# Hindware Home Innovation Limited

## Q1 FY25 Earnings Conference Call

## **August 12, 2024**

**MANAGEMENT:** **MR. SUDHANSHU POKHRIYAL** – CEO, BATH BUSINESS
**MR. RAJESH PAJNOO** – CEO, PIPE BUSINESS
**MR. SANDEEP SIKKA –** GROUP CFO
**MR. NAVEEN MALIK** – CEO & CFO – HINDWARE HOME INNOVATION LIMITED

**MODERATOR:** **MR. NIKHIL SHETTY** – NUVAMA WEALTH MANAGEMENT

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of Hindware Home Innovation Limited hosted by Nuvama Wealth Management.

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. Nikhil Shetty from Nuvama Wealth Management. Thank you, and over to you, Mr. Shetty.

**Nikhil Shetty:** Good afternoon and welcome everyone. On behalf of Nuvama Wealth Management, we invite you to Hindware Home Innovation Limited's Q1 FY25 Earnings Conference Call.

From the management side, we have Mr. Sudhanshu Pokhriyal, CEO of Bath Business; Mr. Rajesh Pajnoo, CEO of Pipe Business; Mr. Sandeep Sikka, Group CFO; and Mr. Naveen Malik, CEO & CFO of Hindware Home Innovation Limited.

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, objective, expectations or intentions. The company does not have any obligation to revise the forward-looking statement to reflect any future events or developments. For a comprehensive disclaimer, please refer to Slide number 2 of the result presentation.

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

**Naveen Malik:** Thanks, Nikhil. Good evening, ladies and gentlemen. Thank you for joining Hindware Home Innovation Limited's Q1 FY25 Earnings Call.

I hope you would have had the opportunity to go through our results presentation uploaded on Stock Exchange websites. I will initiate the call by taking you through the overall performance of our Company in Q1. After that, Sudhanshu will share an update on the Bathware and our Consumer Appliance business and Rajesh will take you through the Plastic Pipes and fittings business.

In line with prevailing macro environment, we experienced a softer start to the fiscal year. Our consolidated revenue for the quarter reached Rs. 600 crore, EBITDA stood at Rs. 55 crore with margins at 9.2%.

Additionally, the Board has approved the raising of funds through issuance and allotment of equity shares of the Company of face value Rs. 2 each (Rupee Two Only) for an aggregate amount not exceeding Rs. 205 crore on rights issue basis subject to receipt of statutory and regulatory approvals, as may be applicable.

Now, I would like to call Mr. Sudhanshu Pokhriyal to take you through the bathware business and consumer appliances business. Over to you, Sudhanshu.

**Sudhanshu Pokhriyal:** Thank you, Naveen. Good evening, and welcome, everyone. Despite challenging market conditions, marked by elections and overall slowdown in inflation in Q1 FY25 our Bathware division demonstrated resilience generating revenue of about INR326 crore with an EBITDA of INR42 crore. We improved net working capital days from 105 in Q4 FY24 to 101 in Q1 FY25. We are confident in maintaining market share through innovative product launches, building the Hindware brand, expanding distribution and strengthening our premium brand 'Queo'.

Our influencer programs in marketing campaigns are driving growth and bringing large piece production in-house aligns with our strategic objectives. So we are on track on that. Early market inputs suggest secondary sales have seen noticeable upticks since late June and we anticipate further momentum building up through the festive season.

Our consumer Appliances business delivered INR111 crore in revenue with an EBITDA of INR3 crore at a 2.7% EBITDA margin reflecting the positive impact of cost optimization and exiting our loss-making retail furniture business.

Building upon the success of our cost optimization and business streamlining initiatives, we have deepened synergies between our Bathware and consumer appliances business. This collaboration has resulted in improvements in efficiency and cost. Early wins in warehousing, logistics, marketing and particularly institutional sales channels are promising. While the full impact of our back-end integration will be realized in the coming quarters, we are also streamlining our sales force to optimize efforts and expect extremely positive results.

