Date August 25, 2020

To	To
The Department of Corporate Services –CRD Bombay Stock Exchange Ltd P.J.Towers, Dalal Street MUMBAI – 400 001 Scrip Code: 509675/HIL; Through Listing Centre	National Stock Exchange of India Limited 5 th Floor, Exchange Plaza Bandra (E), MUMBAI – 400 051 Scrip Symbol: HIL: Through NEAPS

Dear Sir / Madam,

Sub: Q1 FY21 Earnings Conference Call Transcript held on August 10, 2020.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated August 3, 2020, Please find attached the Q1 FY21 Earnings Conference Call Transcript held on August 10, 2020.

Pursuant to Regulation 46, the aforesaid intimation and Transcript is also available in the Company's website i.e., https://hil.in/investor-relations/2020-finance-result/

You are requested to kindly take the same on record and acknowledge the receipt.

Thanks & Regards

ASHISH MALHOTRA
Digitally signed by ASHISH MALHOTRA
Date: 2020.08.25 10:55:00 +05'30'

Ashish Malhotra
Head of Legal &
Company Secretary

Encl: As above.

HIL Limited

Q1 FY21 Earnings Conference Call Transcript

August 10, 2020

Siddharth Rangnekar Good Morning Ladies and Gentlemen and Welcome to HIL Limited Q1FY21 Results Conference Call for investors and analysts. Today, we have with us Mr. Dhirup Roy Choudhary, Managing Director and CEO of the Company; Mr. KR Veerappan, CFO; Mr. G Manikandan, Company Secretary and Financial Controller; and Mr. Ajay Kapadia, Head, M&A and Investor Relations. We will first have Mr. Dhirup Roy Choudhary making the opening comments and he would be followed by Mr. Veerappan who would take you through the financial perspective. Before we begin, I would like to highlight that some of the statements made on today's call could be forward-looking in nature and details in this regard are available in the earnings presentation which has been shared with you. I would now like to invite Mr. Dhirup to present his views on the performance and the strategic imperatives that lie ahead. Over to you, Dhirup.

Dhirup R. Choudhary Thank you, Bikram. Thank you Siddharth. Good Morning Ladies and Gentlemen and a warm welcome to everyone to our Q1FY21 earnings conference call. I thank you all for taking out this time to join us on this call.

Q1FY21 continued to see the world gripped by the COVID-19 pandemic. The lockdown is being lifted in a phased manner in different parts of the country. The red, amber and green COVID locations are changing from time to time which puts in added responsibility on the management to monitor this on a daily basis and ensure business continuity and safety. This pandemic is far from over and the coming couple of quarters will be even more challenging.

In Q1 the management team stood behind me and the organization in converting the crisis into an opportunity by showing huge tenacity and passion. We have focused on rebuilding the momentum of our business and have been fairly successful in that respect.

However, Construction activity, to a large extent, is still on hold, thereby adversely affecting the real estate sector. Unavailability of labor is also an issue that has been persistent since last quarter, putting pressure on manufacturing and logistics activities. Our goal at the moment is to adapt to the situation and make the best of it.

We have been working tirelessly to overcome the bottlenecks that have resulted from this pandemic. Our robust infrastructure, the implementation of our smart digital systems and processes fueled by undaunted commitment of employees have enabled our recovery. Our teams have been working on ways to optimize sales in a constrained economy on one hand, while on the other, providing materials on time. Our organization has been streamlining costs structure so that we are on track to achieve our long-term goals. As an organization, we have been highly adaptive, agile and innovative in our bid to overcome this mammoth challenge, while maintaining our margins and ensuring the health and safety of our people.

As a result of these, your company has posted a 34% y-o-y growth in consolidated net profit to Rs.50 crore against Rs.38 crore last year despite 7% de-growth in consolidated revenue to Rs.699 crore as against Rs.751 crore last year. The consolidated EBITDA stood at Rs.107 crore as against Rs.96 crore last year, a y-o-y growth of 12%.

Our AC Sheets manufacturing units have worked at far better utilization levels to meet the demand for roofing products. All in all, despite missing out an almost an entire month of production, we have had an encouraging performance in the roofing solutions segment this quarter thanks to the innovativeness of our teams that have successfully matched demand spread out in small pockets of unlocked zones across key markets with materials through a complex logistics operation. Rural demand had been very good for these products and we have utilized this opportunity efficiently and to the fullest. While the growth of profitability may seem to be low in Q1 this year as Q1 FY20 was also a good quarter for us, one must evaluate that we have still delivered 28% PBT in roofing in Q1: the highest by any manufacturer. We have also gained good market share in excess of 20% (a delta increase of 1% over last year) and remained no.1 by big margin.

Our R&D team is working tirelessly to reduce the fibre content in our products since we continue to face problems related to cost of fibre imported from Russia and Kazakhstan. We are confident of overcoming this issue effectively.

Charminar Fortune continues to be a leader in this space with its strong brand and optimal pricing. R&D team has been consistently working to improve the productivity of our products while also reducing the costs. We have further evaluated mechanisms to increase the product's efficiency and robustness and registered the patents for it.

Building and Polymer solutions segment has been affected due to the prolonged slowdown of the real estate sector. Especially in big cities, that have been declared red zones, construction activity has come to a near halt. Using live digital techniques, we have been focusing on tier-II and III cities and towns that are green zones and been able to achieve 50% capacity utilization in Building solutions. While the overall numbers have been lower compared to last year in Building solutions, credit has to be given to the team for being agile and looking at newer businesses from COVID centers and labor hutments to maintain a decent level of business. Pipes and fittings business have also changed their focus to newer green zones and grown by 27% in May and June over same time last year.

