

Date: November 16, 2018

To The Department of Corporate Services –CRD Bombay Stock Exchange Ltd P.J.Towers, Dalal Street MUMBAI – 400 001	To National Stock Exchange of India Limited 5 th 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 Monday, October 29, 2018.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

In continuation to our letter dated October 22, 2018, Please find attached the Transcript of Analyst / Investor conference call held on October 29, 2018.

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




G. Manikandan
Company Secretary &
Financial Controller

HIL Limited

Q2 & H1 FY19 Earnings Conference Call Transcript

October 29, 2018

Moderator Ladies and Gentlemen, Good Day and Welcome to the HIL Limited Q2 FY2019 Results Conference call. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karl Kolah from CDR India. Thank you and over to you, sir.

Karl Kolah Thank you, Janice. Good afternoon Ladies and Gentlemen and welcome to HIL Limited Q2 and H1 FY19 conference call for Investors and Analysts. The call has been hosted to discuss the financial performance and share operating highlights of the Company with you. Today, I have with me on the call 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 - GM (Finance).

We will commence the call with comments from the management team post that we shall have the floor open for a Q&A session, where the management will be glad to respond to any queries that you may have. At this point, I would like to highlight that some statement made on today's call maybe forward-looking in nature and that the actual results could vary significantly from the statements made. A detailed statement in this regard is available on the Company's earnings presentation which was shared with you earlier. I would now like to invite Mr. Dhirup to present his views on the operating performance of HIL, the strategic development and the broader outlook on group. Over to you, Dhirup.

Dhirup Choudhary A very good afternoon to all of you present on today's call. Thank you for taking the time out.

Our performance overall during Q2 has been satisfying, with roofing solutions reporting a 4% improvement YoY. Building solutions delivered a 30% increase in sales YoY. Our plumbing solutions business has belied even internal expectations by showing gains of 130% YoY. There is a substantial growth that has been credited in the first half over the last year. My CFO, who follows my remarks, will of course share the details on that.

I also wish to formally welcome the employees of Parador Holdings into the family, with HIL having closed the transaction in lieu of the requisite approvals being in place. Flooring solutions opens us avenues for both HIL and Parador as we seek to traverse into the others markets. By acquiring Parador, we are seeking to further enhance the marketing and distribution bandwidth for Parador in international markets, particularly in South East Asia as they derive over 50% of their revenues outside their home market. Also in India, where upto 70% of premium wooden flooring gets imported, there is an opportunity for HIL to establish Parador products by brand building exercise. These sales take place through the same channels in

which we operate namely large organized real estate companies, architects or consultants. The very initial interactions we have had with our sales partners have been encouraging and I see no reason why the business will not scale up here logically.

Parador is a renowned, premium brand, which has made its mark across Europe. The interesting bit is that this is a team that refreshes at least a half of the product portfolio every three years. The setup is entirely integrated end to end, and that's really the beauty behind the business.

I will address our existing businesses and share some thoughts on our intent. Roofing solutions continues to make new milestones, backed by strengthened sales and distribution machine. This is a testament to the team's efforts in raising productivity and throughput at our units and ramping up distribution all across.

Our green roofing solution, Charminar Fortune is a coveted proposition. We have filed for patents in key markets, including India, and hope to be able to chart a very encouraging initial spurt in orders. This being an institutional product the typical sales cycle is longer and meticulous. We are excited about the prospects to scale up this venture.

Building solutions is reporting good traction with our dedicated solutions oriented approach. Strong growth is seen in wet walling, dry walling segment and thermal insulation. We are evaluating this business internally and will at an appropriate time consider investments towards growth.

The Plumbing solutions has our attention and we are nearing the round of capex at our facilities. With an expanded presence in product lines we are now able to engage more meaningfully with our customers. Already we have reported a quantum improvement in performance and the pace is sustainable. We are working towards offering a quality product, which is our trump card. There is enough growth in the market for good brands and we are complementing our portfolio with heightened promotional activities. So the results are bound to be interesting.

The dynamism in our performance is supported by efforts to enhance operating efficiencies, and streamlining processes. We have achieved good deal of optimization on the working capital front with the joint efforts of operation and finance team and we aim to maintain the momentum.

I am delighted to share that HIL has been recipient to multiple awards recently. We have received award for in the fields of rural development and leadership and as we strive for excellence in all endeavors. Our manufacturing facility won the 'Best Greenery Award' from APIIC for maintaining highest standards of excellence and in our drive to be environment friendly. At HIL, we believe in giving back to the society and we continue to undertake several projects in the field of education and infrastructure in our endeavor to bring smiles to everyone.

