"Hindware Home Innovation Limited

Q4 & FY24 Earnings Conference Call"

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MANAGEMENT: **MR. SUDHANSHU POKHRIYAL –** CEO, BATH BUSINESS
MR. RAJESH PAJNOO – CEO, PIPE BUSINESS
MR. SANDEEP SIKKA – GROUP CFO
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MODERATOR: **MR. UDIT GAJIWALA** – YES SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Hindware Home Innovation Limited Q4 & FY24 Earnings Conference Call hosted by YES Securities. 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. Udit Gajiwala from YES Securities. Thank you, and over to you, Mr. Udit.

Udit Gajiwala: Good afternoon and welcome everyone. On behalf of Yes Securities, we invite you to Q4 and FY24 earnings conference call of Hindware Home Innovation Limited.

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

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

Naveen Malik: Good evening, ladies and gentlemen, and a welcome to Hindware Home Innovation Limited's Q4 & FY24 Earnings Call.

I hope you would have had the opportunity to go through our results presentation shared with you earlier. I will initiate the call by taking you through the overall performance of our Company.

In FY24, our consolidated Revenue was INR 2800 crore and EBITDA stood at INR275 crores with margins at 9.8%. During the quarter, the consolidated revenue was INR 774 crores, with EBITDA at INR 65 crores with margins at 8.4%.

The "Retail Business" of the company operates in a highly competitive market, especially with the emergence of many online furniture stores. Consequently, the business's sales growth and profitability have remained under pressure. Despite diligent efforts over the past years, the Retail Business has continued to incur losses.

the Board has decided to discontinue operations of the Retail Business and approved the sale/liquidation of various related assets. Based on a preliminary assessment, the company has made provisions amounting to INR 20.30 crore, including an impairment of its investment held in EHPL of INR 9.55 crore. The net impact on the consolidated financial statement amounts to INR 15.58 crore. The additional impact, if any post sale/liquidation of assets, will be provided as a when finally assessed/settled, however the same would not be material in opinion of the management.

We believe that now is the perfect time to leverage our business synergies. Over the last 6-12 months, we have conducted internal studies that demonstrate the potential to reduce costs and improve operational efficiencies by integrating certain backend functions of our bathware and consumer appliance businesses and the same is underway.

Now I will request Sudhanshu to share an overarching update on Consumer Appliances and Bathware Business.

Sudhanshu Pokhriyal: Thank you, Naveen. Good evening and welcome everyone.

Let me start with the Bathware business. Despite the subdued demand environment, which resulted in muted revenue growth, our EBITDA margins expanded from 13.9% in FY23 to 15.4% in FY24. This expansion occurred even after increased marketing spends on cricket platforms for brand building, such as World Cup and Asia Cup which were like one-offs in this year. Looking ahead, we further anticipate a further margin expansion of 1% to 2% over the next 18 to 24 months.

In FY24, our revenue stood at INR1,580 crore with EBITDA at INR244 crore. And in Q4 FY24, revenue amounted to INR421 crore with an EBITDA of INR65 crore. Customer response to our newly launched products has been very encouraging, with new products contributing 18% to FY24 revenue. Our net working capital days have also shown improvement, decreasing from 112 days in Q4 FY23 to 105 days in Q4 FY24. Our strategic initiatives reflect our commitment to innovation and delivering value to customers. With diversified offerings, a strong brand and an ambitious expansion plan, we are confident of our continued growth.

Now I'd like to take you through our consumer appliances business. In FY24, revenue amounted to INR422 crore with EBITDA at minus INR13 crore. Our Q4 FY24 revenue amounted to INR108 crore with EBITDA at minus INR7 crore. Headwinds, inflation and muted consumer sentiment has affected profitability. We are undertaking various steps to reduce costs and enhance efficiencies, and you'll see the results of the same by Q3 of FY25.

