

November 13, 2017

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

Sub: Transcript of Schedule of Analyst/Investor Call held on Friday, November 03, 2017.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

In continuation to our letter dated November 01, 2017, please find attached the Transcript of Analyst/Investor conference call held on November 03, 2017.

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

You are requested to take on record the above said information.

Thanking you
For HIL LIMITED




G. Manikandan
Company Secretary
& Financial Controller.

HIL Limited

Q2 & H1 FY18 Earnings Conference Call Transcript

November 03, 2017

Moderator Good Day, Ladies and Gentlemen, and Welcome to the Q2 FY18 Earnings Conference Call of HIL Limited. As a reminder, all participant lines will be in the listen-only mode. And 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar Thank you. Good Morning, Ladies and Gentlemen. Welcome to the HIL Limited's first 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.

I have with me on the call Dhirup Roy Choudhary -- Managing Director and CEO of the Company; KR Veerappan – CFO, G Manikandan – Company Secretary & Financial Controller and Ajay Kapadia – GM Finance.

We will commence the call with comments from the management team, post which we shall open the call for a Q&A Session where the management will be very glad to respond to any queries that you may have. At this point I would like to highlight that some of the statements that may be made or discussed on the conference call may be forward-looking statements, the actual results may vary significantly from the forward-looking statements made.

A detailed statement in this regard is available in the Company's earnings presentation which has been circulated earlier.

I would like to invite Dhirup to commence by sharing his thoughts HIL Ltd's business model and the strategic imperatives that lie ahead.

Dhirup Choudhary Thank you CDR for organising this conference. Good Morning, to our valued investors, Ladies and Gentlemen. On behalf of my colleagues, I thank you for taking out the time to join us on our very first interaction over this forum. HIL is a growing company with a 70 years of rich legacy and is in midst of a transformation. It will be my endeavor therefore to bring out the dynamics of our model so that you can appreciate the inherent strengths and competitive advantages that we enjoy in the business. I would also like to impress upon you the strategic direction that the Company is taking in order to deliver a sustainable performance that is underlined by growth.

Before I get into the details, I would like to share quick highlights with you regarding our Q2 & H1 FY18 results. On our Total Revenues adjusted for duties and taxes, HIL has posted a growth for the first time in 8 quarters and has grown 12% YoY during the quarter and 5% in the H1 period. Further, we have been able to achieve upto 95% of our FY17 PBT in the H1 FY18 period itself. The 12% growth shown in earnings during H1 truly brings out our priorities of driving profitable business growth.

Roofing segment, which is our biggest segment, has grown by 13%, a growth seen first time in last 8 quarters while Building solutions continued to report robust growth.

As I commence, I would like to give you a context of the strong pillars on which the Company is proudly poised. The first and foremost of them is the rich legacy and heritage to which HIL Ltd belongs. We are the flagship company of over US\$ 1.8 billion CK Birla group, which as many of you would acknowledge, has multiple business interests. The other two pillars we pride of are our committed employees and our loyal dealers, many of them serving us in their third generation. As on March 31, 2017 we reported a turnover of Rs.1,180 crore. We are a dividend paying company, a trend which we comfortably see ourselves maintaining going forward. With zero interest-bearing debt on the books and strong cash generation from growth in business, we are driving a robust balance sheet.

Tracing our inception to the Independence era, HIL has pioneered the developments in the building products industry and continues to be a leader in key products for many years since then. We truly stand by our mission to serve the nation by providing cost effective, trustable products. To give you a proper perspective and so that we have a frame of reference I will articulate the important segments of business, as we track them. Firstly we have the 'Roofing Solutions' segment –comprising of fibre cement sheets and coloured steel sheets. This is a business that is traditionally seen as a steady state business, but where, through our strategic initiatives we have demonstrated growth for the 1st time this quarter in 8 quarters during Q2 FY18. Then we have the 'Building Solutions' segment – which covers Dry/Wet walling products and Thermal Insulation materials. This has historically been growing at over 25% in topline. Lastly, there is 'Others' – that captures Pipes & Fittings, Wind Power and Material Handling and Processing Plant and Equipment.

Let me spend a few minutes detailing the asbestos subject which may anyways come up in the Q&A section. The most important two varieties of asbestos are - Chrysotile i.e. white asbestos and Crocidolite i.e. blue asbestos. Chrysotile (white asbestos) can be used safely under controlled conditions. HIL has never had any health concerns using Chrysotile in the last 70 years since inception.

Our asbestos cement products are weather-proof, non-combustible, and corrosion resistant. Moreover, they are durable, cost-effective, low on maintenance and practically ageless. Hence, it can be used for warehouses, factories, low-cost housing, animal sheds and poultry farms, just to name a few. Apart from India, China, Russia, Brazil, Indonesia, Thailand, and Vietnam are also among the top users of fibre cement Sheets. As per National Institute of Occupational Health (NIOH) Report, workers in Chrysotile-fibre-cement manufacturing industry in India have not had any adverse health effects in spite of decades of service. The Ministry of Environment, Govt. of India have been giving approvals for setting up new units for the manufacturing of asbestos based products.

