TOGETHER, WE BUILD.

CK BIRLA GROUP

Date: February 16, 2021

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

Dear Sir / Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on January 28, 2021.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated January 28, 2021, Please find attached the Transcript of Analyst / Investor conference call held on February 4, 2021.

Pursuant to Regulation 46, the aforesaid intimation and Transcript of the Investor Call is also available in the Company's website i.e., ww.hil.in/investors.

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

Thanking You
for HIL LIMITED

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HIL Limited
Q3 & 9M FY21 Earnings Conference Call Transcript
February 04, 2021

Karl Kolah: Good morning, ladies, and gentlemen, and welcome to HIL Limited Q3 and 9M FY21 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 and Mr. Ajay Kapadia – Assistant Vice President Finance and Accounts.

We will first have Mr. Dhirup Roy Choudhary make the opening comments and he will be followed by Mr. KR Veerappan who would take you through the financial perspective.

Before we begin the call, I would like to highlight that some statements made on today's call could be followed looking in nature and details and this regard are available in the earnings presentation, which has been shared with you earlier. I would now like to invite Mr. Dhirup to present his views on the performance and strategy imperatives that lie ahead. Over to you Dhirup.

Dhirup Roy Choudhary: Thank you, Karl. Good morning, ladies and gentlemen. Happy New Year and a warm welcome to the Q3 & 9MFY21 Earnings Conference Call of your company. I thank you all for taking out this time to join us on this call and hope all of you are safe.

Early on in this calendar year we got good news on the initiation of the COVID vaccine in India, a pride for every Indian. This together with the controlled new cases and better recovery rates shows how we, as a society, have come together collectively to fight this new challenge head-on. HIL has ensured our employees' safety, health and overall well-being by providing them with necessary amenities, such as COVID insurance for all the employees, awareness sessions on hygiene, distancing norm and even counseling to deal with issues such as stress during such unprecedented and difficult times. Your company too has worked very hard to convert this crisis into an opportunity and you would have seen significant improvement in business than the pre-COVID level. Our teams have worked tirelessly using advanced techniques to reach out to profitable regions, to overcome these testing times, emerging victorious over all the challenges posed.

This quarter has been the best ever performance in terms of top line and profitability in Q3 of any years, both from the Indian and European operations. At an organizational level, we have been extremely agile to adopt our businesses to the current environment in innovative ways to maximize the opportunity laid in front of us. This was made possible by the hard work of our employees as I mentioned and with the aid of new age technologies and methods such as smart digital systems, business intelligence platforms, heat maps, pin code wise customer tracking and connects, acquisition of new customers, daily review processes, vigorous cost saving measures and many more.

We greatly leveraged technology to boost our performance and optimize processes. Implementing an end to end connect digital shop floor IoT 4.0 across many of our plants along with integrated robotic process automation have helped us immensely in this endeavor and our systems that have now become an integral part of our organization. Additionally, our lean Six Sigma model and the zero-based costing that we adopted at the start of lockdown to reorganize the organizational structure and costs have also strengthened HIL fundamentally. It won't be out of place to mention here that we, as one HIL family have all contributed in different ways towards the business performance. As a result we saw a growth of 38% year-on-year in the consolidated revenue for the quarter. EBITDA grew from Rs.47 crore in Q3 FY20 to Rs.107 crores in this quarter witnessing a growth rate of 129%.

Q3 is a seasonally weak quarter for roofing segment. However, it has done very well, despite the seasonality and the current situation due to the pandemic. Strong rural demand has been instrumental in boosting this segment. We have successfully improved the market share by 150 basis points in the first nine months and added 700+ new retail counters in potent zone.

Our products are driven by innovation and Charminar Fortune, our non-asbestos base roofing solution is a prime example of that. Even though the offering has established in the markets, our R&D team continues to work on improving the product by means of optimizing its costs and enhancing the product quality. We have already launched a new variant of this product called Humid Cure and a dedicated new manufacturing facility is now operational in Faridabad. Our roofing product enjoys healthy price realization and based on that; we are hopeful of a better H2 FY21 as compared to H2 FY20.

Building solution segment too is on an upward trajectory. The economic activities returning to the previous level, especially with the real estate sector in Tier-I cities showing a gradual revival. Despite a subdued recovery in the Tier-I cities' real estate activities, we continue to operate in newer markets of Tier-II and Tier-III towns as well where we have done well in the previous quarters. It gives us pleasure to share with you that your company has shown a growth in the top line from Q3 FY20 despite a severe challenge. Our innovative strategy of catering to labor hutments and COVID centers has supported a strong business in this segment. We have also ensured that no compromise was made on profitability.

The pipe and putty segments have witnessed strong growth in Q3 with strong demand for our brand. The resin prices have firmed up over the past few months, translating into a favorable impact on business. Additionally, high volumes have helped us minimize the cost effectively towards that. We are confident of meeting the robust demand for this product on a pan-India basis having enhanced our distribution network and presence across India and have ample capacity to meet our endeavor.

With Christmas, Q3 is a seasonally weak quarter in Europe due to holidays but performance of Parador has been extremely good. As committed to you earlier, we are relentlessly working as a team towards enhancing profitability and improving the business model. We complement our Parador team for sustaining a good performance while the businesses around them faced severe headwinds especially for international markets owing to COVID pandemic.