We have seen multiple synergies between the CAB and the BPD business in marketing, in customer service, warehousing, logistics, institutional and retail sales. And we are working on those to bring significant cost savings for the entire company.

Thank you. I will now hand over to Rajesh.

Rajesh Pajnoo: Good evening, everyone. Thank you for joining us.

Truflo, our Plastic Pipes & Fittings brand, continues to lead as the fastest-growing brand in this sector. Our FY24 revenue amounted to INR744 crore with EBITDA at INR72 crore and an EBITDA margin of 9.3%. Our Q4 FY24 revenue amounted to INR244 crore with EBITDA at INR26 crore and EBITDA margin of 10.9%.

To enhance our market share, we are diversifying our product portfolio to provide comprehensive plumbing solutions. This includes introducing foam core pipes and inspection chambers very soon, also manufacturing of PTMT faucets and accessories in this year. Again, the double-wall corrugated, that is DWC pipes are in progress and to be commissioned around August or September.

With a commitment to ongoing product innovation and development, we currently offer over 2,000 SKUs with numerous solutions in the pipeline. We have a network of 300-plus active

distributors and over 30,000 dealers, ensuring widespread accessibility of our products. In line with our strategic objectives, the construction of our new manufacturing plant in Roorkee, Uttarakhand, is on track and will be operational by the end of Q3 FY25.

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

Moderator: The first question is from the line of Chirag Fialoke from Ratnatraya Capital.

Chirag Fialoke: Just two questions, first, for the Consumer Appliances business, could you give us the gross margins for that business for FY23 and FY24? I know you already gave us everything else. But for just these two years, is it possible to highlight the gross margin for this business?

Sandeep Sikka: The gross margins are in the range of around 28% to 33%, which has slightly come down by around 2%, 3% as compared to the last year.

Chirag Fialoke: Is it possible to give us the number? Is it 28% to 33%, is that what we should take?

Sandeep Sikka: Basically, we have not been disclosing gross margins separately for this business. That's why I'm sharing a range.

Chirag Fialoke: I'm trying to just get to what kind of operating deleverage did we see because of sales de-growth and what kind of actual gross margin compression did we see? Could you just tell us what percentage of gross margin compression happened in FY24? So did gross margin compress 100 basis points, 200, 300? Just a range of that will be actually helpful.

Sandeep Sikka: Around 2% to 3% compression happened.

Chirag Fialoke: Understood. Perfect. And for FY24, could you highlight the pre-Ind AS or the adjusted EBITDA margin or just the lease liability for FY24?

Sandeep Sikka: Do you want to see how much was charged for depreciation and interest?

Chirag Fialoke: Yes.

Sandeep Sikka: On a console or a stand-alone basis?

Chirag Fialoke: Console.

Sandeep Sikka: I'll get back to you on that. I don't have it with me.

Chirag Fialoke: Is the standalone number available?

Sandeep Sikka: We'll get back to you on these numbers.

Moderator: The next question is from the line of Arvind Dureja an Individual Investor.

Arvind Dureja: I just had one question and it is regarding the Consumer Appliances business. Now if I look at this segment, this has been dragging the entire profitability on a console basis. So can't we spin

off this business into a separate entity? Or what can be done because this has been dragging the return ratios for a long time?

Sandeep Sikka: Nothing is planned as such to put it in a separate SPV. But the good part about this business is we have made good headways into one or two segments, like cooktops and chimneys wherein we have performed. Where we are losing is more on the seasonal businesses. With Sudhanshu leadership, we are reworking on the strategy now. Sudhanshu, would you like to add there?

