

17 May 2022

HIL

*Steering through tough times; outlook intact; maintaining a Buy*Rating: **Buy**

Target price: Rs.4,798

Share price: Rs.3,459

With price hikes boosting revenue (12.5% y/y) and the inflationary situation squeezing EBITDA (16.5% y/y), HIL's Q4 was a mixed bag. The East expansion is on track with some delays for blocks capacity. Price hikes in roofing and flooring solutions would aid revenue, but higher costs (geopolitical issues/inflation, etc.) would curb near-term operating margins. We retain our Buy rating, at a lower target of Rs.4,798 (13x FY24e PE).

**India operations to grow with margin pressure.** Roofing/building/plumbing revenue grew 4.8%/19.8%/12.7% y/y in Q4, but margins fell on high input costs. Market-share gains and price hikes in the roofing division (Q4 FY22 6%, Q1 FY23 8-10%), capacity expansion in the buildings division and higher SKUs of the plumbing division would keep revenue growing. The inflationary context, however, would pile further pressure on margins.

**Geopolitical issue, high cost to impact flooring business in near term.**

While availability of HDF/MDF boards improved, high-cost pressures persist. And, the Russia-Ukraine war is resulting in fewer oak trees, curbing engineered board sales (30% of Parador's revenue). In Q4, the division's revenue grew 15.6% y/y to Rs4.5bn whereas its PBT margin slipped 134bps to 5.8%. While near-term pressure continues, various measures (price hikes, R&D on wood substitution, long-term supplier agreements, etc.) would help.

**Outlook.** In FY22, the company reduced debt by Rs1.2bn (consol. debt at 31<sup>st</sup> Mar'22 was Rs2.88bn). The long term plan to become a \$1bn revenue company by FY26 is intact. The Odisha expansion (boards ~30,000 tonnes, panels ~36,000 tonnes, blocks ~150,000 cu.mtrs.) will help diversify regional operations and improving operating efficiencies.

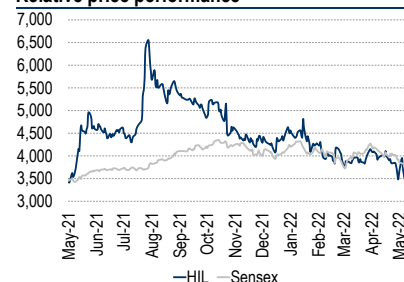
**Valuation.** We expect revenue/EBITDA to clock 8.4%/9% CAGRs over FY22-24. We maintain our Buy rating with a lower target of Rs.4,798 (Rs.5415 earlier). **Risks:** Rise in input costs, demand slowdown.

| Key data           | HIL IN / HLLT.BO  |
|--------------------|-------------------|
| 52-week high / low | Rs6758 / 3350     |
| Sensex / Nifty     | 54318 / 16259     |
| 3-m average volume | \$0.8m            |
| Market cap         | Rs26bn / \$338.8m |
| Shares outstanding | 8m                |

| Shareholding pattern (%) | Mar'22 | Dec'21 | Sept'21 |
|--------------------------|--------|--------|---------|
| Promoters                | 40.7   | 40.7   | 40.8    |
| - of which, Pledged      | -      | -      | 5.6     |
| Free float               | 59.3   | 59.3   | 59.2    |
| - Foreign institutions   | 3.1    | 3.1    | 3.3     |
| - Domestic institutions  | 5.2    | 5.1    | 5.1     |
| - Public                 | 51.0   | 51.0   | 50.8    |

| Estimates revision (%) | FY23e | FY24e |
|------------------------|-------|-------|
| Sales                  | 4.8   | 3.8   |
| EBITDA                 | (5.3) | (5.0) |
| PAT                    | (4.7) | (3.9) |

## Relative price performance



Source: Bloomberg

| Key financials (YE Mar) | FY20   | FY21   | FY22   | FY23e  | FY24e  |
|-------------------------|--------|--------|--------|--------|--------|
| Sales (Rs m)            | 25,549 | 30,436 | 35,202 | 37,838 | 41,361 |
| Net profit (Rs m)       | 1,053  | 2,586  | 2,083  | 2,366  | 2,783  |
| EPS (Rs)                | 140.2  | 343.9  | 276.2  | 313.8  | 369.1  |
| P/E (x)                 | 4.5    | 8.9    | 12.5   | 11.0   | 9.4    |
| EV / EBITDA (x)         | 4.7    | 6.2    | 7.2    | 6.1    | 5.1    |
| P/BV (x)                | 0.6    | 2.3    | 2.2    | 1.9    | 1.6    |
| RoE (%)                 | 15.3   | 29.8   | 19.3   | 18.6   | 18.6   |
| RoCE (%)                | 7.2    | 14.2   | 12.8   | 14.2   | 15.0   |
| Dividend yield (%)      | 3.2    | 1.3    | 1.9    | 1.2    | 1.2    |
| Net debt / equity (x)   | 0.9    | 0.3    | 0.2    | -0.0   | -0.2   |