We are among very few flooring companies which have grown both in top line and bottom line over the last year. Our e-business, online brands store, focused on DIY and brand strategies which we started implementing last year have been impeccable and delivered results this financial year. As COVID situation improved further, we will actively review our work on expanding Parador into newer geographies as promised earlier.

Our team efforts have continued taking HIL amongst the top few manufacturing organizations in India as per Great Place to Work declaration recently.

To conclude, I would like to say that HIL has overcome all the hurdles posed by these times on the back of our resilient team that work every day to improve the various aspects of the business, maintaining its status as a market leader. As an organization, we continued to deliver our business on quality, innovation, sustainability and business excellence. We are confident that the coming quarters would be even better.

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 the specific numbers. Veerappan over to you.

KR Veerappan: Thank you Dhirup. Good morning all. I would like to wish happy New Year to everyone and thank you all for joining us on the call today. I will be taking you all through the financial and operating highlights of the business during Q3 & 9MFY21. The company's operational and financial performances are better than the pre-COVID levels with the ongoing pandemic situation improving and the lifting of the lockdown. Thanks to our dedicated and hardworking teams, we have been able to redefine our business model and successfully convert this crisis into an opportunity.

The roofing solutions business grew by 34% year-on-year during the quarter and 15% year-on-year on a nine-month basis despite the seasonably weak quarter. Reaching to newer geographies and digital connect with the customers helped to increase our market share in this business considerably.

Building solutions recorded a quarter-on-quarter improvement of 25% for the quarter and by 4% year-on-year. We are happy to see this business back on track and making steady progress.

Polymer solution business grew 83% year-on-year during Q3 and 37% year-on-year in the nine months. The passion displayed by the team in expanding the channel network has resulted in significant growth for this business.

The capacity utilizations have been improving constantly across all segments for us. While we remain focused on minimizing our cost and maximizing margins, we are exploring opportunities to add capacity for certain segments.

Parador completed a smooth acquisition and integration last year. This year, it has integrated our Six Sigma model, zero-based costing, and lean manufacturing processes very well and the impact is clear to see in the company’s improving profitability and cash flow.

The consolidated EBITDA from continuing operations came in at Rs.107 crore for Q3 compared to Rs.47 crore in Q3 FY20 and Rs.312 crore from Rs.200 crore for the respective nine months periods. During this quarter, the consolidated PAT increased to Rs.53 crore from Rs.9 crore and have grown by 506% year-on-year. For 9MFY21, it came in at Rs.152 crore growing by 99% year-on-year. In 9MFY21 we have surpassed the PBT and PAT numbers of 9MFY20, showing how robust operations have been in this financial year.

Having tracked the economic conditions closely we do not anticipate any major impact on our carrying quantities of inventories, intangible assets, credit receivables, investments, or any financial assets. We have a very stable and robust liquidity position ensuring a relatively smoother sailing in these times. We have ensured that we make the best of the opportunities available through various measures.

Both HIL in India and Parador enjoyed healthy cash flows during the quarter. Debt equity ratio stands at 0.52x as compared to 1.0x as on 31st March 2020. The long-term borrowings are further reduced by Rs.23 crore in the quarter, resulting in a total debt reduction of Rs.241 crore for the nine months under challenging circumstances due to COVID uncertainties. The long-term debt in India stood at Rs.94 crore. We expect to pre-pay majority of this debt during Q4 FY21. As you all are aware that we had borrowed Rs.273 crores in India 2 years ago for the acquisition of Parador. We have re-paid majority of this debt by now and by end of this financial year, we would have fully re-paid this loan against the original plan of repayment in 5 years.

The net worth of the company has improved to Rs.961 crore at the end of December 2020 from Rs.743 crore as on 31st March 2020. The EPS from continuous operation came in at Rs.202.57, having grown by 99% year-on-year in the nine months period. We constantly strive to maximize our profitability and in turn boost returns for investors. I am happy to conclude that this has been an exceptional quarter for HIL.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital.

Baidik Sarkar: Mr. Choudhary my question is how does one gauge these numbers between being a one-time pent-up phenomenon versus organic salience of rural demand and do we in some configuration run the risk of witnessing a very high base effect for the next year and in effect making the FY22 numbers look bad than they actually are?

Dhirup Roy Choudhary: Mr. Sarkar thank you very much for your association and thank you for your question. Mr. Sarkar I would say if someone says they know next year very well, I am not one of them. We would definitely anticipate next year to be as tough as we had anticipated this year to be. But I can consciously contribute by saying you have a team in your company which will make every difficult situation to its creditors. This year also we started off with lot of a concern, but the numbers have been reasonably good as you just have said. Next year also we'll make the best over these numbers; I can commit that to you.

