NEAPS/BSE ONLINE

16th November, 2023

The Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers,
1st Floor, New Trading Ring,
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Mumbai - 400 001
(BSE Scrip Code: 542905)

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

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call held on 9th November, 2023

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Conference Call held on Thursday, 9th November, 2023 for discussion of the financial results of the Company for the second quarter and half year ended 30th September, 2023.

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

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

For **Hindware Home Innovation Limited**
(Formerly known as Somany Home Innovation Limited)

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"Hindware Home Innovation Limited
Q2 & H1 FY24 Earnings Conference Call"
November 09, 2023

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

MODERATOR: **MR. UDIT GAJIWALA** – YES SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Hindware Home Innovation Limited Q2 & H1 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, sir.

Udit Gajiwala: Thank you. Good afternoon, and welcome, everyone. On behalf of Yes Securities Limited, we invite you to Q2 & H1 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. Salil Kappoor, CEO, Hindware Home Innovation Limited; Mr. Sandeep Sikka, the Group CFO; and Mr. Naveen Malik, 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 a question-and-answer session. Thank you, and over to you, sir.

Naveen Malik: Thanks, Udit. Good evening, ladies and gentlemen, and welcome to Hindware Home Innovation Limited's Q2 & H1 FY24 Earnings Call.

I'd like to provide a brief overview of our company's performance for the quarter, post which the business CEOs will share the key highlights of the respective businesses.

Our performance during the last quarter is in the background of challenging macro-economic conditions leading to slowdown in urban and rural consumption.

Our company delivered a revenue of INR 700 crore in Q2 and recorded EBITDA of INR 80 crore. In H1 FY24, our revenue was INR 1,334 crore and EBITDA stood at INR 148 crore.

Looking ahead, our primary focus in the short term is build a pipeline of innovative, smart and interconnected products that seamlessly blend innovation and aesthetics to enhance the quality of life and living spaces for our valued customers.

Despite the challenges presented by the current economic landscape, our commitment to growth, innovation, and customer-centricity remains unwavering. 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 evening everyone.

During the review period, we delivered a Y-o-Y revenue growth of 5% in Q2 and 2% in H1FY24. This growth was achieved despite inflation challenges, higher interest rates and liquidity pressures, which resulted in relatively soft demand for mid- and lower-priced bathware products.

Our profitability and margin performance has been strong in the quarter under review. Our EBITDA expanded 33% year-on-year to INR64 crores, translating to an EBITDA margin of 16.1%. Our consistent emphasis on improving our product mix and efficiencies is reflected in the performance.

As we look ahead, our focus continues to remain on expanding our presence in new markets while maintaining a strong emphasis on productivity enhancements and working capital management. Capital investment will be directed towards establishing brand store for market expansion and enhancing manufacturing efficiency. These strategic efforts are aimed towards elevating our product pricing, enhancing our margin.

Our diverse marketing investments play a pivotal role in helping us connect with our customers across the country. Our integrated marketing initiatives, including the dynamic IPL, Asia Cup and the current ongoing Cricket World Cup campaign is helping us enhance our brand's visibility and appeal. Additionally, our partnership with the Water Management & Plumbing Skill Council which is called WMPSC underscores our commitment to upskilling 5,000 plumbers over the next 2 years, reinforcing our dedication to skill development in the industry and the advancement.

We are confident that we will maintain and enhance our market share by pursuing our growth strategy. This strategy includes launching innovative products, strengthening of the Hindware brand, expanding our distribution to Tier 3 and 4 cities, and enhancing a luxury brand, Queo. These efforts are supported by robust influencer programs for key stakeholders and comprehensive marketing campaigns for all our brands. Additionally, our strategy brings large-scale production in-house aligns with our overall objective to improve value creation.

In conclusion, our strategic initiatives reflect our committed to growth, innovation and delivering exceptional value to our customers.

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

Rajesh Pajnoo: Thank you so much, Sudhanshu. Good evening everyone and thank you for joining us for our Q2 and H1 FY24 Earnings Call.