HIL continues its journey as a full line provider in building material solutions. While we are strengthening our leadership positions in key segments, in others we are recording strong growth. Based on a foundation of quality, innovation and responsiveness to market needs I believe this business is poised for greater heights. Parador of course will get assimilated financially by the end of the fiscal year, which is when we will report the combined balance sheet. These are exciting times of the business where both our heritage and entrepreneurial passion will see the creation of a thriving global franchise in our industry.

Thank you. I would now like to invite my CFO, Mr. KR Veerappan, to take to the forum to share his perspective on the financial results.

KR Veerappan

Thank you, Dhirup. Good Afternoon and thank you all for joining us on the call today. Let me begin by taking you all through the financial and operating highlights for the quarter and H1 FY19.

FY19 had begun on a strong note and the momentum continues with Revenues of H1FY19 going up 21% year-on-year at Rs. 804 crore. In Q2FY19, Revenues stood at Rs. 307 crore as against Rs. 256 crore in Q2FY18 leading to a 20% growth. This has been led by solid traction in our Roofing solutions which has delivered a growth of 4% year-on-year. Charminar Fortune, our non-asbestos solution continues to see a progressive growth in the institutional segment. We have established good contacts with Government bodies and reputed private sector companies. The response to this product has been extremely good. Building Solutions and other segments recorded a year-on-year growth of 30% and 119% respectively.

Our focus continues on rendering solutions in the wet walling and dry walling market where we aspire to realize gains. The new capacities have already been commissioned during the quarter as committed. We have been consistently expanding our product portfolio to cater to the growing demand of the building materials industry.

In H1 FY19, EBITDA came in at Rs. 146 crore as against Rs. 99 crore in H1 FY18, marking an increase of 48% YoY. For Q2 FY19, EBITDA was at Rs 57 crore and improvement of 80% YoY. The credit is strongly attributable to the various cost optimization measures along with prudent procurements, the overall business efficiencies in the manufacturing segments and better market realization. We will continue to undertake calibrated efforts for the working capital optimization. The working capital borrowings at HIL has been NIL for the 10th consecutive quarter.

In H1 FY19, PBT improved by 71% YoY to Rs. 120 crore. In Q2 FY19, PBT went up by 185% YoY to Rs.42 crore. This includes non-operative income on account of sale of property to the extent of Rs. 6.40 crore and forex reinstatement of Rs. 8.18 8.20 crore on Euro 20 million share-holders' loan given to HIL International GmbH, a wholly owned subsidiary, to acquire Parador Holding GmbH. I am happy to state that we have already achieved last full year's PBT of Rs. 120 crore in the first half of the current year.

We had begun this year on a promising note with all business segments delivering a strong volume and profitability growth and it was the best quarter in HIL's history. Encouraged by this performance we will strive to do better and will continue to grow ahead of the market consistently by adding to our market share. Our recent acquisition of German building materials maker, Parador Holding will enhance HIL's position as a leader in building material solution in India and enable our transition into a global player. This acquisition reflects a step taken in the direction of being an integrated building solutions provider. This acquisition will be EPS accretive and the debt to equity ratio of HIL for H1FY19 stands at 0.5x.

A normal monsoon in most parts of the country and improved farmer sentiments will prove conducive for our business. With this I would like to conclude my opening remarks. I request the moderator to open the question and answer session. Thank you.

Moderator

Thank you very much. Ladies and Gentlemen, we will now begin the question answer session. We will take the first question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar

Couple of questions. The earnings after the console level is obviously driven by very steep margin upbeat in the building product and the roofing segment. Could you help us understand in some degree of granularity, the drivers behind your margin beat and sustainability of the same?