As far as the question of how much of this is pent-up demand. Yes, there was a pent-up demand after everything opened up and we don't want to shy away from saying yes, it was there, but more than the demand HIL made a good benefit of it. Thereby you can see for roofing, for instance, as I mentioned, while the demand came up HIL has gained far more market share and the differential today between HIL and then anyone else has only widened because we have been able to take share far in advance. Building materials was tough and therefore there wasn't a pent-up demand at all on that and we aren't seeing any at the moment as well. But we have gone into greener pastures and taken businesses which were never supposed to be ours or where we have not focused earlier. The business team has completely innovated themselves and move to pastures where they felt earlier possibly that the business was not there but they have been able to search out business that too in advance terms and good profitability. Therefore that business has sustained very well. And Polymer, of course, there is a slight benefit that you would see this year as I mentioned in my opening remarks because of the raw material price that Reliance has continuously improved and everyone has got benefit of that. The growth that we have achieved in polymer is though a small base but it is much-much higher than anyone else. We are absolutely on track for long-term goals on polymers. And Parador, look the entire model was changed. I won't say anything to the pent-up demand. There was certain bit of it in Germany for sure Mr. Sarkar where people in Germany were not going for holidays and they were spending them all for renovations of their homes and that demand was there. But none of the flooring manufacturers could utilized this. We did it because we had gone into online brand store, e-business, we had vendors in Europe which is very difficult. A point to point shipment, so we were supplying to customers individually to their home from our factories which is very rare in European companies. We had taken all those leads last to last year itself, so last year actually it got benefited during the COVID situation. This should continue, I would say in even next year. Therefore yes, we have got benefited by using this calamity to our benefit this year and we will continue to do that and reinvent ourselves if the situation becomes tougher. Your company will continue to perform.

Baidik Sarkar: That's very exhaustive thank you. That answers a lot of my follow-up questions. If I may just end with one more, I remember from our previous conversations that, the R&D initiatives of Charminar are coming to an end by the end of March this year. In fact utilizing the cost of asbestos free sheets to parity where the pricing is today and that would be a huge opportunity at the consolidating market share. Any updates on how we're progressing there?

Dhirup Roy Choudhary: R&D has done wonderfully well to reduce the costs. We had a slight negative impact, in one way, because we had shifted the fiber back to Brazil and the exact type of fiber or the iron fiber that we wanted to bring from Brazil was not available because they had limited permissions for taking out the fiber. But R&D has worked. Last quarter you would see our margin were slightly down on AC sheets because we have lost a little bit of money owing to higher fiber utilization. But R&D has worked out of a very good systematic process around it and from Q1 next year we will start getting benefits. The cost of fiber in Brazil is substantially lower by what is being offered by Russians and Kazakhs. Therefore, we continue buying from Brazil and the benefits truly will come next year from Q1.

Baidik Sarkar: And just a bookkeeping question for Mr. Veerappan. How should we look at leverage playing out in India business at the end of next year? I think we generated enough free cash which we can utilize over the next 12-15 months, so your thoughts on leverage?

KR Veerappan: We have brought down to 0.5x and we expect that to continue, so it's not going to be more than that.

Baidik Sarkar: So, the prospect of complete deleveraging may not culminate is what you're saying. We might continue to carry a certain amount of that.

KR Veerappan: There'll be some growth opportunities. It cannot be made to complete zero.

Dhirup Roy Choudhary: Mr. Sarkar the long-term debt will be continuously reduced by us and at the moment as it stands at about Rs.90 odd crore which will reduce by another Rs.50 crore by the end of this quarter. So that's our biggest focus. The short-term loans are all against working capital. We don't have a concern on that. Parador loans are at very low rates and they are even getting prepaid by Parador because of excess cash that is getting generated there. So that's not our concern. If there are good opportunities to invest further, we will invest and we'll come to you at that stage.

Moderator: The next question is from the line of Amit Vora from PCS Securities.

Amit Vora: My question is on the Humid Cure technology. If you can give some more color on what could be the potential from here on and when you said that we look at that utilization reaches optimum level?

Dhirup Roy Choudhary: Hello Amati ji. Thank you so much for your question and thanks for your appreciation. Amit ji on Charminar Fortune let me tell you very transparently we are. I would take a pause and say, yes, we have taken a little more time than I had anticipated in developing this technology. I'll tell you where. We had a first indication of developing a product, which can completely de-risk us in case asbestos goes out of the market. That we developed very well through the autoclave mechanism and that product was fantastic but slightly expensive because it was using autoclave. Plus there was less possibility of generating high volumes of that because autoclave had a particular restriction. So you can only add finite number of autoclaves. Take four of them, it can only deliver about 150 metric ton a day. They were all these limitations that we have, which also compounded to the cost of this product. So while the product was great and is great, the cost was very-very high. R&D continuously worked then towards making another product for Humid Cure which is far lesser sensitive to all of this because it doesn't use autoclave. So you can virtually make this product for many of the factories with a small CAPEX using non-asbestos material. This product is now at a very right stage of R&D development and production. We have already seeded 1,000 metric ton of this product in the market. We were constrained because we didn't have a clear manufacturing facility. We only have to use part time facility from our South Kondapalli plant. Now that we have a full fledge manufacturing facility in Faridabad which is a brand-new state-of-the-art line. This development will take even further pace. The whole idea of developing Fortune Humid Cure is that the costs will be lower, the strength will be higher, even higher than our bottom play and therefore this will have a far better reach in the market. I am bullish that at the moment, the capacity is 60,000 metric ton in Faridabad new line, I am bullish in the next couple of years we'll be able to grow further.

Amit Vora: The second thing is on our ad spends. Have they come back to the normalcy, whether it was on digital platform or other modes, have they come to normalcy or you're still holding back some of them?

