"Hindware Home Innovation Limited
Q1 FY24 Earnings Conference Call"

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MR. RAJESH PAJNOO – CEO, PIPE BUSINESS
MR. SALIL KAPPOOR – CEO, HINDWARE HOME INNOVATION LIMITED
MR. SANDEEP SIKKA – GROUP CFO
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MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Hindware Home Innovation Limited Q1 FY24 Earnings Call hosted by Monarch Networth Capital.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. Rahul Dani from Monarch Networth Capital. Thank you, and over to you, sir.

Rahul Dani: Thank you, Aman. Good afternoon everyone. On behalf of Monarch Networth Capital, we are delighted to host the Senior Management of Hindware Home Innovation.

We have with us today, Mr. Salil Kappoor – CEO, Hindware Home Innovation Limited; Mr. Sudhanshu Pokhriyal – CEO of Bath Division; Mr. Rajesh Pajnoo – CEO of Pipe Division, Mr. Sandeep Sikka – Group CFO, and Mr. Naveen Malik – CFO, Hindware Home Innovation and CDR, the Investor Relation team.

We will start the call with opening remarks from the Management. Then we will move to the Q&A. Thank you, and over to you, sir.

Naveen Malik: Good afternoon, ladies and gentlemen, and welcome to Hindware Home Innovation Limited's Q1 FY24 Earnings Call.

Kindly note that some of the remarks or observations made during today's call might be forward-looking, such as financial projections or statements regarding the company's plans, objectives, expectations, or intentions. The company does not have any obligation to revise these forward-looking statements to reflect any future events or developments. For a comprehensive disclaimer, please refer to Slide No. 2 of the Result Presentation

At the outset, I am pleased to introduce and welcome Mr. Salil Kappoor, CEO Hindware Home Innovation Limited. Salil bring with him over 30 years of diverse experience, primarily in the consumer durables field. His sector expertise and insightful perspective will play a vital role in shaping our strategic objectives. In his earlier assignments, he has led Orient Electric's Appliances Division and held leadership positions at LG Electronics, Samsung, Voltas, among others. Salil will be representing Consumer & Retail Business in this investor call.

Let me briefly touch upon our performance for the quarter, post which the business CEOs will discuss the key highlights of their respective businesses.

Our Q1 performance was largely impacted by a challenging external environment resulting from increasing inflationary concerns impacting demand of consumer discretionary goods. Against this backdrop, the Company registered revenue for the quarter which stood at Rs.634 crore.

Despite lower top-line though, our EBITDA and margins improved on a Y-o-Y basis to Rs 68 crore and 10.7% respectively. This is primarily the result of a better product mix and operating efficiencies along with initiative towards optimizing working capital management in alignment with our provided guidance.

Our focus in the near term is to identify and adopt business strategies that would help us navigate the inflationary challenges. We continue to make steady progress towards building a pipeline whose backbone is innovation and customer-centricity. Our long-term endeavour is to introduce a range of smart, connected products that integrate innovation and aesthetics, enriching our customers' lives and living spaces.

We remain confident about the prospects of our businesses and its ability to drive growth.

I would like to call Mr. Sudhanshu Pokhriyal to take you through the bath business. Over to you, Sudhanshu.

Sudhanshu Pokhriyal: Thank you, Naveen. Good afternoon everyone.

In Quarter 1 FY24, our revenues are flattish compared to the corresponding quarter last year. We delivered revenue performance of Rs. 362 crores over last year Quarter 1 of Rs. 364 crores a degrowth of about 11% on a quarter-on-quarter terms and with a four-year CAGR growth of 13% over Quarter 1 of pre-COVID FY20. Our flat growth is largely because of the heavy base of last year Quarter 1 where we had taken an extremely high price increase considering the input price situation there at that time.

So, additionally, the market demand had also been muted in Q1 albeit to the lag increased input and land prices along with higher interest rates, which significantly increased EMIs, that has impacted the demand in the building material space. This is also visible in the results of many other listed companies which have declared the results.

While the demand in the premium real estate is relatively okay, mid and affordable segments demand has seen larger impact and it is expected to last for one or two more quarters. This is also visible in the town tier level sales where we see degrowths in smaller towns. Unpredictable rains and erratic overall weather situation has also impacted consumer demand especially for

renovation. While we are only seeing offshoots of an improving demand situation in Quarter 2, we expect the demand to revive from Quarter 3 onwards.

In Q1, we managed to improve the product mix of sales. This along with lower input prices and a stringent focus on working capital management enabled us to deliver a strong improvement in the bottom line.

We have seen a good improvement in our profitability and margins during the quarter. Our EBITDA reached Rs. 61 crores marking a 27% increase and translating to an EBITDA margin of 16.7%. Our EBITDA margins improved 360 basis point year-on-year and experienced a notable improvement sequentially with 140 basis points as well. This improvement is largely owing to our efforts toward increasing the share of high margin products.

We had also informed the market about our strategy of moving to produce larger, more premiums sanitaryware products in-house, and I would like to inform the investors that we are on track for the same. The entire exercise will be completed by Quarter 3 end.

During the quarter, we reduced our working capital by 7 days over March 2023 aligning with our 15 days commitment for the year. Moreover, we plan to direct our capital investments toward creating brand stores for market expansion and efficiency enhancement in existing manufacturing. These initiatives aim to elevate product ASPs and margins.

For our Bathware business, we have beaten the other listed entities in growth by a large margin and gained significant market share in the last few financial years. We are confident of continuing to gain our market share on the back of a well-crafted growth strategy that we have adopted.

The first is to continue to launch innovative products across segments and categories. Secondly, we continue to build the brand Hindware. Thirdly, to consistently expand our distributions and reach as we believe there is significant opportunity in tier 2, tier 3 cities. Our fourth area of emphasis is on strengthening the premium and luxury category of products. All these efforts are underlined by our strong influencer programs for key stakeholders such as architects and plumbers amongst others and strong 360-degree integrated marketing campaigns for all our brands.

We continue to retain our guidance of 1.25x to 1.5x of the market growth rate for our revenue. We have given a guidance in 2021, and we have been achieving our guidance and we believe we are on track in a mid to long-term.

I would now like to hand over the call to Mr. Rajesh Pajnoo to take you all through plastic pipes and fittings business. Over to you, Rajesh.

Rajesh Pajnoo: Thank you, Sudhanshu. Good afternoon everyone and thank you for joining us for this earnings call.