- Dhirup Choudhary** As Mr. KR Veerappan alluded a little while back on the call, I think the margin has been primarily driven by internal cost savings that we have done. There is a serious effort towards improving on all cost dimensions within the organization and this has been a continuous effort last one and a half years that the Company is witnessing. We have improved our borrowing powers immensely the working capitals have come down and these have also added on to the interests. However, if you look at the EBITDA levels the improvement has also been because we have passed on quite a lot of costs to the customers. We are basically a price leader in the market wherever we are serving and there is very little compromise that we do in securing good prices and we are not quantity driven as much as we are price driven. And therefore, those have been some of the activities that we have taken collectively to improve these margins. And these are quite sustainable, traction should continue.
- Baidik Sarkar** So, I think at the end of Q1 the capacity utilizations that which you operating across segments was north of 80%, I mean I just giving you very broad blended average number. Could you help us understand your CAPEX initiatives across these segments' panels, dry boards, mixes, putties this is you seem to peaked-out as things stand today just a sense of how capacities are opening up times to come?
- Dhirup Choudhary** Mr. Sarkar, as I mentioned in my opening remarks, we are still evaluating this segment. I had mentioned last couple of quarters that the price realization of these segments in the building solutions have not been up to the mark and this is something that we are driving hard by solutions technique and you can see that the price realization this quarter has definitely by far gone up quite a lot. The putty business is also going up for us where we are setting up new plants in Jhajjar as well as in Golan for enhancing the putty internal capabilities to deliver. I would take a pause here and come back to you very soon with further information on growth of capacity in the other building materials segment.
- Baidik Sarkar** Last question before get back very broad financial contours of Parador transactions of course know what consideration in the revenues where but some contours on what Parador's P&L and an earnings profile looks like?
- Dhirup Choudhary** So, I think the numbers last year end, that is December 31st, 2017 was Euro 142.2 million with an EBITDA of Euro 10.7 million. It is a pre-profitable company. We are successfully completing closing formalities that have been complete well before time and we are continuously getting them into integrated form with our Company. Our immediate focus is on financial integration which we expect to complete in the next 5 to 6 months' time. We will publish first consolidated results for Q4 for the year 2019 which will also be a full year consolidation. As communicated earlier, Parador's acquisition will be EPS accretive. However, this year numbers will be consolidated only for the last 7 months that is 1st September, 2018 to 31st March, 2019. Our main focus now on sales improvement by defining strategies to entered in other overseas markets and profit improvement in manufacturing processes by driving various cost optimization program in operation. Our discussions with Parador are pretty conclusive and well ahead and I think the initial bits from the market has been fortunately solid for us and we look forward to this.
- Moderator** Thank you. We would take the next question from the line of Pritesh Chhedha from Lucky Investment Managers. Please go ahead.
- Pritesh Chhedha** Sir, just wanted to know what would have been the price increases in the roofing product taken in the last couple of years, this year and may be last year?
- Dhirup Choudhary** As you are aware the GST has definitely given us a 10% reduction in duties which has been passed on to the customers fully. And there was a reduction in prices that was happening prior to March 2017 and since then we have taken such an initiative towards improving our connect with the dealers, setting up new counters, going through the marketing drive which has brought us more closer to the dealers last year. And that is continuing, and the price increase therefore is consistent, and this traction should continue.

- Pritesh Chhedha** So, what is the extent of price increase, sir? So, last year there was a 10% reduction on owing to GST. So, net sales prices for us would have been same if you would have passed it on. Post that is there any price increases?
- Dhirup Choudhary** Yes, absolutely. The price increases that has happened has been on account of the fiber prices because we import and US Dollar to Rupee has improved and that is something pro-rata we have been improving the prices. And yes, the diesel cost is another element that has hit us below the belt and that is also passed on to the customer. When you get into the market you will always find HIL at a premium of at least 3% to 4% to our competition and that margin we are continuing, and we are at all-time improved on that further.
- Pritesh Chhedha** So, this still does not answer, what was the price increase in the last 6-8 months? Was it 5%-10%-15% and what was the corresponding cost increase? I am coming from the backdrop; this product is substitute to steel. Steel, itself would have gone through a 35%-40% price increase. Your key raw materials cement has not gone through any price increase. So, I am just wondering if there is a price increase what amount of excess margins you have built in your P&L which are related to a relative product as steels. So, if steel prices will correct obviously that has to be some spill over on asbestos volume growth over pricing. So, if I have to ask you from that context it would be good if you could highlight some of the data points?
- Dhirup Choudhary** Priteshji, the price improvement that we have made this year is to the extent of 5% and these have been to compensate the cost improvement. We are not in any way going to have a correlation with steel because that is the different segment altogether. Steel demands are continuing to grow while the prices are grown. Asbestos is quite a saturated market as we have grown a little bit on that and the growth at all stage will be in single digit as we have always said. But HIL is continuing its price premium in the market and therefore that is something we are able to cover our costs as well.
- Pritesh Chhedha** So, in your opinion 5% is price increase and there is a corresponding cost increase over similar number?
- Dhirup Choudhary** Absolutely, the cost has also gone up even further, but we have reduced our internal cost and therefore we have given better results.
- Moderator** Thank you. We would take the next question from the line of Amit Vohra from PCS Securities. Please go ahead.
- Amit Vohra** Just one question on Charminar, if you can give some more details on how it is playing out if that is possible?
- Dhirup Choudhary** You are talking about the Roofing segment, are you Amit?
- Amit Vohra** Yes, I am. Charminar Fortune, I mean to say, sorry.
- Dhirup Choudhary** And Charminar Fortune as I mentioned is a product mainly at the moment for the institutional segment. This product can get into the retail segment, but we have intentionally kept it for the institutional segment at the moment because the retail segment is very well working for us for the asbestos segment and we continue to do that. The focus is on MNCs, some of the institutional segments like Indian Railways, NTPC, big customers and what I can say is in the last quarter, so our major attention at this moment is developing these markets. We were not there in these markets as would know because asbestos had gone out of their procurement process long time back and therefore we are reintroducing as a company into the segments. So, that is a time taken and extremely tedious process. We have improved about 16 accounts at the moment that has happened over the quarter. And there are lots of repeat orders which also signifies how good this quality is being perceived. So, the market is really looking up to this product but it will take its own course at the moment. It is