Being part of the prestigious group we have laid paramount importance to adhere to the safety and security rules for our employees and customers by observing top level SHE standards. Such stringent vigilance has resulted in a safe and secure environment in all our Fibre Cement Sheet businesses with an impeccable health status and not a single hazardous incident in the last seven decades. With that put to rest, I will move on.

This is an opportune moment to share some perspectives about the moving parts of the business and the overall strengths that we have built over the length of our existence.

Along with Charminar, the Birla Aerocon brand forms an integral part of our business. Over the years we have the performance of products combined with decades of collaboration with builders and distributor that have further strengthened our brand equity. As a result, we are the market leaders in Fibre Cement Sheets, Solid Wall panels, and Fly-Ash Bricks (AAC). IBC INFOMEDIA recognized HIL with the title of 'Asia's Most Trusted Building Material Company' for 2016. Our brands Charminar and Aerocon (now BIRLA Aerocon) have been recognized as Consumer Superbrands for the consecutive years.

Our business infrastructure comprises world-class facilities with transparent operations. We have 20 manufacturing facilities, 43 sales depots, 2,500 loyal stockiest/distributors and 6,500 sub-dealers, many of them serving us in their third generation, and who are extremely loyal. During the first half this year, our Faridabad plant won the NAMC Silver award by IRIM (International Research Institute of manufacturing) which rewards excellence in overall business process, evaluating manufacturing, logistics, customer satisfaction and quality. This is in addition to NAMC Gold Award received by Sataria unit and NAMC Silver Award received by Balasore unit in the recent past.

The way I see it, our strategic imperatives are clear. I have shared this at multiple forums earlier. Let me articulate them for your benefit once again. We wish to maintain leadership and sustain growth in our existing portfolio of products, we wish to improve the margin profile of the operation through sustainable efficiencies, we wish to develop new product lines and prime-up green solutions in roofing business, we wish to scale-up our non-roofing portfolio and we wish to examine complementary opportunities amongst several other initiatives.

The opportunity at hand is great as you will appreciate. Given the state of the housing deficit across rural and semi-urban India the potential for low-cost, durable products is immense. Added to that is the visibility from the multiple Govt. programs to support creation of additional infrastructure for communities and local administration. The Charminar brand enjoys unique currency in this segment thus giving HIL an unrivalled advantage. Demand in roofing solutions continues to be healthy given the supportive trends of the monsoon and government support by reducing the duties by 10%. Going forward we will seek to recoup higher share from the institutional business with advanced, green solutions nurtured in-house by us. Government initiatives like demonetization & GST implementation is bringing in transparency and market consolidation which is bound to help HIL growth.

Our Building Solutions segment is witnessing strong expansion on the back of differentiated array of products and superior service amongst other factors. The Birla Aerocon nameplate is gaining market share in key categories where we are present through multiple-channels. Given the multiplicity of applications where these products can be put to use, the option to drive growth is truly attractive. These products are supporting our overall goal to grow the revenue mix of non-asbestos products, which stands about 30% of the total revenue today.

We have high focus on the Pipes & Fittings segment, where we are pursuing a Rs.130 crore capacity strengthening aimed at growing the scale of the business in the coming years by way of positioning a high end quality product, enhanced branding activities, access across the country and wider range of offering. Contribution from the Pipes & Fittings business is at an inflection point and should see higher traction next financial year owing to commercialisation of new product ranges.

While we are immensely proud of the legacy created by our leadership business in roofing we are excited about unleashing the full potential of our capabilities to scale up new businesses with an advanced building material solutions portfolio. Being a leader in the infrastructure and construction space, we seek to pioneer the development of an eco-friendly and technologically superior product profile. We are

strengthening our distribution and marketing footprint across key brands and expect to strongly leverage the equity of our leadership brands. Drawing on our strong lineage we are concurrently pursuing measures to drive an agile, growth-oriented enterprise reflecting global virtues and values. You would notice the results in way of cost reduction and streamlining of working capital. Programs are underway to educate and re-skill employees in order to raise collective productivity and infuse passion towards a common goal.

Ladies and Gentlemen, the business momentum has commenced. As these initiatives gather traction one will witness a commensurate improvement in the quality and sustainability of our growth model.

Thank you very much for your patient hearing. I would like to invite our CFO, Veerappan to take to the forum to share his perspectives on the financial review.

KR Veerappan

Thank you Dhirup. Good morning and thank you all for joining us on our first call with the investors today. I will start by recapping the financial highlights for the quarter and half year and then focus on providing you some flavour around the numbers and our journey forward.

As Dhirup stated earlier, HIL has delivered a strong financial performance with significant improvements in revenue, EBITDA and PBT. We have reported growth for first time in last 8 quarters and have achieved 95% of FY17 PBT in H1 FY18 itself.