TRUFLO, our established brand known for plastic pipes and fittings, maintains its position as one of the fastest-growing brands in the industry in our addressable segment. In the review period, revenue stood at INR201 crores in Q2 FY24 and INR357 crores in H1 FY24. The revenue was primarily affected by a sluggish demand environment in the home plumbing segment combined with volatile raw material prices in the quarter that was driven by the agricultural pipe space, which is not our target market.

Our EBITDA stood at INR22 crores in Q2 with double-digit margin at 10.8% and INR32 crores in H1 with margin at 9%. Despite some headwinds, we endeavoured to maintain prices while actively enhancing brand awareness to expand market share and presence.

Further, we have been proactive in engaging with plumbing consultants, plumbers and have organized various training sessions for our channel partners and influencers. These efforts will continue in the upcoming quarters to reinforce our market presence. Our dedication to expanding our distribution network also remains unwavering with over 300 active distributors and approximately 30,000 retailers currently in our network.

We are in the process of establishing a new state-of-the-art manufacturing plant in Roorkee, Uttarakhand and construction of the facility has already started. The plant is expected to be operational in Q3 of FY25.

To conclude, TRUFLO remains committed to achieve its goals of market expansion, enhanced brand awareness and profitable growth.

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

Salil Kappoor: Thank you, Rajesh. Good evening, everyone, and thank you for joining us for our Q2 and H1 FY24 earnings call.

In Q2, our revenue stood at around INR96 crores, and in H1, it came in at about INR202 crores.

The market sentiment faced its fair share of challenges primarily due to muted slower consumer demand and which happened more in the smaller towns and the rural areas. We, however, used this time to focus on some of the basic hygiene factors like, improving our inventory levels and our working capital.

However, over the coming quarters, the market has a positive outlook on the back of the upcoming festival season and increased demand from e-commerce. In our kitchen appliances business, we continue to retain our leading position even in the midst of our markets grappling with inflation and intensified competition.

However, our cooler demand did come down. It was impacted due to unseasonal rains, especially in Q1, and some of it also continued to Q2.

That concludes the opening remarks, and I would like to ask the moderator to open the floor for question-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 Akshay Chheda from Canara Robeco Mutual Fund.

Akshay Chheda: The first question is on the piping side. So sir, if you see the EBITDA per kg, that is around INR21 or even if I see the absolute margin of around INR10.8. So, this is on the higher side. So will it sustain going forward? Or was there any one-off? Or how do you see these margins?

Rajesh Pajnoo: EBITDA per kg is basically the product mix that we are selling in the market. So, whatever we have maintained now, going forward, we can maintain it. But it depends on the prices of PVC which have come down heavily. There needs to be a correction in the PVC price, which is expected. We are hopeful about it after Deepawali. Basically, we have to see it from an angle of realization per kg, because EBITDA per kg is on your total EBITDA, whatever we have now achieved by having that product mix volume.

Akshay Chheda: So sir, how do you work, sir? Do you work on the percentage margin or EBITDA per kg, sir?

Rajesh Pajnoo: Percentage margin.

Akshay Chheda: Okay. Sir, I understand that your capacity will come up only after 1 year. And currently, I think you are running at optimal capacity utilization. So wouldn't you be out of capacity?

Rajesh Pajnoo: We have already started the construction at Roorkee plant. In the next financial year Q3, we are expecting that it will be commencing commercial production. Till that time, we are trying to maintain the capacity, and we are also enhancing the capacities in our existing plant, which is at Hyderabad. We are only working with one location at the moment with 2 plants within Hyderabad.

Akshay Chheda: Okay. But can you go to 12,000, 15,000? Or this is the maximum you can do because I think that you might have capacity constrained going forward, sir?

Rajesh Pajnoo: What 15,000? Can you repeat that?

Akshay Chheda: As you are at around 10,000 or 12,000 of quarterly capacity. So, what is the maximum you can go up to, at scalable capacities, because at current rate, I think you are at capacity constraint.