Source: Company, Anand Rathi Research

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## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

| Year-end: Mar               | FY20         | FY21         | FY22         | FY23e        | FY24e        |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Net revenues                | 25,549       | 30,436       | 35,202       | 37,838       | 41,361       |
| Growth (%)                  | 17.8         | 19.1         | 15.7         | 7.5          | 9.3          |
| Direct costs                | 13,049       | 15,723       | 19,539       | 18,684       | 20,340       |
| SG&A                        | 10,128       | 10,621       | 11,749       | 14,946       | 16,373       |
| <b>EBITDA</b>               | <b>2,372</b> | <b>4,092</b> | <b>3,914</b> | <b>4,208</b> | <b>4,648</b> |
| EBITDA margins (%)          | 9.3          | 13.4         | 11.1         | 11.1         | 11.2         |
| - Depreciation              | 971          | 1,090        | 1,163        | 1,254        | 1,318        |
| Other income                | 246          | 181          | 304          | 284          | 414          |
| Interest expenses           | 385          | 278          | 126          | 75           | 25           |
| PBT                         | 1,263        | 2,905        | 2,929        | 3,162        | 3,719        |
| Effective tax rates (%)     | 22.0         | 26.5         | 28.7         | 25.2         | 25.2         |
| + Associates / (Minorities) | -            | -            | -            | -            | -            |
| Net income *                | 1,060        | 2,598        | 2,104        | 2,366        | 2,783        |
| Adjusted income*            | 1,053        | 2,586        | 2,083        | 2,366        | 2,783        |
| WANS                        | 8            | 8            | 8            | 8            | 8            |
| FDEPS (Rs / sh)             | 140.2        | 343.9        | 276.2        | 313.8        | 369.1        |
| Adj. FDEPS growth (%)       | -14.5        | 145.2        | -19.7        | 13.6         | 17.6         |

\*included Profit from discontinuing operations FY20~ `70m & FY21 ~ `455m

**Fig 3 – Cash-flow statement (Rs m)**

| Year-end: Mar                  | FY20  | FY21   | FY22   | FY23e  | FY24e |
|--------------------------------|-------|--------|--------|--------|-------|
| PBT (Adj. OI and Interest)     | 1,472 | 3,457  | 2,751  | 2,954  | 3,330 |
| + Non-cash items               | 971   | 1,090  | 1,163  | 1,254  | 1,318 |
| Oper. prof. before WC          | 2,442 | 4,547  | 3,914  | 4,208  | 4,648 |
| - Incr. / (decr.) in WC        | 876   | -1,558 | 1,405  | 34     | 866   |
| Others incl. taxes             | 279   | 859    | 906    | 796    | 936   |
| Operating cash-flow            | 1,287 | 5,245  | 1,603  | 3,378  | 2,847 |
| - Capex (tang. + intang.)      | 1,388 | 1,242  | 1,035  | 750    | 750   |
| Free cash-flow                 | -101  | 4,003  | 568    | 2,628  | 2,097 |
| Acquisitions                   | -     | -      | -      | -      | -     |
| - Div. (incl. buyback & taxes) | 181   | 362    | 490    | 302    | 302   |
| + Equity raised                | 0     | 0      | 0      | -      | -     |
| + Debt raised                  | 724   | -3,307 | -1,227 | -2,000 | -500  |
| - Fin investments              | 170   | 149    | -294   | -      | -     |
| - Misc. (CFI + CFF)            | 50    | -225   | -288   | -209   | -389  |
| Net cash-flow                  | 222   | 410    | -567   | 535    | 1,684 |