Sudhanshu Pokhriyal: I think your question is very valid. The results have of course been dragging the overall consolidated performance of the company. And as a consequence of an action which has been taken to improve this performance, we've gone ahead and actually started looking at how we can leverage the strength of the bath business in the consumer business. So in the last three months, we have gone ahead and actually consolidated, for example, our customer service function, which is a very significant cost as well as a very important consumer-facing function for both bath and consumer divisions. So that's now consolidated. It's bringing us substantial savings as well and is also improving our customer service in the market. We've consolidated our marketing function because the brand, which is consumer-facing, is also common. Hindware Smart Appliances and Hindware Italian Collection are our leading two brands. So the marketing team definitely can work very synergistically. We've also started working on warehousing, logistics, institutional sales and even sanitaryware (sanitary) channel, for example. Our sanitary channel, of course, sell many products which are basically a part of the consumer division. So we believe that the synergies will definitely help us in terms of optimizing our costs as well as driving our growth. It is early days right now, but we are seeing extremely positive momentum because of that. As I mentioned in my opening remarks, you will see substantial improvement in the next two quarters as a result of some of these actions which we've taken.

Sandeep Sikka: Just to add to what Sudhanshu said, these actions are actually multi-fold. One is relating to a reduction of manpower costs. Historically our manpower cost as a percentage of sales has been higher. With this strategy, we have consolidated support functions because they were two separate silos but doing the similar kind of service to the market. And from the customer perspective, our customer was not having an issue because both are under brand Hindware, like two separate service centres have been merged into one, the call centres have merged into one. Similarly, the people who are providing service has been merged as well. You will see savings going forward on the manpower cost. You will see savings coming in on account of the operations, as Sudhanshu said here. This will lead to we feel, a 1% to 2% overall effect on savings.

Moderator: The next question is from the line of Pranav Gala from Omkara Capital.

Pranav Gala: Yes. So I just actually wanted to know what are we looking forward to when it comes to our bathware, consumer and pipes segments? How do we see FY24 in terms of revenue and margins? And based on our current debt, what is the movement that we will see going forward as well?

Sandeep Sikka: In financial year 2023-2024 most of the consumer companies had faced headwinds. We feel based on our studies and based on market environment that demand should come back once the election is over, by middle of Q2 of this financial year. And once the demand comes back, for

the Bathware business, we will stick to the guidance we had given that we should be able to grow in the multiples of the market growth ranging around 1.25x to 1.5x in terms of the market. Lets say the market is growing by around 10%, we should be able to benchmark growth between 13% to 15%.

I would request Sudhanshu to talk more on this, how he sees the market and so on right now.

Sudhanshu Pokhriyal: I think what is happening is that in the real estate cycle, we have the projects which perhaps would have got launched during COVID, they would have kind of fructified at this point in time. However, there were hardly any launches during that period of time. So that's why we're seeing a little subdued demand. So what we believe in the organization is that over a long-term CAGR, the market is, of course, is growing at anywhere between 8% to 10% and we maintain our guidance at 1.25 to 1.5x of market. So we continue to maintain that guidance. And of course, for a shorter period, when you see the same it may look that our growth is less, but at an overall level, we maintain the guidance. So positive part of this is that we have managed to improve our operational efficiencies and as the growth comes back, with the launches which happened post COVID, we will definitely see profitable, healthy growth in our bathware business. That's what we believe. And we've already seen that, for example, in the cycle, the pipe business, comes before, and we've seen strong volume growth in those. So that's an indicator that, volumes are coming back. Volume is a key indicator of the transactions are happening. I think it's just a matter of time. We believe, from end of quarter two, we should start seeing substantial gain coming back again into market.

Pranav Gala: Okay. And sir, on the margin side, how do we see our margins for FY25?

Sudhanshu Pokhriyal: So we have given the guidance in my commentary that we believe we can improve our EBITDA margin by 1% to 2% in the next 18 to 24 months. We maintain the same guidance.

Pranav Gala: Okay. And on the pipe side as well, we would be seeing what kind of volume growth and margins as well?