TRUFLO, our brand for plastic pipes and fittings aims to maintain its status as the fastest growing brand in its sector. In this quarter, the segment reported revenue of Rs. 156 crores for Q1 FY24. The revenue was impacted primarily due to a sluggish demand scenario coupled with reduced raw material prices. EBITDA reached Rs. 10.4 crores with margins at 6.6%.

While our volumes experienced an increase of 13% year-on-year, during the quarter, lower PVC resin prices pulled down the same in value terms. Our PVC products exhibited improved performance, while CPVC sales saw a marginal dip contributing around 40% in value terms as compared to 47% last year.

In Q1 FY24, we connected actively with plumbing consultants, plumbers and organized multiple training sessions for our channel partners and influencers. We intend to maintain these efforts in subsequent quarters to reinforce our presence. Our commitment to expanding our distribution network remains steadfast with our 280 active distributors and around 25,000 retailers currently in our network.

Despite these challenges, we remain committed to our goal of expanding our market share, and we are actively making efforts towards price realization and incentives to drive volume growth. Our unwavering dedication to enhancing brand awareness also remains a top priority as we aim to fortify our positions.

Our foray into PTMT Faucets and other accessories provides customers with a comprehensive solution for all their plumbing needs, and our exclusive collaboration with Reliance Worldwide Corporation, we introduced TRUFLO SharkBite, a revolutionary line of multilayer composite pipes. These are AENOR certified and hold a European patent for push to connect joining system.

In line with our accelerated growth strategy, we continue diversifying into newer regions. Our Roorkee Greenfield project is on track with operations expected to commence by FY25.

Our performance instill assurance that we are making good progress towards exceeding the sales targets of Rs. 1,000 crores before the projected FY25 guidelines.

I would now like to hand over the call to Mr. Salil Kappoor to take you through consumer appliances and retail businesses. Over to you, Salil.

Salil Kappoor: Thank you, Rajesh. Good afternoon everyone and thank you for joining us for our Q1 FY24 Earnings Call.

I am excited to be a part of the Hindware Home Innovation's team. I do believe the company has a lot of exciting opportunities, and we are in the process of chartering a strong growth path.

Our continuing endeavor will be towards consolidating and enhancing our portfolio with innovative and customer-centric offerings and supporting these initiatives with effective operations and supply chain and focused sales and marketing.

Our quarterly performance is largely reflective of the challenges prevailing in the sector at present. Consumer demand particularly in small towns and rural areas was impacted on the back of inflation concerns.

Our kitchen division demonstrated strength on the back of our technically superior product portfolio and our focused multi-channel distribution strategy comprising both online and offline and of exclusive brand shops. For this business, we have both gained market share and improved on the margin front. The demand for our cooling products has also declined due to a delayed monsoon. Increased inventories compelled market players to offer discounts in order to achieve sales.

As inflation begins to taper and the festive season commences, we expect the demand environment to strengthen.

We will continue to leverage our core strength of innovation and introducing technically superior products. We have now submitted applications for over 33 patents and will continue to build on that. Our unified commerce approach will continue to drive performance across channels both online and offline.

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

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

Udit Gajiwala: Sir, firstly, on the Bathware side, if you see, then you stated that the peers have not reported a growth, but when we look at your closest listed peer, they have reported growth on Y-o-Y basis, but we have reported a flattish number. Is it because we are losing market share? Or is it because the Metro is slow compared to their concentrated geography?

Sudhanshu Pokhriyal: Yes. So, that's a fair question, and what I would like to say is that for the last two consecutive financial years, we have beaten the closest competitor in FY22 by 40% over 20% their growth and last year on 29% over 22% their growth. So, for 24 months, we have been gaining share of them. This is the first quarter phenomenon. I gave a number of quarter-on-quarter growth as

well. They declined for the closest competitor has been 19% over the previous quarter versus our decline on quarter-on-quarter is minus 11%.

So, what it clearly indicates is that we had a higher base in Quarter 1 of last year. It's a technical point because last year we had a larger price increase, which gave us some substantial gains in Quarter 1 of FY23, and that's the key reason. I would really urge all the investors who look at market shares and trends on a slightly longer-term basis and in my view reacting to on a quarter-on-quarter basis on market share terms I would say something which can be avoided.

Sandeep Sikka: We always had a caveat for guidance whenever we gave. We always say that don't measure us on a quarter-on-quarter basis. We have a strategy in place, and we are walking our path, and as you see in the last 24 months, we improved whatever we are doing. Markets all times are not under the business controls. Some of the quarters do have offsets and something like that. That's the point which we are trying to reiterate here and Sudhanshu is trying to communicate the same.

Udit Gajiwala: And sir, secondly, when we say it is 1.25 to 1.5x of market growth, do you have any like for pipes we have a target of a Rs. 1,000 crore. Is there any ballpark number that you all are internally targeting by FY25 for the Bathware division?

Sudhanshu Pokhriyal: See, we have maintained that we would grow by 1.25 to 1.5x. The growth is because, and we maintain that and not give a percentage term or an absolute number because we peg ourselves to market growth. Now as we see in this current quarter, the market growth has actually come down quite significantly. So, in my view, I think we should stick to the fact that we will beat the market by 1.25x to 1.5x. I dare say the market, which was growing at 15% plus in the previous two years has cooled off, and I believe it will be in single digits. So, by that logic, yes, we should be going in teens, but I would still refrain from giving you an exact number.

Udit Gajiwala: And coming to the pipe business, the other peers have reported volume growth around of 14% - 15% percentage. I understand that we are not a part of Jal Jeevan Mission because we are more towards the plumbing end only, but on volume front, would you like to throw any guidance for FY24, and what kind of EBITDA per Kg are you expecting for full year?

Rajesh Pajnoo: See, we definitely are into the addressable market of plumbing and not the agricultural side, and since plumbing had a pressure and we still have grown by 12% of the volume wherein the CPVC there is a decline and last year our percentage of, which I already said in my opening remarks, percentage to sales was around 47%. This year it is just 40% due to the pressure on plumbing, and we are looking forward to that and also the decline in prices of PVC. We have increased our volume by 27% in PVC and declined around 12% in CPVC, but all said and done, we are hopeful that yes, an oversight of double digit this year, complete year we will be having our EBITDA.

Udit Gajiwala: EBITDA margin, is that?