With that, I would like to call Mr. Rajesh Pajnoo to take you through Pipes and Fittings business. Over to you, Rajesh.

**Rajesh Pajnoo:** Thank you, Sudhanshu. Good evening, everyone and thank you for joining us. Truflo, the leading brand for Plastic Pipes and Fittings segment reported sales of INR163 crore in Q1 FY25, marking a 5% year-on-year increase. Our EBITDA for the quarter stood at INR11 crore, with a margin of 6.7%. We delivered strong volume growth of 24% year-on-year with CPVC contributing 33% to the revenue.

We have expanded our product portfolio with the successful launch of 24 products for underground drainage systems. Additionally, we are set to introduce high-value offerings such as Double Wall Corrugated pipes and Fire sprinkler systems by this year end. These new products align with our strategy of providing comprehensive plumbing solutions that meet specific customer needs.

Despite challenging market conditions, we remain focused on market expansion, price realization to boost volume growth and enhancing brand awareness. Our differentiated product offerings, strong distribution network and operational excellence position us for continued success. The construction of our Roorkee facility is progressing as planned, with commercial operations expected to commence by Q3FY25.

That concludes the opening remarks, and I would like to ask the moderator to open the floor for the question and answer session. Thank you.

**Moderator:** Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Udit Gajiwala from Yes Securities.

**Udit Gajiwala:** So firstly, if you could highlight what kind of growth should we expect for sanitaryware faucet business? And was the margin reduction solely because of the lower top line? Or do you see something else there?

**Sudhanshu Pokhriyal:** Yes. So, first of all, to answer your second question, yes, the margin reduction is solely a loss of gross margin because of lower revenue, which we recorded in the quarter 1. What I would like to reiterate here is that in quarter 4 in end of March, we executed our strategy around combining our sanitaryware and faucet teams. If you would recall, about 4 years ago, we had actually created a sales vertical with dedicated manpower for establishing our faucet business because we believe that we had to make a big dent in the faucet business, and we have been very successfully growing our faucet business ahead of the market for the last 4 years. So, we have actually combined our faucet business and sanitaryware business from the beginning of this Q1. That require a restructuring and retrenchment of a certain number of people from our organization as well. So that, added with elections, along with general slower mood in the market has resulted in a lower growth in Q1. Overall sentiment in the market has not changed substantially to answer your first question. It is similar to what it was earlier. But yes, we have seen secondaries sales starting to improve by the last 2 weeks of June. We believe the markets will kind of come back in H2. We are optimistic about that. And market would come back to the average growth, which it was basically showing, let's say, pre-COVID between 8% to 10%. So that's what we believe, but that's something in the H2 of the year.

**Udit Gajiwala:** Right, sir. But a follow-up to the answer like you had mentioned that you all continue to outperform industry growth by 1.5-odd percent. So, in H2, if you expect the industry to grow at 8% to 10%. So, signify like us to grow at 10% to 12%, but full year will kind of be flattish 4% to 5% growth. Is that the peak that you are estimating? And will the major growth come in FY26, given that we are seeing some spur in demand for tiles segment already?

**Sudhanshu Pokhriyal:** Yes. We maintained our guidance around 1.25 to 1.5x the market. We've always maintained that for a long-term basis. So, it's very difficult to give a guidance around beating the market by 1.25x-1.5x on a month-on-month or on a quarter-on-quarter basis. We believe we have done that for the last 4 years. And going by that logic, I think for the year, we would still be doing that. Now if H2 will grow at 8% and H1 is muted, of course, the overall market growth rate would be in mid-single digits or even lower for that matter. So, we believe that we will still beat that number for the year.

**Udit Gajiwala:** Understood. Got it. And sir, second question comes on the debt on the balance sheet. As to first is the use of the rights issue that you are doing for INR200 crore. And are there any further plans for cleaning up the balance sheet?

**Sandeep Sikka:** We are working on various options. But right now, we can't confirm until and unless anything is approved by the Board. We keep evaluating various options, but once confirmed with the Board, we'll definitely intimate to the exchanges.