Rajesh Pajnoo: Last couple of years, if you see, you can't guide about the value, but definitely volume because the raw material prices are at its rock-bottom. So we had a volume growth which we have reported of 15%, and also in the next coming year, we are presuming that yes, definitely, we'll have a volume growth of the same amount, maybe around 15% to 17% . The industry itself has given that volume growth. As far as EBITDA margins are concerned, we have improved a lot in this current financial year, and we are expecting to grow by, say, around 1% or more in the next coming year.

Pranav Gala: Okay. And sir, just one last question on the debt movement, where do we see our debt going forward?

Sandeep Sikka: We have not been able to maintain our guidance on the debt level. Debt levels have increased. On a consolidated basis, we have closed the year with a total net debt around INR836 crore. And this is costing us around 8.64%. And it has increased as compared to last year because there is an underlying capex which is going on in terms of the pipe expansion. And also, one of the key things which we are focusing on is enhancing our brand presence in the country. We have

invested somewhere around INR20 crore to INR25 crore in terms of the brand shops, which we have opened. These are basically the dealer shops, which we do at our expense, but under an arrangement. But I think give us a quarter, we should be coming back with a fresh guidance on how the debt level should come down. I would request if we can get a time of 1 or 2 quarters, we'll clarify it.

Moderator: The next question is from the line of Udit Gajiwala from YES Securities.

Udit Gajiwala: Yes, sir. Just a follow-up from the previous participant. First is on the fundraising that you have taken the Board approval for. Could you give some more clarity as to what will be the quantum and the use of those funds?

Sandeep Sikka: The Board has in-principle authorized HHIL to look at alternatives to see if we can raise more equity, given the fact that the total debt level is high. And we are in process now of finding consultants or financial intermediaries, lawyers who can help us on this. Basis that assessment and based on the dipstick on the market, we'll go back to the Board, I think in the next 1 or 2 months. Once the Board announces this, we can maybe raise the funds and pass the information to the market as such. But the plan is broadly to do some right issue or some preferential shares and raise some equity capital. I can't talk about the quantum. I can't talk about anything until and unless it is informed and approved by the Board.

Udit Gajiwala: Got it. So primarily, it is for repayment of your debt, firstly?

Sandeep Sikka: Yes.

Udit Gajiwala: Got it. And so what will be the ongoing capex now for, say, FY25? What is the budgeted capex?

Sandeep Sikka: We have ongoing capex on pipes. We are setting up our plant in Roorkee and we still have to invest somewhere around INR80 crore-INR90 crore. Apart from this, we continue to invest into the development of our distributions and that means development of shops across the country. We feel a capex of somewhere around INR120 crore, INR130 crore, INR140 crore, that's the range bound what we are looking at.

Udit Gajiwala: Understood. And sir, ex of any fund raises, I mean, is there any principle that you have any plans to repay the debt? If the fund raise is not happening from internal accruals, do you plan to repay any debt on an annual basis? Or it all depends on fund raise right now?

Sandeep Sikka: As we don't have any subsidiary, all the EBITDA that we generate, if we are not spending on a long-term capex, everything ultimately goes for the debt side. But give us a quarter, I think we should be able to get back with a firmer plan and we can confirm only once the Board has approved.

Udit Gajiwala; Got it. And sir, lastly, on the pipe side. So the plant is starting in Q3 of next fiscal. So by then, do you see any challenges because the quarter, I guess, utilization was around of 90%. That's kind of unusual in the plastic pipe business. So do you see any capacity constraints in the near term?

Rajesh Pajnoo: We will get one full quarter to utilize the capacities which we are installing at the initial stage. We will be utilizing those capacities for the full quarter, which we'll be installing during our commissioning. In future also, we have the possibility to increase our capacity there because we are making the complete plant, but we are not installing all the machines. We are seeing a good guidance growth as far as volumes is concerned. The only challenge is the value. Once the raw material goes up, then value growth will also pick up.

Udit Gajiwala: Understood. And sir, on CPVC pricing front, could you highlight, have the prices bottomed off? Or what's your view on this for this business?