still in building the product availability and awareness within the customers and we are very confident with the way that the traction is moving Amitji that this product will be extremely rewarding for us to quarters to come.

- Amit Vohra** In case, if there is a possibility for you to give how much volume you would have done by now because you have specified some numbers last quarter in case there is a number that you can give?
- Dhirup Choudhary** In the number terms we have closed down about 1,800 metric tonnes all over that has been sold to various customers and this traction is continuing.
- Amit Vohra** And my second question is, if you can give me a break down on the volume terms for each of the segment that you give every quarter?
- KR Veerappan** Yes Amit, as far as AC sheet is concerned, this quarter we have sold around 145,788 tonnes against 137,155 tonnes last quarter. And CC sheet we have sold around 1,019 tonnes and as far as the building solutions – the block are concerned AAC block we have sold around 174,157 cubic meters against 165,294 cubic meters last quarter, last year. Dry mix we have sold around 11,317 tonnes this quarter against 6,429 tonnes of last year same quarter which is a 76% growth. Panels we have delivered 17,208 tonnes against 14,135 tonnes again a 22% growth. In Boards we have delivered 4,116 tonnes against 3,722 tonnes again a 11% growth. Thermal insulation we have done 1,545 tonnes against 1,207 tonnes which is again a 28% growth. And CPVC pipes and fittings the plumbing solutions in terms of tonnage we have done around 1,928 tonnes against 411 tonnes which is the 369% growth in terms of volume.
- Amit Vohra** If I can just squeeze in one question is on the dry mix, is the segment that is driving your building solutions profitability that a right assumption?
- KR Veerappan** That is also driving, yes.
- Moderator** Thank you. We would take the next question from the line of Abhijeet Vara from Sundaram Mutual fund. Please go ahead.
- Abhijeet Vara** Sir, my first question is on the debt which was acquired to fund this acquisition of Parador. Could you give a break of how much is foreign debt and what are the commercials interest rate and tenures?
- KR Veerappan** Yes, in India we have borrowed around Rs. 276 crore at a cost of around 8.5%. That is our Rupee borrowing, so there is no, that does not have any Forex related fluctuations and rest of the borrowing all done in Europe itself. We have acquired around Euro 22 million for this acquisition in Europe which is at a very meagre interest rate of around 3-3.5%.
- Abhijeet Vara** And regarding, now all the procedural aspect has been taken care for the acquisition or still something is pending?
- KR Veerappan** Everything is completed, all the formality is completed. The acquisition is completed. Now we are closely as Dhirup mentioned that our focus now is to improve their sales and mostly from our perspective we are more focusing on the financial integration. The next 5-6 months that will be the focus and we will come up with the first, when we report the annual results on March 2019 we will come up with the consolidated numbers which will include 7 months numbers of Parador September, 18 to March, 19.
- Abhijeet Vara** So, the focus on Southeast Asia will be post the financial integration? Is it post the operational integration?

