in May 2021 we did a joint venture with a French Company, and they also infused equity into the venture to make it a 50:50 venture. So, as a result of that, when you see the results in the quarters of FY21, FY22, in the consolidated results on account of the loss of control we had to acknowledge an upside of somewhere around Rs. 65 crore as the fair valuation of the investments in this subsidiary. Also, we acknowledged there was a gain on the slump sale because, initially, when we did this slump sale into a subsidiary—since it was a wholly owned subsidiary—we did not acknowledge the gain. But we did so once we lost control. So, the overall gain was around Rs. 100 crore as such, which was in consolidated financials but not in standalone financials. So, now as the joint venture has started with the production, so there are initial factory costs which we are trying to see how we can work on. And for that, we had to infuse Rs. 17 crore more during the Q4. And all these investments into this subsidiary, into this joint venture, are made on fair valuation based on an independent valuer report. And accordingly, we had to take impairment, both on this standalone as well as on the consolidated financials.

Utkarsh Nopany:

Okay sir. And sir, can you please give us the budgeted capex for FY26?

Sandeep Sikka:

You mean to say that overall capex or what?

Utkarsh Nopany:

Yes, overall capex for FY26.

Sandeep Sikka:

For FY26, the overall capex should be in a range of Rs. 100 crore to Rs. 125 crore, considering the fact that part of the equipment for our pipes, new plant at Roorkee is being done in Q1. And also, this takes into account the proposed investments into opening our brand shops and other manufacturing-related investments.

Moderator:

Our next question comes from the line of Nikhil Gada from Abacus Asset Manager LLP.

- Nikhil Gada:** Sir, so firstly on the Bathware business front. We have seen a continuous deceleration in our margins. When we compare current margins to the business's inherent margins, we are about 500 to 600 basis points below. I assume some incentives have also been given. But going forward—given the high growth projected over the next one to two years—do you think margins will return to the 14–15% level?
- Nirupam Sahay:** Yes. So, there are two impacts on gross margin which are built into our plans for the coming year, one is increased operating efficiencies as capacity utilization at our plants increases with increased volumes. So, in our annual operating plan for this year itself, for example, that leads to greater capacity utilization and therefore operating efficiencies which come in, which will help us to improve gross margins. The second is that I mentioned a lot of new product introductions coming in over the course of the next six quarters, largely at the mass premium and premium segments, which will all be at a significantly higher gross margin than existing products. So, that's built into it. So, I think a combination of the operating efficiencies from manufacturing, the new product introductions being at a higher gross margin, and rationalization of the portfolio, I mentioned that we are weeding out the low margin products from our portfolio. So, a combination of these three things will lead to the increase in gross margins. So, I think all three are already in play and we will start seeing the improvement in gross margin in the coming quarters itself.
- Nikhil Gada:** So, yes, it partially answers my question, but I am just looking for a number here, are we looking at a 200, 300 bps improvements straight away in the next year? Or since all these measures you have implemented are going to benefit in the coming quarters, right, so from that perspective?
- Nirupam Sahay:** Yes, I probably would not put a number to it, but significant improvement in gross margin in this financial year itself and then going forward.
- Nikhil Gada:** And sir, secondly, just on your guidance for FY26 where you are saying there is going to be a double-digit growth that we expect in Bathware, are we already seeing some green shoots for us in these two months that have gone by?
- Nirupam Sahay:** Yes. That's a clear important yes.
- Nikhil Gada:** Okay, got it. Sir secondly on the pipes business, there is some confusion in terms of your capacity. So, if we see from 3rd Quarter to 4th Quarter, there has been I think 8,000 metric tons increase in our capacity. First, I would like an update on that. Also, the Roorkee capacity of 12,500 metric tons will be over and above the current 66,000 metric tons, correct?
- Rajesh Pajnoo:** Nikhil, what you are saying is right. There has been an increase in capacity because we have received two extruders at our Isnapur plant, that is the Hyderabad plant. So, that is why that capacity has got increased. And as far as the Roorkee is concerned, yes, that 12,500 metric tons is over and above this 66,000 metric tons capacity. That will be only mentioned once we start the commercial production.