In H1 FY18, Revenues stood at Rs.661 crore as against Rs.632 crore in H1 FY17. In Q2 FY18, Revenues stood at Rs.256 crore as against Rs.228 crore in Q2FY17, marking a 12% growth. Please note, for the purpose of comparison Total Revenue and Total Expenditure are shown net of duties and taxes on sale of goods. Q2 revenues for HIL delivered 12% growth on back of gains in roofing segments where Charminar continued to lead the space ahead of the key monsoon period. Roofing Solutions delivered growth for the first time in past 8 quarters. Strong contribution continues to come from Building Solutions with 14% YoY growth, both for the quarter and half year period.

In H1 FY18, EBITDA stood at Rs.86 crore as against Rs.79 crore in H1 FY17, up 8% YoY. In Q2 FY18, EBITDA improved 20% YoY to Rs.22 crore. Q2 earnings are aligned to growth initiatives taken to streamline the operations, prudent procurements and profitable business drivers all across segments. Organisation-wide measures on cost optimization have created a base to realise further efficiencies in manufacturing and business processes, resulting in high profitability.

In H1 FY18, PBT improved by 23% YoY to Rs.70 crore. In Q2 FY18 PBT improved by 55% YoY to Rs.14 crore. Several initiatives to reduce inventory, working capital, interest bearing debts and augmenting profitable business initiatives have helped the Company achieve 95% of last full year's PBT in first half of this year.

I am pleased to share that, the Balance Sheet continues to be strong. Net worth increased to Rs.540 crore as on Sep 30 2017 from Rs.501 crore as on March 31, 2017. Net Debt to Equity is at 0.12x as on Sep 30, 2017 vs. 0.12x as on March 31, 2017. We have zero interest bearing debt for the last 6 quarters. We have optimised working capital intensity by aggressive reduction in inventory period from 75 days to 45 days.

As a Company we are committed to report an enhanced earning profile in line with the transformation that Dhirup has articulated earlier.

On that note I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this call to open question and answer session. Thank you.

- Moderator** Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Dhananjay Mishra from Sunidhi Securities & Finance Ltd. Please go ahead.
- Dhananjay Mishra** Sir, could you provide the volume data for the fibre sheets as well as the building solution products for this quarter as well as first half vis-à-vis the last year same quarter?
- KR Veerappan** Yes. The fibre cement sheets as far as Q2 FY18 is concerned, we have done in terms of volume around 137,000 tons against Q2 FY17 of 132,000 tons. And H1 we have delivered 433,000 tons against more or less similar amount in H1 FY17. So, in terms of volume for the first half it has been flat and we have grown by 4% in Q2. Is that answering your question?
- Dhananjay Mishra** And sir in the building material segment we also have this AAC block.
- KR Veerappan** As far as Wet Walling is concerned, we have grown by 1% in this quarter and 2% first half in terms of volume, and there has been a better realization. 165,000 cubic meters we have sold in Q2 FY18 against 164,000 cubic meters in Q2 FY17. And in the first half we have sold around 330,000 cubic meters versus 323,000 cubic meters previous year.
- Dhananjay Mishra** Okay, sir. And sir, what is the contribution from pipes and fitting segment in this quarter?
- KR Veerappan** We have delivered Rs.13 crore in this quarter.
- Dhananjay Mishra** And what is the utilization, sir in the pipes and fitting? We have 7,555 metric ton.
- KR Veerappan** Yes, utilization will be around 30% in this quarter.
- Dhananjay Mishra** And sir, this Rs.130 crore we are putting in, what was the capacity after that?
- Dhirup Choudhary** The capacity, Mr. Mishra, would go up to 20,000 metric tons after the expansion that we are planning. And the reason that we are not able to utilize the entire capacity as of now is because we are lacking the total range of pipes in our product portfolio. So, one of the reasons why we are going for expansion is basically to compliment and grow that portfolio and reach the market with a total package which is going to help this business immensely from quarter one next financial year.
- Dhananjay Mishra** Okay, sir. Sir, what kind of revenue are we looking at over next 3-4 years from this piping and fitting segment?
- Dhirup Choudhary** The piping segment last year has contributed Rs.40 crore and we believe that with the expansion of Rs.130 crore that we are doing in this particular business we would be able to grow this revenue 9 to 10 times in the next four to five years.
- Dhananjay Mishra** And sir lastly to Mr. Veerappan, other income this quarter is about Rs.9 crore against Rs.2.7 crore, any one-off in this quarter?
- KR Veerappan** Yes, that is right. In fact, we do have a regular other income to the extent of Rs.4 crore. There has been a one-off sale of staff quarters in one of the units which yielded other income to the extent of Rs.5.9 crore.
- Moderator** Thank you. Our next question is from the line of Rajesh Kothari from AlfAccurate Advisors Pvt. Ltd. Please go ahead.