Rajesh Pajnoo: Yes.

Udit Gajiwala: And sir, just last question from my end. So, we are seeing falling prices in CPVC as well. Was there any element of inventory loss this quarter? And is that also a reason where the dealers are not stocking inventory because they are anticipating a fall in prices?

Rajesh Pajnoo: We didn't have any inventory loss as far as CPVC is concerned.

Udit Gajiwala: And anything on the PVC market?

Rajesh Pajnoo: PVC definitely there were little, since we are not now carrying huge inventories till last one, 1.5-year people are not carrying inventories, so there is hardly any impact of currency or approximately very less impact of inventory loss.

Moderator: The next question is from the line of Harsh Mulchandani from Kriis PMS.

Harsh Mulchandani: I wanted to understand how are we on our initiative for adding new dealers for pipes? And you know, what is the current revenue per dealer? And what is the dealer turnover which we are seeing? Is there any dealer who is leaving Hindware, specifically for the Pipes division?

Rajesh Pajnoo: Yes, we operate with something, see, this business is on a super distributor model. So, we operate at the moment with around 280 distributors, and we have increased the distributors to the tune of 30 to 35 distributors in the first quarter. But the growth is not there because of the pressure on the sales, but we have built more people than in the last quarter.

Harsh Mulchandani: So, the revenue per dealer is flat, and are we seeing any dealers leaving? Or this is the net 30-35 dealers we have.

Rajesh Pajnoo: That business revenue has come down. In fact, we have billed 34 people more in this quarter, but the revenues have come down. There is pressure on secondaries and stocking of the products.

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

Nikhil Gada: Sir, firstly, on the Plastic Pipes division, I just wanted confirmation. You said the decline in CPVC was 1% and the growth in PVC was 27%, right?

Rajesh Pajnoo: Yes, the growth in volumes of PVC was around 27% and almost around the same degrowth in volumes in CPVC. However overall growth is almost around 12% of volume growth, overall volume growth because you process more in PVC.

Nikhil Gada: No, you mentioned CPVC decline is how much, sir? Sorry.

Rajesh Pajnoo: Almost around same decline, 27%.

Nikhil Gada: Because mathematically, that would, I don't know whether it would work.

Rajesh Pajnoo: Nikhil, tonnage wise we process more PVC.

Nikhil Gada: I will confirm that later, but just coming to the reason because when you say that the housing demand has been weak, but when we see the growth that you have seen in PVC, is it fair to assume that because PVC has become more affordable, we are seeing the consumer switching more to PVC and hence, we are also seeing this sort of a decline in CPVC?

Rajesh Pajnoo: No, precisely not. To a certain extent, yes, but the growth in PVC as reported throughout the industries because the Q1 has been too good for agricultural market. So, PVC contributes to the agricultural market also, but that is not in our addressable segment. So, if you want the people who may report some growth in because Q1 is almost done for their plumbing sort of a market, it constitutes around 17% to 18% of the total revenue. That is Q1. These are two different segments. When it comes to the agricultural segment, it's almost around 26% to 27% for the whole year. So, people who are more into the agricultural segment have definitely done well in this Q1.

Nikhil Gada: But I am assuming that we are not selling any agri pipes. So, basically, for us, it really should not matter, right, whether how the agri demand pans out or does not, especially, if our major channel is going to be through housing, right?

Rajesh Pajnoo: Nikhil, we do manufacture agricultural pipes, but what happens is agricultural pipes these days are also used in the household applications. You know, they are used in place of when it comes to a joining system, there is a pasting type of a joint. So, people tend to use agricultural pipes, then the SWR pipe. So, which makes it a little cheaper. The system gets cheaper. So, people have used it, and I think we have sold in that segment. That's why our PVC growth is here.

Nikhil Gada: So, in that case, can you share the agri versus housing mix for this particular quarter? And can you share it over year-on-year basis so we get a better understanding?

Sandeep Sikka: That's a very small component. I think, Nikhil, what Mr. Pajnoo was trying to say is that when you see the results of various competitors, they are showing a PVC growth approach and that PVC growth is primarily coming from agriculture segment rather than the plumbing segment. That's the point which Mr. Pajnoo was trying to put forward.

Nikhil Gada: Sir, just on the margins front for pipes when we mentioned that we have not seen any major inventory loss, so, is it fair to assume that the margin impact that we are seeing is purely because of mix?

Rajesh Pajnoo: See, the margin, in fact, is basically, Nikhil, because the base is very small since we are a very small player. We are in our fifth year of operation. So, all our operational costs are there.

Nikhil Gada: I understand that. I am just trying to say because in the fourth quarter as well, we have done close to 10%, 10.5% sort of an EBITDA margin, and barring any inventory impact, because I assume that we would have still been closer to 8.5% or 9% sort of levels. So, I think the only reason could be a mix, right?

Rajesh Pajnoo: No, it's like Q4 was a very high, it was the highest sales. The distributors and we had also done, and Q1 we have just done Rs. 156 crores. So, those operational things are only overheads which are fixed costs are there, and then they have impacted this.

Nikhil Gada: And when you are guiding for a full-year EBITDA margin of double digit is what I heard, if I heard correctly. So, from that perspective, you are expecting this mix that we are seeing in CPVC to improve, right, over the coming nine months?

Rajesh Pajnoo: Yes, it should improve. Should improve especially in Q3 and Q4. So, on a yearly basis, we can definitely aim to achieve a double-digit return on the lower side.

Nikhil Gada: And sir, secondly, just coming on the sanitaryware and faucets part of the business, so, firstly, just on the margins front, can we give a breakdown between sanitaryware and faucets for this particular quarter versus year-on-year, please?

Sandeep Sikka: You want the ratio?

Nikhil Gada: Yes, ratio, please.

Sandeep Sikka: Faucets in this quarter is 35%-36%.

Nikhil Gada: And what would the same number be year-over-year, sir, last year, same time?

Sandeep Sikka: Almost similar.

Nikhil Gada: So, just on the overall EBITDA margin that we have seen, and we have seen an improvement even on a sequential basis. So, is there any sort of a benefit in terms of any one-time benefit or is it some more product mix benefit, if you can sort of highlight it a bit?