PARADOR has been moving from strength to strength. Having integrated well with HIL on a cultural and financial level, they have outperformed in many aspects. We have increased our efforts directed towards growing into newer geographies and increasing utilization levels. Introduction of E-business and focus on DIY clubbed with the brand PARADOR have fueled the success for a consistent performance whilst the entire Europe and the rest of the world were literally closed due to the COVID Pandemic. This has led to a good growth in orders and profitability during last quarter. We remain confident that PARADOR will be able to manage well in these challenges and achieve the goal of expanding into newer territories as soon as global situation improves.

We, at HIL, place a lot of confidence in our teams and our product offerings. We are sure that we will recuperate and return stronger as the pandemic situation passes. We have been adopting the zero-based cost model in order to make the most of the current situation by redefining our organizational structure and costs. In this process our attempt has been towards leveraging technology to reduce cost and make our processes more efficient. The implementation of an end-to-end connect, connecting digital shop floor, IoT 4.0 across many of our plants along with integrated robotic process automation is promising to deliver good results in the coming quarters. We have also trimmed our advertising and promotional spends considerably, using digital media to connect with our customers. Our focus on cash management has helped us to redefine the way we do business and conserve cash. This has led to a good repayment of loans this quarter.

Your company has shown a lot of resilience in these tough times. Our agile, adaptive and bold business model has enabled us to stand up to the challenge. Over the last few years, we have greatly reduced the risk profile of the organization by diversifying our product portfolio.

To conclude, I would like to say that we are certain of emerging stronger from this situation that we all find ourselves in owing to our strong products portfolio and our hardworking and resilient teams.

Thank you very much for your patient hearing. I would now like to hand over the discussion to my CFO, Mr. KR Veerappan to take us through specific numbers.

KR Veerappan Thank you, Dhirup. Good morning everyone and thank you all for joining us on the call today. I would like to take you all through the financial and operating highlights of the business during Q1FY21.

This quarter faced severe challenges due to lockdown in various states during major part of April and in parts in May and June. There was a complete washout of business till end April. However the team at HIL converted this crisis into an opportunity by redefining the working capital norms in the business and aggressively driving the costs down. The Zero based cost approach along with the Day-0 planning helped the organization to overcome the challenges faced during the quarter.

The opportunistic approach by the team helped the roofing solution business report revenue equivalent to Q1 of last year despite a complete washout for a major part of April. The building solution segment de-grew by 64% and polymer solution segment de-grew at 23% due to the challenges in the real estate sector as a result of the lockdown. We have remained focused on profitability by carefully choosing projects. We have strived to reduce our costs and improve our margins. This strategy has consistently proved to enhance our profitability and we continue to deliver the highest profitability in the industry.

During the first full year of Parador's acquisition, due attention has been paid to the smooth financial and cultural integration. Our focus is now on improving profitability and sales. Operational excellence using Six Sigma, zero based planning for costs and lean manufacturing processes has led to a decrease in costs in Europe, which has greatly increased Parador's profitability. A substantial increase in the operating margin can be seen in this quarter.

Consolidated EBITDA came in at Rs.107 crore as compared to Rs.96 crore last year. The consolidated PAT stood at Rs.50 crore showing an increase of 34% YoY.

All of our manufacturing units are now operational, albeit, at lower utilization levels, except for roofing solutions. We have ensured that we work within the framework of the guidelines set by the authorities and are closely monitoring the situation in order to maximize efficiency and performance.

We do not expect any major impact on the carrying amounts of inventories, intangible assets, trade receivables, investments and other financial assets as we continue to monitor the economic conditions closely. During a situation as the one we are in, cash is important and we enjoy a comfortable liquidity position. Our cash balance was also boosted by the healthy collections starting from the month of May, last quarter. We have created teams that have been working to maintain liquidity, profitability, customer and vendor connect and employee connect and to monitor people's health & safety. We have taken a host of measures to make sure that we are able to leverage this opportunity as much as possible.

Cash Flow management was spot on during the quarter and we have reduced the borrowing of the company by Rs.122 crore at a consolidated level from 31st March 2020. Debt to equity ratio stands at 0.77 as against 1.0 as on 31st March 2020. With lot of perseverance the sale of Hysil business was closed under extreme difficult circumstances in the month of July and the sale proceeds of Rs.80 crore already received will be used for repaying the long term debts this month. The long term borrowing at HIL, India is expected to be reduced to Rs.100 crore level by 30th September, 2020.

Our constant endeavor is to consistently boost our investors' returns by enhancing productivity and sustainability. To that effect, our consolidated EPS came in at Rs.67.25, growing by 23% YoY compared to Rs.54.38 last year.

With this, I would like to conclude my opening remarks. I request the moderator to open the floor for questions.

Moderator Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. We have over first question from the line of Bharat Seth from Quest Investments Advisors. Please go ahead.

Bharat Seth Sir, Congratulations on good set of numbers, Sir just I have two questions one is from Indian business perspective, we have already built our leadership position in the roofing solution and which is a sort of a cash cow business, whereas in building solutions and polymer solutions still we are lagging much behind, so can you give some color, how do we really want to build and play out these three businesses in India so that we are more sustainable and more as well as improving the profitability. And for the year color on profitability for this building solution and polymer solution?

Dhirup R. Choudhary Thank you, Bharatji. Let me answer the Indian business question to you, thank you Bharatji for your compliments. Yes, we are number one in roofing and we have outscored our all competitors by a big margin in Q1 as well by a big quantity and a big margin, so I want to reinstate that point once again. On building solutions, Bharatji, let me just bring up to your note that in AAC block, we are number one in India, in panels we are number one in India. In panels, we have about 60% market share, in AAC block we have close to about 19%, but then there is a big element of companies which are unorganized, but amongst all the organized players, we are number one in India. Boards has never been our specific focus, and therefore, we have not monitored the market share their. We were fully up on our productions before COVID settled in and we were at 95% utilization of our capacity, with the profitability that have gone up by big numbers in the last few couple of years. We hope that this will continue as soon as the pandemic repeal. This business comes primarily from the real estate and big construction activities which have been subdued at the moment, big cities are also subdued to a great extent. Give us some time as the pandemic recedes, this business is again going to show its color, a lot of cost has been reduced in this business, also the product efficiencies have gone up. We would go for expansion either organic or inorganic growth for this business, so building solutions will remain number one for us for its growth and leadership in India.