Dhirup Roy Choudhary: You're talking about the marketing spends, am I right?

Amit Vora: Yes, absolutely.

Dhirup Roy Choudhary: This year, voluntarily we have taken a call to keep it at a bare minimum and we have done that miraculously well. Q4 we will start spending a little bit on BTL. We have not decided to go big way on ATL at all. There will be no synergy with any more cricket and the IPLs and all which were big ticket items 2 years before last year. We are not going to get back to that in a hurry. Therefore, the marketing spend will be bare minimum as much as it's needed for regular business upkeep.

Amit Vora: What would be our approximate CAPEX plan for next year?

Dhirup Roy Choudhary: I would like to answer that question a few months later, once I'm ready with the budget. But yes, there will be some investment that I propose to bring in for building manufacturing solutions by adding new CAPEX for blocks, panels and boards because we are 100% full up on the capacity and the business has come back to normalcy from December or November of the last year. We have grown last quarter as you've seen and this quarter also should be reasonably well. And therefore we have to add capacity. Profitability has gone up in this segment and there is good reason for adding capacity. That will be one capacity that we will definitely look at; the exact numbers can be told to you as soon as we are ready with them. And other than that no big-ticket item is being planned at the moment, but all of this will be met by our cash flows, so there shouldn't be a problem.

Moderator: The next question is from the line of Ritika Gupta from Equitas Investments.

Ritika Gupta: My first question is pertaining to the roofing segment. If you could give us, how has the industry grown in this quarter and what was HIL's volume growth?

Dhirup Roy Choudhary: Hi, Ms. Gupta very nice to talk to you again, thank you for your question. The roofing segment after a muted Q1 has grown in Q2 and Q3 in the market. But, on a nine-month basis, they are still at basically the same levels as last year, maybe a 1% growth. We have definitely grown in this market. On a quantity basis we have, volume basis we have grown 20% and on a revenue basis, we have grown 34% over last quarter, which means the prices have been better than last year, same quarter in Q3. And market share wise, we have gained market share 150 basis points and the differential between us and others have only grown, therefore.

Ritika Gupta: You mentioned that in Q3, our volume growth was 20%. Is that right?

Dhirup Roy Choudhary: That's right.

Ritika Gupta: Regarding raw material prices, you did mention that next year our fiber prices would be lower since we would be sourcing from Brazil. But in general, how do we expect our raw material prices to be trending as cement and other raw materials are also looking upwards?

Dhirup Roy Choudhary: Raw material prices is a perennial problem in this division. But the team has found ways to handle it every year after year. But raw material consumption rates are kept muted or rather efficient by the R&D intervention. Our biggest challenge apart from fiber is fly ash and cement. I am saying, even though fly ash as a percentage is lower in the total raw material, it is having a severe impact because of board availability. The power plants are getting switched off, switched on due to lower power demand in the country and in some of our factories, we are facing this problem. Plus the cost, because then you have to go to other power plants and get the fly ash, which is leading to a higher transportation costs. Cement is a concern, every one of us are knowing and I think the South, their lobby is very strong. Prices are extremely huge there. Those concerns will continue to remain. But I think the market realizes it. We have seen a good NSR contribution this year, raise in NSR because of these costs and therefore the profitability has gone up. We continue to hope that with the markets looking up next year because the monsoons have been great last year and farmer are getting their benefits from the government in very fast rate. I hope that next year the market will be great for roofing and we will be able to continue this profitable mode for roofing.

Ritika Gupta: My next question is pertaining to the polymer division. Would the revenue breakup between putty and the pipes be 50% in Q3?

Dhirup Roy Choudhary: Yes more or less.

Ritika Gupta: If you could give us what were the inventory gains that we enjoyed in the pipes division in Q3, if that's possible?

Dhirup Roy Choudhary: Inventory gain?

Ritika Gupta: Yes, we would have a gain from the resin prices firming up, right?

Dhirup Roy Choudhary: Yes. While the prices were firming up the market was not giving us that kind of prices. Market was slower to realize the NSRs, then the raw material price firming up that I am sure you found in the market. We had done such a strategic planning for the material and tried to find ways of getting it competitive and that has definitely helped us in the overall profitability.

Ritika Gupta: In the building solutions division, we had record EBIT margins this quarter, do we see them sustaining going forward or do we see any improvement?

Dhirup Roy Choudhary: Building solution is the only segment where growth will be more driven by selling price increase because we have reached our prime capacity there. We have flawed in setting up newer capacities, which should have been ideally done this financial year early because we took a pause due to COVID, not knowing where it's going to go. So, yes, that segment growth in top-line would come more from getting your market from better regions which gives us better NSRs. Therefore, I assume that the profitability definitely will continue to go. We have also cheesed out our cost-based immensely in this segment and that should continue for us.

Ritika Gupta: Regarding Parador, I wanted to know we not had much volume growth as our capacity utilization has been hovering around the 70% level. Have our realizations grown considerably and what is the reason for that?