Rajesh Pajnoo: Presently, we have a capacity of 52,000 metric tonnes. And we are running at a capacity of around 85% capacity utilization, which is highest in the industry.

Akshay Chheda: Exactly. So I was worried that wouldn't be the capacity constrained going forward?

Rajesh Pajnoo: We have the facility to add up more capacities in the existing plant. We are doing that.

Moderator: The next question is from the line of Zaki Nasser from Nasser Investments.

Zaki Nasser: I think it's a decent set of numbers. Sir, our focus on pipes and fittings, I mean, we've been talking of pipes and fittings being the growth driver. But don't you think that pipe and fittings has become more of a commodity kind of a business with a level market and a lot of players?

So shouldn't you think that we should be focusing more on our bathware and building products division and our new introduction of geysers and consumer products, sir? Your thoughts and your views on how the top line will increase irrespective of what happens in the plastic pipes and fittings? That can be a segment, but that has become too much of our focus, sir.

Sandeep Sikka: Markets in India are getting competitive from all angles. It's not that the bathware product market is not competitive. When the markets are getting competitive in a limited span, sanitaryware market, it's INR5,500 crores to INR6,000 crores market whereas the faucet is around INR12,000 crores. So companies have to find a way so that it can use its brand to expand the horizon into closely related product categories. Initially we were front of the wall, now we've gone behind the wall with the pipes business and we has been very successful. Markets will consistently be competitive, and success depends on how you penetrate the market.

I think if you see the success of our pipes business, it's a five-year old business, which we started in August 2018 after the setting of the plant. In the last quarter, we had done a turnover of INR200 crore. Last year, our turnover was almost INR790 crore, which is a fairly successful business when you compare it to the market conditions. The market has accepted the product. Market distributors have accepted the product. The product, known for its high quality, allows us to maintain a favorable margin. Our focus now is on exploring opportunities to further improve these margins through a dedicated vertical within our organization.

There are some operating costs. So as we increase volumes, the operating cost will come down, and the success of the overall business will further improve. It's not only like this had we just focused on the sanitaryware or the faucet business, the arena within which we are operating, will be very, very restricted. We face intense competition in the bathware segment, and almost 30% to 40% of the market share in the bathware segment faces competition from both international players and lower-end unorganized players. However, the pipes business stands out as a cost-effective, core manufacturing sector that cannot be outsourced.

And the person who is buying the product considers both the quality and the brand, providing us with a dual advantage. This not only strengthens our position but also expands our market reach significantly, as the pipes market is larger than other product categories. So it gives us a lever to form a continual sequential growth year-on-year.

Zaki Nasser: And sir, last time, we had discussed a bit about it in your last concall about importing a lot of this faucet from Turkey, I believe. So you were talking about shifting part of the production into India. So how is that going?

Sandeep Sikka: I think your question is shifting the imported sanitaryware to be manufactured at our plants.

Zaki Nasser: Yes, sir.

Sudhanshu Pokhriyal: Two quarters ago, we talked about our initiative on reducing our dependence on imports. So I'm happy to share that we are progressing very well on that. In fact, we're developing most of our models in-house right now. Our sales' import contribution, previously at 16% to 17%, has now decreased to single-digit percentages. And of course, we're already seeing great improvement in our margin. A part of that is, of course, contributed by the fact that our domestic procurement is actually doing pretty well. So, to answer your question, yes, it's progressing very, very well.

Zaki Nasser: And sir, broadly, could we expect the current year top line to beat last year, I mean, overall? Because half year has been muted?

Sandeep Sikka: Every organization operates with a strategy and a plan and so we do. We are very confident. We have given a guidance that we'll outgrow the market ranging 1.25x to 1.5x. And we're still holding on to that in a medium-term range but definitely, there are some headwinds in some quarters for the industry and us as well. We generally don't give any guidance on the forthcoming quarters as a matter of prudence. But our plans to grow and our plan to capture the market in terms of the guidance is already given to the stakeholders.