On polymer, yes, it is a new business; honestly we have just picked up in a big way in last two to three years. Yes, it is taking a bit more time, but we have seen positive indications since October. Since October last year the business has been really spreading itself well and consistently performing. Let me tell you that in May and June standalone as compared to last year, we have grown by 23% in pipes and fittings, and July has also been a good month for pipes and fittings. We are hoping that because of the brand, the visibility that now market is able to see the product is far excellence and the costs have also gone down, profitabilities have come back so we have had profitability in this segment also in July. We are very much hopeful that this business is going to go, we have very big aspirations around it. Putty also we have started doing big numbers and while we were focusing in West side big ways that particular market did not do well in Q1, but hopefully that will come back very soon. We have done very good numbers in North and East & South where we do not have manufacturing facility, we have started our presence of putty. We want to be pan India. So for all these businesses, Bharatji, rest assured your company will be number one.

Bharat Seth Sir, is it fair this polymer solution has started becoming EBIT positive from July, so full year we will be able to make some kind of a positive contribution from polymer solution and building solution. When do we expect to turn it around, I mean positive contribution?

Dhirup R. Choudhary Bharatji, if I had known how the COVID will span in Q3 and Q4, I would have guaranteed to you. Yes, what you are asking for will happen. If COVID does not really spoil the market further, we are very hopeful that we are going to deliver very good results for both these segments by year end.

Bharat Seth Sir, second question is on flooring solution. You said that we have been really doing wonderful since last few quarters. So can you give some 3 to 5 years your vision for this business? How do you really want to play it out and what kind of a sustainable EBITDA margin we would like to see for this and the geography expansion?

Dhirup R. Choudhary Yeah, absolutely, thank you very much. I will not say we are doing marvelously well. So I would apologize if that is the point that has gone to you. We are trying hard to make a good meaning out of this investment and we are very happy with the way it is progressing, there is a lot more to be done. Look, whenever we take an European company, first thing and foremost is the cultural integration that has gone extremely well. Financially, we are both absolutely fully connected and same auditors are auditing us, so everything has been streamlined. We have now developed the business model, we have got new head of sales for Parador, Director of Sales, and we have also critically examined some of the countries in Europe and added sales tasks especially in Spain, in France. We have also looked at commercial joint-venture in the Nordic country. So Denmark you have had a commercial joint-venture signed recently and we have got a big order for the wood flooring from them for our Spain factory. China, you already know that we have a JV. China has gone through real bad times due to the pandemic, while the numbers are not growing as far as news is concerned, the market is not fully back. But let me tell you that the brand, Parador, in China is very well recognized now over the last one year’s time and we have already developed 42 POS “Point of Sales”. So 42 retail counters exhibiting our products have been setup in different parts of the country and we are hopeful that by Q3-Q4 as the business returns there, you would be able to get very favorable results coming from China. Middle East also we have now very close to signing a contract wherein we will get some good orders. US another segment where we are focusing, so United States also we are looking at. All of these are areas where Parador will spread.

Just to give you a feel, historically, Parador revenues were all concentrated in Europe about 75% or 80% of it came from Europe; only about 20-25% came from rest of the world. We want to definitely look at the rest of the world in a much more detailed manner, so that the business can be ramped up and we can use all the capacities that we have in Parador to take it up. Our short-term strategy is to reach the 200 million Euro revenue levels at Parador. We are about 170 million Euro at the moment and then we would be investing more into this business and taking it further. So I do not see a problem there. The cost has been brought down as Veerappan already said by several positioning and our team from India helping them in many aspects and they are working rigorously on cost price. So hopefully the profitability will look good but again how COVID really pans out in the next two quarters will be a decider, but we are all prepared to take this business to big numbers.

Moderator Thank you. We have the next question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar Good Morning Mr. Choudhary, trust all is well at your end and given the circumstances phenomenal quarter of execution and valuations to you, your R&D team, Mr. Veerappan, Mr. Ajay, and the rest of the team. Given the numbers I have rather lots of questions. I will prioritize them to the best of my ability. So I think the gross margin profile in the India business, predominantly the roofing business, we have come off of a very strong base in FY19 and FY20 with gross margins upwards of 52%-53% and of course there has been a series of headwinds after that with kind of fibre pricing, sourcing and the like, where are we in that cycle today? I also understand we are looking at China as our source of fibre report, so any update on both these parameters would be very helpful, over to you Sir?

Dhirup R. Choudhary Thank you Mr. Sarkar and I hope you are safe as well. So far as the margin for our Indian roofing business is concerned, absolutely buoyant and strong and we do not see that dipping at all. We are making further impact on the cost structure to make this even better. Fibre will never come from China Sir, so we have still got the Russians and the Kazaks as the two suppliers for fibre. However, we are in touch with Brazil once again and they have some quantity of fibre which they are able to bring from them and because of our long-term relationship, we are getting priority over all the rest at a decent price, so that is something that we are looking at, so I am confident that fibre price will get equated over the years and we will not have it as a negative point in Q3 and Q4 as the average price balances. On the cost, we are working very well, so we will continue to deliver good results on roofing as well.

Baidik Sarkar Sure, in your opening remarks, you had a mention on your R&D initiatives in reducing the content of fibre, but do you know the ballpark of what the content reduction has been and what are we endeavouring towards?