**Udit Gajiwala:** So, sir, if you can just let us know that the INR200 crore rights issue that you all are doing, that is for what purpose?

**Sandeep Sikka:** Primarily to have first level of better liquidity and also to pay off the debt substantially. We'll come with a more definitive document, which is the rights issue document in the due course, which will be circulated to all the shareholders.

**Udit Gajiwala:** Understood. And lastly, on plastic pipes volume growth, I mean, what kind of growth should we expect? And do we see any capacity constraint for this year, or will you continue to grow?

**Rajesh Pajnoo:** We will definitely grow as per the guidance which we have given earlier, we have grown by 24% year-on-year. But definitely, this complete year we will be growing by around 16% to 18% in volumes. Value we can't talk here because prices, as you know, the raw material prices are fluctuating a lot, and they are coming down again in the last month. But definitely, there will be a volume growth of 16% to 18%. And as far as capacity is concerned, as of today, we are good to cover this growth.

**Udit Gajiwala:** Got it, sir. And on the resin front, what kind of view do you have? I mean do we see the prices bottoming out? And could we see some element of inventory loss in Q2?

**Rajesh Pajnoo:** Precisely talking about inventory loss, we didn't have an inventory loss because as of now almost all the people, whatever has been happening in the market in the last 2 years, all the people have used out their inventory. But we had a good time after 1 year of sluggish we've seen. In May and June, we had an upward trend, and the prices went up by around INR15 a kg. And we saw a good June contributing to the business. But all of a sudden, this month again the prices have come down by INR11. So, the guideline trend which looks like downward trend, and then it may bottom out after 2 months.

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

**Naysar Parikh:** First is on your Bathware business. Compared to some of your peers the decline in this quarter is obviously much sharper and even for our margins. So, can you just comment a bit on that? Are we losing market share? Why is the performance a little bit inferior to some of your peers?

**Sudhanshu Pokhriyal:** Yes. As an answer to the previous question maybe you're responding to the peer numbers that may have come from the listed entity. We have data from other unlisted players, based on our market intelligence. And we believe that we have actually followed them in a very similar zone. Like I've also mentioned, we have impacted nearly 25% of our sales force in this quarter based on our decision to consolidate and synergize between our sanitaryware and faucet verticals, which we intended to do for some time because most of the other companies basically operate with one single sales force. In fact, we've got feedback from the market that perhaps we have an opportunity to optimize our manpower cost as well. So as a result of that, we've had a dual impact in the quarter 1 of this year. And that's why perhaps there's a bit of a difference between the results of the listed entity versus us. I can assure you from my side that in comparison to the other unlisted entities, our results are very much in line. And in fact, I would say, much better considering the fact that we've impacted 25% of our sales force. I hope that clarifies.

**Naysar Parikh:** Could you quantify the impact of the employee cost in the quarter?

**Sudhanshu Pokhriyal:** No. So I can't because when you execute, it takes you time to get that benefit in your P&L. We believe that it is going to help us increase our margins by 100 basis points plus on an annual basis.

**Naysar Parikh:** Second question is on the pipe side, from a margin perspective, again, I think last quarter, in Q4, obviously, revenues were high. But overall, the guidance was that we should see margins to improve versus the last year. So how should we look at the EBITDA margin in the pipe business? Where do you see that directionally? Our realization, like you were saying in the previous question, it should be bottoming out. So how should we look at margins now going ahead?

**Rajesh Pajnoo:** Yes, So the guidelines which we had given for a double-digit growth was for an annualized basis, which we did achieve. First, in Q1, what happens is the volume of business is very, very less in this industry. Second, the prices are so low that it's becoming very difficult. You're only processing and doing the volumes, it's very difficult. It is a difficult situation because we can understand that we have not been able to achieve any growth on the EBITDA side as far as year-on-year is concerned. We have not degrown, but we are at the same, it's at 6.7%. But as far as the guidance for the whole year is there because Q3 and Q4 for this business are at its peak, that is how this industry runs. And we are definitely giving a double-digit growth guideline of EBITDA for the whole year with an annualised volume growth of 16% to 18%.