- Rajesh Kothari** Sir, just trying to understand if you give some dynamics in terms of the demand, this 13% growth what you are seeing from the first time in second quarter that is primarily coming from which segment? And going forward since you have last time also when we met you were talking about institutional segment is one segment where you would like to improve your market share. Can you give a little bit more color on that?
- Dhirup Choudhary** You are absolutely right in saying that we are very happy, together with you, to see our performance where we have grown as an organization for the first time in eight quarters. The growth as I mentioned has come at 12% on an YoY for the quarter and about 5% growth in revenue on the H1 basis compared to the H1 of last year. The growth actually has been quite uniform, so we have got the roofing segment growing by 13% and the building solutions growing by 14% on quarter year-to-year comparative. This growth is coming by potentially our business strategy of getting through to the last mile and increasing our presence with dealers, with builders and with MEI contractors and expanding our business.
- Rajesh Kothari** And in terms of basically so can you give some color over next two to three years what are your plans, how much distribution you are planning to increase from current level? Question number one. Question number two, the question which I asked earlier, how you plan to improve your market share in the institutional segment and by when you think those kind of your order book can start, how competitive their environment is? That will be great.
- Dhirup Choudhary** So, Mr. Kothari, we are not into institutional segment today by virtue of AC roofing sheet, however we are supplying our CC sheets to the institutional segment. The reason why we are not there in the institutional segment today for the AC roofing sheet is because institutions have decided not to buy asbestos material since I guess 2005. So, our intention would be to come out and that is exactly what we are trying to do to come out with a product in the roofing segment using fibres other than asbestos. And as I speak to you, there is a strong development of such a product in R&D which is happening and the testing are on and we are very bullish that this product will help to secure a good market segment in the institutional segment for the roofing products.
- So far your second question on distribution, we have already increased quite a bit our distribution reach and our numbers are basically on account of that. We have secured several new distribution networks. The process is on and with pipes and fitting business now expanding and coming with its total product portfolio this is an element which is of bigger drive and we are doing it sensitively as per our business process.
- Rajesh Kothari** And these margins right now which are about 8% to 9% margins in second quarter, of course first half if you look at about 13% margin, do you see over next two years this 13% steadily moving to 15% plus?
- Dhirup Choudhary** Definitely the momentum is on and I must say that our organizational approach is to streamline our organization further. Mr. Veerappan talked about we have reduced the working capital by 400 basis points and we have reached the least level of inventories and all the old debts have been more or less cleaned up to a greater extent in the roofing segment. And I think going forward with this momentum should be on from the organization side.
- Moderator** Thank you. Our next question is from the line of Rajesh Ravi from Centrum Broking Pvt. Ltd. Please go ahead.
- Rajesh Ravi** Sir, if you could take us through in terms of your main business currently and obviously you are the leader in the asbestos roofing sheet. So, how does your margin profile work out across various business segments, as you mentioned the volume

profile so if you could at least in segments – AC roofing sheets, AAC Blocks and the pipes, how do your margins stack up?

Dhirup Choudhary We have grown on a quarter bases in roofing segment by 20% on PBT level over the same quarter last year. We have grown in building solutions by 205% on the same quarter last year. And on the others we have grown by 45% and that is why the total growth for the organization is 55% on PBT quarter-to-quarter comparison over last year. On a half yearly basis these numbers for roofing are 15% growth, for building solutions it is 115.7% growth, on profitability and on for others it is 8.3% growth on PBT. So, on an overall basis the company stands at 23% growth in PBT over the same period last year.

Rajesh Ravi Okay. I was talking more on perspective of at EBITDA level how does the margins work out for like your AAC business and how are the ACN pipes businesses?

KR Veerappan Sure. See, I think earlier also I have shared with few of you, as far as sheeting is concerned definitely we do have a healthy double-digit margin and that will continue. And with a focus on cost reduction and efficiency which we are bringing we believe, as Dhriup mentioned, that momentum will keep continuing. And definitely may be there will be some one or two point's improvement in the next three, four years. The wet wall and the dry wall within the building solutions, dry wall is higher profitable and wet wall is lower profitable margin. And wet wall, we are in the midst of turning around definitely and the solution here has been that from a product base we are getting into solution based model to bring in better realization, so even if the volume does not grow the whole package is offered as a complete package to the builder, so we have introduced the smart putty and all that which has started doing extremely well and this has really improved our profitability in building solutions in a big way.

Dhirup Choudhary Mr. Ravi, just a point for all investors and you to notice, on the wet walling solution that is the AAC Block, we have almost reached 87% of our installed capacity so far as production is concerned. There has been a severe dent to this business due to RERA Act and other inclusions from the government, plus the demonetization fever for this segment is still on because there is a huge element of unconsolidated manufacturers as well as the business process with the builders are not very aligned. So, we are trying to do our best in way of choosing profitable order and growing in this business.

Rajesh Ravi Okay. So, if I see your AAC Blocks your current capacity would be 1.1 million tons, is it...?

Dhirup Choudhary That is for AC sheets.

Rajesh Ravi Okay. In the roofing segment what other revenues are there other than the AC sheets?