Sandeep Sikka: If you recall, Nikhil we had a similar discussion while we were on a Quarter 3 call or a Quarter 2 call actually. And then at that particular time, there was a steep increase in the input prices, and we have communicated to the market that we are in process of enhancing our selling prices, which has been done, but off late what has happened is now there is a moderation on the input prices and their prices are also coming down. It's a pure thing that was there, plus the product

mix, which is there. We had given guidance for margin expansion, and we are holding on to that, I think, whatever it is. You know, we have given around 2%, which we said that we should do the expansion of margins in this particular next 12 to 18 months. We are walking that path and there are abruptions in the market, especially on the steep increases in the input prices have normalized now and the markets are stable. But, I think what is impacting is the high inflationary rates, higher interest rates. The EMIs for the respective consumer classes increased. There has been some headwind on this business on the building material business on account of all these factors which we feel that it's a phenomena, and I think Q3 should be more over when the festival season comes like there is always a sudden reaction to the market and then the festival season comes in, the mindset of the people when they come into the spending mode. It revives back to the previous number of quarters happening like this.

Sudhanshu Pokhriyal: And just to add, I think, it's not only about the faucets contribution or sanitaryware contribution. Basically, within the sanitaryware and the faucets, that shifted to a more premium, and that's what I mentioned in my opening address. So, within the sanitaryware and within the faucets there is actually a better mix. We have been able to procure better.

Sandeep Sikka: I think one point which we would like to highlight that people have seen our media spot which we had done with IPL and Sudhanshu, I think, you can talk about that also. That is the Quarter 1 event.

Sudhanshu Pokhriyal: Yeah, in Q1, we also had a major event, major sponsorship of IPL which we had done, which I am sure most of the investors would have seen. So, that also was focusing on the more premium products. So, we continue to focus on premium products, and that's been one of the key strategies in terms of improving our margins.

Nikhil Gada: So, sir, then just to close out the EBITDA margin part, so do we see this sort of margin that we are seeing run rate improving further because we are also going to add a higher margin products in-house? Or do you think this sort of a run rate sustains for FY24?

Sandeep Sikka: I think this should sustain right now. We are trying to put forth in Q1, there was a media spots and IPL is an event which happens in Q1. We also spent in that. Q2 is little bit lean, but then Q3 again because all the festive season comes in, and then the media spot will also start. There is an opportunity always to spend the margin here, but we are taking an optimal call here, spending very judiciously on the marketing, supply chain and products development. Everywhere, there are a number of initiatives which are being done, and on the back of it, we are very confident that like whatever growth numbers we are talking on a medium to long-term range, and also the margin expansion which the guidance we have given, we should be able to do that.

Nikhil Gada: Just one last question from my side before I join back in the queue. I guess you mentioned that you are targeting a 50 days working capital commitment in the sanitaryware and faucet business. Did I hear it correctly?

Sandeep Sikka: Reduction by 15 days, not 50 days.

Sudhanshu Pokhriyal: In fact, we would improve our working capital by 15 days this year, and we have already done that for seven days in Q1 is what I mentioned in my opening remarks.

Nikhil Gada: So, that basically goes to 90 days to 100 days.

Sudhanshu Pokhriyal: Yes.

Sandeep Sikka: I mean, like, we were at 112 days for our bath business. Now we are at 105 days.

Sudhanshu Pokhriyal: And basically we below 100 days, 97, 98 days for the year.

Nikhil Gada: Sir, is it also that we have tightened our working capital cycle a wee bit also impacting our growth by any chance?

Sudhanshu Pokhriyal: No, our Days sales outstanding (DSO) are very similar to last year on our receivables. It's our inventory which is actually what we have tried to control.

Nikhil Gada: Sir, coming just on the consumer durables part of the business, and I understand that air cooler sales might have been lost because this being one of the major seasons. Just from the perspective of how we see this business, especially now in FY24 as well as in FY25, what kind of growth can we target in this business? And is it going to be from the existing products? Or do you think that some new products need to be introduced to basically scale this business up so that our fixed costs also get sort of used up and we get the operating leverage benefits?

Salil Kappoor: So, if you look at, we already have three strong pillars of growth, the products that we have already invested in past, both on the product portfolio front as well as the distribution front. The first one being, of course, kitchen segment, chimneys and other associated products around it. The second one being water heaters where we have now a JV, and our own production facility which will improve not only the products per se also on the margin front, and third, of course, the air coolers where we have a very strong digital presence, and we have both a large share, large chunk of the online sales. Now we will go further deep into these categories and build on that going forward. There are other segments also, which are available. We have quite a few of them. We might want to re-evaluate those and look at certain categories like air purifiers and heat convectors and others, which are highly seasonal, and the sell-off window is too brief. So, those we might want to revisit, but we will certainly go deep and build up, build further on the three large growth pillars that we have invested in already.

Nikhil Gada: Any guidance for FY24 & FY25 that you would want to give at this point of time so that we will get some clarity how to evaluate?

Salil Kappoor: I think I will take another quarter before I can give some guidance, and I will also take some more time to look at the opportunities that we can unlock. So, let's wait for one or two quarters before we can actually come down to exactly the numbers and on the projections.

Nikhil Gada: And sir, just one last part from my end. If you could highlight our debt reduction plans? I think we were mentioning somewhere around Rs. 100 crores by FY24, and if you can also give some numbers for FY25 as well, how do we see the net debt numbers going? Because we are still seeing an increase in the net debt tables, if we see it on a quarter-on-quarter basis.

Sandeep Sikka: We had stated that with the given capex of odd ranging from Rs. 40 crore – Rs. 60 crores in this financial year, we should be able to clear off our debt by around Rs. 100 crores. Next year we have some spending again on the pipes plant which is under set up at Roorkee, that plant cost Rs. 180 crore. This year we spent Rs. 60 crores to 70 crores on the project and the rest we will spend next year. We will take figure of another Rs. 100 crores repayment next year. But we are very gango on our pipe business. We see that there is good potential in this business, that's why we want to do this project much faster now actually.

Nikhil Gada: So, is it fair to assume that our net debt still would be in the range of Rs. 650 to 700 odd crores by FY25 as well?

Sandeep Sikka: How much you have on, how much is the figure you have on FY23?

Nikhil Gada: FY23 was I think is somewhere around Rs. 720 crores, if I am not wrong.

Sandeep Sikka: So, Rs. 720 crore minus Rs. 100 crore another minus Rs. 100 crore.

Nikhil Gada: But we are also doing the CAPEX. So, that was the reason I was asking.

Sandeep Sikka: But we are earning profits also.