Dhirup R. Choudhary Fibre is a very big element in the total cost base, so even couple of percent reduction, 3% reduction is a big, big gain that we get. So when we started buying from Russians we were highly disadvantageous to one or two of our big competitors because they had a very big relationship with the Kazaks and we knew about that and fibre policy also, Russians and Brazil are different, so we tweaked it, but at the moment as I talk R&D has already come out with good efficient mechanism of reducing the fibre intent by a few percentage which will add on to the bottom line and I also mentioned that the non-asbestos roofing part is also being developed in a very strategic fashion and we have registered further IPs on that. Believe me, this product costing is now quite close to the asbestos costing and we would take another six months to get the confidence up and then we will be able to meet this product in all the manufacturing units of roofing. So we will have a lot more diverse portfolio in times to come.

Baidik Sarkar Lovely and Godspeed on that. Parador obviously continues to execute very well and I understand geography deeply, it has been a major contribution of this success here, but obviously the currency attribution when we look at the India numbers, so in terms of your Q1 performance, would it be possible to summarize what your reported Euro numbers were so that we can kind of track your endeavor revenue of 200 million vis-a-vis where we are today, would that disclosure be possible?

Dhirup R. Choudhary Can I get back to you on that, Sir.

Baidik Sarkar Sure, I will be in touch with Ajay. And would I be right in assuming that our endeavored margin profile at HIL level and Parador would be closer to 14% is that assumption right?

Dhirup R. Choudhary No, the EBITDA levels will be sub-10%, I am sure about that.

Ajay Kapadia EBITDA margin is 8% to 9% for full year, but in Q4 and Q1 this year it is between 10% to 11%. Normally, Q1 and Q4 is the better quarters, whereas Q2 and Q3 are suboptimal quarters because of summer holidays in Europe and the Christmas holidays in Q3.

Baidik Sarkar Ajay, my question was in terms of our endeavour, I understand where we are today, but I think after the acquisition, please correct me if my understanding was wrong, I thought our endeavour was to lift this up to about 13%-14% over the next 2-3 years, is my assumption right?

Dhirup R. Choudhary From about 7% EBITDA margin, our first endeavour is to bring it up as close to 10% as possible, Mr. Sarkar, and then it will go up further. The way that it will go up further will be to utilize the capacity more and that is what I was alluding to that we are looking at different zones to expand the sales. COVID has brought up a bit of a setback on that and that is inevitable, everyone knows about it but very soon our endeavour to improve the sales is what will bring the profitability up, but 13-14% is a bit too much at the moment to think about. I think we will be happy once we reach the 10% and then look further.

Baidik Sarkar Sure, so this year utilization of Parador was closer to 65-70%?

Dhirup R. Choudhary It was 65% earlier as you rightly said, it will definitely go up. Again, COVID has put a bit of a setback in everything for the top line has not grown as much in Q1, and as we talk also July has been a robust performance month for Parador amidst all restrictions. Just to give you a feel, all our competitors in flooring in Europe are collapsing while Parador is one that is continuing to deliver, so we are very, very thankful that we have taken certain leads on the e-Business and DIY keeping us on. I am confident that as soon as COVID relaxes a bit, we are going to jump on to all newer, greener pastures as we have already defined ourselves, the strategies are on and we will ramp up the production.

Baidik Sarkar Thanks, my last question before I jump back to the queue, a bookkeeping, Veerappan where are your gross leverage today and given the cash from HYSIL, how did we see gross leverage playing out for the rest of the year?

KR Veerappan Right now we are at 0.77, that is what my opening remarks I had said from 1.0 we have brought down to 0.77 and that will further come down, the long-term debt will be repaid to the extent of, we will bring it down to Rs.100 crore by September, the entire proceeds of HYSIL will be repaid for the debt.

Baidik Sarkar In the short-term where do we endeavour to be by September?

KR Veerappan Short-term that depends on the business cycle and the way the COVID, so I am not too bothered about the short-term, I think more important the long-term is the what I call it debt and that is what we are reducing and that is going to come down from Rs.100 crore, short-term will be depending on the business cycle if it keeps going coming down, going up.

Baidik Sarkar To our tax rate because I am given to understand that there is a disallowance of interest on the principal related to Parador, so once we repay this Rs.100 crore relating to Parador acquisition, what will that do to our tax rate for the rest of the quarters?

G. Manikandan Mr. Sarkar, our tax rate will be closer to 25.5% thereafter the loan is fully paid off.

Moderator Thank you. We have next question from the line of Kush Gangar from Care PMS. Please go ahead.

Kush Gangar Based on our assessment of improved monsoon outlook and improved rural income, what is the outlook for fibre cement volumes for the current year because last year there was a degrowth so the base is also lower, so do we expect to increase the volume by a decent way in this year?

Dhirup R. Choudhary Mr. Kush, thank you, for fibre cement roofing sheets, Q1 is a decider and then Q4 is the biggest swing, Q2 and Q3 are always subdued after the rain, it starts picking up around November. Since we have had a good Q1 and the rains have been good, I do not see why this year the volumes will be depressed, I definitely think that the volumes will be good this year.

Kush Gangar Okay thanks, as you said Q1 is the main quarter, so the pricing set for Q1 could be carried forward for the full year, is that assumption right?

Dhirup R. Choudhary I would like to clarify your words of carry forward because the price definitely does not remain constant for the whole year, sir. The price is highest in Q1 because the demands are high and definitely it sets the right base for Q2 and Q3, so discounts of prices then happens from a high level at Q1 and this year therefore we are getting that benefit.

Moderator Thank you. We have next question from the line of Jigar Shah from ICICI Securities. Please go ahead.

Jigar Shah Sir, thank you for the opportunity and Congratulations on a good set of numbers. My first question would be on roofing solution. Can you just give a breakup of how much was the volume decline and how much was the realization increase in Q1 and whether this was purely a pent-up demand or since there was a closure in March and April or do you see this as a very good year or cycle change for at least one-two years considering the rural focus of Government and higher farm income?