Rajesh Pajnoo: CPVC prices were stagnant in the last 2 years. They are neither going up nor going down. It's only a little of competition that has happened. But we are expecting that Q2 of this financial year, there will be a pickup. As Sudhanshu rightly said, all these people are just waiting for June, all these projects, which are going to start and which are there on the table, the earlier projects that have launched nationwide, they need CPVC and we are offering almost to all the projects in the country now. Once that happens, pipes will be the first thing after the structure is come up. So we are seeing by the end of Q2, there will be a shift for CPVC demand in the country.

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

Nikhil Gada: First of all, congratulations on a decent set of numbers in a weak environment and also on regarding the retail business. So that is now behind. Sir just firstly, on the Bathware business. If you can highlight, I just need some numbers, how is the mix looking like in FY24 versus FY23, in terms of sanitaryware and faucet premium versus economy, what is the difference between then and the now? And how much the dependency on China has reduced?

Sudhanshu Pokhriyal: Yes. Nikhil, just trying to get the numbers to the first question. So for the China import, lots of good news here. In fact, what we have reduced 7% to 8% in FY24 from a nearly 20-odd percent contribution about a year ago. And for FY25, we are basically planning a reduction to 3%, which is actually a far lower number in terms of China imports. Our dependence on China has actually come down substantially. And in addition to that, we have also been able to in-source a lot of our production within our plant. We will not just see the reduction from China, we will also see in-sourcing into our own plant in both sanitary and faucet plants. So we've been able to achieve this objective in the last few months and we will see the impact in FY25.Both these numbers are very positive. As far as overall number is concerned in terms of premium and entry level,46% of our business is basically what we call comes from the economy segment. And the premium segment is the balance, which is 54-odd percent, so that's our number for sanitaryware. And in faucets, the way we see our numbers, about 45% of our business is comes from a premium level, while 55% is from the economy segment. So on a combination basis, if I see our economy segment products contribute about 49% and about nearly 51-odd percent comes from premium segment.

Nikhil Gada: Sir and would it be possible to give the same number for FY23 as well? How much that has changed?

Sudhanshu Pokhriyal: Yes. So I'll just give that to you, just give me a minute.

Nikhil Gada: And also, if it's possible, the in-source product number, if you can give how much we are doing insourcing versus outsourcing in FY24? And how much of that number was in FY23?

Sudhanshu Pokhriyal: Yes. So for us, there is a bit of a change in terms of contribution in our entry segment or economy segment versus premium segment. Basically, in FY23, we were at about 45% on economy segment, which is 49% this year. So of course, there is a reduction in our premium segment in terms of percentage point of view from 55%-51%. As far as inhouse manufacturing is concerned, in FY23 we were at 63%. In FY24, we were at 60% inhouse manufactured, so 3% reduction, because we had announced in the previous investor call that we were making these changes within our manufacturing setup. And we had increased our outsourcing, but all those changes have happened now. We expect this to increase to around 75-80% as we finalize our strategy for FY25. In faucets, our own manufacturing is only 33-34%, while 66-67% was outsourced in FY24. And in FY25, this is expected to be about anywhere between 75-80% insourced and 20% outsourced. So it's going to be a substantially increase from 33-34% to nearly 75-80%.

Nikhil Gada: Okay. So, sir, just on these numbers, 2 things. So firstly, if we are going to see such an increase in in-house manufacturing. And I'm sure that the premium number, which has gone down will also be sort of lifted up because of the way we are going to do in-house manufacturing. Don't you think this margin expansion number that you're talking about 100 bps, is it not a bit on the lower side? Or do you think that we are going to do more ad spends? So from that perspective, we are just guiding for this kind of margin expansion?

Sudhanshu Pokhriyal: I think we've been maintaining this guidance from the previous year as well. And I mean you can call us conservative. I agree with you. But yes, I would stick to the same guidance at this point in time.

Sandeep Sikka: Allow us to perform first and then we'll get back to you. Wait for few quarters.