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (Rs m)**

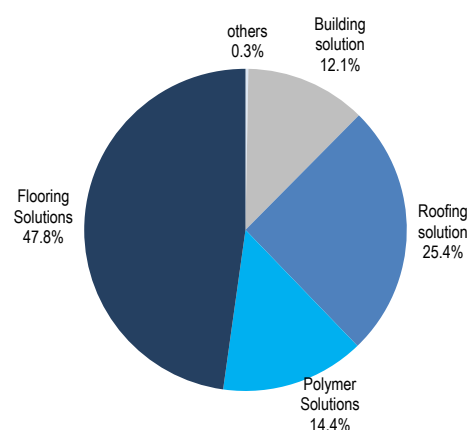
| Year-end: Mar            | FY20          | FY21          | FY22          | FY23e         | FY24e         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital            | 75            | 75            | 75            | 75            | 75            |
| Net worth                | 7,427         | 9,953         | 11,664        | 13,729        | 16,210        |
| Debt                     | 7,410         | 4,103         | 2,877         | 877           | 377           |
| Minority interest        |               |               |               |               |               |
| DTL / (Assets)           | 1,112         | 1,048         | 980           | 980           | 980           |
| <b>Capital employed</b>  | <b>15,950</b> | <b>15,104</b> | <b>15,521</b> | <b>15,586</b> | <b>17,567</b> |
| Net tangible assets      | 8,986         | 9,292         | 9,072         | 8,793         | 8,285         |
| Net intangible assets    | 962           | 977           | 970           | 970           | 970           |
| Goodwill                 | 1,251         | 1,293         | 1,270         | 1,206         | 1,146         |
| CWIP (tang. & intang.)   | 350           | 140           | 262           | 100           | 100           |
| Investments (strategic)  | 17.7          | 26.5          | 32.9          | 32.9          | 32.9          |
| Investments (financial)  | 160.0         | 300.3         | -             | -             | -             |
| Current assets (ex cash) | 8,927         | 7,805         | 9,890         | 11,922        | 13,598        |
| Cash                     | 891           | 1,301         | 734           | 1,270         | 2,953         |
| Current liabilities      | 5,594         | 6,030         | 6,710         | 8,708         | 9,519         |
| Working capital          | 3,333         | 1,775         | 3,180         | 3,214         | 4,079         |
| <b>Capital deployed</b>  | <b>15,950</b> | <b>15,104</b> | <b>15,521</b> | <b>15,586</b> | <b>17,567</b> |
| Contingent liabilities   | 582.7         | 585.7         | -             | -             | -             |

**Fig 4 – Ratio analysis**

| Year-end: Mar                   | FY20  | FY21  | FY22 | FY23e | FY24e |
|---------------------------------|-------|-------|------|-------|-------|
| P/E (x)                         | 4.5   | 8.9   | 12.5 | 11.0  | 9.4   |
| EV / EBITDA (x)                 | 4.7   | 6.2   | 7.2  | 6.1   | 5.1   |
| EV / Sales (x)                  | 0.4   | 0.8   | 0.8  | 0.7   | 0.6   |
| P/B (x)                         | 0.6   | 2.3   | 2.2  | 1.9   | 1.6   |
| RoE (%)                         | 15.3  | 29.8  | 19.3 | 18.6  | 18.6  |
| RoCE (%) - after tax            | 7.2   | 14.2  | 12.8 | 14.2  | 15.0  |
| Fixed asset T/O (x)             | 2.0   | 2.1   | 2.3  | 2.3   | 2.4   |
| DPS (Rs / sh)                   | 20.0  | 40.0  | 65.0 | 40.0  | 40.0  |
| Dividend yield (%)              | 3.2   | 1.3   | 1.9  | 1.2   | 1.2   |
| Dividend payout (%) - incl. DDT | 18.3  | 16.9  | 23.3 | 12.7  | 10.8  |
| Net debt / equity (x)           | 0.9   | 0.3   | 0.2  | -0.0  | -0.2  |
| Receivables (days)              | 17    | 12    | 11   | 15    | 20    |
| Inventory (days)                | 81    | 58    | 74   | 75    | 75    |
| Payables (days)                 | 71    | 64    | 62   | 75    | 75    |
| CFO : PAT %                     | 122.2 | 202.8 | 77.0 | 142.8 | 102.3 |

Source: Company, Anand Rathi Research

**Fig 6 – Q4 FY22 revenue break-up, by segment**



Source: Company

## Company update

A respected name in building materials in India, founded in 1946 and a pioneer of “green” building materials, HIL (formerly Hyderabad Industries Ltd.) offers roofing solutions, panels, wall blocks, plywood substitutes, high-quality pipes & fittings and industrial insulation. It manufactures a comprehensive range of products and is the flagship company of the C K Birla Group.

Headquartered in Hyderabad, its 22 manufacturing plants, 40 sales depots, three sales offices, 2,500 stockists/distributors and 6,000+ sub-dealers are widely spread across India.

### The Roofing Solutions division

HIL is the market leader in asbestos roofing with the greatest capacity for roofing sheets. It has a strong marketing network across the country and its brand, Charminar, is well established. Its roofing solutions comprise fibre-cement (asbestos) sheets (capacity ~1.08m tonnes at seven manufacturing plants), non-asbestos cement sheets (~33,600 tonnes at Kondapalli, AP, and 60,000 tonnes at Faridabad) and coloured steel sheets (~27,600 tonnes in Maharashtra and Odisha). The 60,000-tonne Faridabad unit for non-asbestos roofing sheets was commissioned on 1<sup>st</sup> Feb'21.