Dhirup R. Choudhary Thank you Mr. Shah, I hope you are doing well. Mr. Shah, I take the second question first, so yes we had literally a washout in the last part of March and almost the whole of April. So therefore the demand was good in the rest of April and May and June and it was basically then how well you are positioned to cater to the demand. Yes, pent-up demand seems more likely in the state, however, the demand continues to be reasonable, so definitely month of Julys are always half of where we leave June at, so we will have to see how it works. On the volume front, I am sorry I am not prepared with the numbers at the moment, we can take it up further with you and on the price side I think about 10% to 12% rise in prices is what we have seen so far in Q1.

Jigar Shah Your July was higher than last year or July was lower than last year?

Dhirup R. Choudhary July has been decent, it is very difficult to at the moment talk specific of July other than saying it has been a decent month and we look forward to working hard and making this quarter good in itself. We are being opportunist wherever possible and we are working more on costs and detailing on the digital roadmap to keep ourselves connected with the customer.

Jigar Shah My second question would be on the margin of roofing solutions, the thing is that first quarter would have seen a lower cost since the annual contract of asbestos fibre changes every year and due to INR depreciation, it would have risen for Q1 cost and plus cement prices have risen and logistic cost must have gone up. So what is your outlook on margins going forward whether more than 20% EBITDA margin is sustainable or it will come down to 15%-16% for the overall year.

Dhirup R. Choudhary Sir, costs have been very high in Q1 for all materials and it is normally like that while the selling prices goes up because of the demand. The costs will come down a little bit in Q2, Q3, so far as cement is concerned again it is led by the demand. Fibre, I think we were disadvantageous to many of our competitors in Q1, but that should ease out assuming the profitability to stay above 20%, I think HIL has been always the leaders in pricing throughout the country and we will continue that spree while the costs are coming down, hopefully, we will post decent results.

Jigar Shah What about the demand continuation whether you see whether it will be for one year or two years, how do you see demand?

Dhirup R. Choudhary Sir, normally the demand follows the rainfall and last year we had good rains, rabi crop was good again this year. So we saw cash in hands of the rural sector, this year also the rains have been good, so I am positive about next year as well.

Jigar Shah Okay you see both two years of good demand going forward?

Dhirup R. Choudhary It is normally that way, it is about two years good demand, one year then it dips. So it has been a cycle if you follow, I am sure you follow that, so hopefully next year will be good, Sir.

Jigar Shah My next question would be on pipes and fittings, you said that you have grown by around 25%-26% in May and June. So what has led to that demand in pipes and fittings specifically, I mean strong double digit?

Dhirup R. Choudhary Mr. Shah, the total market of pipes and fitting is huge and we are absolute small price into that market. So any bit we are able to get significantly looks a higher growth looking at a small base that we have. I think what I am really happy to announce is the way that the team has worked on heat maps, looked at district mapping, and run through the entire country map and seen where really the business can come. So I think the way they have explored the business relooked at greener pastures while keeping themselves and everyone safe, I think it is enormous so that has given that growth. We have definitely worked very hard at the plumber engagements and stuff, and hopefully that should continue for us.

Moderator Thank you. We have next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra Sir, many congratulations on very good performance, Veerappan Sir just wanted to know what is our raw material breakup in terms of fibre and cement cost wise and other raw materials?

KR Veerappan I did not get your question, if you can just repeat.

Dhananjay Mishra Out of let us say Rs.100 crore raw material cost, what would be the cement cost, what would be the fibre cost and other cost?

KR Veerappan It will be around 20%-23%.

Dhirup R. Choudhary Veerappan, on the material cost it will be higher, on revenue what you are saying is right. So fibre and cement almost equates to the major part of the cost of material.

Dhananjay Mishra By the percentage of sales it will be about 20% for fiber and maybe 12%-15% for cement?

Dhirup R. Choudhary Yeah, it will be higher than that on a material cost percentage as you are asking, so if 100 is your total material cost, cement will be about 30%-35%, fibre will be about 50% roughly.

Dhananjay Mishra Sir, could you provide the breakup of product wise like panels, boards, pipes, putty in terms of value for this quarter?

Dhirup R. Choudhary Mr. Mishra I am not prepared with these numbers, can you reach out to my colleagues, subsequently we can give you all the details.

Dhananjay Mishra Sir, last question, what is your current market share, we have improved our market share in fibre cement, what is the HIL market share as of now?

Dhirup R. Choudhary In Q1, we would have done close to 21% and we have gained market share by a percent at least over last year and we hope to continue because the volume differential between us and our competition will be far in excess for anyone to come closer to us and that has been a fantastic achievement by our team in mapping out 572 districts that they have done and I think that is going to help us going forward.

Dhananjay Mishra 21% is there?

Dhirup R. Choudhary Close to, yes Sir.

Dhananjay Mishra Okay Sir that is all from my side, all the best.

Dhirup R. Choudhary Thank you very much Mr. Mishra, stay safe.

Moderator Thank you. We have next question from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay Good Morning and congratulations on very good set of numbers Sir, and really appreciate the way the team has performed in such a challenging environment. Sir, I have two questions one is on Parador and if I read through our annual reports and our Q4 commentary also, I think there is a lot of execution improvement which we have taken and we have done a lot of work in order to meet the demand. If you can just help me understand, there are two parts to it. One is like you mentioned we have entered newer places like in Nordic we have got a new order and in France and some of these. So of the 70% which we say for Parador, Europe was contributing, is that like there were 2-3 countries which were contributing significantly and most of the other countries had a lower contribution and we are opening new distribution areas or new offices, we are getting higher demand. And secondly what kind of changes to the execution model that we have brought in post the COVID, as a result we have been able to get the demand and able to meet the demand better than what competitors have been unable to do?