- Dhirup Choudhary** I think. Mr. Vora we will not be able to keep it that long. So, we will definitely at, you see it is a completely trans-border acquisition and these have its own merits to go slow and steady in building up trust in both ends. And that is exactly what we are doing but in the same process we are also eager and so are we to utilize their facility better. And I think this activity of Southeast Asia, India and everything are having, the first round I have already been discussed around and this will catch up as we go forward.
- Abhijeet Vara** Just one last question sir, what is the budgeted debt which can increase due to the working capital requirement of Parador as well as domestic operations?
- KR Veerappan** No, what as far as the HIL standalone basis is concerned our working capital management is become our DNA and constantly that will be driven and we do not see any major working capital borrowing coming in the near future. That is as per as HIL is concerned. And as far as Parador is concerned again there also we do there are lot of factoring arrangement, so while working capital, it is an working capital intensive business but we do not see any additional borrowing coming for working capital per say in Parador also.
- Abhijeet Vara** So, this should be the peak debt level in the near term at least?
- KR Veerappan** The consolidated debt equity will be all put together including working capital and acquisition for term loan all put together we will not exceed 1.0. Debt equity will not be more than 1, 1:1. I hope I have answered that question. On a consolidated level the debt equity will not, never be more than 1:1.
- Abhijeet Vara** No but right now it is 0.5, so I was wondering where are you ...
- KR Veerappan** Standalone HIL, the consolidated level when we do the March results it will be 1:1
- Moderator** Thank you. We would take the next question from the line of Agastiya Dave from CAO Capital. Please go ahead.
- Agastiya Dave** Sir, may I request that all the volume numbers be put on the presentation, so that we can easily get them down because we keep on missing the volume numbers. That would be much appreciated, sir.
- Dhirup Choudhary** Mr. Dave, your point is well taken, apologies for that. Next time onwards you would see that on the presentation.
- Agastiya Dave** Sir, I had 2 questions. One was in the domestic market, what is your outlook on the rural and urban demand? There is like mixed information coming on the rural front how do you see it? Are you seeing anything that worries you over the next 3 years or is it too longer timeline maybe probably in the next year. Are you worried about demanding anyway in any segment in any product line? That is my first question. Second sir, on Parador I was just trying to understand a bit more about the product itself in the supply chain there. So, are the products something which obviously the R&D is happening in Europe as you are saying? But is it something that we can make here because once we expand in India because you mentioned that 70% of these products in India are imported and hence the market opportunity is pretty big for you. Would you be shifting some manufacturing here? Will we see some CAPEX here and how soon to be see the expansion of revenue other than the existing geographies at Parador? What is your strategy in terms of timelines there? And in the piping and plumbing segment, you are reporting loss, we can make out. So, when we breakeven there in the other segment and what kind of losses will are you okay at Parador when you start expanding in newer geographies? Thank you very much.
- Dhirup Choudhary** Mr. Dave, I am not sure I have noted down all your questions because they are quite a few. But thank you for asking so many questions. Let me see, if I could take on one on one. The rural demand part of it, I think the traction will continue as it now.

There are plenty of headwinds that we continue to see because our operations are spread across the country and every stage is never the same. We definitely see that there has gone to be some problems we will face with the upcoming elections and things do weaken up. But the best thing about HIL the way that we have at least been able to at this moment to is to bring our dealers much closer to us than they were earlier and set up very good mechanisms whereby we are in touch with them. There are lots of things that they are doing together with us to build that relationships. I therefore, see that HIL will be leading at all time amongst all manufacturers in way of capitalizing on any challenges that we have, and we will continue our traction. I do not see therefore, too much of a worry there. When it comes to Parador, I think you are right and that at the moment, I sometimes mentioned earlier I think in one of my interviews there about 30% of the Parador manufacturing capacity is available and therefore, we do not view at this moment an immediate need to set up additional facilities outside Germany and Austria where they are located and rather utilize their additional capacity to service the markets around. Parador is already exporting to 80 countries and we therefore believe that they are substantially carved out in way of their sales network. We will try and help them in certain other areas where we are strong and bring them in India being one of them. Yes, I do see the Indian market has definitely an exciting market to be here. The wooden segment market in India, I would say has not been grown in the way that it can be. Brand realization is one thing where we will definitely draw in and try to create that going forward. I do not expect to set up an additional facility in India at the near future but that something we are very much open to as the market develops. But we will continue to help Parador to expand the geographies and you would get to have a much better feel about it once we consolidate the results as going forward.

Agastiya Dave

Sir, final question was on the pipes business, are we making losses there?

Dhirup Choudhary

To say that making losses, I think on a standalone balance sheet that is a different story but we are in this investment mode at this moment. We are creating the markets for pipes, we are creating the next leg of businesses for pipes. We are adding on lot of capacities. So, I am not worried at all about whether it is profitable or loss at this stage. We are rather worried about how we are growing the markets, how we are expanding this, how we are improving the brand realization of this on a standalone P&L. I am not sure, I am confident that it will not be a loss-making company by the end of the year.

Moderator

Thank you. Next question is from the line of Pravin Sahai from Edelweiss. Please go ahead.

Pravin Sahai

I am just asking about piping business, as you had already mentioned that there is not any opportunity for the CAPEX as well for our piping business because you had done very well in the piping capacity utilization. So, my question is the entire 20,000 metric tonne you have a capacity in southern location right now?

Dhirup Choudhary

No, Praveenji our plants are located in North where we have our factory in Faridabad. There is a factory also in Hyderabad which is there and there is a new plant that has come up in Western region which is Golan. So, we have 3 factories at this moment where we are manufacturing all types of pipes and fittings. The capacity for the SWR range of pipe which is the newest version that has come up in Golan is 100% full. But the other capacities are growing and as we speak the business is growing hugely, we will continue to add capacities as is needed for growing this business and we are fully committed.