Diversifying its operations, HIL reduced its dependence on revenue from its asbestos business from >80% in FY16 to <30% in FY22. The peak revenue asbestos roofing sheets capacity can achieve is Rs10bn.

HIL's roofing revenue in Q4 grew 4.8% to Rs2.4bn where volumes grew 1% y/y. Due to cost pressures (cement/flyash, etc), the PBT margin declined 663bps to 16% (from 22.6% a year ago) despite a 6% price hike.

### The Building Solutions division

With installed capacity of 875,000 cu.mtrs, this division supplies 19% of the regulated (formal) market in AAC blocks. This division deals in wet-wall and dry-wall solutions with products such as fly-ash bricks (AAC), light-weight bricks, smart fix, smart plaster, Aerocon panels & boards and SmartBond.

It is expanding boards capacity by 30,000 tonnes, expected to be completed by Q1 FY23, panels capacity by 36,000 tonnes by Q4 FY23 and ACC block capacity in Balasore, Odisha, by 150,000 cu. mtrs.

This will diversify its operations to the east, resulting in capacity rising 20% for blocks and 50% for panels and boards. Capex will be Rs820m and generate Rs1.1bn revenue.

The Building Solutions' revenue in Q4 FY22 grew 19.8% y/y to Rs1152m; on good tier-II and -III demand and a rise in demand for real estate. PBT was Rs129m (with an ~11.2% PBT margin), up 15.5% y/y.

### The Polymer Solutions division

HIL's polymer solutions division deals in pipes & fittings and wall putty. On 15<sup>th</sup> Nov'19, the company commissioned a 5,250-tonne pipe capacity (C-PVC 1,392 tonnes, U-PVC 1,698 tonnes and SWR 2,160 tonnes) at Thimmapur, Telangana.

Its pipe capacity now is ~29,449 tonnes (7,555 in FY18). Q4 FY22 plumbing solutions' revenue shot up 12.7% y/y to Rs1.4bn. PBT was Rs49m, down 52% y/y.

### Others

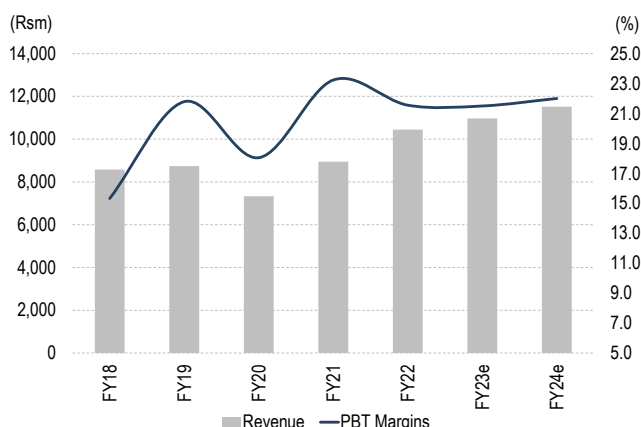
The "others" division consists of wind power and material handling and processing plant and equipment. The company has wind turbines installed in Gujarat, Tamil Nadu and Rajasthan (of 9.35MW). The power generated at its Gujarat and Tamil Nadu units helps it cut down power costs at its manufacturing plants there.

### Parador Holdings, GmbH (flooring solutions)

Parador Holdings, founded in 1977, is a Germany-based, vertically-integrated, full-range supplier. It designs, manufactures and distributes a wide range of flooring solutions, including resilient floorings, laminates and engineered wood-floors, wall & ceiling panels, skirtings and related accessories. It has two manufacturing plants: at Coesfeld (Germany) and Guessing (Austria) with cumulative capacity of 15m sq.mtr.

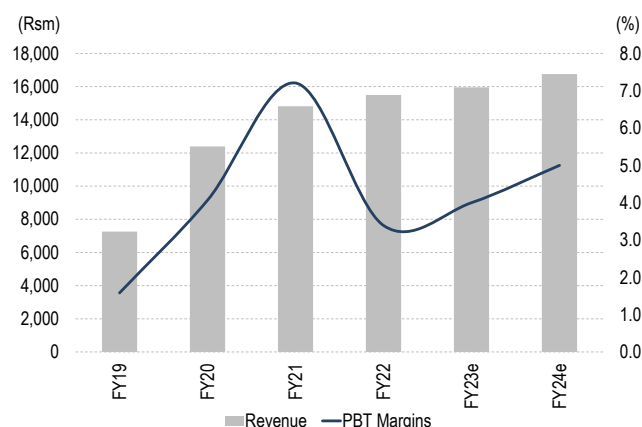
Bringing 47.8% to revenue, flooring-solutions revenue grew 15.6% y/y to Rs4.5bn. It reported a PBT of Rs265m, down 5.9% y/y. The division's performance was hit by high prices of HDF/ MDF boards, expected to continue for the near term. Geopolitical issues have led to oak trees being unavailable, and the high-cost context would impact Q1 FY23 performance.