Dhirup R. Choudhary Nikhilji, first of all thank you very much for your wonderful compliments to me and the team that takes us a long way. Parador, I will repeat just for some parts of, we have definitely focused on the sales in a big way. We have enhanced the sales team. We have got some senior staff into the sales to pep up the sales. E-business is another activity that we started. We focused on DIY, so there was a three stage model earlier where we were pushing the volumes to distributors then through DIY to the customers, we have now shortcut one of the lines. So we have directly gone into the DIY model, in Germany that has helped us immensely during the COVID while the country borders were sealed, while people were staying at home, they wanted to spend a lot of money to renovate their houses that as you know in Europe mostly people do it themselves. So this is the time they wanted some suppliers to supply them material and I think this is where Parador has stood up absolutely, so they have changed their logistics mechanism of lifting the products and sending it to the customers directly. The brand, Parador, has really stood up in big times by us. All our factories were running full up while many of the factories as you know in Europe are closed down. We were running with full safety, with full social distancing that all is done. On a spread of revenue, you have that question so out of 100% share of revenue Parador, 50% used to come from Germany and Austria, I am just saying rough figures 25% used to come from rest of Europe, and the other 25% used to come from rest of the world. What we have seen, of course, during the COVID situation is because the borders were all ceased, rest of the world was more or less closed, all the commercials activities were closed, projects were put on hold, shipments were not happening, and therefore, we had to primarily focus in Germany, Austria, and Europe and that worked very well for us during this time. So we are very hopeful that for the companies like France, Spain, even United Kingdom, Austria, Germany all of that are presently doing well as I speak to you. The order intake has been good for Parador. We have therefore shortened the summer breaks in Parador, which is normal in any European company as people have come back to work already and we are hopeful that with these joint ventures that we are planning and executing one by one, the sales would definitely show up if COVID settles down.

Nikhil Upadhyay Thanks a lot for the explanation, Sir just continuation on this like if you say 25% was coming from Europe while if you look at the countries where the per capita consumption and ability, would these countries be equivalent to the size of Germany as a market and as we are improving our distribution or ability to reach that is helping, so is it like Europe itself is a big opportunity for us to grow our revenue base or how should one understand Sir?

Dhirup R. Choudhary So Europe itself is quite a good market and they care for brand and that is where Parador really comes up. As you would have seen through our net, we also have very clear alliances with very high end, well-known interior guys. So they kind of design the product for us in Parador. About 50% of the revenue of Parador gets changed every three years by new products that gets designed in our R&D itself, so definitely that is something that many other companies are not doing. Europe is a big market and Europe market has good demand. But there are lots of players in Europe, so unless and until you have an USP which separates yourself against the rest, whether it be brand, whether it be design, whether it be the connections with the customer, whether it be delivery to the customers. All of that you know supports this drive and I think we are looking at all of that together in bits and pieces to bring up a story, which will help us to excite Europe. So Europe being one, the rest of the world we do not want to forget. Parador has started exporting to 80 countries and we believe that United States is a big market. We believe that Middle East is a big market. China of course is a mammoth market because that is the biggest middle class there. So all of that are creative thoughts that we have and we are executing that one by one, as I said COVID has brought a slight bit of break into it, but we are going to be back.

Moderator Thank you. We have next question from the line of Amit Vora from PCS Securities. Please go ahead.

Amit Vora Good Morning and thanks for the opportunity. Congratulations once again to the entire team. My first question is on the costs that have reduced during Q1, how much of them are not going to come back and what portion of that would come back?

Dhirup R. Choudhary Mr. Vora thank you very much for your compliments. On the cost side, there are three or four cost elements that we have focused on. One is people cost and I am going to talk about that. The second is material cost, the third is variable cost, and the fourth is other fixed cost. We looked at all of them, we have looked at decimals, we have line item wise cost structure monitoring at each of the factories which we are doing live so which means everyday those papers are with every one of us and we are able to see where we are. Now, on the people side of course there has been discretionary reduction of salaries that we have all taken during this severe times to support the company's performance, those will come back as the performance betters. There are a lot of releases in manpower that have happened, not many but about 50 odd people have left the organization. Some of them have resigned, some of the positions were no more required so the jobs were not really needed, so all of that has been done to streamline the organization better, that will not return. So that is a permanent cost saving that has happened. On the material side, of course, there is fluctuation that keeps on happening, but our strategy through R&D has been always to reduce the material cost consumption and that is continuing. On the variable and other fixed costs, we have made lots of efforts to see how to run the factories with minimum workmen, with minimum power cost, stores and spares cost and all the rest. Advertisements and promotional cost along with travelling and conveyance cost are again discretionary which at the moment we have stopped it. As situation improves and as the business would need, we may have to bring some part of it back. So majority is a long-term cost out, some part of it will definitely come back.

Amit Vora Okay, that is really helpful. The second thing is on the geography that would have done well for us on the roofing side, is there a particular part of India that you focus, you did mention about you did have a heat mapping with that thing, but is there a particular geography that you have really focused and that is where you have taken market share?

Dhirup R. Choudhary Every geography we have taken market share let me you that with full confidence. We have looked at every state, we have looked at every district, zillas, everything, it has been mapped to the last leg. There was a difference which HIL was performing earlier which was pushing the volumes through big distributors and then penetrating into the market that has changed. So we have used this pandemic to our advantage and now we are pulling the business through our reach to the last consumer. I think that has been a dramatical change in the way the sales has really done and we have mapped pin codes, so we have a complete understanding of where our customers are, where the market is, which part of it the volumes are there, which are green zones as per COVID, there is a live map which is modified every day and through this BI tools we are able to direct our company audience to the volumes, so yes all of that is continuing, not only for roofing but for ourselves as well.

Amit Vora Okay, great, thank you so much, all the best, stay safe.

Dhirup R. Choudhary You too, thank you very much.

Moderator Thank you. We have next question from the line of Pritesh Cheda from Lucky Investment Managers. Please go ahead.

Pritesh Cheda Sir, just one question on Parador when you mentioned that the aspiration is to reach from $ 170 million to about $ 200 million revenues and take the margin from whatever 10%-11% to about 13% that vision of yours is achievable in how many years?