Nikhil Gada: Got it. And just last question on the sanitaryware and faucets. While we have seen a substantial decline in China procurement. The same is not visible in the working capital cycle. Do we think that we'll see a significant reduction in FY25?

Sudhanshu Pokhriyal: Yes. So on the working capital side, there is a bit of impact around the receivables because of the slowness in market, some payments are delayed in the market. The ongoing elections which are happening right now. I think it's a short-term phenomenon. I'm not too bothered by that at this point in time in terms of as a structural shift which is happening in our working capital. Our inventories have come down and they will continue to come down. because of our insourcing. And our China contribution in our sales has come down, but some inventory is still lying. That's basically because why we see some bit of higher working capital and additionally, because of the receivables. We are at about 7%, 8% even now in terms of our China contribution. The inventory is actually coming down for us. And in my view, when it comes down to 2%-3% in terms of total contribution in imports in the bathware business, then the full reflection of that will come in the inventory.

Nikhil Gada: Sir, any number you can guide on this? Or is it as of now too difficult to sort of capture this?

Sudhanshu Pokhriyal: On the working capital?

Nikhil Gada: Yes. 80 days or 90 days of working capital.

Sandeep Sikka: Based on 31st March 2024, we have internal targets ranging around 10%-15% reduction over next 12 months.

Nikhil Gada: Got it, sir. Just on the pipes business, would it be possible to give a mix between CPVC/PVC, SWR column pipes for FY24 versus FY23.

Rajesh Pajnoo: The mix has shifted due to volume growth occurring mainly in non-CPVC products. While we cannot provide a full product life cycle guide, we can say that the growth has been primarily in non-CPVC. CPVC has remained stagnant for the last 1.5 years. The increase in demand for PVC is driven by projects like the Jal Jeevan Mission and Har Ghar Jal. Consequently, the percentage of PVC has increased compared to CPVC.

Nikhil Gada: Got it. Would it be fair to say that CPVC growth was flat volume year-over-year?

Rajesh Pajnoo: Yes, CPVC growth is flat throughout the industry. We are presuming, as I said earlier, end of Q2 onwards, we believe that all projects should take up and CPVC would pick up again because last 20 years, this is the first year where CPVC has not grown for the industry.

Nikhil Gada: And sir, in that same context, is it possible to give mix between housing, I know Agri we just entered but housing, Agri, infra. What kind of mix we have currently?

Rajesh Pajnoo: As I mentioned, we are providing these guidelines because our CPVC target is around 45%. We achieved this target the year before, but this year it is only at 40%. Therefore, the target for next year is to ensure that CPVC comprises 45% of the total product mix. We expect housing demand to increase in the latter half of this year, which should help us achieve this target.

Nikhil Gada: No, sir. I understand that we might also be selling PVC for housing as well, right? So from that perspective how much would be the mix?

Rajesh Pajnoo: PVC in the housing segment is proportional to the demand of CPVC basically. It is the plumbing and sanitation which goes hand-in-hand. So, whatever we have been able to do last quarter, if you see the results, the results were very good because we changed our focus from housing to a little bit of Agriculture sector because we were not there. Still, we are not doing HDPE, MDPE because we are not into that segment. But we have done well. We believe that to have a better bottom line the quantum of CPVC plumbing has to go up.

Nikhil Gada: Sir, so I just ask it in a different way. What kind of a mix you're targeting in FY25 between housing, Agri, infra because you are going to get into DWC as well as other things?

Rajesh Pajnoo: Nikhil, as of today, 90% of our sales are directed towards housing, with the remaining 10% going to other sectors, such as agriculture. We expect this mix to grow as we increase our capacity by the end of the year, especially in Roorkee. However, CPVC growth needs to keep pace with this expansion. If our production volumes and capacity increase, we can achieve an 80-20 mix, which will significantly improve both our bottom line and top line.