**Fig 7 – Roofing Solutions: Revenue and PBT margins**

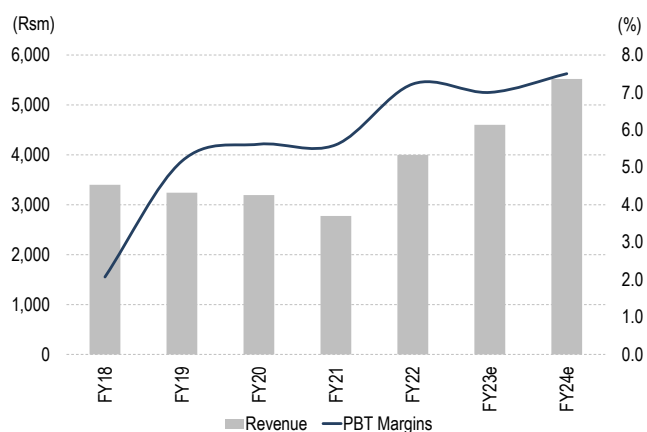


Source: Company, Anand Rath Research

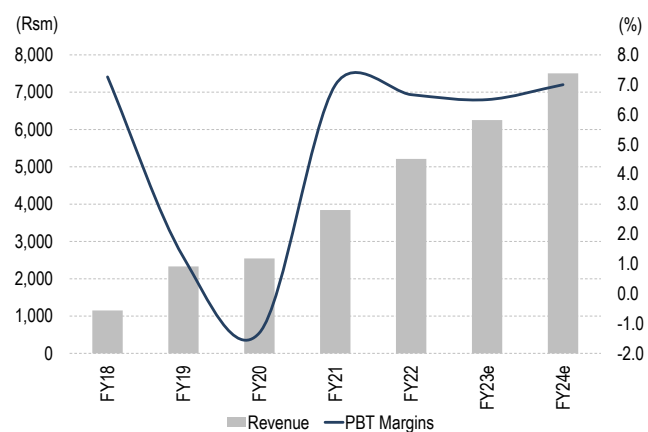
**Fig 8 – Flooring Solution: Revenue and PBT margins**



Source: Company, Anand Rath Research

**Fig 9 – Building Solutions: Revenue and PBT margins**

Source: Company, Anand Rath Research

**Fig 10 – Plumbing Solution: Revenue and PBT margins**

Source: Company, Anand Rath Research

## Result Highlights

**Fig 11 – Quarterly trend (consolidated)**

| (Rs m)                                   | Q3 FY20 | Q4 FY20 | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Q1 FY22 | Q2 FY22 | Q3 FY22 | Q4 FY22 | % Y/Y   | % Q/Q |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Sales                                    | 5828    | 6452    | 6930    | 7038    | 8029    | 8440    | 9835    | 7659    | 8214    | 9494    | 12.5    | 15.6  |
| EBITDA                                   | 428     | 563     | 1005    | 923     | 1007    | 1118    | 1624    | 629     | 728     | 933     | -16.5   | 28.2  |
| EBITDA margins (%)                       | 7.3     | 8.7     | 14.5    | 13.1    | 12.5    | 13.2    | 16.5    | 8.2     | 8.9     | 9.8     | -342bps | 96bps |
| Interest                                 | 102     | 94      | 107     | 68      | 55      | 48      | 37      | 29      | 30      | 30      | -36.7   | 2.0   |
| Depreciation                             | 244     | 253     | 252     | 267     | 282     | 289     | 311     | 292     | 285     | 276     | -4.5    | -3.4  |
| Other income                             | 38      | 57      | 65      | 65      | 60      | 30      | 112     | 47      | 124     | 23      | -25.7   | -81.8 |
| PBT                                      | 120     | 275     | 714     | 658     | 734     | 810     | 1391    | 358     | 526     | 656     | -19.1   | 24.6  |
| Tax                                      | 33      | 46      | 210     | 171     | 209     | 184     | 396     | 96      | 206     | 149     | -19.0   | -27.5 |
| Adj. PAT (continuing operations) (A)     | 85      | 227     | 501     | 483     | 520     | 627     | 993     | 258     | 331     | 500     | -20.2   | 51.2  |
| Profit from discontinuing operations (B) | 9.6     | 8.9     | -0.9    | 455.9   | 0       | 0       | 0       | 0       | 0       | 0       | NA      | NA    |
| Adjusted PAT (A+B)                       | 95      | 236     | 500     | 939     | 520     | 627     | 993     | 258     | 331     | 500     | -20.2   | 51.2  |