Pravin Sahai

And, that is entirely is the plumbing pipe apart from the SWR?

Dhirup Choudhary

Correct.

Pravin Sahai

And secondly on your new acquisition that is the Parador that is the mostly a B2C business or a B2B business?

- Dhirup Choudhary** So Parador is in the premium segment of wooden flooring and this particular business is both B2C and B2B. When we look at B2B we are looking at the connect that we have with the builders and the real estate customers and the interior decorators and that is the route that it goes through and when we talk of B2C it is in different countries where we are selling through wholesalers and importers who then spread the product into the country and we are also selling it through the DIY which is the "Do It Yourself" segment. We are into retail segment directly into the retail frame. We are also doing the e-business through Parador. So, the sales network is through everything that you can look at.
- Pravin Sahai** So, any percentage number can you give like on the online how much is the percentage contributing for them and how much is the direct B2B as you had explained?
- Dhirup Choudhary** About 72% of their sales, I think is through DIY and retail, 8% is through online.
- Pravin Sahai** And, lastly on sir, your roofing business. How much is the non-asbestos roofing contribution currently?
- Dhirup Choudhary** That is very small because we have just setup our feet on the non-asbestos which is the Charminar Fortune. It was launched in January 4th this year and since then we are now trying to get into the institutional segment to get this product basically known to them, so that they can place the trial orders and trail orders are small quantities. They test the trial orders through several seasons before they can position the next. These are all big-big customers who have certain set trends and they do not alter it just because we want them to. So, it is a tedious, but it is a very interesting learning process that we are going through. The percentage is really minimal, but it will grow in future because this is the segment we are not there, and this product will take this segment by a drive.
- Pravin Sahai** And, lastly on the numbers, there is unallocable income of Rs.15.20 crore, is that what Veerappan sir has explained about the sale of asset and the FOREX that is there?
- KR Veerappan** You are right, yes.
- Moderator** Thank you. We will take the question from the line of Kritika Garg from Aequitas Investment. Please go ahead.
- Kritika Garg** Sir, could you tell me what is the FOREX impact for operation, I think Rs.8 crore was the net of the loans that we have taken right for Parador?
- KR Veerappan** Yes, Rs.8.20 crore is the FOREX reinstatement of liabilities loan. We have given Euro 20 million, we have given loan to HIL International – our subsidiary. So, it is a receivable for us. On that loan the FOREX reinstatement is Rs.8.20. It is the difference between when we transferred this money the Euro-rupee rate was at around 79.8 and as on 30th September it has gone up to Rs. 84.
- Kritika Garg** Right but what is the FOREX impact for operation?
- KR Veerappan** Operation there is a loss of Rs. 2.50 crore to Rs. 3 crore in this quarter.
- Kritika Garg** And, how has raw material prices moved?
- Dhirup Choudhary** Kritika, thank you for asking the questions. The raw material prices are all going up while I heard one of my senior colleagues in this call talking about cement prices not growing up. But it all depends on which part of India you are buying from. There are certain parts of India where the cement prices are doing very well, and they are growing up and we are facing the bulk of it. Diesel prices have gone up by about

10% to 12% and that has hit somewhere our costs. And the fiber costs have not per se gone up but what has gone up is the FOREX part of it. We are hedging most of it but there is some bit of it which is always remained opened because 100% hedging is not the best possible way to go forward. So that is about it. Fly ash costs and availability are always the challenge which we are meeting up. So, overall the costs have actually gone up but we have been able to get part of it push to the customers as the selling price increase and part of it we are also absorbing but we are doing our internal cost rationalization to always stay at par.

Kritika Garg

How much do we plan to spend on advertising for Parador like do we expect that spend to go up. I do not know the figure but for selling and distribution on a consolidated basis?

Dhirup Choudhary

Kritika as an overall, I think we have taken a pledge last one and half year to get HIL into a pedestal where people recognize this company. We have done quite a bit with IPL in the last April-May and we will do again next year the same time when IPL season comes that is one of the marketing activities that we have planned. We had gone with the first ATL on records. Where there was an ad on Mr. Dhoni and others. We are contemplating doing some bit of it again in the coming month and the continuing effort of marketing right through digital route is picking up hugely and I am sure all of you are connected and linked in various other forms of digital and you can see HIL perceive there. Marketing expense I had mentioned last time also will not grow up much I guess may be at the most 1% of revenue is all you can expect that the marketing expense to go up by.