Dhirup Choudhary We have coloured steel sheet which forms a part of the revenue and the roofing cement sheet, so these are the two products.

Rajesh Ravi Okay. And when you mention this volume numbers 137,000 and 433,000, these were for only the fibre cement sheets or this included even the metal roofing sheets, color coated ones?

Dhirup Choudhary That was only for the AC cements sheets.

Rajesh Ravi Okay. And outside this like here I just wanted to understand that this business could generate on a sustained basis Rs.1,000 crore revenue overall, that is the potential?

- Dhirup Choudhary** Mr. Ravi, as much as you wish, we too wish and we are trying to take all actions towards that. The market has been de-growing last three years from 4 million metric tons to about 3.3 million as it stands today in country wise. But this is the first quarter that HIL has grown in this particular business and we definitely, as I mentioned, hope to see the momentum on. There has been a great benefit that has been passed on by the government to us in way of the GST because duties have come down from 28% earlier to 18% and that 10% benefit together with the cost price increase in steel sheets and all kinds of regulations that the government is posing to the steel manufacturers in way of mining, I believe roofing segment for HIL will continue to get this momentum on.
- Moderator** Thank you. Our next question is from the line of Amit Vora from PCS Securities Limited. Please go ahead.
- Amit Vora** One quick question is only on the advertising budget that we are planning for this year and for the next year?
- Dhirup Choudhary** So, Amit, as an organization we have been not very advertising friendly in past and I must say that specific to the roofing segment. For the building solution of course we have been spending about 5% to 6% marketing budget over the revenue. We as an organization have now taken up that we have to improve the brand, improve the brand recall and go much closer to the consumer. And a lot of action, as I speak to you, are on the way. I think give us another quarter and we will come out with the exact numbers to you.
- Moderator** Thank you. Our next question is from the line of Samarth Sanghavi from Phillip Capital (India) Pvt. Ltd. Please go ahead.
- Samarth Sanghavi** My questions pertain mainly to understanding, as you mentioned in the beginning that you are in the midst of a transformation and then coupled that with your statement saying that you might be looking at a new product towards the institutional segment. What I wanted to understand is that would our current lines be sufficient enough for this new product or would we require some further form of CAPEX?
- Dhirup Choudhary** As an organization HIL has vacated the institutional segment since last more than 10 years and I think the management intention is now to come out with a product which can get into this for the roofing segment. And in this direction, as I mentioned, R&D is at its pretty advanced stage of developing and we are very happy that the product really looks good as it is today and all the testing are on. So activities in this has to be aligned to the requirements and I think in the coming quarters you will get to know more about this product and the segment how we wish to bring it up actually. At this moment it is a bit premature because after all good non-asbestos corrugated cement based roofing product in India is not there for the institution, in true sense. We believe this product will be changing the market premise. Just give us another quarter to test this product properly and do the ISI, BIS certification and all and then we come back to you, sir.
- Samarth Sanghavi** Right. Sir, so when you mentioned that your revenues can grow by 9 to 10 times in the next four or five years, does that also factor in the growth rate of the new product that would come in?
- Dhirup Choudhary** So, just to clarify, the point that was made was only on account of pipes and fittings. So, I was answering a question I guess Mr. Mishra has asked regarding the pipes and fittings business, and that revenue from a Rs.40 crore, we are hoping that to grow to about Rs.350 crore in the next four to five years. For the new product non-asbestos based roofing, it is still at the R&D stage and testing stage. So, give us another quarter, we will get back to you once we have mapped the market and really evaluated where we can go with this.

- Samarth Sanghavi** Sure. And my last question pertains to; if you could just give me some market specific numbers as to what would be the unorganized versus the organized segment in your roofing business currently, sir?
- Dhirup Choudhary** So, honestly, the roofing business is quite organized. I think amongst the five, six big players that we have we command at least about 75% to 80% of the market. So, roofing is quite organized as against let us say the building solution product which are not so organized.
- Samarth Sanghavi** And what would be the unorganized versus organized ratio in the building segment, sir?
- Dhirup Choudhary** So, for the AAC Block and stuff I guess about 70% would be organized and 30% would be unorganized.
- Moderator** Thank you. Our next question is from the line of Ritika Garg from Equitas Investments. Please go ahead.
- Ritika Garg** Sir, could you give us the capacity utilization for FY18 for roofing and building products?
- Dhirup Choudhary** On the roofing segment we have utilized at the moment in the first half about 65% of our total capacity. And a part of the reason is there was a slight business headwind in the quarter one due to the announcement of GST and our June revenues got impacted a bit. And partly because we have intentionally reduced the inventory which earlier used to be stocked up for the subsequent quarters, so it was an intentional drive to reduce the capacity utilization in this quarter. So far as the blocks plant is concerned, I have already answered this question; we are about 87% on the capacity utilization.
- Ritika Garg** So, how much did we expect our capacity to be utilized in FY18 in H2?
- Dhirup Choudhary** Ritika, yes absolutely, I mean the idea is to get it full up but roofing segment is quite seasonal, as you may be aware. So the main season for roofing is in the end of fourth quarter and the first quarter of the next financial year, so we will be preparing ourselves to ramp-up the production in the subsequent two quarters to meet up those peak requirements which are far beyond the manufacturing capacities of our plant. So, definitely you can see a better capacity utilization of sheeting plants. On blocks plant, 87% we are quite there and I think we have been choosing a few others or into as I mentioned the turmoil in the market due to RERA and demonetization. So, going forward we would definitely look at filling up these plants better.
- Ritika Garg** So, do we have any CAPEX plan for roofing and block apart from the new product that is coming online?
- Dhirup Choudhary** No, not really because we are still consolidating our blocks business. Roofing, we have an excess capacity already, so there is at the moment no reason for us to expand except for the new products that we mentioned.
- Ritika Garg** Okay. And that depreciation has increased significantly in this quarter is that because of the pipes business?
- KR Veerappan** The depreciation part, I must say, has been on the roofing segment where we have taken an accelerated depreciation of two of our lines which were not being utilized. So, one is at Thrissur and the other one is in Faridabad. We have taken an accelerated depreciation to reduce our future cost, and that is what you see. So that is a one-time charge.