**Naysar Parikh:** Okay. Understood. And just last question besides the INR200 crore equity that you are raising, are you planning to raise any more equity through any other modes?

**Sandeep Sikka:** I've already answered that during the first question.

**Naysar Parikh:** All right. Okay. Thank you.

**Moderator:** The next question is from the line of Utkarsh Nopany from BOB Capital.

**Utkarsh Nopany:** Sir, my first question is on the balance sheet side. Like earlier, we were anticipating that we will see a release of some of our cash due to the improvement in our working capital position. But our net debt has gone up by INR100 crore on a sequential basis despite a decline in our revenue by 22%. So, why our debt has gone up on a quarter-on-quarter basis? And what is our capex guidance for FY25 and FY26?

**Sandeep Sikka:** First, I think the main reason debt has increased is, we couldn't reduce the level of working capital because of the slowness in the market and some of the inventories is stuck with us right now. Point number two, we are right now undergoing a capex program wherein we are setting up a new plant in Roorkee, and also some additional debottlenecking, new lines are being set up in the Pipes division. And also, we are working on productivity enhancement in other plants. We feel that other than the pipe plant in Roorkee, which is coming up, which should be there working in this financial year total cost of around INR170 crore-INR180 crore, the normal capex should be ranging between INR70 crore to INR80 crore.

**Utkarsh Nopany:** Okay. Sir, how much total amount we are planning to spend INR170 crore, INR180 crore for the Roorkee plant, possibly we must have spent quite a lot by FY24 itself. So how much amount we are planning to spend in FY25?

**Sandeep Sikka:** Major amount has yet to be spent on the pipe plant because equipment has not started coming in, most of the land and civil works is complete. Machineries would now start coming in. We can say around 40% of the expense has been done and balance will be incurred in the next 9 months.

**Utkarsh Nopany:** So, you mean to say that we are planning to spend around INR170 crore, INR180 crore in FY25. Will that be the right understanding? In total, Roorkee plus debottlenecking?

**Sandeep Sikka:** Yes, total will be somewhere around that range only, given the fact that the land was procured last year.

**Utkarsh Nopany:** Okay. And whenever our inventory position or the market situation is going to improve, how much release of the working capital we can see maybe in the coming 2, 3 quarters down the line?

**Sudhanshu Pokhriyal:** So typically, the working capital increases in your first half of the year, while it actually comes down by the end of the year. We have seen an excessive slowdown in the market for most of the consumer as well as the Bathware business, and that's where a bit of a pressure comes on to the working capital. So, we believe that we can easily bring it down by about 10 to 15 days by the end of the year. So that's what something which we're looking forward to, and we are working on. And we had shared that we would be basically in sourcing many of our imported products in Bathware. We've already done that, it is just that now the market is not supporting us. So whatever inventory we had to keep before that in-sourcing, we had to maintain, we are maintaining. So all those benefits, I talked about manpower, headcount, all that, all of them will basically start coming into our financial statements, P&L or my balance sheet, some will come in Q2 and most of them will come by Q3 or Q4, I think most of them will come.

**Utkarsh Nopany:** Sir, my second question is on Bathware and consumer appliances segment. So in this June quarter, we have mentioned that we have done some restructuring of our sales force team. So our performance has been impacted. So are we completely done with it, and we are not likely to see any further impact going forward for the Bathware operation. And for the Consumer Appliances, can we now safely assume that we are completely done with the product realization impact and the segment could start generating positive revenue growth with low-single-digit margin going ahead?

**Sudhanshu Pokhriyal:** So, as an answer to the Bathware business, in the bathware business, we had only one specific objective around merging our faucet business into your sanitaryware business in terms of the manpower, in terms of the sales force. We have done that. So, no more restructuring to happen for the bathware business. Additionally, what we have done is we are now having a lot of synergies which are shared between Bathware as well as our consumer business in terms of our back end. So, the marketing, logistics, warehousing, the synergies are coming into both consumer as well as our Bathware business. So that's already happened now in terms of our execution is done. The benefits will start coming into us in the course of the year. We will be

evaluating if there are any categories where we would be not making money or we're losing. So, some evaluation of the categories in our consumer business is an ongoing exercise, which we do. So, if any other restructuring which can happen is around those lines. But for that, I think most of our restructuring has already been done, and the benefits will start coming in the second half of the year.