Dhirup Roy Choudhary: To be fair and let's give this thing that Europe really faced a severe COVID and amidst that the international borders were all sealed, markets like China, Middle East, United States, Australia, they were severely down on commercial sector which is our export market. So we could not do much on that. Therefore the volume growth in Parador has happened and has come from a product mix that we have improved. So we have gone through the R&D route. I had mentioned this earlier and it's good to remind everyone that Parador changes their product, 50% of their revenue every 3 years through R&D contribution. We have come out with this wonderful modular one product, which is really helpful to seed in the market with higher realization and the customers are loving it. This has a much far better appeal with the customers and we have grown in modular one over last year by 72% and having a better high price realization. So this has all helped us the cost reduction that we have through lean Six Sigma as well as our cost drive like we have done in HIL India, all of that has contributed to the better profitability.

Ritika Gupta: So my last question, you've done fantastically well for the company in the last 3 or 4 years, even your acquisition of Parador was really good. What kind of vision do you have for the company for the next 5 years?

Dhirup Roy Choudhary: I am sure all of you, as owners of HIL must behind HIL to be a one stop building manufacturing company. That's exactly the aim I also share with all of you. Our attempt has been to de-risk us from asbestos business while we increase asbestos business, so we increase other businesses so that the share of asbestos comes down. When I joined the company, I think 4 years back we were about 60% to 70% asbestos dependent. Now we are only about 30% asbestos dependent. That's one aspect. So we are growing in another product. I have a very-very high aspiration for you and your organization to take up with polymers, for Parador and while continuing in building and roofing segment plus add any other intelligent acquisition that may come through. So, we have paused this at the moment for any further acquisition but the dream is very much there. HIL wants to become a US$1 billion topline by 2025 that's the internal target for each of our employees. I think we are taking all actions towards making HIL a one stop building solution, $1 billion top line by 2025.

Moderator: The next question is from the line of Anish Jobalia from Banyan Capital.

Anish Jobalia: I had a question on the roofing solutions. So, in the roofing solution business what is the split between the residential and commercial real estate and what is our strategy to increase our penetration in the commercial real estate part, if at all we have one?

Dhirup Roy Choudhary: Roofing is B2C primarily and roofing segment is all about retail through to the Tier-III towns and rural cities. I think roofing we don't monitor it back; we don't do enough of B2B institutional business because many of the big institutions have gone away from asbestos. Roofing is primarily, for the B2C rural sector.

Anish Jobalia: When I mean commercial, so I mean the manufacturing facilities being set up, those kinds of opportunity. Once you just think about roofing solution as a B2C and that too the rural construction housing, is that a right way to think about this or we also cater to the manufacturing facility being set up and we have any incremental opportunities to gain market share?

Dhirup Roy Choudhary: We don't supply to the manufacturing facilities as much with asbestos because very few customers want it but that's where Charminar Fortune comes in, which is the non-asbestos and many of the chemical plants are taking this product for their manufacturing facility because there is big erosion climate there and steel doesn’t hold good. So that’s the manufacturing part which has been catered by our non-asbestos segment.

Anish Jobalia: In our roofing solutions our revenues are hovering at annual run rate of around Rs.850 crore in the last 4 years barring FY20 and this year also we are likely to do a similar revenue run rate a little bit here and there but do you think that given the tailwinds that you have been seeing in FY21 increasing in the market share and other initiatives that you have already spoken about that this business will now deliver a sustained growth on this Rs.850 crore base from FY22 onwards or how are we thinking that the numbers would hover around this for the future at least, how are you thinking about the overall growth?

Dhirup Roy Choudhary: Let me answer your question in two ways. One is the market for asbestos. Market for asbestos is highly cyclic and it's dependent on the monsoons of the earlier year. If there is good monsoon and good harvest for the farmers and cash availability is there with them higher and therefore, the spend is higher the subsequent year. I definitely see next year again the business will be very good because the rains have been very good in 2020 and even the harvest, all their products for harvest have been very good. Plus cash has been made available by government through various initiatives. I think all of that will help the rural sector. So that's about the asbestos market. Therefore, I definitely see asbestos market will grow next year as well over even this year growth. Our growth, in the next 2 years, will start coming from the non-asbestos in a big way. That's where the new capacity in Faridabad has been added because that's the segment which will not cater to the rural sector alone, it will cater mainly to the institutional sector and there we will go head on with steel and we will take away market from them. That's exactly how we are doing Indian Railways is highly appreciative of our products. They are buying in big numbers. We are also selling to lot of industries. As I mentioned chemical industries and industries which are near the saline atmospheres are using this product more and more. As we become more efficient in this product with the humid cure cost come down further this business will take up further. Our growth in roofing segment will come from all of them, plus we are now looking at increasing new products in this sector using our retail spread which could be in the construction chemical, tile adhesive or even it could be looking at in a small way bringing in paint, as an element into this segment. All of that is being looked at by the company so that we are able to grow, utilizing our extensive reach.

Anish Jobalia: One last question in the building solution side. I just wanted to again understand the tilt between the residential and the commercial part and with the government trust on setting up the domestic manufacturing facilities to PLI Atmanirbhar etc. so is this business likely to see tailwinds over the next few years?

Dhirup Roy Choudhary: It will. The answer is yes and we were highly exposed to commercial sector earlier but COVID has taught us to have a meaningful contribution to all sectors and I think that has taught the business to be extremely agile and wherever the business comes from. We will get a tailwind definitely in this business, and we are very hopeful that, this business will continue to do well and therefore we are now seriously looking at expanding this business further.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors.