- Ritika Garg** Okay. And sir any revenue guidance for both roofing and blocks for the next two to three years?
- Dhirup Choudhary** I think, Ritika, we spoke about this, I am so sorry I cannot give you the numbers at this stage due to SEBI. But I can say the momentum has caught up, we are as an organization really becoming spirited to run faster, slimmer and much better so you would see the momentum going forward.
- Ritika Garg** And sir, can you give us the market share for roofing and blocks for HIL?
- Dhirup Choudhary** Market share, the best would be take the market share by the end of the year because a year's market share gives you a better opinion but we would be around 20% - 22% in the roofing and in blocks also a similar market share.
- Moderator** Thank you. Our next question is from the line of Mangesh Bhadang from Param Capital Research Pvt. Ltd. Please go ahead.
- Mangesh Bhadang** Sir, GST rates have been pretty favorable for this segment and you think this current quarter's numbers have been higher because of favorable GST rates? And since this is getting coincided with the government's push for housing for all where rural as well as most of the other parts you will see some housing build up, you think that probably next few quarters we can actually see a more better performance from here on?
- Dhirup Choudhary** So, Mangesh, GST has impacted more at the consumer end where the consumers have found the product cheaper over what it was earlier. So, from a growth that you see in the roofing segment, as I mentioned earlier, definitely GST plays a role because the consumer finds it more economical than let us say the immediate comparison if you do with coloured steel sheet. Your next question was the building push that the government is doing; wherever the government is not specifying RCC there is a good opportunity to go all out with the roofing segment products. In some states however, specifically Orissa, government has only gone for RCC even though RCC is four times as expensive as our roofing sheet. So, that is a state where we are feeling the heat, but otherwise yes this is favorable to us.
- Mangesh Bhadang** And sir, just an extension to this, how much would be the current difference between the next competitor as well as the color coated sheets and asbestos sheets right now?
- Dhirup Choudhary** Again, you see they are sold differently, for instance in roofing segment, the roofing sheets are sold in meters and coloured steel sheets are sold on kilogram. So, they are completely different and very difficult to give comparatives. Plus you have to understand that the support structures to a building would differ for a roofing sheet and for the coloured steel sheets. So, a comparative for a particular application could be made possible to you, but on a sheet to sheet it is difficult. But I can only say that the coloured steel sheet was taking away substantial part of our business owing to the cost structure and duty structure as it prevailed earlier. Thanks to the Government of India initiative that has been breached by 10% and we definitely see how roofing segment picking up from there.
- Moderator** Thank you. Our next question is from the line of Senthil Kamaraj from New Berry Advisors Ltd. Please go ahead.
- Senthil Kamaraj** Sir, first question is with respect to the brand and transition. So, from your annual report we came to know that you have transformed from your Aerocon to Birla Aerocon. So, how is the transformation and what is the cost or the benefits you are seeing from this?
- Dhirup Choudhary** You see, the reason we have changed the brand from Aerocon to Birla Aerocon is solely to get the huge brand recall factor from the name Birla. We were very lucky I

must say that within the entire Birla tree there is not any other company making pipes and fittings or building solutions, products that we do. Birla Aerocon definitely we believe has a better recall and therefore some of the new initiatives that we are doing, as Mr. Veerappan said, in way of increasing the value add for the wet walling solution by putties and by dry mix and stuff like that, the branding with Birla Aerocon is supporting hugely. We have however not done any extraordinary spending on way of this Birla Aerocon name change as yet, but that is in the WIP. And as I mentioned earlier to Mr. Amit Vora, we would in the subsequent quarter will be able to discuss with you transparently on what initiatives we are doing. And I can say you will be surprised.