Nikhil Gada: So, then, basically, we just have to say that 200 crores deduction would happen in the net debt.

Sandeep Sikka: Yes, that's the plan actually, as on date.

Moderator: The next question is from the line of Yash Mehta from SteinbergIndia Advisors.

Yash Mehta: I have one broad question, one more specific question. Since Hindware is obviously operating in the whole real estate space, the real estate market actually is doing quite well at least as per my channel says. So, why is it that our revenue growth has been sluggish in an environment where, let's say, the industry growth has been pretty strong?

Sudhanshu Pokhriyal: As I mentioned in my opening address, the real estate market is basically doing very well, relatively well in a premium segment. However, mid and affordable segments are basically under stress, and if you want, I can quote some numbers. The affordable part of the segment actually decreased by 21% in the last six months as per reported numbers, while mid segment, I don't have exact numbers for that. Affordable is defined as a segment because government decides the selling price of the affordable segment. It's a very well-defined segment. So, that new launch degrew by about 21 odd percent. What we are saying is the real estate market is actually seeing action only in premium segment in the Metros, but not at an overall level. So, that's what our position is.

Yash Mehta: And one question on the margin side where let's say, after the Q4 results, there was a guidance of about low teens margin for the full year. I want to understand, let's say that it's been about a year since we have taken the manufacturing in-house where initially, the margins didn't reflect because raw material prices were high. In this quarter, we have seen the raw material prices compress quite significantly with almost a few percentage points improvement quarter-on-quarter. I am surprised where is the balance margin going? And in terms of, ideally, the thought process was that on the year before, let's say, there was a, before the manufacturing was in, we were at the 8%, 9% margin range, the thought process was that when manufacturing would come in, we would see about a 400-bps improvement in that margin. It just seems that that has not played out in the current quarter despite the improvement in raw material prices.

Sandeep Sikka: Basically, if you see how much is the number you have for Bathware business for Q4 FY23?

Yash Mehta: Q1 FY23, I have 15.3% EBITDA margin.

Sandeep Sikka: Sorry, my apologies. FY22.

Yash Mehta: FY22, I have about 11.5%.

Sandeep Sikka: Now, it's 16.7%, the mathematics which we are trying to do is, basically, what you have to see here is, we gave a guidance whatever like if you see till 31st March 2022, we were buying from our other group company on a cost-plus basis and even in those periods we were buying at an EBIT margin markup for our bathware business around 4.5% EBIT margin level. Whatever the cost was being incurred there, 4.5% at EBIT level cost was being passed off. Now, since there is no factory there, there is no cost other than the rentals for the land, which are there for the factories, because the two parcels of land and building which we did not buy because of the very high circle rates and high stamp duty impact. That entire margin flow is already happening into the business. Your apprehension where the margins are going is margins can't go anywhere. There is no other factory now other than Hindware.

Yash Mehta: No, no, sir, I am saying that it could also because of negative operating, like it was operating leverage. The idea was to understand that we have seen five quarters of the transition play out.

Sandeep Sikka: No, five quarters have not been the normal quarters because, if you just benchmark the input prices over the last 24 months, you will have all those answers with you. The gas prices from Rs. 18 to Rs. 60 right now at 40 plus, Rs. 40, Rs. 45. Input prices, spot prices, everything moved up. And the PVC prices again had a big swing on either side. The point I have been trying to reiterate is that we bought those factories. Now it's a consolidated operation. It's a focus company. There are no other substantial related party transactions as it was happening before. Whatever the second margins was, they are now a part of Hindware only. It's not that we have started producing inefficiently now. We are producing very efficiently. Whatever the margins are there, there is a combo of it's not an apple-to-apple comparison right now. That's very difficult to maintain.

Yash Mehta: So, would it be fair to say that this margin, let's say, suppression of margins at some level is partly because of the fact that two, three businesses are operating at sub-optimal margins which is the pipes and consumer business at this point and even the retail business?

Sandeep Sikka: No, pipes we will not say it's a sub-optimal because to be very frank we just don't make any commitment on the guidance on a quarter if you see consistently, when we did the results last year, we have been disclosing how much is our inventory loss. If you add the inventory losses, which the entire industry suffered actually, we have not been very confident that the PVC resin prices moved from Rs. 160 to almost Rs. 75 - Rs. 80. Whatever the inventory loss anybody is holding in this industry, the entire pass on is to the end consumer. If you add, you will see that there is a consistency in the margin which is happening. We are making a consistent gross margin in the business, but this is again a mathematical tweak in a sense like sometimes the rate goes up, and sometimes other factors are playing. You have to see from the perspective of the gross margin, we have been able to maintain our gross margins in our business. In fact, we have been expanding that over the last few years.

Yash Mehta: And sir, given that there is, given that all the segments are operating at different numbers and as you also mentioned what's happening is a multiple moving parts are not resulting into, let's say, the current reported margin being similar to what it was earlier, I just thought it would be possible for you to kind of give, let's say, on a steady state basis, assuming normalization, what would be the kind of segmental margins that we should expect? And if that's possible, that's very helpful.

Sandeep Sikka: I think we can look at it, but I don't confirm right now, because then we have to create a segmental margin correlation over the last so many years, and the market has been volatile. We had COVID events in between. We will try to do that. It's a good question. We will try to work on it.

Yash Mehta: And sir, one question, the 16.7% margin that you mentioned, is that after allocation of corporate costs? That's before allocation corporate cost, right?

Sandeep Sikka: Yes.

Yash Mehta: Sorry to kind of just double click on this, but essentially, historically, we have made in the previous Avtar, which is with the HSIL and for five, six, seven years, we actually did more than 20% margins or near about 20% EBITDA margins in this segment. So, do we see our margins for the Bathware segment, which is basically ex-pipes and fittings going to 20% plus?

Sandeep Sikka: If you see in the history, we have been doing ranging 19% to 21% margins on sanitaryware, but predominantly, during that time, we were primarily the sanitaryware business. Our faucets businesses during that time was ranging Rs. 200 crores, 250 crores, but the sort of margins, percentage margins which we have in sanitaryware is still high, but what happens is as the faucet business is also growing, it gets averaged out. To be very clear we don't make 20% plus EBITDA margin on faucets. It's a mix of the bucket. As the businesses and the growth on the faucet size, and the market size is much bigger. The growth of the faucets increases, absolute EBITDA will increase, but the percentage margins will decrease because the input factor in sanitaryware is a clay, but input factor in faucets is brass, much costly material. You have a numerator and a denominator effect coming here.