Moderator: The next question is from the line of Jayesh Gaygol, an individual investor.

Jayesh Gaygol: Congrats for the great numbers. I just want to know what is the net debt right now? And is there any debt restructuring plan in the future?

Sandeep Sikka: So, you are looking at the consolidated debt?

Jayesh Gaygol: Yes, sir.

Sandeep Sikka: Consolidated debt on the balance sheet today is around INR835 crore, and which has increased slightly over March because of the low trend sales, which has led to some inventory accumulation, which we feel should get liquidated next year. On the capex, which is relating to Roorkee plant, the work has started. we are making substantial investments to expand our distribution reach and open new display centers, anticipating future growth. But definitely, we have given the guidance for a debt reduction over a period of time and as the profit earned through. So we'll repay the debt.

Jayesh Gaygol: Sir, my next question is a little bit regarding the company's demerger. Actually, we did a demerger in 2019, our AGI Greenpac and Somany/Hindware. That and the valuation of AGI Greenpac was little bit less, lesser than Hindware. As an investor, I would say that AGI Greenpac gave multiple return to their shareholders. And it was not in the case of Somany/Hindware. So do you think that demerger was not in the favor of Hindware and more in the favor of AGI Greenpac?

Sandeep Sikka: This demerger is now almost five years old, and there was no favor given to anybody. One shareholder of HSIL got one share of SHIL. It's technically a sort of a bonus for everyone. In fact, both the companies are performing very well.

Only answer which I can give you is on the combined case, let's say, immediately before the stock got split, the stock was at INR220. But today, the combined stock of both the companies together, is around INR1,400 to INR1,500.

Those who stayed with us since the pre-demerger period would have seen a 7x increase in the last four years. There is substantial value creation, it's not that demerger is good for one and not good for the other company. There was a rationality to the demerger because each of the businesses had and have a growth plan. And also equities are long-term in nature. Those who held onto their investments for the long term have realized substantial returns.

Jayesh Gaygol: Okay. Sir, any further chance of demerger because we now have four business like pipe, retail and bathware. Is there any chances of another demerger?

Sandeep Sikka: No. Demergers are not done because there are businesses. Demergers are done on some rationality. So nothing as such even in the thoughts.

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

Nikhil Gada: Yes. So sir, the first question is on the sanitaryware and faucets business. We have seen a muted sort of performance in first half. Do you think that second half would be any better? Or you still feel that, this sort of trend will continue?

Sudhanshu Pokhriyal: Yes. We've seen at an overall level in Q1, the markets to be muted, especially on the affordable and mid segment. And if you go geography wise in the Tier 2, Tier 3 markets, where we've seen a bit of a slowdown. There can be multiple reasons for it, of course, higher interest rate and inflation is one of the key reasons is what we believe. So expectation, of course, is that the second half is going to be much better. That's what we expect. No doubt about that.

We were pretty sure that H1 is going to be a little tough, and H2 is going to be a much better part of the year. And that's exactly how I think it's going to pan out. Very difficult for me to give any numbers here, and as an organization, we do not give any guidance. But to answer your question, I expect the second half of the year to be much, much better.

Sandeep Sikka: We have generally seen when the market gets slow, especially during the COVID times, when the market was slow. The recovery post particular event becomes very, very fast. But there is a subset of activity in the market human-centred activities slow down, once the revival of demand happens, then the whole thing moves very fast.

Sudhanshu Pokhriyal: Yes. And this is a thing around revenue. But of course, on the profitability side, we've done well. We've been able to really deliver a set of numbers in terms of growth in our margins. We've given multiple guidance not just around on revenue but also around the way we'll be running our business in terms of improving profitability. I think I'm sure you've seen numbers even in difficult situation, our H1 margins are improving.

Nikhil Gada: Yes, sir. So the next question was on the margin front. You mentioned that the import share has come down to now single digit. So I'm just assuming from that perspective, have you been able to capture most of the benefits of the mix shift in margins? Or do you think that this will further improve in the coming quarters?