Nikhil Gada: Got it, sir. And, once the Roorkee plant starts from third quarter onwards, what kind of savings do we see in this entire logistics and from an operational perspective as well?

Rajesh Pajnoo: See Nikhil, more on a saving perspective, if you know this industry is freight sensitive to various product types. That's why it's crucial for us to manufacture pipes close to the market. Firstly, it saves on freight costs. Secondly, in this business, lead times are minimal, so transporting pipes from here to the north, then to our depot, and finally elsewhere requires manufacturing bases across the country. That is why if you see all our competitors are operating with multiple plant locations. So this will be our second plant and we'll not stop here. We have to grow. This strategy is a substantial cost-saving effort aimed at boosting our top line, something that's not achievable with just a single plant.

Nikhil Gada: So, my question was from a perspective that the moment our plant starts. Do we expect in the next couple of quarters to reach this 70%, 80%, 90% sort of utilization based on the demand that we have in our overall share that you have in north.

Rajesh Pajnoo: Yes, of course, that is the reason we are putting up a new plant because already we are having maximum capacity utilization from this Hyderabad plant. So we are operating at around average of 78%, which nobody does. So that is why there is a demand but supplying PVC pipe from here to that portion (Telangana to North India) will never be feasible. So it's only CPVC. So we will be operating and there by manufacturing all these pipes. In pipes, what will happen is, fittings production will remain at a mother plant. You can transport the fittings; fittings don't have a straight path and you sell more.

Nikhil Gada: Got it. Sir, just one last question, if I can. You mentioned that in the Consumer business, there will be a 1% to 2% benefit because of all the actions that you are planning to take. This you are saying in terms of margins that we will straight away see it reflect in our margins.

Sudhanshu Pokhriyal: Yes, it is.

Nikhil Gada: And sir, in consumer business since we were rationalizing and have been rationalizing, we have seen a degrowth as well in our business. Definitely, there has also been a weak demand as well. Do we see this business going down further because of some more rationalization or from here, do we see growth coming back in this sort of segment?

Sudhanshu Pokhriyal: No. I would be able to answer this question far more fairly in the next investor meet. But yes, we will see growth coming back strongly in this upcoming period.

Nikhil Gada: Okay. Fair enough. And sir, lastly, any part is remaining for the retail business that we have to take in the numbers and provisions?

Sandeep Sikka: Based on the assessment of all the assets we have already provided, and we are in process of selling inventories, since the business is closed, although we have done a study, what we should do able to realize. If there is anything upon the final eligibility that will come to the table predominantly, I think almost 90% plus ideal business we have provided, maybe there can be some saving or some charge.

Moderator: The next question is from the line of Tushar Raghatate from Kamayakya Wealth Management.

Tushar Raghatate: I could see our inventory days have reduced from 283 to 141, so what are your internal targets for FY25, to reduce our inventory days?

Sandeep Sikka: Which business are you talking about? Or consolidated basis?

Tushar Raghatate: Consolidated basis

Sandeep Sikka: So, we have given a target that whatever we are there on 31st March 2024, our internal benchmark target is to further optimize ranging 15% over next 1 year.

Tushar Raghatate: And sir, in this consumer business, any plan for this to divest because the business is not adding up in terms of margin because the manufacturing asset margin increase getting camouflaged by the appliances business. I wanted to understand your view on the consumer business. So basically, I wanted to understand when can we expect the revival in the consumer business as there is no addition in terms of margins or even the growth has been flat over the year. So, what is your view on that?