**Utkarsh Nopany:** Okay. And in the September quarter, we are not expecting any deterioration in our bathware segment performance because of the sales force restructuring, which we have done in the June quarter. Is that the correct understanding?

**Sudhanshu Pokhriyal:** Yes. So, you're absolutely right. That's a onetime impact we took out, like I said, 25% of our off-roll and on-roll manpower at that time. And we believe it had whatever impact it had to have happened in quarter 1. Quarter 2 will basically be more reflective of the market.

**Moderator:** The next question is from the line of Amit Kumar from Determined Investments.

**Amit Kumar:** Sir, first question is, how should we read into your appliances business? So principally fans and air coolers with a little bit of kitchen also. Now in this particular quarter, the consumer durables and specifically the one air cooler company, which is listed the numbers that we have seen, had a very, very strong performance in terms of both top line as well as bottom line, principally on account of the heatwave. But when I look at your consumer appliance business, it has not really gone anywhere. So even in a good sort of macro environment, the business doesn't sort of seem to be going anywhere, EBITDA losses, rather EBIT losses, segment losses are still there. What do you plan to do with this business?

**Sudhanshu Pokhriyal:** So, for us, the air cooler business, so I know you're talking about one of the listed companies results, which is their air cooler business grew by about 70% plus. Now that's because the large part of their total business comes from the air cooler business. Now for us, not even 20% of our business comes from air cooler business. And even in this quarter, for that matter. I'm actually growing at a very similar rate as the listed entity on the air-cooler side, my overall growth gets impacted because a large part of our business comes from the kitchen appliances business. The kitchen appliances did not grow. And that if you have to compare, you can compare with, again, listed entities, which have reported their results. So, you'll have to go category by category. And the mix of the categories will give you the numbers which we have reported. Notwithstanding that, I'm not defending the numbers. I'm saying that, yes, we are in the process. As I answered as a part of previous question, we are evaluating the product categories in which we are operating. And we don't foresee any strategic future in terms of the categories, we'll come back to investors and share, if we are making a transition within the organization and evacuating those categories. At this point in time, we believe that kitchen is our core business. That's where we make our margins. And currently, there are some categories which are eroding all the margins which we are earning in the kitchen part of the business. So, this evaluation is currently on. Once the conclusion is done and we make appropriate decisions, take an approval from the Board, I can share more details to the investors.

**Amit Kumar:** Understood, sir. Just one small question. You've talked about a little bit of retrenchment that you have done on the sales force side in this particular quarter. Were there any sort of one-off expenses on account of that? And would it be possible for you to quantify it?

**Sudhanshu Pokhriyal:** No, nothing substantial. Nothing substantial coming because of that. The only thing is that, yes, the benefits of the reduction in the manpower is not yet coming into our P&L.

**Moderator:** The next question is a follow up from the line of Udit Gajiwala from Yes Securities.

**Udit Gajiwala:** Sir, could you quantify what was the premium, mid and the mass split in our sanitaryware and faucet business in value terms for this quarter versus Q1 of FY24?

**Sudhanshu Pokhriyal:** In Q1FY25, it was 52% for economy and 48% for premium. In Q1FY24, it was 47% for economy, and 53% for premium for us.

**Udit Gajiwala:** Understood. Next is a bit broader question like from your commentary for last couple of quarters, we are hearing that you are doing a lot of corrective actions for the whole business in terms of your top line margins and also the work that you all are doing on the balance sheet front. So next 2, 3 years, I mean broadly, what kind of a top line for the whole company you all are targeting? And with what kind of steady-state EBITDA margins on a blended basis?