Sudhanshu Pokhriyal: No, this is not complete. In my view, this is just the beginning of the improvement. And in fact, over a period of next two to four quarters, we anticipate more significant improvements. And this was one of the biggest initiatives. There are lot of other things also there. So margin improvement is something which is a high focus for us. And 100% localization has not yet happened. It is something which is still going on. We will see benefits of these initiatives as we go forward.

Nikhil Gada: Understood, sir. And just regarding that same point, we were of the understanding that once the import comes down, we will see an improvement in the working capital cycle in sanitaryware and faucets. Maybe it's a timing thing, I don't know, but we were also talking about bringing this down to 100 or below 100 days, when we acquired the plant from AGI. So it's been almost close to now 18 months, but we're still seeing this working capital cycle in the range of 120 days. So just any comments on that, please?

Sudhanshu Pokhriyal: Yes. So first of all, on the margin side, we expect our margins to improve nearly 200 basis points over the next one or two years. So one year we can say about two- four quarters. That's one point I want to mention.

Secondly, on the working capital side, so working capital is constant. So we did not see sales as much as we thought we would. There was a bit of an unsold inventory, which is actually what we have seen in Q1, Q2. So if I break down my working capital, we see an improvement on our inventory side by nearly 8 to 10 days, while we have actually seen a bit of an increase in our receivables, which is actually netting off. And you see a bit of a very minor reduction of two days in the sanitaryware, faucet side of the business.

So there is a bit of seasonality in this entire exercise. When I'm actually reducing my dependence on international markets, I can't go and tell the exporters, the people from whom we are buying that I'm going to reduce your business. So I maintain a bit of inventory. I manage that by managing the inventory in a certain way because there's a bit of planning I have to do for localizing the same product.

Because of this a reason, we've not seen significant improvement but we've seen about eight days to 10 days improvement on inventory side. I certainly believe by the end of the year, you'll see these numbers coming down much, much lower than what they are currently there. And then an exercise on this which is going on extensively. Inventory has come down, and will keep coming down. And at overall working capital level also, you will see a huge improvement.

Nikhil Gada: Sir, what according to you would be the best working capital cycle in sanitaryware and faucets? Or what would be your target? Would it be 80 days, 85 days, 90 days?

Sudhanshu Pokhriyal: So I would definitely love to have something closer to it. Why not lesser, in fact? I mean, why 80 days, 85 days.

Nikhil Gada: That's the industry standard is what we are made to believe. So just from that perspective?

Sudhanshu Pokhriyal: So I totally agree with you. I think our numbers should be closer to 85 days, 90 days in the first phase and even going lower than that in the second stage of our reduction on the working capital. And I can assure you that something which is on the cards. It's not too far away when we see these numbers.

When a market, which has been growing at 16%, 17%, 18%, we've grown last two years at upwards of 40%, 50%. And suddenly, you see two quarters and the growth come down to single digits, your inventories come under pressure. But as you recalibrate your demand cycle, you recalibrate your existing inventories. These numbers are again coming back to normalcy.

And you have to remember that except for the last two quarters, if you go back the previous eight to 10 quarters, we've seen growth of upwards of 35%, 40%. So suddenly, when the growth comes down, there is a bit of a lag effect on inventory side. That's something which is going on right now. There's nothing we should be alarmed about. It's something which is basically a part of the reduction, which will happen. I mean, there's a technical term supply chain called bullwhip effect and that's something which is happening right now.

Nikhil Gada: Got it. Sir, next is on the plastic pipes business. One of the participants did ask about running short of capacity. And you have mentioned that we have space in Hyderabad and we plan to enhance. Is there anything as of now on the anvil in terms of what kind of capacity expansion we are planning and what kind of capex do we allocate to that? And by when can this capacity be onboard?