Sangeet Lakkar

Hello this is Sangeet Lakkar. In terms of your GST rollout, some comments regarding the transformation transition from unorganized to organized, are you witnessing some transition like that? And how has been the transition per say, should we attribute some of your growth in the current quarter to restocking bit or is it not the case?

Dhirup Choudhary

I had mentioned this to some of you whom I have been speaking to earlier as well that we definitely as an organization believe that GST has got a lot of rewards to HIL, demonetization first when it happened and now GST together with it brings huge element of transparency in the organization's dealings as well as brings in the corporate governance to a great extent which is something that HIL prescribes day in and day out. So, I definitely feel this has helped in consolidating the industry. We have seen a lot of AAC Block manufacturing companies up on sale and a lot that are coming across to us if we wish to buy. So those are symbols if any to tell us that some of the unorganized sectors are getting consolidated. And this definitely has helped the business. I could not understand quite as much on your stocking question, could you repeat please?

Sangeet Lakkar

So, the June quarter when we saw we saw a lot of players including yourself running into destocking issues because of GST.

Dhirup Choudhary

I mentioned that to you, in June, the sale for roofing segment or to B2C was primarily driven by the secondary sale, because at the primary end dealers were reluctant to stock because they were not very sure how the GST would work. So, we definitely did suffer quite a bit of our business at our peak season which is June, however we have made up significantly by way of great preparedness that our team and I compliment my CFO and the team for it, they have put across an excellent GST rollout. And on the 2nd of July HIL was the first in the whole industry that we serve to come out with all the modules of SAP and GST was fully implemented. And I think we have already got that reward in a great way and it is ongoing.

Moderator

Thank you. Our next question is from the line of Megha Hariramani from Pi Square Investments. Please go ahead.

Megha Hariramani

My question is on the overall EBITDA margins, the improvement in the margins going forward will it be accompanied by some kind of cost efficiency coming in in terms of raw material or fuel cost?

Dhirup Choudhary

We have improved the EBITDA significantly as a company YoY to 20% in the second quarter and 8% over last year. And the huge drive that we are doing on cost down initiatives and on reducing working capital is a continuous drive and the momentum is very much on and I am sure you would see those benefits. However, let me consciously tell you that the inventory which is the lowest in last ten years for roofing segment as on end of quarter two, would see a little bit of an upward because we definitely would like to utilize our machineries to build up for what we call as the season which starts towards the end of quarter four and ends with July. So there will be an upward drive on inventory buildup, but overall on the receivables and other

aspects the working capital will definitely look good and the company will be much slimmer.

Megha Hariramani Alright. And are we affected by fly ash price increase that is concerning the cement industry, I mean even we use the fly ash for the AAC Blocks if am not wrong.

Dhirup Choudhary Megha, you are absolutely dot right there, there is a huge increase of fly ash prices, especially in the last report that I read a few days back about the debacle at one of the NTPC plants, is also going to cut out the fly ash for us for those nearby factories that we have. Fly ash is a good replacement for cement and sadly the cement prices have also gone up and it has hit us severely in quarter one this year. It is though a little bit subsidized now but we are always at a prune that the cement prices will peak up. And fly ash is a good material to substitute and we are feeling the pressure. So, on the raw material side for cement and fly ash the headwinds are on.

Moderator Thank you. Our next question is from the line of Naresh Katariya from Money Curves Financial Analytics. Please go ahead.

Naresh Katariya I liked the entire growth in building products has happened with free cash, you have not taken debt and all the sale is happening, so really appreciate that. My question is on the Birla Aerocon side, I heard a very aggressive or very positive projections on the CPVC side or PVC business. Overall, what is the vision for the Birla Aerocon business for 4-5 years because right now we are growing but margins are less, understandably so? What can it be in let us say three, four, five years, can it kind of become as big as the roofing business in three, four, five years with good double-digit margins?

Dhirup Choudhary Mr. Katariya, you have asked a question which is very dear to my heart. So, first of all, thank you for this question. I would love to see this business as big as that. All actions are being taken towards improving the business cycle, moving more closer to the contractors and big builders because there is a lot of B2B element there. As well as developing the B2C channel so that once we are there with the full stretch of the pipes and fitting we are able to come up. I would definitely count that in the next four to five years this segment will grow as much and the drive is fully on.

Moderator Thank you. Our next question is from the line of Rajesh Ravi from Centrum Broking Pvt. Ltd. Please go ahead.

Rajesh Ravi Just a few follow-up questions, like you shared the utilization across the AAC blocks and the roofing segment, just wanted to understand under this second heading with building solutions what are the other revenues which are clubbed and what are their utilization and where would they in terms of how these segments, you mentioned that the pipes business would grow from Rs.35 crore - Rs.40 crore to Rs.350 crore in next five years, so what is the growth outlook for the AAC blocks, also if you could share that?