- Nikhil Gada:** So, apart from the addition that we have done in Isnapur is there any further land available for doing more expansion in Isnapur or we have maxed that out?
- Rajesh Pajnoo:** No, we have not. We have the capacity, we have the place there, the plant is already built, we can just increase the number of machines. So, we have a provision for expanding our capacity in the current factory itself.
- Nikhil Gada:** And I assume that the max you can do is double from what we are currently in that particular plant, right?
- Rajesh Pajnoo:** Not double, but we can definitely go 40% to 50% above our current capacity.
- Nikhil Gada:** Understood. And just on the pipes business margins, we have seen a difficult sort of a year in terms of how the overall PVC business has gone in terms of pricing. But we have done a good job in terms of our margins overall. So, safe to say, in a very stable sort of environment which we assume the next year should be, we go back to the 10%, 11% EBITDA margins we always wanted to reach in this business?
- Rajesh Pajnoo:** See, Nikhil, it is very difficult to tell you at this stage because everything depends on the moving price of the raw material which will be there for the whole year. Because what happens is, when your prices go down, which is currently there, your fixed costs are the same, right. And in terms of percentages then your margins in terms of absolute value do not go up, you cannot commit 10% unless and until the price goes up to Rs. 80. So, what we have tried this year is we have hold on to our expenses, we have tried to see that we do not lose much on our bottom line, as well as we have taken care of the top line also. Because almost every competitor's result is out, right. So, I think in terms of the percentage of new volume and value growth, we have surpassed all of them, like 2% growth in value and 12% growth in volume. But as far as the margin in terms of percentage of 10% or 11% can only be committed when the price of this raw material goes up.
- Nikhil Gada:** Understood. Got it, sir. And just one last question for Sandeep ji. Sir, if you can call out what kind of a debt reduction are we expecting in FY26 and then in FY27?
- Sandeep Sikka:** I think in the next two years we should reduce it by a level of somewhere around Rs. 200 crore to Rs. 250 crore.
- Nikhil Gada:** And this is something which looks achievable on the surface, right?
- Sandeep Sikka:** Yes.
- Moderator:** Our next question comes from the line of Vinod Krishna from Avendus Wealth Management.

Vinod Krishna:

Sir, given that we have lost market share, it continues from the first question Rohit asked, what is the diagnosis that we have done that why have we lost market share in sanitaryware? We were the leaders once upon a time in Bathware especially, and unless you do the right diagnosis, you cannot take the right steps. What steps have you taken? And now where do you think our market share will go to in the next two to three years?

Nirupam Sahay:

Yes. So, I answered that question in a few different ways, but I will just try and go through it again. So, the fact is that, yes, we have lost some market share over the last couple of years, so I think that's given. Our effort now is in making sure that we continuously gain market share for the next few years, right. So, that is really the focus, cannot change the past, we need to focus on the future. For the future, to gain market share, we are working on a few key levers. One is the go-to-market, strengthening our distribution both into the distributors and dealers. Second is reorienting our sales team so that the focus is not only on driving top-line sales but also on driving demand generation. So, tertiary sale is what we will stay focused on. And the third is really the product portfolio and making sure that we have the right portfolio for not only today, but also for tomorrow, and driving growth ahead of the market. Along with that, we are obviously working on a lot of levers to improve profitability as well. So, one is gaining market share from a top line perspective, the other making sure that we improve on gross margin and optimized cost, and the combination of that leading to higher EBITDA. So, those are the efforts that we are making. And as I mentioned, we are already seeing the green shoots in quarter one of this year itself. And we expect, as we have committed over the next two to three quarters, a significant improvement in top line and bottom line, I think that will be visible as the results come up in the next couple of quarters.

Vinod Krishna:

Would you be willing to explain? I had asked the same question during the last conference call—what's the diagnosis? Is it the product, the brand, or distribution? Where did we lose ground? It seems we're still not ready to discuss this on a public forum.

Nirupam Sahay:

I answered that earlier as well. There was an issue in terms of some of our distributors who were not performing up to the mark. We have taken action on those distributors. And either they are improving based on our feedback, or we are replacing them. The second is, we did not focus enough on weighted dealers, the larger dealers, we lost some counter share there. We have taken steps to regain the counter share and actually gain market share at those base dealers. The third is that we had some gaps in the product portfolio, which we have now filled and will continue to fill over the next few quarters to not only catch up with the market but stay ahead of the mark. That's in terms of top line. Then in terms of increasing capacity utilization and greater volumes at our plants, that improves our operating efficiency. Working on new product introductions at the higher gross margin, so all of those steps which I mentioned are basically meant to take us to the next level. So, those are the factors. I do not want to dig too much into the past, but I think that distributors, dealers, product portfolio, those are the factors which we have addressed.

Moderator:

Our next question comes from the line of Moksh Ranka from Aurum Capital.