Rajesh Pajnoo: Yes. Nikhil, we have already ordered the machine. And I think from December onwards, we will be adding up the capacity in our existing plant since these machines take a lot of time. And we have added 5,000 metric tons in the past. And we'll be adding up a similar 5,000 metric tons to 7,000 metric tons in the next quarter. That will give us a leverage to go to the market and then suppliers.

Nikhil Gada: So if I got you correctly, you're saying this 48,000 metric tons of annual capacity will go to 53,000 metric tons, 54,000 metric tons?

Rajesh Pajnoo: So presently, we have already added up. So, we were at 48,000 metric tonnes and now we are at 52,000 metric tonnes. We will be adding up 5,000 metric tons to 7,000 metric tons more.

Nikhil Gada: So that basically we'll go to around 58,000 metric tons, you're saying?

Rajesh Pajnoo: Yes.

Nikhil Gada: And the capex for this was how much, sir?

Rajesh Pajnoo: Just around INR19.9 crores.

Nikhil Gada: Understood. And after this expansion, are we matched out at Hyderabad or we can further add in Hyderabad?

Rajesh Pajnoo: No. We can further add up. We are planning in the last quarter also because we had already created a second plant, if you remember last time. We had the capacity.

Nikhil Gada: So okay, fair enough. And Roorkee would definitely come in 3Q FY25?

Rajesh Pajnoo: Absolutely.

Nikhil Gada: Understood. Fair enough. So just then one last question if I may. In the overall balance sheet, if we see, sir, there has been a capex of close to INR70 crores. And I get this INR20 crores, I think, it's for pipes. Can you help me understand, what is the remaining INR50 crores for?

Rajesh Pajnoo: You're talking about pipes?

Nikhil Gada: No, sir, overall at the company level. There has been a capex of INR70 crores?

Sandeep Sikka: There is incremental figure of around INR50 crores on the development of various, what we call that, retail spaces. And not only faucet, there's for pipe and tiles also. Overall, INR20 crores, we have invested into development of our display centres.

Nikhil Gada: Okay.

Sandeep Sikka: There is additional spend in sanitaryware plants because we are changing those capability to make bigger pieces. So another INR14 crores to INR15 crores have been spent on it.

Nikhil Gada: So that would be INR35 crores and INR20 crores for pipes. So that is INR55 crores and the remaining INR50 crores would be for?

Sandeep Sikka: Where are you seeing the INR100 crores is in the overall cash flows.

Nikhil Gada: Sir, I'm taking the first half cash flow statement. And that I've seen the purchase of properties, which is around INR70 crores?

Sandeep Sikka: We've given you break-up of pipes.

Nikhil Gada: So I assume pipes.

Sandeep Sikka: Pipes is around INR28 crores. Out of which INR6 crores is at Roorkee and the INR22 crores is at Isnapur.

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

Darshil Jhaveri: Sir, most of my questions have been answered. So just wanted to get color on our, consumer business. So just how are you faring in that? And when can we expect to maybe breakeven in that? Because it is dragging our profits by little around INR12 crores like it's at half of what our PBT is. So just wanted to get a sense in that. What is our plan in our consumer appliance business?

Salil Kappoor: On the consumer business, see, you know we started with a large portfolio. But I think what makes sense and we realised over this time is that some focus on the entire operations will already have a better outcome. So not only because of better allocation of resources but also what we have seen right now in this quarter that there has been a reduction, substantial; reduction in inventory when we started on just two or three main drivers.

As already shared, we reduced our working capital by about INR44 crore quarter-on-quarter basis, which is a result because we started diverting resources only to the three main drivers where we feel that we have a win.

The first one being the kitchen business, where our margins are also good. And we expect that going forward, we will have good growth there. The product category, the response from the consumer as well as the trade is very good.

The second one, of course, water heater because we have our own manufacturing and we have made substantial improvement in the quality of the products. We stand today amongst the leaders. And we are a late starter into this business. But as far as the quality of the product is concerned, way ahead of many of our peers.

And then the third one, which is cooler business, though, it has a seasonality angle to it, which has been visible in past two three years. But our share on online business is much higher as compared to our lower share in the market, we have disproportionately high share as far as the organised market is concerned for coolers.