Yash Mehta: And sir, with your permission, I would just like to ask one more question on the retail business. So, what is the thought process here? Because it doesn't fit perfectly within our scheme of things. So, just thought maybe I could ask you about that.

Sandeep Sikka: We have spoken about this business as on date the status remains the same. We are looking at various alternatives what should we do with this business. Definitely, I understand what your question is. I can only sum up by saying we are evaluating various options on this business right now.

Moderator: The next question is from the line of Abhishek Ghosh from DSP Mutual Fund.

Abhishek Ghosh: I have three questions. In your bathware business update your net working capital day has come down by about seven, which I think Sudhanshu also mentioned in the call, but your net borrowing has increased. So, is it on account of higher capex or what is it that related to?

Naveen Malik: Abhishek, Naveen this side. We at Hindware, have given a dividend to the Hindware Home Innovation. That is why around Rs. 29 crore got added. I think it was in last week of the June.

Abhishek Ghosh: Sorry. Could you repeat that again, sir?

Sandeep Sikka: When you compare the borrowings as on 31st March 2023 versus 30th June, there was a dividend of odd Rs. 29 crores which has been paid by Hindware Limited to the parent company as a result of which, one time the borrowing increases as such.

Abhishek Ghosh: So, this should not impact on consol level debt, net debt from that perspective?

Sandeep Sikka: Yes, technically, because the money will move from bottom to the top.

Abhishek Ghosh: So, on the bathware segment basis the debt has gone up, but on a consol level the debt should have come down because the working capital has also come down and plus, so, how should we look at in that light?

Sandeep Sikka: Yes, mathematically yes.

Abhishek Ghosh: So, on a consol level, has the net debt remains stable Q-on-Q?

Sandeep Sikka: For the consumer business, if you see Slide 25 of our presentation, it has reduced by around 18 crores from Rs. 113 crores to Rs. 95 crores.

Abhishek Ghosh: In the Plastic Pipe division, we have seen net working capital seeing an increase on a Q-on-Q basis from about 62 to 92 days. So, what's the stable net working capital days that one should work with in the pipes part of the business?

Sandeep Sikka: You are asking net working capital, our number of days should be ranging from around 80 to 90 days.

Abhishek Ghosh: Sir, should range between 80 - 90, is it?

Sandeep Sikka: Yes.

Abhishek Ghosh: Sir, last quarter was in aberration.

Sandeep Sikka: Yes because it's very difficult when the sales are down, everything goes for a toss.

Abhishek Ghosh: And just in terms of your retail business, we have seen about a Rs. 3 crores, 3.5 crores kind of an EBIT loss in the current quarter. Any thoughts? Because that's a segment that was barely breaking even. So, any thoughts in terms of going forward, while you have spoken about briefly in terms of evaluating the business, but in terms of losses, is there any exercise being done to kind of control the losses there?

Sandeep Sikka: I will talk about the strength of the businesses, Retail business used to do Rs. 100 crore odd business while even in the retail model, very good brand, Evok brand. The recall of people on the Evok brand is very high because we had a pan-India presence. Now the business models over the last four or five years have changed. A lot of searches are happening on online portals, and again, the competition there is also being increased every day, we had dedicated online furniture businesses. They are going from online to offline. Then there are other online platform i.e. Amazons and others who are also selling furniture. Around three years back, we shut down our owned retail stores, and we moved on to the primarily franchise business plus the online business

which is there. We are evaluating what we can do with this business. We understand this is not the core business on which we should attack, but we have to understand and evaluate various options before we take a decision. I think, in another three to six months, we may do something with it.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Sir, from what I understand, maybe our major segment some pressure in the next one, two quarters, but we might see strength coming back. So, overall, on a broad basis in maybe FY25, could we achieve better growth? And when can we see our consolidated margins maybe going to 11%, 12%? And I also just wanted to ask about the level of taxes that we had in this quarter was a bit higher. So, could we have some reconsideration in that?

Sandeep Sikka: What I could understand is, one question is on the margin expansion, and second is on the taxes. Am I right?

Darshil Jhaveri: Yes. Correct, sir.

Sandeep Sikka: I will request Sudhanshu to talk broadly on the margins what number of initiatives which we are doing internally on the product mix in bathware side. And on the tax side, I think, I don't know whether you read the note to the accounts 2b and 2a. There was a dividend as we told being paid by Hindware to the parent company, and as a part of the consolidation, what happens is the dividend gets knocked off because it's a relationship between a parent and the subsidiary, but the tax on the dividend is provided. What happens is on a standalone basis, you will find the rationality as now for the tax paid, but on the consolidated basis you will not see that rationality because dividend gets knocked off amongst the parent and the subsidiary. In terms of margin, Sudhanshu, we can talk about few initiatives which we can talk about.

Sudhanshu Pokhriyal: So, margins, I think I mentioned in the previous question as well, one of the key initiatives which we are doing is which we talked in the last investor call as well is that we are planning to reduce our import dependence and increase the domestic procurement of both the sanitaryware and faucets, largely sanitaryware, and we are well on course for this transition. There is a transition which is happening in our manufacturing plant which I mentioned in my opening remarks is going to be concluded by the end of Q3. We have also developed extremely strong suppliers within domestic markets. So, we believe from a number of about 16%-17% of import dependence on FY23, FY25 should be mid or low single digit number in terms of percentage contribution, and that will be a matter of impact on our profitability. Can't really give you a number here, but that these are all initiatives will add on to committed numbers currently in terms of margin expansion. Additionally, like I said, we are focusing a lot on premium products instead dependence on Orissa Pans, WC, is now converting into high end one pieces and wall mounts. Similarly, in faucets we do premium diverter based faucet products. So, that's something which is expanding definitely will give us margin expansion. We are also working a lot in terms

of reducing our costs. There are lots of Design to Value initiatives which are happening within the organization in terms of lightweighting of products, in terms of looking at re-engineering the products to make sure that the products are basically satisfying the needs of the consumer and are not over designed. And then that really adds a lot of value in terms of expansion margins. So, all these things are really helping us in terms of increasing our margins and overall level to be delivered.

Moderator: The next question is a follow up from the line of Abhishek Ghosh from DSP Mutual Fund.