Dhirup R. Choudhary Thank you very much for your question, I would just modify your question a little bit, this is our vision jointly with Parador. The profitability from 7.5% would come closer to 10% is what I mentioned at EBITDA level. So anything above 10% is going to be difficult as we stand today, but not impossible. We will definitely work that through. This should come in the next couple of years in fact it should have been closer to that had COVID not affected the business, but we will definitely strive to get this business up by that much in the next couple of years.

Pritesh Cheda This $ 200 million business is doable on the current capacity and if we have to add any new assets, what is the asset turn in this business and what are the incremental ROCE?

Dhirup R. Choudhary All of that are plans which are there. At the moment we are not adding any assets because of COVID, but we will do it incrementally. There will be just small deficiencies here and there that we will have to add, no major CAPEX will be needed, 200 million capacity can be delivered from the machines that we have with minor modifications.

Pritesh Cheda What is the incremental ROCE in the business?

Dhirup R. Choudhary I do not have that number at the moment, can we get back to you on this please.

Pritesh Cheda Okay. If I can just ask, what is the working capital cycle in this?

Ajay Kapadia Working capital in Parador is close to 13%, the main working capital item is inventory where is about two months.

Pritesh Cheda Working capital cycle is 13% of sales?

Ajay Kapadia Yeah, 13% is the net working capital.

Pritesh Cheda This $ 200 million revenue, what asset would have been put on the ground for generating these $ 200 million?

Dhirup R. Choudhary Sorry, that is the question you asked earlier, do we need further CAPEX to it, as I said not much will be needed.

Pritesh Cheda But what is the amount invested for this $ 200 million revenue, what is the asset block, gross block?

Ajay Kapadia We have revalued assets and the current block is EUR 45 million for PPEs other than intangible, there are intangible assets like goodwill and brand in the business.

Pritesh Cheda Just to clarify, it is Euros?

Dhirup R. Choudhary Yes, EUR 45 million.

Moderator Thank you. We have next question from the line of Ritika Dua from Aequitas Investment. Please go ahead.

Ritika Dua Congratulations on an excellent set of numbers, Sir I wanted to know how did the industry grow in the roofing segment in Q1 and what is the likely growth for the full year for the industry as a whole?

Dhirup R. Choudhary Ritikaji, same comments to you, I hope you are doing well and thank you very much for your wonderful comments. The roofing in Q1 has not grown because we were deprived of about 20 days of sales. So there was a de-growth in the roofing segment, definitely we are at par in roofing over the last year, so we are the only company where the revenues have been met over last year.

Ritika Dua Sir, what is the volume degrowth for the industry?

Dhirup R. Choudhary The volume degrowth for the industry would be 11%.

Ritika Dua Sir, how do we see realizations for this quarter, I mean are they higher year-on-year?

Dhirup R. Choudhary Definitely because we have exited Q1 with a good NSR, so certainly Q2 at the moment as we see the realizations are better and it is needed because the prices of raw materials have gone up also. So it is very much needed for the sustainability of the organization also.

Ritika Dua Okay also Sir could you give us the volume for roofing business for HIL?

Dhirup R. Choudhary Ritika, we will get back to you.

Ritika Dua Okay, I wanted one last question regarding Parador, you mentioned that a lot of competitors have shutdown in Europe, who would you consider as your closest competitor?

Dhirup R. Choudhary There are one or two, one is Haro for instance in Germany, which are big names, then Tarkett is there another big name there, so there are some of them. I did not say they have closed down fully, I have said they have reduced their production substantially. Thank you very much, Ritika.

Moderator Thank you. We have next question from the line of Anish Moonka from JST Investments. Please go ahead.

Anish Moonka Congratulations on a great set of numbers given the economic scenario. Sir, how does the consolidation in the real estate industry affect us? What happens in the gestation period in which it pans out and how does our pricing power get affected, if you can share your past experience?

Dhirup R. Choudhary What was your third question?

Anish Moonka Sir, what happens in the gestation period in which it pans out the consolidation and how does our pricing power get affected if it happens, Sir if you can share some past experience regarding this in any of the markets?

Dhirup R. Choudhary Real estate, we are manufacturing company and definitely real estate is very close to us, while the roofing segment primarily comes from the roofing sheets replacements or new projects that comes in the rural sector, the roofing normally goes for animal husbandry, it goes for the fence for the chickens, it gets into the roofs of various construction houses as well as godowns. It is primarily a rural demand B2C business. In so far as building solutions segment is concerned, we sell blocks, panels, and boards and that gets into the A, B, C class cities, to big builders, to real estate to commercial projects to COVID Centres to labor hutment, we have done fantastic in diverting that particular business over the last two-three months into where it is really happening which is the COVID Centre and labor hutment. About 45% of our revenue has come from that, so that is like diverting your attention to where it really means. So far as the real estate is concerned, it is very much still down. I think it is going to take another minimum two quarters for it to come back because there are lots of unsold inventory, cash flow is very difficult in that sector, labors are not available, laborers are problems, material availability, transportation, all of these issues are there. So I do not see per se the real estate really coming back so soon, but however, the construction is happening, Government funds are going for roadway constructions, for many other low-cost housing and we are focusing ourselves towards that to see how we can get the mileage out of it. Sorry I could not get about the gestation part of it, so you are saying where our product goes at what time, is that the question.

Anish Moonka No Sir, it is about till how much time could it take for the real estate industry to consolidate, so probably it has not recovered in the last five years, so something on that terms?

Dhirup R. Choudhary Sir, very, very difficult for me to make a prognosis on this, we will have to see how COVID pans out, but real estate will remain depressed at the moment.

Anish Moonka Sir, one more question, do we face any receivables problems from the real estate players that we cater to?

Dhirup R. Choudhary I think in the opening remarks of Veerappan he made an allude to this that there is none that we believe is going to be a long-term problem for us, but short-term in Q1 for the building solution segment, we definitely had some problems in getting collections done because some of our long-term, well-valued customers had problems with cash flows because their business did not come back effectively, but we are hopeful we will get all of that collected this quarter, so I do not see that there will be a problem in so far as those are concerned.