**Sandeep Sikka:** Historically we had given some sort of guidance, but those guidance have not worked in the last financial year and in quarter 1, but the way we have planned ourselves, we feel on a medium to long-term range we should continue to grow on an average 15% to 18% on sales, and 20% plus on the EBITDA margin. And when I'm talking here is more of Hindware right now from that perspective because both the companies have their financial matrices. And we see the last financial year, at Hindware Limited, we had a net EBITDA margin at around 13.5%. I think an expansion of this another 2% in the next 2 years to 3 years, is easily feasible and easily visible with the actions we've already taken, not considering the fact that there will be further opportunities for growth, which we are looking at and which will make our EBITDA more healthier going forward.

**Udit Gajiwala:** So, 20% is for your Bathware plus the pipe business is what you're talking about, 20% EBITDA margin for both put together?

**Sandeep Sikka:** I'm talking about CAGR growth. But growth is not on a quarter-to-quarter. But that's our objective the next 3, 4 years, we'll be able to demonstrate 20% CAGR on EBITDA.

**Udit Gajiwala:** And sir, any internal targets as to what kind of debt reduction could we expect barring whatever extra rights issues or anything, anything from your operations that is possible this year or no?

**Sandeep Sikka:** I think this is 1 year wherein we are putting up the facilities. We feel that pipe business has an ample opportunity to grow. That's one piece of investment. Secondly, as Sudhanshu said, the focus is completely to in-source material and provide alternate to imports. Over the last 2 years, we have worked on it. We need further work that how further in-sourcing we can do by expansion, debottlenecking of the facilities. So, post the current year, the capex plan should now

get marginalized. And on that basis, we'll have ample opportunities to have into volumes within our own balance sheet to cater to the market, and not relying extensively on the external outsourcing model. This will also help us further garner up the margins, which we had talked about because right now, when we import from China, a lot of margins are left with the vendors in China, which we plan and intend to bring it in-house. There are various streams of growth which are there. I think as soon as the market looks a little bit positive, which we feel once the festival season starts coming in, Sudhanshu has already spoken that, from the second half of June, we are seeing a better secondary uptake in the market, but the dealer distributors are right now stuck with the inventories. Maybe another 2, 3 months, we can see a positive development in the market. These are very initial responses on the secondary stuff. But as we move forward, we are ready for capturing the growth, which should happen in the market now.

**Udit Gajiwala:** Right, sir. Actually, the intention was asking like what is the current then outsourcing for the quarter from China?

**Sudhanshu Pokhriyal:** It will be like low-single digits, like 3%.

**Sandeep Sikka:** I mean we started off, this used to be 17% to 18%. And from the last 2 years, we are reducing this.

**Moderator:** The next question is from the line of Nikhil Gada from Abakkus AMC.

**Nikhil Gada:** I know this is sort of you have already mentioned about how the market outlook is. Is it possible to just share how has July been in terms of growth? Have we seen growth? Or we continue to see degrowth in July as well?

**Sudhanshu Pokhriyal:** Yes. So, secondaries sales have been positive in July. We've seen some positive momentum on the secondary basis, yes across the market.

**Nikhil Gada:** Yes, I'm just talking from our company perspective.

**Sudhanshu Pokhriyal:** I'm also talking from the company perspective, yes.

**Sandeep Sikka:** I think it will not be appropriate right now to share the July numbers but the market on the secondary sales side looks good, I think that's one feedback which we can give right now.

**Nikhil Gada:** Okay, sir. And you mentioned that we have not lost market share per se in 1Q, and you have some data as well, which sort of validates that point. Is it possible to share how was the growth in 1Q for the market?

**Sudhanshu Pokhriyal:** So there are many players in the market. What I meant when I said that is that I am aware of data for 3, 4 of the top companies besides the listed entity, which has actually announced their results. And this is basically based on our market intelligence. And so I meant it in that fashion, and I don't know how to share this with you, but this is how the numbers are basically stacked.

