

BSE Code: 500187 NSE Code: HSIL Reuters Code: HSNT.NS Bloomberg Code: HSI: IN

Incorporated in 1960, Hindustan Sanitaryware and Industries Limited - 'HSIL', is a flagship company of the Somany Group. The company is engaged in the manufacturing of sanitary ware, bathroom fittings and tiles. HSIL operates primarily in two segments – Building Products and Packaging Products, contributing 47% each to the overall revenue of the company.

Key Developments

Net profit grew 16% in Q1FY16: HSIL reported 15.7% YoY growth in its standalone net profit in Q1FY16 to Rs. 17.4 Crores from Rs. 15 Crores in Q1FY15 supported by 111.7% increase in other income and ~39% decline in the interest cost during the same period. However, the net revenues stood at Rs. 412.9 Crores in Q1FY16, growing marginally by 0.2% from Rs. 412.2 Crores in Q1FY15. The growth in revenue from the Building product segment was 6.8% in Q1FY16, while the Packaging product segment witnessed de-growth of 5.6% during the quarter under consideration. EBITDA was down by 3.7% during the quarter and stood at Rs. 64 Crores. The operating cost of the company increased by 0.9% YoY with the employee cost increased by 20% YoY.

FY15 performance: The consolidated net revenues of the company increased by 6.6% in FY15 to Rs. 1,981 Crores. The revenue from the Building Products segment (which accounted for ~47% of total company revenues in FY15) increased by 6.2% to Rs. 936 Crores, while the revenue from the Packaging Products segment (which also accounted for ~47% of total company revenues in FY15) grew by 6.5% to Rs. 920 Crores during the year. Net profit surged by 151.4% in FY15 to Rs. 85 Crores due to fall in the tax expenses of the company.

Debt level falls ~39% YoY in FY15: In FY14, HSIL had debt worth Rs. 949 Crores on its books. In FY15, the company issued QIP worth Rs. 250 Crores and utilised the same with internal accruals to pay off debt worth Rs. 373 Crores. Post this the debt reduced to Rs. 576 Crores in FY15.

New product offering: HSIL recently forayed into the water heater business with a co-branded marketing arrangement with the French company Groupe Atlantic and introduced a range of water heaters under the brand hindware-atlantic. HSIL has stroked a distribution agreement with Groupe Atlantic (France) for distribution on water heaters in India manufactured by Atlantic International, an affiliate of Groupe Atlantic.

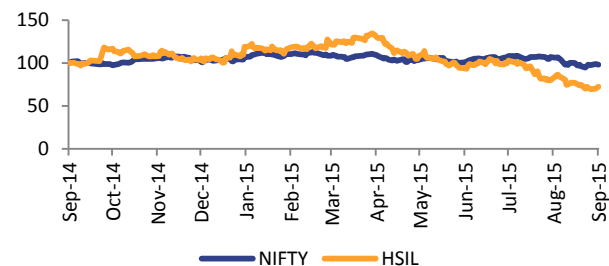
Market Data

CMP (Rs.)	272
Face Value	2
52 week H/L (Rs.)	477/238
Adj. all time High (Rs.)	477
Decline from 52WH (%)	43.0
Rise from 52WL (%)	14.3
Beta	0.7
Mkt. Cap (Rs. Cr)	1,967
Enterprise Value(Rs. Cr)	2,611

Fiscal Year Ended

Y/E	FY13A	FY14A	FY15A
Net Revenue (Rs. Crores)	1,761	1,858	1,981
EBITDA (Rs. Crores)	259	253	333
Net Profit (Rs. Crores)	58	34	85
EPS (Rs.)	4.4	5.1	11.8
P/E (x)	20.6	25.5	23.0
P/BV (x)	1.2	0.8	1.5

One year Price Chart



Shareholding	Jun15	Mar15	Diff.
Promoters (%)	47.1	47.1	0.0
FII (%)	10.2	11.4	(1.2)
DII (%)	25.0	24.7	(0.3)
Others (%)	17.6	16.8	0.8

HSIL operates primarily in two segments – Building Products and Packaging Products, contributing 47% each to the overall revenue of the company.