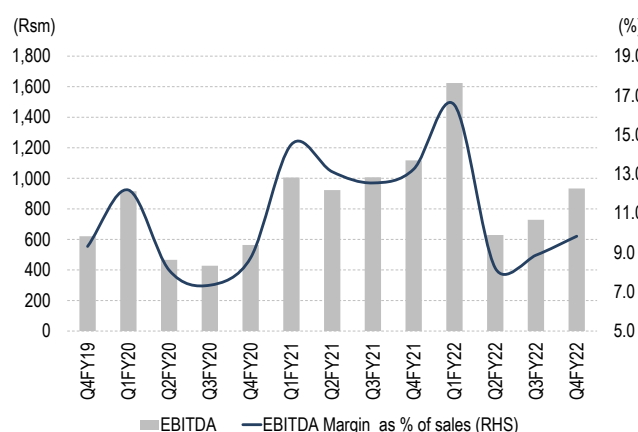
Source: Company, Anand Rathi Research

**Fig 12 – Segment-wise results (consolidated)**

| (Rs m)                 | Q3 FY20 | Q4 FY20 | Q1 FY21 | Q2 FY21 | Q3 FY21 | Q4 FY21 | Q1 FY22 | Q2 FY22 | Q3 FY22 | Q4 FY22 | % Y/Y   | % Q/Q    |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| <b>Net revenues</b>    |         |         |         |         |         |         |         |         |         |         |         |          |
| Roofing solutions      | 1365    | 1535    | 2946    | 1868    | 1829    | 2301    | 4120    | 1886    | 2029    | 2411    | 4.8     | 18.8     |
| Building solutions     | 808     | 780     | 294     | 676     | 843     | 961     | 838     | 959     | 1052    | 1152    | 19.8    | 9.5      |
| Polymer solutions      | 672     | 629     | 480     | 916     | 1230    | 1216    | 1077    | 1358    | 1405    | 1371    | 12.7    | -2.4     |
| Flooring solutions     | 2976    | 3495    | 3198    | 3563    | 4126    | 3925    | 3788    | 3438    | 3725    | 4539    | 15.6    | 21.9     |
| Others                 | 25      | 31      | 17      | 24      | 6       | 40      | 23      | 28      | 9       | 27      | -31.4   | 193.5    |
| <b>Segment PBT</b>     |         |         |         |         |         |         |         |         |         |         |         |          |
| Roofing solutions      | 167     | 144     | 804     | 426     | 327     | 521     | 1169    | 402     | 294     | 386     | -25.9   | 31.2     |
| Building solutions     | 60      | 64      | -94     | 47      | 90      | 112     | 41      | 41      | 78      | 129     | 15.5    | 64.9     |
| Polymer solutions      | 3       | -43     | -20     | 69      | 117     | 103     | 90      | 98      | 110     | 49      | -52.1   | -55.5    |
| Flooring solutions     | 92      | 228     | 200     | 243     | 343     | 282     | 217     | -68     | 111     | 265     | -5.9    | 139.0    |
| Others                 | 20      | 22      | 13      | 12      | 5       | 5       | 15      | 21      | 6       | 11      | 124.5   | 86.4     |
| <b>PBT margins (%)</b> |         |         |         |         |         |         |         |         |         |         |         |          |
| Roofing solutions      | 12.2    | 9.4     | 27.3    | 22.8    | 17.9    | 22.6    | 28.4    | 21.3    | 14.5    | 16.0    | -663bps | 150bps   |
| Building solutions     | 7.4     | 8.1     | -31.8   | 7.0     | 10.6    | 11.6    | 4.9     | 4.2     | 7.4     | 11.2    | -42bps  | 377bps   |
| Polymer solutions      | 0.4     | -6.8    | -4.2    | 7.5     | 9.5     | 8.4     | 8.3     | 7.2     | 7.9     | 3.6     | -485bps | -428bps  |
| Flooring solutions     | 3.1     | 6.5     | 6.3     | 6.8     | 8.3     | 7.2     | 5.7     | -2.0    | 3.0     | 5.8     | -134bps | 286bps   |
| Others                 | 79.4    | 69.4    | 78.6    | 47.3    | 84.7    | 12.3    | 64.5    | 73.6    | 63.4    | 40.3    | 2798bps | -2315bps |