Anish Moonka Thank you for the clarification Sir and stay safe.

Dhirup R. Choudhary Thank you very much and same to you Sir.

Moderator Thank you. We have next question from the line of Arpit Shah from Care Portfolio Managers. Please go ahead.

Arpit Shah Sir, excellent set of numbers. Heartiest congratulations and majority of the questions have been answered, just two follow up questions. One, is any amount of bad debt in Indian business or in Parador that we have written off? Second, you said that in Europe many players in the flooring business are collapsing, any particular reason for that or like receivables or inventory management or something and we are better on those aspect. And Sir last is on the CAPEX, any CAPEX guidance for the year?

Dhirup R. Choudhary Thank you Mr. Shah and hope you are doing well. So bad debts in India honestly about Rs.3 crore or something at the most is there, which is a long-term bad debts that we have, I do not see any immediate or recent deliveries are turning into it, but we are hopeful that we will be able to recover some of that.

Arpit Shah These have been provided for?

Dhirup R. Choudhary Yeah, they have been all provided for. In Germany also there is about Rs.3 crore of bad debts, I will not say bad, I will say old debts, but we will get that back I am not so hopeful. They have also been provided for.

Arpit Shah The competitors and other players in Europe in the flooring?

Dhirup R. Choudhary Europe, honestly, the problem that has happened is the big stores or dealers have all been closed. So, therefore, Government has allowed small stores, DIY to be open more from continuity of life and since we had diverted our attention towards DIY sale, I think that has helped us well, while the others could not get that benefit. Second, is I do not think everyone had the opportunity of a well-framed logistic support for shipments that were to be lifted from the factory and delivered to our customers home, so we did that and I think that has helped us immensely during the lockdown period. So it is basically that during the lockdown movements were restricted, borders were more or less sealed and they had lots of problem, so some of them could not do the revenues as much as probably they wanted to, but Parador continued it.

Arpit Shah Sir this can be attributable only to Q1 or even Q2, right now also we are gaining that market share, so they are still unable to deliver or what is there?

Dhirup R. Choudhary I think the problem has come down a bit in Europe, so countries are opening up. With the opening up, I am sure their businesses will come back, but we have taken the best out of it already and continuing also our business looks to be on solid grounds.

Arpit Shah Sir, any CAPEX guidance for India or Europe, Europe you already said no, but in India I was seeing somewhere in the presentation that we want to plan some CAPEX?

Dhirup R. Choudhary In India the big CAPEX items which was to enhance capacity for building solutions segment has been put on hold. We will come back to it once the business comes back after the COVID. So India will be mainly maintenance CAPEX in all the businesses which are needed, some of the machines are old, some of the plants are old, they will need some bit and one or two CAPEX which are fall over from last year. I would consider that we will limit our CAPEX in India to be around Rs. 60-65 crore, not more than that. In Europe again maintenance CAPEX by far except for a little bit addition here and there, so I think about EUR 3.5 million is what we are hoping in Europe this year as well.

Arpit Shah Sir, this last question on the Charminar Fortune, taking the feedback from the institution, we understand that it is not taken off as we expected, so Sir what makes you believe that changing the strategy that what we want to see that the increase is the share or it will reaches out to the people and there is a demand for this kind of products?

Dhirup R. Choudhary Mr. Shah, this product, I was very, very clear right from beginning that this product was more to get us out of asbestos if the need arises. So it is more to secure ourselves for future in case there is a problem with asbestos. We had an issue with this product when we made the first version of it where we used autoclave, and therefore, we needed autoclave to process this and that limits your manufacturing capability per line. So while just giving an example, if one line of AC sheet can deliver 500 metric tons in a day and we are the only ones doing that, maybe others would be at 350-400 metric tons. Using autoclave it automatically gets restricted to about 150 metric tons even with four autoclave. So those restrictions to the first version of Fortune that we made, therefore the costs were high, and the efficiencies were low. We have now worked with R&D to look at alternatives to do it without autoclave, these IPs are getting registered and therefore I cannot talk too much loud on that, but as soon as we are able to prove all of that, we will be able to make this from any of our lines of AC sheets, this becomes than a sustainability plant for in case asbestos goes on. Also we can utilize once the efficiencies have gone up and the costs have come down, we can utilize this much more in the market for customers who do not want asbestos. So you would see the better part of Fortune coming up in the next six months' time after we have proven this new R&D concept that I just alluded to.

Arpit Shah Okay Sir, thank you very much, all the best.

Dhirup R. Choudhary Thank you Mr. Shah, all the best to you.

Moderator Thank you. We have the next question from the line of Bharat Shah from Quest Investment Advisors. Please go ahead.

Bharat Shah Thanks for the second time opportunity; my all questions have been answered, thank you.

Dhirup R. Choudhary Thank you Bharatji, all the best to you.

Moderator Thank you. We have the last question from the line of Shubham from Aequitas Investments. Please go ahead.

Shubham Sir, for the quarter, in the presentation it was mentioned that in building solutions we did capacity of around 30%, so I wanted to understand at what capacity will we breakeven in this segment?

Dhirup R. Choudhary Shubham, let me tell you that our entire focus has been at breakeven first at the EBITDA stage and this business did not breakeven at EBITDA stage in Q1. But I am happy to say that we have reduced the cost immensely and you would see better results in Q2.

Shubham Sir, in polymer solution so out of Rs.48 crore, what would be the contribution of wall putty?

Dhirup R. Choudhary About 50:50.

Moderator Thank you very much, Sir. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to the Management for closing comments. Over to you, Sir.

Dhirup R. Choudhary Thank you very much, Bikram. It has been a pleasure interacting with all of you over this call. We thank you for taking time out and in meeting with us today, we value your continued interest and support. If you have any further questions or would like to know anything more about your company, kindly reach out to our investors relations desk or reach out to me and I will be most happy to answer any of your questions. Thank you all and stay safe.

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