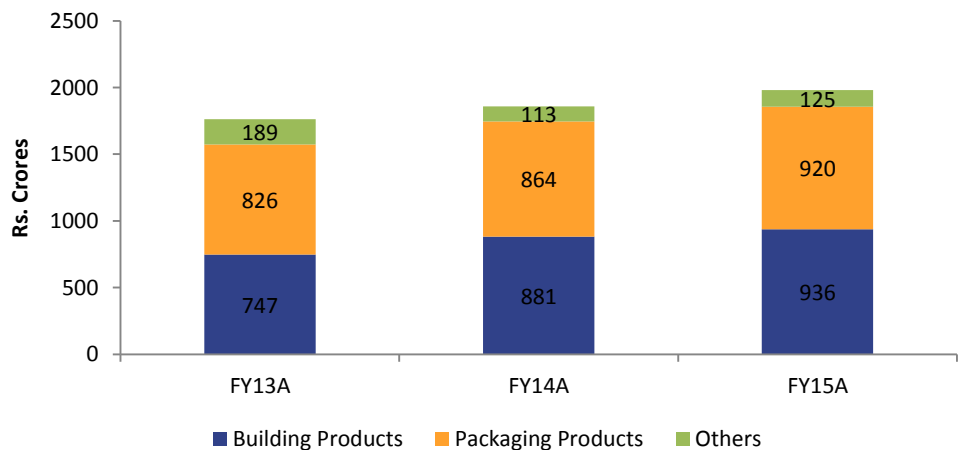
Company Overview

Incorporated in 1960, Hindustan Sanitaryware and Industries Limited - 'HSIL', is a flagship company of the Somany Group. The company is engaged in the manufacturing of sanitary ware, bathroom fittings and tiles. The company operates primarily in two segments – Building Products and Packaging Products, contributing 47% each to the overall revenue of the company. The products of the Building Products division include sanitary ware, faucets, kitchen appliances, wellness, extractor fans and allied products. The manufacturing facilities of this division are situated at Haryana, Telangana and Rajasthan. The company has a capacity of 3.8 million pieces per annum for sanitaryware and 3 million pieces per annum for faucets.

The Packaging Products division includes glass containers, plastic containers, plastic caps and closures and PET bottles for use in the beverage, pharmaceutical, liquor, and food industries. The manufacturing facilities of this division are located at Karnataka and Uttarakhand. HSIL has a capacity of 1,600 tonnes per day for glass and 9,500 tonnes per annum for PET bottles.

HSIL's most prominent sanitaryware brands are - QUEO, Hindware Italian Collection, Hindware Art, EVOK, Benelave, among others. The company has a wide distribution network across India with ~3,000 dealers as on 31st Dec, 2014. Its clientele includes reputed names like Dr Reddy's, Carlsberg, Reckitt Benckiser India, GSK Pharma, Radico Khaitan etc in the Packaging Products segment and Adani, DLF, Ansal, Vatika, L&T in the Building Products segment.

Segmental revenue growth



HSIL reported 15.7% YoY growth in its standalone net profit in Q1FY16 supported by higher other income and lower interest cost.