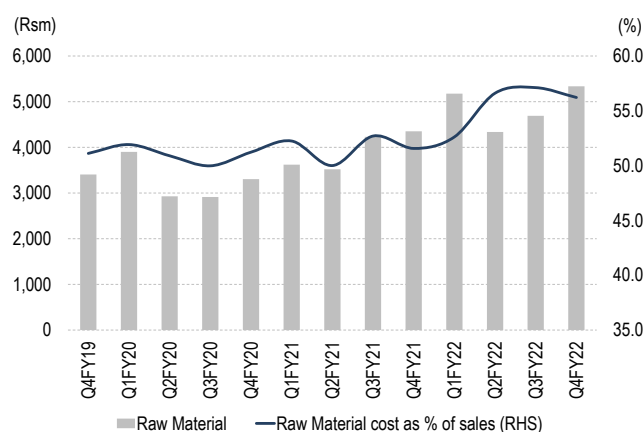
Source: Company, Anand Rathi Research

**Fig 13 – EBITDA margin trend**



Source: Company

**Fig 14 – Raw material price trend**



Source: Company

## Key takeaways, Concall highlights

### The Roofing Solutions division

- In Q4 FY22, roofing sheet volumes grew 1% y/y. In Q4 FY22, prices were hiked 6% and in Apr/May'22, 8-10%.
- The market share rose from 19.5% in FY21 to 22% in FY22 retaining its leading position. HIL will not expand asbestos roofing sheet capacity despite peers adding capacity.
- The ongoing geopolitical tension and fibre supply from Russia and Kazakshthan impacted leading to added supply pressure on Brazil resulted in high fibre cost. Further, high freight cost would cut into margins.

### The Building Solutions divisions

- The Odisha expansion. The boards expansion (30,000 tonnes) is expected to be complete by Q1 FY23, panels (36,000 tonnes) by Q4 FY23, whereas the blocks expansion (150,000 cu.mtrs) will be delayed. This will help it capture market share in the East.
- The boards expansion at the Odisha roofing-sheet plant will help improve overall capacity as it operates at ~50% capacity off season (two quarters).
- Running at 100% capacity, it is making efforts to increase capacity through automation, etc., at every plant.
- Of the Rs4bn revenue in FY22, Rs2.5bn was from blocks, the rest from panels and boards.

### The Polymer Solutions Division

- In Q4, the plants operated at 60% capacity (Golan ~52%, Timmapur ~100%, Faridabad ~80%). Volumes grew 19% y/y. The company aims at Rs15bn revenue in the next 3-4 years. (Rs5bn in FY22).
- It added 200 SKUs in FY22 and will continue to focus on adding more regions and SKUs.

### The Flooring Solutions Division (Parador)

- The company entered into long-term supply agreement for HDF/MDF boards in the last few quarter. While availability of MDF/HDF boards has improved, cost were high in Q4. The company hiked wood-product prices by 35% in FY22, and by 25% for other products.
- The geo-political issue (the Russia-Ukraine war) impacted oak-tree supply from Ukraine, 80% of HIL's oak-tree requirement, and used to produce engineered boards (30% of Parador's revenue).
- The order-book is strong. However, the larger part is for engineered wood-based products instead of laminated/vinyl products, which has a low-delivery period.
- The long-term plan is to expand revenue to €350m in the next 3-4 years, at double-digit margins. It is No.1 in Germany, No.2 in Ukraine and is strong in Austria. The China JV's revenue was €4m in FY22.

**Others**

- The company's India business is likely to be better in Q1 FY23, whereas Parador's performance would be impacted by geo-political tensions.
- It reduced debt by Rs1.2bn in FY22; at 31<sup>st</sup> Mar'22, consolidated debt was Rs2.88bn.
- Its goal is to become a \$1bn company by FY26. Its revenue target till FY26: pipes ~Rs10bn, wall putty ~Rs6bn, building solutions ~Rs7bn-8bn, roofing (incl. non asbestos and value-added products) ~Rs15bn-16bn, Parador ~€350m-400m and Rs10bn-15bn from new business.
- To become a one-stop buildings-product company, it is planning to introduce other products such as gypsum plasters, tile adhesives, water tanks, etc. through the same sales network.



## Valuation

HIL's Q4 was mixed bag, with revenue growing 12.5% y/y aided by price hikes and the EBITDA declining 16.5% y/y on the inflationary context. The East expansion is on track, with some delays of the blocks capacity. The price hikes in roofing and flooring solution will aid the topline; however increased cost (on geopolitical issues/inflation, etc.) would impact near-term operating margins.