Moderator

Thank you. We will take the next question from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi

On the first question, I just wanted to know on the chrysotile fiber which is said a large part of it is hedged. So, at what price this hedging has been done and the Dollar price and obviously way forward for next calendar year or may be next financial year what is the outlook? And second on the Parador profitability you have mentioned that it has delivered around €11 million of EBITDA in last calendar. I understand you mentioned 30% capacity is still to be utilized so to what level it can go up to?

Dhirup Choudhary

So as a policy we hedge major part of our FOREX and that something we will continue to do. Last quarter I think the average hedging cost for us was about Rs. 70 to a Dollar. So, whatever it went up further that is where Rs.2.50 to 3 crore loss is where Mr. KR Veerappan alluded to. Going forward also we are hedged for the majority part of it and it anyone's guess whether Rupee is going to now comedown or go up further I guess, I am not an expert on that. And so far as Parador is concerned, I think we are, at the moment there are quite a few expenses that are happening in Parador to streamline the operations and I do not think that EBITDA will be a big pressure on us going forward. We have registered 10.7 million last year end and I think profitability wise Parador is pretty much there because they keep innovating their products and investing. There are cycles there also where one year is when they invest in as they call it the next trend of products and then they reap it for the next year. So, those cycles are there. We will be able to share more details on this as we go forward.

Moderator

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

Dhananjay Mishra

Sir, can you also provide the value wise segmental data like AAC block, dry mix, panel boards and pipes?

KR Veerappan

Dhananjayji as far as roofing is concerned, AAC sheet we have delivered around Rs.151.6 crore in this quarter against Rs.141.6 crore last quarter and in building solutions blocks is Rs.63.1 crore against Rs.50.1 crore. Dry mix Rs.13.5 crore against Rs.7.8 crore, panel 21.7 crore against Rs.17.4 crore. Blocks Rs.6.4 crore

against Rs.5.1 crore and thermal insulation Rs.9.5 crore against Rs.7.7 crore. Plumbing solutions we have done this part of others we have done Rs.30.3 crore against Rs.13.2 crore and others windmill and engineering division that is around Rs.4.5 crore against Rs.2.7 crore.

Dhananjay Mishra Sir, you mentioned that our consolidated debt-equity target is about 1. It is not like once we consolidate our debt-equity only 1 for Parador. I mean what may be the total debt after the consolidation?

KR Veerappan It will be around Rs. 600 crore to Rs. 650 crore.

Dhananjay Mishra And, what is the depreciation in Parador? Could you provide that figure?

KR Veerappan Around €4 million per annum. In the year 2017 it was €4 million.

Moderator Thank you. Next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar First question is on the volume in the roofing segment. What was the volume growth for the quarter and also for the first half? That is the first question, just for roofing.

KR Veerappan We had mentioned for the quarter it is around 6% and first half is around 8%.

Arjun Sengar And this versus the industry is in-line or it is faster than industry?

KR Veerappan As far as first half is concerned, yes we are in line with the industry. Quarter-to-quarter like one quarter some companies will do well, one quarter like we do the best in the Q1. Q1 is supposed to be the best quarter and we do well. And Q2 as Dhirup mentioned like our focus is more on value

Dhirup Choudhary So, basically when you come to the quarter-to-quarter quantity, comparison and the market it takes us some time to get the data but I think maintaining our market share very well.

Arjun Sengar Sir my second question was on Parador. So, you have said that it is fully integrated. I just wanted to understand what exactly is the level of integration because the margins equate to about 7% to 8%. So, just wanted to get a sense of that and related to that was at what is the mix of wooden flooring versus non-wooden flooring in India and how does it compare to some of the developed markets, just to get a sense of the opportunity size?

Dhirup Choudhary We will have to come back with these details because I do not think I am well prepared with the Parador market in India at the moment. But so far as, my understanding goes about 60% of Indian market is non-wooden and about 40% is wooden. But please let us get back these numbers to you specifically. Parador is when we say it is fully-integrated means it manufactures the product end-to-end at its unit. It has a completely well-aligned marketing and sales network that spreads it to different countries and the suppliers are well-knit with them for years together where we have very clear guidelines around whom to buy from, what are the quality, what section of wood to buy, which age of wood to buy, what type of diameter of the trunk and from where we buy it? So, it is very specific because when it comes to wooden flooring, please understand it is a life product. The wood lives even when it is sold and therefore there are lot specifications they go through. I could not understand your question on the margins part of it.

Arjun Sengar Yes, like you said you have EBITDA of €10 million on a revenue of 140 million. So that is I think 7% to 8%. So, how is that compared to as in the optimal level of margin that can be made in this business or is it already at an optimal level?