Dhirup Choudhary Mr. Ravi, as I did mention and I have absolutely no shame to repeat, we are at 87% utilization on AAC block, some of the plants are doing extremely well, some of them are even plus 95%. There is a severe headwind that are seen in north especially where one of our plants which is Jhajjar has not seen that kind of utilization. But overall we are at 87%. The other products that we have panels are 87%, so we are quite there. To expand the facility for blocks is something we can do because it does not need that high-end investment but we are very sensitive that that market has still to go through the consolidation and there are lot of unethical practices which HIL would not like to land itself in. Therefore, we are taking a conscious step to go slow on that. As Mr. Veerappan already explained, we have gone in with a lot more products to enhance the total solution sale concept and one of our new plants in Jhajjar making dry mix, is full up. And may be some new investments there could

help us, but we will get back to you with more investment plans in the subsequent quarters.

Rajesh Ravi And in the pipes business what is your current capacity you had mentioned and Rs.130 crore would lead to what expanded capacity?

Dhirup Choudhary Mr. Ravi, this has already been answered but I would love to answer it again for you. We are about 7,000 metric tons on pipes as of now with two plants which is in Faridabad and Timmapur in Hyderabad. And with the expansion we will add on another line in Faridabad and a new plant which is coming up in Golan near Surat will bring this capacity up to 20,000 metric tons.

Rajesh Ravi Okay. And by when these plants will be ready?

Dhirup Choudhary Already explained earlier, the factory building, machineries, all the ordering and installation of the plant is going on and we are very hopeful. We have had a severe headwind in Golan because of severe rains, about 1.5 months we have been put back. But our team is as energetic as I speak to you and we are very conscious of the timelines, we would see this commercialization to take place on 1st of April next year.

Rajesh Ravi Okay. So, by end of this year this would mostly get commissioned?

Dhirup Choudhary Yes.

Rajesh Ravi And lastly if you could, like in the pipes business what sort of margins are possible on the Rs.350-odd crore top-line that we are targeting, what sort of EBITDA margin is possible in that business?

Dhirup Choudhary Mr. Ravi, all the present competitors in pipes business are very very big players and they have not achieved this size overnight, so they have done a very very tough work last 20 years. And some of them are using big names from the film industry to support their advertisement and branding. So, it is quite a severe competition, we are well aware of it, however we are also well aware that the market is growing at a very steep rate and we believe that we should be able to gain a decent size of that. Profitability for big players are extremely high, we would start with a modest profitability and come up as we build up. So, I think you would see a similar profitability that you see in other products once we mature out in this business.

Rajesh Ravi Okay. And also if possible, if you could share the AAC blocks, once it stabilizes like we are already at 87% but with more of this consolidation taking place we would be doing around 5% - 7% EBITDA margin currently, if my understanding is correct? And to what extent these margins can grow?

Dhirup Choudhary At about 8% to 9% on AAC block, just to correct that figure. And definitely feel with the total solution prospect that we are bringing in this margin will grow and once we believe that the market has consolidated we will also pump in additional plants.

Rajesh Ravi And lastly on this other income that you had mentioned, what was the reason for that bump up in this quarter?

Dhirup Choudhary I think I have already answered this, we had sold certain staff quarter which is a little bit surplus at this point of time in one of our units.

KR Veerappan Mr. Ravi, the sale money which has come to us about Rs.5.9 crore has been more or less offset by accelerated depreciation that we have done.

- Rajesh Ravi** And similarly, like as you mentioned for the AAC blocks, could you be more specific in terms of the asbestos roofing sheets you are the leadership brand and enjoys better brand premium. What sort of margins we are making, EBITDA margins over there?
- KR Veerappan** The EBITDA percentage is a healthy double-digit and it varies quarter-to-quarter.
- Moderator** Thank you. Our next question is from the line of Rajesh Kothari from AlphAccurate Advisors. Please go ahead.
- Rajesh Kothari** My questions are answered. Thank you very much.
- Moderator** Thank you. We have the next question from the line of Ritika Garg from Equitas Investments. Please go ahead.
- Ritika Garg** Sir, do we have any plans to grow inorganically, like we said a lot of AAC block manufacturers are up on sale and we have a strong balance sheet.
- Dhirup Choudhary** Ritika, that is something which is very dear to me and I would definitely look at that. It is now about eight months since I have joined this organization, so it took me some time to feel the waters and clean up the organization a bit, make it slimmer. Definitely M&A is something which is on the cards, but we do not want to rush ourselves through. If we land ourselves in any kind of acquisitions, it will be only to support the business.
- Moderator** Thank you. Ladies and Gentlemen, that was our last question. I now hand the conference call over to Mr. Dhriup Roy Choudhary for closing comments.
- Dhirup Choudhary** Thank you, ma'am. And thank you all. It has been a pleasure interacting with all of you over the call. We thank you for taking time out and engaging with us today; we value your continued interest and support. As you can see, our company believes in transparent communication and we hope to continue such interactions with you each quarter. If you have any further questions or would like to know more about the Company kindly reach our investor relations desk. Thank you, Ladies and Gentlemen.
- Moderator** Thank you. On behalf of HIL Limited that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

- ENDS -

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