Bharat Sheth: On this roofing solutions, just to get your sense since we have started commercial factory and we are talking of Humid Cure to make this product more efficient as well as. So at what stage this whole progression, and as you rightly said because economic benefit of Charminar Fortune vis-à-vis steel roofing which can open up a big industrial application. If you can give some sense from 2–3-year perspective?

Dhirup Roy Choudhary: Very kind of you first of all for your appreciation Bharat ji, it means a lot to me and the team. So far as Charminar Fortune is concerned, I mentioned to you our first priority was to have a product in place so that in case asbestos is switched off by Indian government for some reason or the other; we would be the only company having this product. That was established to the autoclave, but now R&D has come out with Humid Cure which will be far more economical and much more robust so there will be higher trend almost equivalent to AC sheet or asbestos sheet which is what the customers normally like to see and therefore that product, we are very consciously, getting the IPs done all around that we are getting into IPs for, nearing countries as well. In next 2-3 years' time, Rs.100 crore or more is definitely on the cards and we will see how to expand this product further into institutions. But this product will be the only product in the country in case asbestos is switched off tomorrow and in case everyone is then pushed to the wall to supply non-asbestos product then will be the only company which can make this product from any of our factories, all the six factories that we have, with very small gestation time. There will be small CAPEX that will be needed in each of the factories and then we can ramp up the facility in every factory. This is supporting us both from a sustainability point of view, as well as from a point of getting additional business from institutional segments.

Bharat Sheth: Vis-à-vis competitive or economic sense for user industry, how economically this including setting up cost, durability as well as the aesthetic look where steel sheet lot of are available, pre-colored so if you can give some sense on that aspect also?

Dhirup Roy Choudhary: Absolutely, I had given a price context last time. I will repeat that again for every one of you. If asbestos is x, steel is 2x, when it comes to total cost perspective. We want to bring non-asbestos between the two, preferably around 1.5x, so that it's far economical than steel and more expensive than asbestos, for sure but we do not want to cannibalize asbestos market in rural sector in the retail space, we will go to the institution, that's point number one. Point number two is from a productivity point of view it will become very good once we have stabilized this Humid Cure. Because then you don't need autoclave so therefore the efficiency will be higher. Point number three is we have a colored variant in this and which is absolutely aesthetically as good as any colored alternatives that the market has and therefore we are confident that we will be able to place this at par and better than steel because steel would have a life of 10-12 years. This will have a 70-75 years life. Steel can get corroded, this won't get corroded. Steel can get punctured and there can be a hole, this won’t. Steel has a heat and sound problem, this won’t have, this is highly insulated material. All those benefits will come with it and with the color variant, this will be fantastic. I can ask someone to send you some brochures on this which gives you the color options and they are fantastic.

Bharat Sheth: Now picking on this Parador, we have done wonderfully where in this challenging time and Europe was more affected in Q3 but still we have been able to do much better, you explain as well as improve the margin, so where we are in expansion of geographically for sustainable growth and sustainable EBIT margin that we are looking? Now with this expansion further improvement is possible or not?

Dhirup Roy Choudhary: 101% answer is yes. We have got a slight setback with the International Circuit because of COVID. This was not our aim, but this has happened because boundaries were sealed. People just couldn't travel. All the commercial activities, whether you talk of big hotels or malls or everything in different parts of the world they were absolutely at standstill. Therefore, there was no way that we could have sold Parador to the international market. Given it to a normal base in any European company and in any other flooring company, except Parador in Europe, you would see the business has completely collapsed because they did not know how to still continue the business in Europe while everything was closed down. What we had done last year was migrated from our three layers status of our distributor and then retail, and then consumer to a DIY structure where we were supplying the material to Do It Yourself stores and then we went into e-business and we went into online brand store for Parador. All of that was putting in 2019 and 2020, we have seen that has all benefited when COVID came and Parador has sustained and done better than the previous year, last year only on account of all these initiatives that they have. This quarter they are facing a bit of a challenge because of COVID situation in Europe but they are still managing very well. I am very hopeful that as soon as COVID vaccines are through and things return, you would see the growth. China incidentally amidst all these challenges China JV is growing this year over last year and we have grown immensely in Nordic countries where we have acquired several new customers. We have grown in France, Netherlands. UK & Spain has been slightly muted again because of high COVID cases but we grow in Europe immensely. Now we will grow in international markets as soon as COVID relaxes. My dream and your dream of taking Parador to the new level doesn't get diluted at all. It may have been slightly dented because of COVID but it's not going to go away at all. Parador will grow and Parador will grow profitability.

Bharat Sheth: Will there be once the international markets become again more so because of logistic cost as well as intermediary involvement currently what we are more or less like doing B2C so get some kind of an impact on the EBIT margin?

Dhirup Roy Choudhary: No, I don't believe in it at all. I have always said this and I am repeating, we will not do anything in HIL which compromises profitability. The growth in HIL will come profitable. That's an underwritten statement that I am telling you. There were lot of concerns earlier by all of you as well because of Parador you were not sure whether that's the right acquisition we have done. I was sanguine, I was confirmed, I was very sure and we are moving exactly in that direction. The profitability will be even further enhanced in Parador because you would be able to use the base load by increasing the sales, so Europe, the fixed cost is very high in many companies and that will get acquitted over a bigger base once the revenue grows up. Parador profitability, which we took Parador, at 7% EBITDA now is hovering much more than 10%, I think about 12%. I can easily say and I never give very high estimates ever but I will say take 10% and we will enhance it further.