- Dhirup Choudhary** No, I think there are enough rooms for bettering the margins and that we will do as we go forward in the next year. But that will come with (a) capacity utilization in the better way (b) in Europe you can always help them to improve their cost efficiencies like we do in India and even in HIL you would have seen last one and half years there are lots of cost optimization that has happened from the same organisation which is a 70 years old matured organisation. So, similarly same cost optimizations are possible in Europe and we would do it as we go forward. These margins will only improve.
- Moderator:** Thank you. We would take the next question from the line of Varun Daga from Girik Capital. Please go ahead.
- Varun Daga** When we see the segment revenue on the roofing solution business you have about a 4% growth but there has been a massive margin improvement to about 14% from 6.5% last year. So, what is the reason is there any inventory which you had a low-cost inventory or any one-offs here or it is because of some improvement?
- Dhirup Choudhary** Daga, this is a very matured segment that we have and most of the assets are fully depreciated and therefore any improvement in the top-line adds to the bottom-line hugely because everything flows down to the contribution.
- Varun Daga** There is about Rs.6 crore improvement in top-line and about Rs.12 crore improvement in the EBIT. So, it is disproportionate. So, just wanted to understand is that sustainable or there is any specific reason there?
- KR Veerappan** One particular thing you are looking at EBIT which is after depreciation and in the last year results we have taken an accelerated depreciation to the extent of 5 crore. So that was, last year's Rs.5 crore was one-off item which is not there anymore.
- Varun Daga** But, there is nothing else there right?
- KR Veerappan** Yes.
- Varun Daga** Sir, on the Parador one, I just wanted to understand is everything manufactured is its own manufacturing or anything is outsourced?
- Dhirup Choudhary** It is 100% own manufactured. They are very specific about their quality and brand and that is how they are doing it.
- Moderator** Thank you. We will take the next question from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.
- Mahantesh Marilinga** Just wanted some idea on the combine margins like Parador is doing slightly lower margins if you look at the current run rate of HIL. By the end of Q4 may be once you consolidated, ideally the margin should be lower than the current margins of standalone HIL. So, what be the broad margins that time and going ahead any outlook on the margin front?
- Dhirup Choudhary** I am afraid the outlook part, I always state with folded hands that we are not allowed to talk of. The margin will go down you have rightly said so because Parador numbers as a percentage of revenue which are lower than ours. I will request you to please hold on for this question. Sorry, I am not able to give you the outlook.
- KR Veerappan** It is too early, the first 7 months is more of initial stages. I think Parador you need to have little bit patience and from the next year onwards I think the real results you will see. You will see to it the improvements and everything here.
- Mahantesh Marilinga** Sir, actually I also read some news about some headwinds in the rural sector. Sir, like what is your take on the current demand scenario there?

- Dhirup Choudhary** I think I answer that. Let me once again reiterate that we are very well-poised. We are well-poised because we have fantastic dealers and retailers who are very loyal to us and many of them have been with us for the last 3 generations. We are very close to them now and I think they get a binding with HIL through many of the assertive approaches that we have taken with them. The rural market definitely is not looking as good, but I do not think HIL is going to have much of challenge continuing this trajectory that we have done. But I cannot discount the political element that may come up because of elections.
- Moderator** Thank you. We will take the last question from the line of Deepankar Sati from Magadh Capital. Please go ahead.
- Deepankar Sati** I joined a bit late, so could you please give me the break of unallocable expense that you have?
- KR Veerappan** I had explained, unallocable expense includes Rs. 6.4 crore towards gain on sale of properties we had and around Rs. 8.2 crore is the FOREX reinstatement of asset which is, we are given a loan to HIL International our wholly-owned subsidiary around €20 million for further acquisition of Parador shares. So, on that €20 million in HIL balance sheet as on 30th September if I reinstate the FOREX, there is a gain of Rs.8.2 crore.
- Deepankar Sati** So we must have paid some cash from our HIL balance sheet towards Parador acquisition, right?
- KR Veerappan** Yes.
- Deepankar Sati** So, the other income is up by 70%. So, can you just tell me what happened in the other income segment?
- KR Veerappan** The other income includes this sale of Rs.6.4 crore
- Moderator** Thank you. Well ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing comments.
- Dhirup Choudhary** Thank you very much. It has been a pleasure interacting with all of you over this call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know anything more about our company, kindly reach out to our Investor Relationship Desk. Thank you very much for your patient hearing.
- Moderator** Thank you very much. Ladies and Gentlemen, on behalf of HIL Limited, we conclude today's conference. Thank you all for joining us, you may disconnect your lines now.

- ENDS -

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