Sudhanshu Pokhriyal As we said, we have done a lot of work around cost optimization so that this business becomes profitable. We discussed on how we're trying to build in synergies between our consumer business with our bath business. Like we said, there will be a lot of optimization, which has happened on the manpower cost, operational costs like warehousing, logistics, and of course, on marketing side. These optimizations, we believe, is going to really add to our profitability of our consumer business. As far as revenue is concerned, we've seen a decline. But of course, like everybody has seen, the economy overall has been in a slow growth situation at this point in time. We believe that we will be coming back into growth in consumer business in the coming quarters. I won't be able to give you a very clear indicative number right now but we'll, of course, come back to the commentary on consumer business in the next quarter. Your concerns are valid, but I think we have shared plans for the consumer business, both on the revenue side as well as on the profitability side, which we believe will show a turnaround in the consumer business in the next 1 to 2 quarters itself.

Tushar Raghatate: Sir, do you have any plans to unlock the value of the building products business by divesting the consumer business into other companies as such?

Sandeep Sikka: As such, nothing is proposed, nothing is approved by the board in this regard.

Moderator: The next a follow-up question is from the line of Chirag Fialoke from Ratnatraya Capital.

Chirag Fialoke: Just a clarification on the discussion that has been going on in the consumer appliance business. So just to be clear, your guidance is right now in FY25, we'll probably still see an EBITDA loss, right, because we are at a 3-odd percent loss, which will probably, 100 basis point improvement will get us to a 200-basis point of marginal loss. Is that the right way to think about it?

Sandeep Sikka: It's difficult for us to make any guidance for the current financial year, and that's not our practice and policies. But we are trying to grow this business. We are trying to optimize the costs which

are related to this business. You will see the growth happening in this business. And as that growth happens, with the healthy margins, I think in the next 3 years, 4 years, we should be touching somewhere around 8% to 10%. But it's very difficult for us to advise you or guide you or give any guidance on FY25 numbers.

Chirag Fialoke: And from a top management perspective, could you just help us understand on the internal team? And forgive me if this question is not coming out correct but there's been a decent amount of attrition change, however, you want to put it on the top management also. Would love a couple of comments on that on what is evolving in the team and what has transpired in the last 12 months to 18 months?

Sandeep Sikka: Not many changes but roughly, we'll see that happening more on the consumer product side. You have to go to the history of this business, we incubated this business around 8 years to 9 years back and the facility which we worked on it was that we incubate silos, creating verticals and that verticals would be totally focusing on the growth. But as a result of this, there is an increased manpower cost which had lot of impact on the overall margins and the investor sentiments. We have been analyzing over the last 12 months and how can we optimize our manpower costs. One excellent idea that emerged is to combine the marketing efforts for the Hindware brand and our bathware and consumer products. From a consumer perspective, there's often no distinction between the two companies. . We have consolidated the aftersales service and the call center as well. When I say consolidated means the process has started, the full impact will come through over the coming quarters. Warehousing, even some part of the procurement has been consolidated. Most of these decisions have been taken somewhere in the month of February and March, and the impact of this you would get to see going forward. This is one key element and apart from this, Sudhanshu has already spoken about that once both businesses are together there are a lot of synergies of a cross-sell when a customer is trying to come to a counter. Let's say on the bathware side we have X number of counters, and when the customer is coming those dealerships can make a soft approach to the customer in terms of offering chimneys and other products, which otherwise customer keeps looking in the market and then get the conversion done, similarly vice versa. A lot of synergies we are seeing there and given the fact that there is a base factor now, on both kitchen chimneys, hobs and on the bathware business, which has been growing. Sudhanshu is now leading the entire process, offering strategic insights to integrate the House of CAB into our overall strengths in the bath sector. We're aiming to significantly scale up the business by considering both aspects together. The respective turnovers, the respective products, definitely and when I'm saying that it doesn't mean that will start selling kitchen chimneys in Hindware. But respective companies will have their own respective P&L account as it is being shown right now. But there is a synergy, and that synergy is being unveiled soon.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Sandeep Sikka: Thank you very much on behalf of Hindware Home Innovation Limited, I'd like to thank all of you who joined the call today. I hope we have been able to answer most of your questions which have been asked. If any are still left out, we'll be very happy to answer. Thank you very much.

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