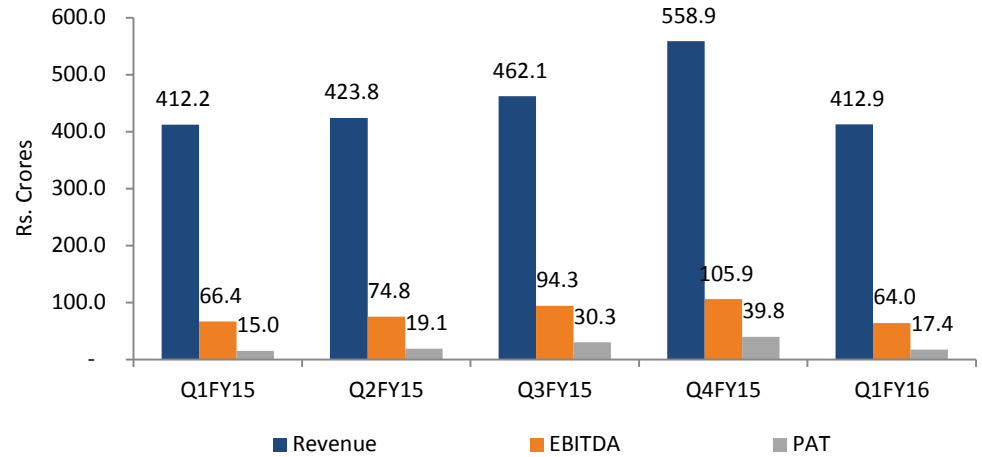
Q1FY16 performance

HSIL reported 15.7% YoY growth in its standalone net profit in Q1FY16 to Rs. 17.4 Crores from Rs. 15 Crores in Q1FY15 supported by 111.7% increase in other income and ~39% decline in the interest cost during the same period. Resultantly, the net profit margin rose by 57 bps in Q1FY16 to 4.2% from 3.6% in the corresponding quarter of last year. However, the net revenue stood at Rs. 412.9 Crores in Q1FY16, growing marginally by 0.2% from Rs. 412.2 Crores in Q1FY15. The growth in revenue from the Building product segment of 6.8% in Q1FY16 was offset by de-growth in net sales from the Packaging product segment by 5.6% during the quarter under consideration.

The operating cost increased by 0.9% YoY in Q1FY16 with the employee cost increased by 20% YoY.

EBITDA was down by 3.7% during the quarter and stood at Rs. 64 Crores. The operating cost of the company increased by 0.9% YoY with the employee cost increased by 20% YoY. The EBITDA margin fell by 62 bps to 15.5% in Q1FY16 from 16.1% in the corresponding quarter of last year.

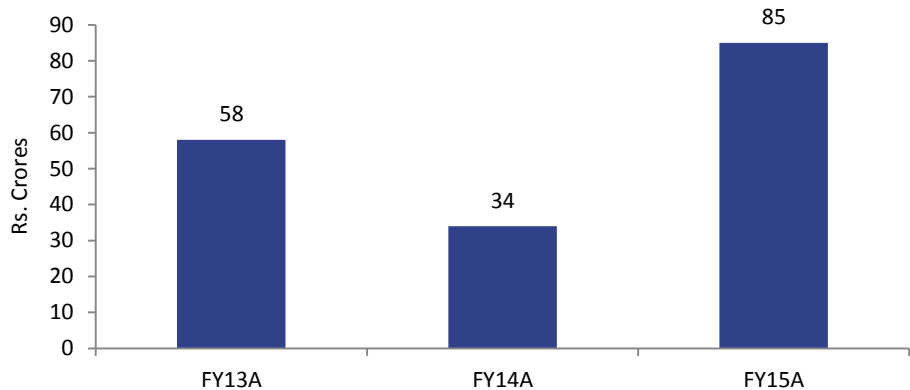
Quarterly performance trend



Debt level falls ~39% YoY in FY15

In FY14, HSIL had debt worth Rs. 949 Crores on its books with a debt-equity of 0.9x. In FY15, the company issued QIP worth Rs. 250 Crores and utilised the same with internal accruals to pay off debt worth Rs. 373 Crores. Post this the debt reduced from Rs. 949 Crores in FY14 to Rs. 576 Crores in FY15. The bottom-line increased by ~150% during FY15.