Abhishek Ghosh: A couple of questions. One is on the Bathware side of the business. Has there been any price hikes which has been taken in the first half and what is the outlook for the second half?

Sudhanshu Pokhriyal: So, we have not taken any price hike in Quarter 1, and not even in Quarter 2 as well. So, no price hike. You know, as we discussed, the input prices have stabilized for most of the product category. So, at this point in time, I don't see any price hike happening within the business in the second half of the year as well.

Abhishek Ghosh: And sir, in terms of raw material index, is it kind of stable now or is it still kind of declining?

Sudhanshu Pokhriyal: So, I would say it's pretty stable. I would go with the government guidance there where they have kind of actually increased the inflation forecast from 5.1% to 5.4%. I would say, even material indexes at this point is stable. I don't see further declines happening. I can say that about the bathware part of the business. For the pipes business, I would request Mr. Pajnoo to make a call.

Abhishek Ghosh: Sir, my concern was more around the bathware only.

Sudhanshu Pokhriyal: Bathware, I do not see too much of drastic reduction. Of course, there can be a natural variation which happens in commodity pricing, but I don't see any drastic change in pricing happening at this point in time.

Abhishek Ghosh: And the benefits of lower fuel prices has already flown through the P&L?

Sudhanshu Pokhriyal: It is at some point, yes, it is definitely flowing into our P&L. That's what we had discussed.

Sandeep Sikka: Some of the inventory which was made with a high-cost material once it gets sold, it's a process over a period of time. But the first sort of symptoms of margin expansion are already visible there.

Abhishek Ghosh: Just on the pipes part of it, since you have a large exposure of CPVC with respect to peers, any thoughts in terms of growth from here on? Because there's a lot of growth which are coming in from agri and other things. So, in that context, how should we look at your growth for the next

12 to 15 months? And what are the peak volumes that you can do over the next 12 to 24 months, given your capacities?

Rajesh Pajnoo: See, this is probably, I think after 18 quarters that we have been giving growth-over-growth from the time we launched. Now it is the first time, and we are also seeing a decline in CPVC in the last three years. So, we don't see any reason that it should not grow, but maybe currently, there is all around the world the demand for housing has come down a little bit and because of all this China effect, but we definitely see from Q3 onwards there will be a growth in this segment, and we stick to our aspiration of Rs. 1,000 crores FY25.

Abhishek Ghosh: And in terms of your given wherever your capacities, what is the peak volumes that you can do in over the next 12 to 15 months?

Rajesh Pajnoo: We have a capacity of 48,000 metric tons per annum as of today, which we are scaling up slowly. Last year we had a capacity utilization of highest in the whole industry. We almost utilized; we had a 90% capacity utilization. This year it's almost around because the average of the industry is 65% to 70%. We are at around 75% of capacity utilization.

Abhishek Ghosh: Sir, you mentioned your current capacity 44,000, right?

Rajesh Pajnoo: 48,000 tons.

Abhishek Ghosh: 48,000 tons. And what should it look like over the next 12 to 15 months?

Sandeep Sikka: We have an additional investment. In around 18 months, we should get another 12,500 tons per annum capacity from Roorkee plant, which we can further scale up in another 12 months to whenever required, whenever the Board approves it to 25,000 by installing additional machinery. Standard building as infrastructure is being created necessarily for the entire capacity, but the machines will come in between.

Abhishek Ghosh: But the work for the Roorkee plant has already started?

Sandeep Sikka: Yes, yes.

Abhishek Ghosh: So, within 18 months, we should see that.

Moderator: The next question is from the line of Chandresh Malpani from Niveshaay Investment Advisors.

Chandresh Malpani: So, my question is on the PVC pipes. So, if you can brief me up about the, like, what ideal would be the volume mix on a yearly basis between CPVC and PVC? What are we targeting?

Rajesh Pajnoo: See, our product mix as I said earlier in my remark and in other questions also, we are basically a plumbing category company. So, our motto was like right from day one to gain a market share in CPVC which we did till last year. In our product mix, we had around 47% of CPVC share, but unfortunately, in Q1 because of this rise and the housing demand, this has come down to around 40%. What we have sold in Q1, 40% contributes to CPVC. So, we aim that from the day we are at 50% of the market, total market, of our product market, then we are amongst the top leader in CPVC. That is what is our aim, and we presume that from the 3rd and 4th Quarter, this should happen.

Chandresh Malpani: So, my question is on the advertising and promotion expense. What is the budgeted number for this year?

Rajesh Pajnoo: Which business you are talking about?

Chandresh Malpani: On consol or if you call like mostly on sanitaryware, bath or building products business?

Sandeep Sikka: On a consolidated annual basis, we try to allocate on a consolidated basis around 3.5%, 4% of our sales towards building the brand, but this will include many activities like Sudhanshu spoke about IPL, so IPL happens strongly, and it's a big media expansion opportunity, that we do in Q1, but then we will see Q2 maybe little bit lean, but then Q3 again picking up. But I am giving a figure on an annual basis. This is around 3.5%, 4% fund allocated for the marketing activities.

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

Udit Gajiwala: Are there any capacity expansions that we are taking place for sanitary faucet? You mentioned multiple times we are making some improvement for sanitary thing. How much should that boost the capacity? And second, what was the outsource mix for sanitary faucet for the quarter? Are we doing any capacity expansions in a sanitary faucet plant?

Sandeep Sikka: We are not doing sanitaryware expansion in this, if you go through the transcript of the last call, we had given complete guidance that we are moving single high end piece product inside the factory and moving the lower end product outside. That's a part of the strategy which we are doing step by step. And on this Mr. Sudhanshu has already given guidance that this should be complete by the end of the Quarter 3 of this financial year. The second question was on the mix of outsource to in-house of the sanitaryware addition, around 65%.

Sudhanshu Pokhriyal: It's around 65% in-sourced for sanitaryware and around 40% in-sourced for faucets.

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

Rusmik Oza: Sir, I have some observation and some suggestion. Since our business become very asset heavy and I know that the promoters own 51% of the company still at today's market cap of Rs. 4,000

crore, if you can dilute 10% equity, we can raise Rs. 400 crore and straight repay the debt. So, even if you consider post tax it could almost and even if you take 10% dilution, it could almost enhance your EPS by 40% or so. Just wanted to bring this to the management, if you can actually try and because this will improve your debt equity also, and it could lead to a lot of accretion to the shareholder value also going forward.