**Nikhil Gada:** So, it's safe to say that the market de-growth was more than 10%, more than what our numbers, right?

**Sudhanshu Pokhriyal:** It will be in the similar range, yes.

**Nikhil Gada:** Okay. Got it. Secondly, sir, I understand that the market has been down and has impacted our margins. We were doing good margins in Bathware business for the last 3, 4 quarters. And now with this decline, do you think that we'll be able to achieve the EBITDA margins that we did in FY24?

**Sudhanshu Pokhriyal:** So our loss in margins are basically primarily only because of the loss of gross margin, which happened because of the market slowing down. If I look at all my cost on a standalone basis as a percentage of revenue, I am performing similar or better than what my projected numbers or my last year numbers were. So if it's only my fixed cost, which sits in my business, which basically is taking my margins overall down. So when I project it, by that simple straightforward logic, if I'm delivering only to adjust for inflation on my existing cost currently on the revenue side, I should deliver my EBITDA margins, which I should. Otherwise, it would be, in fact, better than last year in terms of percentage margin.

**Nikhil Gada:** Understood. And inherently, it's safe to assume that this business has the potential of delivering 17% to 18% EBITDA margins, right?

**Sandeep Sikka:** Yes, on a medium-term range.

**Sudhanshu Pokhriyal:** We have delivered that, and we believe that we can keep on doing it.

**Nikhil Gada:** Got it, sir. Sir, my second question is on the pipes business. We have seen a sort of a decline in our mix in CPVC. Also, the market conditions have been similar. Now when we say that we are aiming for this double-digit margin of 9.5% to 10%, do you think that in this remaining 9 months, the mix should be back to normalcy as in terms of CPVC versus PVC? Or is there something else like operating leverage that gives you this sort of a hope that will achieve these margins?

**Rajesh Pajnoo:** Nikhil, there are two, three things to it. One is what we said is like Q3 and Q4 if you had seen the trend of this business and the industry, they are very big, and the margins are high on those sides. Secondly, we are seeing that from the festival season onwards or the last 4, 5 months of the year, the CPVC will pick up because we are seeing that trend. The decline in the prices has stopped, last year it was almost around 11% to 12% volume decline in CPVC. But now it has come down to around 2% to 3%. So it gradually is the same, then definitely there will be an improvement in gross margin and with the type of volumes, which we'll be doing in the next 8 months, we are confident that this guidance we will achieve.

**Nikhil Gada:** Got it, sir. And sir, just one last question. Just once again on the Bathware business. if you could help with the capacity utilization in sanitaryware and faucets? And also if you could highlight the overall RM prices and how the outlook is over there?

**Sudhanshu Pokhriyal:** Yes. Our capacity utilization in Q1 FY25 for sanitaryware was about 86%, and for faucet it was about 58.5%.

**Nikhil Gada:** And on the raw material prices, how are they like stable or we are seeing some fluctuations?

**Sudhanshu Pokhriyal:** We saw an increase in one of the biggest raw materials for us, which is brass for the faucets, which went up to nearly INR600 a kg and in fact, we had some buying which we did at INR588 and so on and so forth. But we have seen cooling off of the brass prices now, which is down to INR525, INR530 range. So yes, there was an escalation which happened in Q1. It also marginally impacted our margins for Q1. I'm saying marginally because it's done on a weighted average basis, pricing is done on a weighted average basis. So based on existing brass versus whatever we bought, and it didn't really impact significantly because the prices came down later on. So, my outlook for the future is that brass prices are not going to go very high. I think it's going to be similar and stable in the range between INR500 to INR545, that's our internal estimate at this point in time.

**Nikhil Gada:** And we don't need to take any price hike to sort of get back our margins in this, right?

**Sudhanshu Pokhriyal:** No, I don't think so. In fact, the kind of work which we have done in terms of improving our internal operational efficiencies, we are pretty confident on delivering the margins without taking up a price hike.

**Moderator:** Thank you. As that was the last question, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Sandeep Sikka:** I would like to thank everybody who was there on the call today to make this very interactive. And if there are any further questions, always happy to respond to them. Thank you very much.

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