We do want to focus on these three. And we are hopeful that the upcoming quarter we see a much better on operations and overall business front as well.

Darshil Jhaveri: Sir, is it fair to assume that maybe in FY25, we'll be able to breakeven? Will that be a fair assumption?

Salil Kappoor: I would not want to give a forward-looking forecast of that. But let us see how things fare out if the consumer demand, which all of us have seen has been muted in the last two, three quarters. The current increase or spike we are witnessing is primarily attributed to the upswing associated with the festival season. If this trend continues, and with a favorable summer, then definitely a much higher chances of getting there. But we'd like to see as it goes.

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

Udit Gajiwala: So firstly, you had last time mentioned that we'll be looking to repay INR100 crores debt annually. So just wanted to check the progress. Are we still maintaining that? Or are there some maltreats?

Sandeep Sikka: When we say that INR100 crores debt repayment was that is in contextual that if we don't invest into the additional facilities, obviously, the profit which will go toward the reduction of the debt. But as you see, like we are investing into pipes because there is a demand. And the debt or the internal accruals instead of going toward the debt reduction, getting toward there. We are keeping in the future in terms of there is a demand in this, but I think the debt reduction is still there on INR100 crores, but it may take another six months or so.

Udit Gajiwala: Understood, sir. And sir, what will be the total capex for 2024 and 2025?

Sandeep Sikka: In H1 FY24, we have already spent odd INR66 crores - INR70 crores. And the major chunk which has to be spent is only Roorkee pipe plant wherein the total capex is INR152 crores, of which just INR6 crores have been spent. In the next 18 months or so, we should be doing the balance, which is over INR145 crores. And a part of this, we'll continue our initiative in terms of development and opening of the display store because there are plan and strategy. We'll invest INR15 crores to INR20 crores more there, this I'm talking about in 12 to 18 months next. And some capex on the IT side because we're keeping organization Technology ready, so we keep investing another INR2 crores to INR3 crores on the IT readiness which was there in terms of going digital. These are the broad heads of capex there will be some additional capital expenditure related to improvements, particularly in the areas I mentioned. This includes debottlenecking with an estimated expenditure of around INR 10 to INR 15 crore.

Moderator: The next question is from the line of Manish Beria, an individual investor.

Manish Beria: I have seen Hindware doing a lot of advertisement in this World Cup and things like that. So just wanted to see what is the advertisement budget this quarter versus last year, let's say, just to get an example like how much is exceptional advertising cost or budget this year.

Sudhanshu Pokhriyal: Yes. So you want exact number?

Manish Beria: Broadly, just wanted to understand like what the normalized margin or like that something would be if the advertising doesn't come back to normal fees, let's say.

Sudhanshu Pokhriyal: Yes. So, for the year, we spend about 4% and it was phased across the year. And we saw some opportunity because of the cricket World Cup,so the spending in Q2 was slightly higher.

Manish Beria: So basically, the Q2 was higher versus last year, right?

Sudhanshu Pokhriyal: Marginally higher.

Manish Beria: Marginally higher, okay. The second question would be in the bathware segment, I mean, we are already doing 16% EBITDA margin. And I think like there are a lot of operational things that you are doing that will expand import substitution and things like that. So that aspiration could be like 20% margin at some point in time?

Sudhanshu Pokhriyal: No, I did mention sometime back that we're looking at increasing lot more in time and is over the two years' period like you should actually keep with you. So 20% is not something which we mentioned. We mentioned it clearly around 200 basis points, say anywhere between 18 to 18.5%.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for the closing comments.

Sandeep Sikka: Thank you everybody, for joining us on the call today. We understand the market is volatile, but this gives us an opportunity to relook internally and build more efficiencies into the system in order to be cost competitive. Be rest assured, we are working on the best strategy to put best foot forward in terms of keeping the momentum of growth as well as earnings on the book. Thank you very much.

Notes:

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