Bharat Sheth: Over the next 3 to 5 years do you think that Parador can become a globally, online seller?

Dhirup Roy Choudhary: Yes, it will be a mix of both; it will be a mix of DIY and online. In Europe, there aren't many-many people who want online. They have gone to it today because of COVID situation. Internationally, yes online will be a great way. Parador will grow. We have taken Parador at €140 million top line. I think, we should be hitting the €200 million in the next 2 years' time and then moving further to €250-300 million, Parador is definitely going to grow and wherever we need, we will add further CAPEX, we are bullish on this. This is the right investment that HIL needed to make, we have done it at the right time, we have got it at the right value and we will convert it to a far more profitable product.

Moderator: The next question is from the line of Shantanu Basu from SMIFS.

Shantanu Basu: The first question is with respect to the breakup between blocks and panels sales in your building solution for Q3 FY21 and FY20? The second question is the number of dealers and distributors that you had for your Polymers business? If we can give the breakup for this current quarter for pipes and putty and what was the roofing capacity utilization for the current quarter and finally with respect to Parador what was the sales from outside of Germany and Austria?

Dhirup Roy Choudhary: Some of the data I may not be having it immediately with me, Shantanu so I would request you to reach out to us, especially on the sales connect of Polymers. That data is not with me. For blocks and panels breakup I can say blocks is about two-third and panels is about one-third of the revenue, that's roughly how it is. And so far as roofing is concerned, our capacity utilization is about 70% in Q3. For Parador, we have definitely utilized the available opportunity within Germany and Austria extensively during the COVID situation because opportunities of going international was as low as nil and therefore, about 58% to 60% of the volumes have come from Germany and Austria during this time and the rest of them has come primarily from Europe and apart from international per se. Germany which was normally about 50% has gone up by a few percent during this time but Europe has also gone up and that's how Parador has grown while internationally we haven't grown.

Shantanu Basu: What was the figure from rest of Europe?

Dhirup Roy Choudhary: Germany and Austria were from about 50% we went up to about 58% this year. As a total of revenue and from the others, we came down from about 50% to about 42%.

Moderator: The next question is from the line of Nikhil from SIMPL.

Nikhil K: Just one question I have on Parador, I sense you are much more confident on the growth and the margin trajectory in Parador now versus what you've been communicating over last 2-3 years? Do you believe that the new product changes or the new product introductions which the company has brought in, can change the way the growth which we were seeing for Parador globally can accelerate much faster than what your idea was during the time of acquisition, if you can share any thoughts?

Dhirup Roy Choudhary: First of all, let me just polish your question a little bit by saying I was always very bullish on Parador and I continue to be bullish on Parador. That was the reason why we went for Parador. The reason is very clear. They are a very-very high-end brand. They have a fantastic product, which is well established. They have some wonderful interior designers that are working with them continuously to develop newer products and the likes of Hadi Tehrani and others. You get into the net you will know they are the world class designers who are working with Parador and therefore, that product and that business is definitely something that everyone should eye for. I am still bullish and I was. Now the question is, have I become more bullish? Am I giving up higher trajectory on Parador? Look, my intention is that first we utilize the full capacity within Parador. We are about 70% utilization there. There is a far more capacity available but for that you will have to get into international regime and both were halted for the last nine-months owing to COVID. That was not desirous but we couldn't do anything about it but now we will do it as COVID relaxes and this growth is definitely going to come and any new product that is a normal process in Parador that we continue to develop. As I said 50% of the revenue every 3 years changes and comes from new products. Modular One was one new product which was launched after we took Parador in the year 2019 and it has already worked miracles for us in their growth and actually taken away a lot of losing market that we have from other products because of competition and plenty of other products that you're making. For instance, in other countries they want highly sensitive product to water, termite and all those things. They do not want similar products so we are developing those products now and they will soon be launched and you would hear about them. If you are following Parador, they are very active in digital media; you can follow them. We have launched a new digital medium called One World, sorry, Ajay can you correct me. Is it One World or?

Ajay Kapadia: It is One Ground.

Dhirup Roy Choudhary: One Ground and if you get into again Parador you will see it. One Ground is a fantastic digital proposal that we have done there. We've gone into different pockets of the world and gathered feeds in understanding what their requirements are and the products are being designed for that. All of that is getting done there. Believe me, we have a very-very exciting future for Parador but COVID has halted a little bit. They will soon come back.

Nikhil K: On the revenue target of a billion dollar you mentioned, would it mean that we would have to add one more product line or probably with the polymers and building solution and the Parador we can easily approach that billion-dollar kind of revenue what we are leaving to achieve?

Dhirup Roy Choudhary: This is a subject we are continuously debating $1 billion is not my target, thankfully. It is the target from the team and I own it as much as the team and therefore I have more reasons to believe we will achieve it. Roofing can do finite growth for us but we are trying to add a few more products in that. That's again in the strategy work at the moment, you will soon hear as we come to the street with that. Building also will grow and polymer will grow exponentially and our aim is to take roofing ahead of Rs.1000 crore, polymer to a Rs.1000 crore, building solution maybe about Rs.700-800 crore. Parador will definitely grow immensely and then wherever there is a need, we will add more because our dream is to become one stop solutions for building. That dream takes us to wherever we want to.