Sandeep Sikka: I appreciate your observation, but from the financial fundamental perspective, each company, each growing company should be optimally leveraged with the debt on a consol level and with much bigger growth paths. We have seen that we are optimally leveraged right now, and we may look at diluting equity at the right stage at the right time, but I think proposing to the Board of Directors that I will raise equity to pay off 8% debt, I think the cost of equity is much higher as compared to the cost of debt plus post tax cost if you see, we are 25% tax paying company. If you are getting funds at 6% and the post tax equity cost is a market expectation which you, each one of you would like to have. We will work on the rationality of working optimal debt rather than having a debt free company. We had also spoken about this in the last call. I would request that if you can refer from there also, please.

Moderator: The next question is from the line of Vaidik Bafna from Monarch Networth.

Vaidik Bafna: My question would be, can you give us an outlook on the future growth performance for next two years on a blended basis? Currently, we saw a decline in the quarter, but as you believe that from Q3 onwards the demand should revive back. So, on a blended basis, what kind of growth you are expecting for the current year and for the next year?

Sandeep Sikka: We will hold on to our guidance like which we give on our Bathware business and the Pipes business way back two years and we have been holding on, and we have performed as per those guidance. We are internally not bogged on by a quarter of a performance. We are walking a path, and we are working on a strategy. We are still holding on to that. The only leeway is that we have given a guidance on the consumer business which we feel that we may miss it by 12 to 18 months, and that guidance was on a consumer business will be Rs.1100 crores plus by 2025, but based on our performance over the last 12 to 18 months with the market conditions there, on that particular business, on the consumer side, we feel that we may miss it by 12 to 18 months, but rest of the guidance are intact. If you see our performance we gave guidance on margin expansion on the bathware which is very visible. The pipe business is, ultimately, if you see in the last four years has been growing. That has been the real gem of our investment which the company has done in terms of building the growth into the company. By spending an odd Rs. 300 crores we have generated around Rs. 800 crores of sales, which creates a lot of intrinsic value. Similarly, on our consumer appliances business, we have been talking about a very tough business, but we have been very successful three pillar story which Salil has already spoken about that we have made us in distinctions in our business on kitchen chimneys, hoods and hobs. And secondly in, market, I am not clear about very strong position, but a high growth position

both on the water heating segment as well as the air cooler segments. There is a good amount of growth story which we are there and we are really hungry for all the growth, which is there, and we will continue to invest our time, energy, resources in building a very strong business over a period of time.

Vaidik Bafna: And sir, my final question would be for Salil sir. What steps are we looking at and what would be the key focus area for the company?

Sandeep Sikka: I just spoke about it. You know, each of the business is a special focus area for us. It's not that we are looking at one business and one company. We have three core businesses which is our bathware business, pipe business, as well as our consumer business. Each one-off has a dedicated lead which is run by very experienced CEOs, and we are there to grow in each one of them. We have given those guidance historically number of times, and we are walking that path, and we are very, very sure based on the current market conditions, and we will achieve those targets and within those guidelines other than the consumer which I have already spoken about.

Moderator: The next question is from the line of Chirag Fialoke from RatnaTraya Capital.

Chirag Fialoke: My first question is just could you guide us on the gross and the net debt number for the quarter? What was the number for this quarter?

Sandeep Sikka: For June, the net debt is at on a consolidated basis, it is Rs.790 crores.

Chirag Fialoke: Rs. 790 crores on this is net debt.

Sandeep Sikka: Yes.

Chirag Fialoke: Just another question. This is a minor bookkeeping question on the segmental information that is available on Slide #25 for the consumer appliances business. Broadly, the consumer appliances business seems like it's paying around Rs. 4 crores, 4.5 crores of interest. That's the difference between EBIT and PBT that's reported per quarter on a debt net borrowing of around R.s 100 crores average 100, 110 crores, which seems like more than 12%, 13%. Is that right or is that just some accounting that is happening here?

Sandeep Sikka: There are some accounting matters in this. In consumer business, since we don't own any factories, we don't have any warehouses of our own, and all of them are outsourced, all the warehouse rentals and the contracts are of a long-term nature. The entire rental as per the accounting standard gets allocated to depreciation and interest which increases.

Chirag Fialoke: This is the right of you sort of that is the accounting that is happening here, lease liability accounting is that.

Sandeep Sikka: Yes.

Chirag Fialoke: That's helpful. My only other question is just on consumer appliances for business and you have partially answered that in to one of the earlier participants. If you broadly look at last six, seven quarters, right, I understand that the Rs. 1,000-crore guidance you might miss, but even just nominally looks like we are in the Rs.120 crores, 130 crore range for the last six, seven quarters, maybe even if you go beyond, even if you go to December 2020 without water heaters, you are probably at that same number. Just wanted a little bit more color. Is this something where sort of you guys feel that this has hit a little bit of a ceiling and a couple of new products will take us to the next notch? Or is it something that you are not worried about? Just wanted color on that. Last six, seven quarters have been around 120 crores, 130 crores.

Sandeep Sikka: I will answer your question very candidly, this was a new business which we launched around seven years back. We had a full plethora of product portfolio. But what we have seen off late is that out of the whole gamut of the product portfolio, few of the product portfolio needs some rationalization and some reviews. Basis that we are looking at a newer focus wherein the potential is good. The brand acceptance is very high. We have worked on innovation and technology, and we have spoken about it. You can visit our website. We are the leaders in creating one of the few smart appliances for the first time in India. The only thing is here that we extended the canvas. We have to shrink the canvas and that should lead to a much higher focus growth in terms of the segments which we have spoken about, which is kitchen chimneys, hoods and hobs and other kitchen equipments, and also our water heater as well as the air coolers.

Chirag Fialoke: And do you expect to do the rationalization over the next couple of quarters? Is that correct?

Sandeep Sikka: Yes. Salil spoke about it, and he has requested the market to give him some time to get back because he has just joined around 30 days back.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing comments. Thank you, and over to you.

Sandeep Sikka: Thanks everybody for joining on the call today. I know a few of you would not have liked the numbers which had come on the quarter, but I think, again, my request is we are walking a path. We are walking a strategy, and we are confident that the momentum which we have built on a medium to long-term range, we should be able to carry on that momentum as per the plans. Thank you very much. If you have any further questions, we are always happy to answer your questions. Thank you.

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