Net profit trend



New product offerings

HSIL recently forayed into the water heater business with a co-branded marketing arrangement with the French company Groupe Atlantic and introduced a range of water heaters under the brand hindware-atlantic. HSIL has stroked a distribution agreement with Groupe Atlantic (France) for distribution of water heaters in India manufactured by Atlantic International, an affiliate of Groupe Atlantic.

HSIL's production capacity

Building Products division		
		(mn pieces per annum)
Products	Facility	Capacity
Sanitaryware	Bahadurgarh (Haryana)	1.8
	Bibinagar (Telangana)	2
Faucet	Bhiwadi (Rajasthan)	0.5
	Kaharani (Rajasthan)	2.5
Packaging Products division		
Products	Facility	Capacity
Glass Containers (tonnes per day)	Sanathnagar, Hyderabad, (Telangana)	650
	Bhongir (Telangana)	950
PET Bottles (tonnes per annum)	Dharwad (Karnataka)	2,450
	Selaqui (Uttarakhand)	7,050

Source: Company's annual report 2014-15

Balance Sheet (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
Share Capital	13	13	14
Reserve & surplus	1,013	1,015	1,309
Net Worth	1,026	1,028	1,323
Total debt	933	949	576
Deferred tax liabilities	114	115	104
Other non-current liabilities	19	20	23
Capital Employed	2,092	2,113	2,027
Fixed Assets incl. CWIP	1,507	1,600	1,590
Goodwill	59	39	32
Investments	11	11	11
Net Current Assets	459	406	361
Other non-current assets	55	57	34
Capital Deployed	2,092	2,113	2,027

Cash Flow (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
Net profit/loss before extraordinary items and tax	124	75	134
Net cashflow from operating activities	31	162	264
Net cash used in investing activities	(75)	(189)	(92)
Net cash used from financing activities	51	4	(207)
Net inc/dec in cash and cash equivalents	6	(22)	(35)
Cash and cash equivalents begin of year	71	77	55
Cash and cash equivalents end of year	77	55	19

Financial performance snapshot

On a consolidated basis, the net revenue of the company increased by 6.6% in FY15 to Rs. 1,981 Crores from Rs. 1,858 Crores in the last year. The revenue from the Building Products segment (which accounted for ~47% of total company revenue in FY15) increased by 6.2% to Rs. 936 Crores, while the revenue from the Packaging Products segment (which also accounted for ~47% of total company revenue in FY15) grew by 6.5% to Rs. 920 Crores during the year. EBITDA increased by 31.3% to Rs. 333 Crores in FY15 from Rs. 253 Crores in FY14. EBITDA margin rose by 316 bps to 16.8% in FY15 from 13.6% in FY14. Net profit surged by 151.4% in FY15 to Rs. 85 Crores from Rs. 34 Crores in the year ago period due to fall in the tax expenses of the company to 36% in FY15 from 54.8% in FY14. PAT margin saw 249 bps expansion to 4.3% during the year from 1.8% in FY14.

Profit & Loss Account (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
Total revenue	1,761	1,858	1,981
Expenses	1,503	1,605	1,648
EBITDA	259	253	333
Other Income	4	4	4
Depreciation	93	110	125
EBIT	169	147	211
Interest	69	72	78
Profit Before Tax	100	75	134
Tax	42	41	48
Net Profit	58	34	85

Key Ratios (Consolidated)

Y/E	FY13A	FY14A	FY15A
EBITDA Margin (%)	14.7	13.6	16.8
EBIT Margin (%)	9.6	7.9	10.7
NPM (%)	3.3	1.8	4.3
ROCE (%)	8.1	7.0	10.4
ROE (%)	5.7	3.3	6.5
EPS (Rs.)	4.4	5.1	11.8
P/E (x)	20.6	25.5	23.0
BVPS(Rs.)	77.7	155.7	183.0
P/BVPS (x)	1.2	0.8	1.5
EV/EBITDA (x)	8.4	7.3	7.9



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