Moderator: The next question is from the line of Kush Gangar from Care PMS

Kush Gangar: My first question is on roofing, so considering we compete with steel-sheet and considering the rising steel prices, do we anticipate a favorable environment in terms of price hikes for the upcoming season?

Dhirup Roy Choudhary: Absolutely yes, is the answer.

Kush Gangar: The current differential between steel sheets and asbestos sheets would be significantly higher than the normal difference in previous years.

Dhirup Roy Choudhary: It's very difficult for me to project the rise in steel prices as it will be next year. But, definitely if steel prices rises, our asbestos prices also rises and volume also comes more to us.

Kush Gangar: The second question is on the flooring division. So basically what we understood was that at full capacity utilization we would be able to Rs.1,600 crore of top line on that. But current quarter the top line is around Rs.400 crore and we are at still at 73% utilization. So has there been any significant increase in realization or am I missing something?

Dhirup Roy Choudhary: You are absolutely right. About €200 million would bring us to full capacity in this, which is about Rs.1600 crore in the present context. We have got a better price realization because of the product mix that we have changed as I mentioned. So, therefore if that product mix can be pushed further and that's where we are going for. We are trying to take Parador into a far more efficient model than what it was historically last 10-15 years. And I think that will continue. Therefore, we can generate more revenue from new products and that will continue to help us in the profitable growth of Parador.

Kush Gangar: My last question will be on polymer, so basically the current margins have increased significantly partly due to skill and partly due to the benefits which the industry has worked. My question was, once we increase our skill and top line, do we expect the margins to improve even from current levels?

Dhirup Roy Choudhary: Our anticipation is when we are able to reach Rs.400 crore level, we should be at least that 15% EBITDA margin and that's how the team is trying to move forward. As we push more material, polymer is all about pushing more material, making it more efficient margins definitely go up. All small players who are at Rs.200-300 crore are very less profitable, while the big guys who are Rs.1000 crore are high profitable. We have to reach those levels and we will.

Kush Gangar: And considering the pressure which the unorganized players or smaller players are facing in polymer division, do we expect to scale up quickly versus our earlier targets because that has become a little easy for branded players to gain scale and markets.

Dhirup Roy Choudhary: Our attempt will be to ramp up the production as much as possible and the business. We are keeping ourselves very well aware of the market and we will take all opportunity that comes our way.

Moderator: The next question is from the line of Viraj Mehta from Smart Investor.

Viraj Mehta: If you could throw some light in terms of what is the proportion of colored sheets and how has it moved in the last couple of years?

Dhirup Roy Choudhary: I mentioned the colored sheet in response to the non-asbestos roofing. We have just launched asbestos colored sheets from January this year and that's only a very small part of our business, so that will need to be ramped up further.

Moderator: The next question is from the line of Pattabi, an Individual Investor.

Pattabi: I just want to know China is not impacted that much by this COVID virus and their economy is doing quite well now, how is our business doing in China?

Dhirup Roy Choudhary: Our business has grown already over last year by about 20% in China. And, China will take another quarter to stabilize is what I hear. But we are very bullish about it. A few things that we have done in the China model are as follows: number one, we have made a joint venture and therefore, the investment in POS which is Point of Sale, which is very much needed for the details flooring segment is all been done by the joint venture and therefore, we are not spending any money in China. Point number two is as the business is growing, it's now profitable in China and therefore we are absolutely in a profitable model. Point number three is we have already gone ahead and set up 40 PoSs in China in different cities which means that the brand is being looked at very well there. Point number four is they have an excellent middle-class looked at in China and middle-class crowd there look forward to brand and therefore we have a good aspiration for ourselves. We would grow in China. We have a fantastic railway track, which is from Germany to China, direct railway line and therefore our product supplies are flawless from Europe. This is a very good model. I am very hopeful that this JV will pick up very soon as COVID gets better.

Pattabi: Since you have moved to China, do you have any plans for marketing these products in countries like South Korea, Japan, Australia, New Zealand like that?

Dhirup Roy Choudhary: Australia we have already jumped in and I think as we sit today, we have taken 16% market share in Australia already. We are looking at other South East-Asian countries as well and we are not going to feel shy getting into any as we get our profit through this business.

Moderator: The next question is from the line of VP Rajesh from Banyan Capital.

V.P. Rajesh: My question is when you were talking about a target of billion-dollar revenues by 2025, are you assuming all of it to be organic growth or are you assuming an acquisition somewhere between now and then?

Dhirup Roy Choudhary: Everything may not come from organic growth. We will definitely strive for organic as much as possible but inorganic will not be ruled out.

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

Dhirup Roy Choudhary: Thank you very much, everyone. Thank you very much for taking this call and coming over and asking questions about your company. We are always very transparent to discuss everything that you need to know about your own company and our investor cell is very much there to answer every bit of it. We value your continued interest and support in HIL and hope that you keep yourself safe and all the best and look forward to seeing you sometime soon. Thank you.