- Moksh Ranka:** Can I know the mix between mass, mass premium and premium products for your Bathware division.
- Nirupam Sahay:** Yes. So, today mass is about 50% and about 30% would be mass premium and about 20% is premium, 50:30:20. Over the next couple of years we plan to obviously increase the share of mass premium and premium, significantly.
- Moderator:** Our next question comes from the line of Darshil Jhaveri from Crown Capital.
- Darshil Jhaveri:** Sir, I think a lot of questions of mine are answered. So, I just wanted to get a brief like maybe a more macro type of view for you. So, currently like when we said like FY25 has been struggling year, so in terms of like FY26 we are seeing a double-digit growth. So, the margin that we have seen in FY25 would be a rock bottom, right? So, because if you are getting growth, then you are also seeing about multiple levers, so you should be able to get back to maybe like at least 8%, 9% in the current year. So, will that be a fair assumption?
- Nirupam Sahay:** So, in the Bathware business, the EBITDA we delivered in FY25 was already 10.6%. We are looking at an improvement on that EBITDA, yes.
- Darshil Jhaveri:** And the pipes you said that it will come as the price becomes better, right?
- Rajesh Pajnoo:** Yes.
- Darshil Jhaveri:** Okay. So, I just wanted to know on a consolidated basis you would see better margins going forward, that's the key thing for us? Could you say it would be 100, 200 basis points is a fair assumption, sir?
- Sandeep Sikka:** Yes, definitely. Because when you are talking of growth, we expect operating leverage to come into play, and when you see with the slight degrowth, it hits us on the adverse side, but when it's growth, definitely it will come back very fast.
- Moderator:** Our next question is a follow-up from the line of Parikshit Gupta from Fair Value Capital.
- Parikshit Gupta:** Thank you for the follow-up. The next few questions are on the consumer appliances business, please. I understand that the industry CAGR overall is over 20% for the next five years. However, there is a large amount of competition. And we do understand that the brand recall of Hindware. However, with a growing market, a growing consumer base, high competition, there are very low cost of switching. So, in addition to the brand legacy, what differentiates Hindware's kitchen appliances and heating products for a consumer to select those?
- Nirupam Sahay:** Yes. So, in the consumer appliances business, so strategically we have decided to focus on a few categories. So, I think the relevant comparison is the growth in those categories. So, if I look at kitchen appliances, which is our primary business in consumer appliances, and that's a strategic

call that we have taken. On chimneys, cooktops, and hobs, one is, the quality of our products is excellent, even if I do say for myself, and this is feedback from the market. So, from consumers, from end consumers and from our dealers, the feedback is very, very positive on quality. The other is differentiation in the products. So, we have for example a range called Max Silence which is one of the most silent chimneys in the market. So, we are working on several innovations within that space. So, we are doubling down on innovation in the categories that we are focusing on, making sure that we provide extremely good quality, better than market in many cases, and differentiated value propositions.

The other is that we are investing money in our brand stores for consumer appliances as well. Today, we have about 130-odd brand stores, we will be putting in another 50, 60 this year itself. So, really making sure that we give the right consumer experience for people to buy the products from there. So, a combination of the product portfolio, innovation, brand stores as well as shop-in-shops in multi-brand outlets, really making sure that we give the best quality products at the best prices and provide an environment where the consumer experience is great. So, we have in-store promoters that we are putting in these brand stores who are then able to really explain the product to consumers.

We are also putting in a lot of money on digital activation and below-the-line activities to really drive consumers to our brand stores and to the multi-brand outlets. So, through a combination of all of these, we are very confident about our growth in the kitchen appliances space. There is a lot of growth happening even in hobs and cooktops, so we are making sure that we have the right portfolio to drive that growth as well.

Then there are adjacent categories and kitchen appliances like sinks for example, inbuilt products, microwaves, etc. microwave ovens. So, really making sure that in each one of these adjacent categories, so chimneys is the hero product, but then also cooktops, hobs, sinks and inbuilt products really. So, give our whole kitchen appliances portfolio to the consumer.

The second in terms of water heater, Groupe Atlantic is our French joint venture partner. They are one of the leaders in terms of technology of water heaters globally. So, they are providing us technology, and we are providing the go-to-market. So, really, the products there again are top notch quality. So, really focusing on product categories where we can provide a differentiated value proposition, top notch quality, and then making sure that we have the physical presence for consumers to go.

Also leveraging e-commerce, so we are also leveraging e-commerce for our kitchen appliances products and our water heaters. So, really focusing strategically on a few categories and making sure that we win in them rather than spreading ourselves thin and trying to win in 10 different categories, that's really the focus right now. So, even when we expand our product portfolio, we will look at adjacent spaces within kitchens rather than trying to create a new category. So, that's really the medium term strategy for us.

- Parikshit Gupta:** Understood. This is very helpful. In terms of the overall market share, I mean, what would be a tentative number for Hindware in terms of kitchen products, appliances?
- Nirupam Sahay:** So, it's difficult to give a number because unfortunately there's no really good, syndicated data available for this category. Having said that, we are a clear top three player in the kitchen appliances space.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for closing comments.
- Sandeep Sikka:** Thank you, everybody, for joining us. I hope we have been able to articulate and answer your questions in the right perspective. So, if you still have more questions, you can still write back to us. And once again, thank you again for joining us.

Notes:

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