The Odisha expansion will provide access to the East for building solutions, whereas all-India operations and the strong 'Birla' brand will boost the pipes division. Products launched and expansions planned across all its divisions would make it a one-stop building-materials company where the \$1bn revenue targeted by FY26 is intact. We maintain a Buy rating, at a lower target of Rs.4,798 (13x FY24e PE).

### Change in estimates

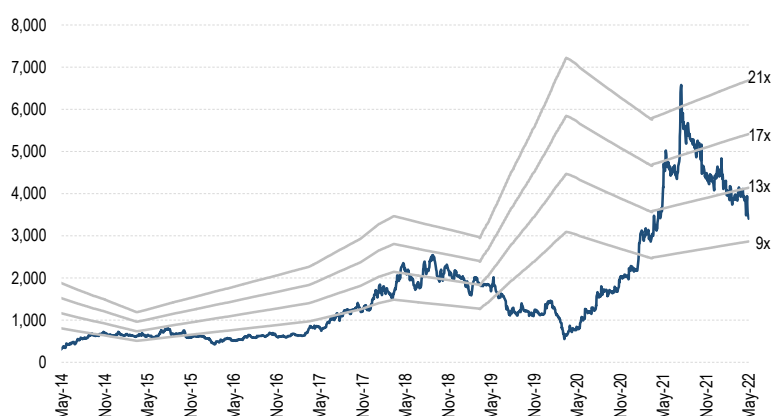
We increase our FY23e and FY24e revenue 4.8% and 3.8%, and reduce EBITDA 5.3% and 5% and PAT 4.7% and 3.9%, respectively.

**Fig 15 – Change in estimates**

| (Rs m)  | Old    |        | New    |        | Variance (%) |       |
|---------|--------|--------|--------|--------|--------------|-------|
|         | FY23e  | FY24e  | FY23e  | FY24e  | FY23         | FY24  |
| Revenue | 36,108 | 39,848 | 37,838 | 41,361 | 4.8          | 3.8   |
| EBITDA  | 4,444  | 4,894  | 4,208  | 4,648  | (5.3)        | (5.0) |
| PAT     | 2,482  | 2,897  | 2,366  | 2,783  | (4.7)        | (3.9) |

Source: Anand Rath Research

**Fig 16 – PE band**



Source: Anand Rath Research

### Risks

- **Demand slowdown.**
- **Fluctuating raw-material prices.** The persistent rise in prices of the raw materials is a continuing cause of concern.

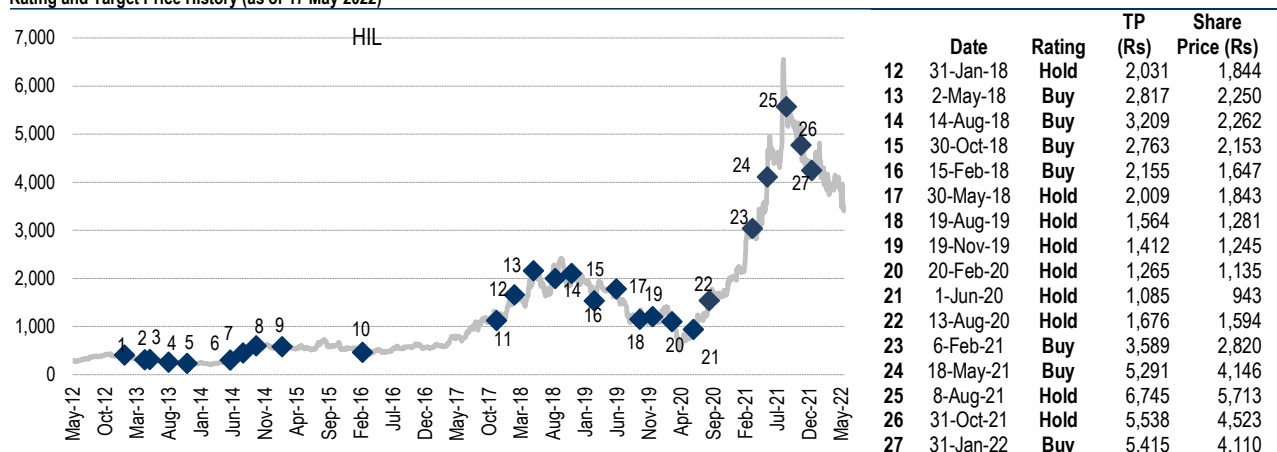
## Appendix

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