TOGETHER, WE BUILD.

CK BIRLA GROUP

November 15, 2022

To
BSE Limited
P.J.Towers, Dalal Street
Mumbai – 400 001

Scrip Code: 509675

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza, Bandra (E),
Mumbai – 400 051

Scrip Symbol: HIL

Sub: Transcript of the Earnings Call held on November 9, 2022 on Q2 & H1 F23 Financial Results

Ref: Regulation 30 of SEBI LODR Regulations, 2015

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the Earnings Call held on Wednesday, November 9, 2022 on Q2 & H1 F23 Financial Results.

A copy of the said transcript is uploaded on the website of the Company www.hil.in

Kindly take the same on record and disseminate on your website.

Yours faithfully,
For HIL LIMITED

Digitally signed by MAHESH MADHUKAR THAKAR
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Mahesh Thakar
Company Secretary & Legal Head

HIL Limited
Q2 FY 2023 Earnings Conference Call Transcript
November 9, 2022

Siddharth Rangnekar: Good morning, ladies and gentlemen, and welcome to HIL Limited's Q2 and H1 FY23 Results Conference Call for investors and analysts. Today, we have with us Mr. Dhirup Roy Choudhary, Managing Director and CEO of the company; Mr. Saikat Mukhopadhyay, CFO; Mr. Ajay Kapadia, Vice President, Finance and Accounts. We will first have Mr. Dhirup Roy Choudhary making the opening comments, and he will be followed by Mr. Saikat who would take you through the financial perspectives.

Before we commence, I would like to highlight that some of the statements on today's call could be forward-looking in nature, and details in this regard are available in the earnings presentation, which has been shared with you and is also available on the stock exchange website. I would now like to invite Mr. Dhirup to present his views on the performance and the strategic imperatives that lie ahead. Over to you, Dhirup.

Dhirup Roy Choudhary: Thank you, Siddharth. Good morning, everyone, and a very warm welcome to HIL's Q2 and H1 FY23 Earnings Call. Thank you for taking the time to join us today, and I sincerely hope that all of you are doing well.

I would like to be upfront to admit that last quarter has been an extremely tough one for both HIL India and Parador. Most of the headwinds that we see are created by external factors which are quite beyond anyone's control. In today's discussion, I wish to speak about each of them and also give you a transparent view on the actions your company's management are taking to mitigate them. Amidst all the challenges, we have delivered steady revenue during the quarter. Historically, Q2 is always the weakest quarter, both in India due to the onset of rains and in Europe due to summer vacations. This was further dampened this year due to the ongoing weak consumer sentiments in Europe.

Despite these trends, our teams have worked relentlessly to minimize the impact on our financials and maximize our performances. We have achieved a 6% growth in our consolidated results in H1 FY23, while it is 14% in our Indian business. During the quarter, we continue to face inflationary pressures in most of our business segments. These ripples were caused by the persistent inflation in key raw material costs, high sea freights and the ongoing geopolitical scenario in Europe. While the supply side issues continue to provide huge headwinds, we have escalated our sales across verticals to drive our growth. We also continue to produce innovative ways to overcome the challenges faced and maximize our performances.

I am very excited with the benefits we are securing by IoT 4.0 implementation in 12 plants. This brings in transparency, preventive maintenance and shared ownership for all to drive best performances. An aggressive adaptation of Six Sigma across all functions has further brought our family closer and is committed to deliver better efficiencies and lower costs. Let me now take you through the individual performances and the challenges we are facing in each of our business segments rather in detail.

In the Roofing segment, you would recall, we had a fantastic Q1 this year, where due to meticulous planning and last leg connects, your company was able to secure 25% of the market share. This led to an eminent chaos amongst competition in Q2 and the market clearly witnessed a whimsical pricing leading to lower margins in each of the segment's operators. HIL, owing to its brand, last leg connect, digital intervention and PIN code mapping and heat mapping, was able to sustain its price supremacy in all the markets across the country, and our selling prices were kept higher than last year.

However, due to huge cost rise in fiber, together with high sea freight impact, has kept the profitability of this segment muted over last year. Determined efforts are being taken by HIL to raise the NSRs as the cost pressures would continue for the rest of the year. Polymer Solutions continues to face severe external headwinds owing to further softening of PVC prices, which has come down by more than 25% in Q2 and 38% in the first half. This has substantially reduced the brand restocking across the industry, has also severely impacted the bottom line owing to inventory losses. Forex is also adding to the woes.

Through our emphasis on quality distribution and brand Birla HIL is carving a growth niche for itself in the vast market. We sincerely hope that the PVC prices have almost bottomed out and expected to improve our performance in the coming quarters. We continue to add newer SKUs to cater to the demand in key markets, and are also in the process of launching Foam Core for underground application in this quarter.

As regards putty business, we are witnessing severe competitive pressures in the market, which, together with the increase in price of raw materials, have kept this business softened in the last quarter. Our fabric to grow this segment space unaltered and our company pledges to take this business to its needed growth profile soonest.

Parador enjoys a unique position in Europe homes and derives a large portion of momentum from 2 large countries, namely Germany and Austria. It has seen impact on sales on account of softening in demand as the EU is embattled with inflation and energy crises. The market sentiment in Europe are very low, with consumers adopting a conservative approach and going for only essentials. The footfall for renovation materials, including flooring, has seen a degrowth of 30% in DIY and multiples. The weaker trend is being felt by the entire flooring industry, with many declining plant shutdown, including our major competitors and suppliers.

Future projections for new orders are coming down due to high volatility. However, we are witnessing some countries which are able to battle through these challenges better than the rest, namely Spain, Switzerland, Sweden, Norway and Denmark. Amongst our competitors, Parador is doing far better. With meticulous efforts taken by the team in onboarding new customers from these greener pastures, we have been able to gather speed in our order backlog for engineered wood. We therefore, have good orders for our Austrian plant, which is running at full capacity. However, orders for our Coesfeld, Germany factory has come down substantially. We have already initiated various actions to continue our business sustenance and cost savings during this extraordinary tough times and sincerely hope that the situation would improve after the winter period.

In the midst of all of this, I am extremely happy with the performance of our Building Solutions segment, where our strategic efforts to convert this business from a product sale to a solution sale has started reaping results. Our sales and technical solutions team have onboarded many new customers from Tier 2 and Tier 3 cities, which has led to a higher realization and a favorable payment terms. We have fully utilized the capacity of this business while taking concerted steps towards an increase in the asset. In this regard the acquisition of fast build block business in Orissa has been a good step forward. It has not only helped us reduce our investments for our greener block plant, but also helped us to secure new customers and optimize competition in this region. We are also taking small steps towards incremental capacity increase in all our plants of blocks and panels, while focus steps have been taken to evaluate contract manufacturing of blocks. I am confident that our brand Birla Aerocon, together with our technically trained sales force and superior products, would enable us continue the profitable growth of this business in times to come.

As you are also aware, we have decided to step into construction chemical business. We are laying the foundation of this business and working on acquiring talent, product assortment, vendor development, logistics and distribution network. We have onboarded 32 team members already, 100 channel partners, launched 25 products and 170 SKUs in the market within the first 6 months, and have achieved in excess of INR 7 crore revenue in the first half. Our aim is to take this business to INR 300+ crore in the next 2 to 3 years.

In conclusion, let me commit that your company remains optimistic in mitigating the existing challenges suitably with the help of highly committed workforce. On this note, I would like to invite our CFO, Saikat, to give a more granular view on financial performances during the quarter and would be available to take your questions thereafter.

Saikat Mukhopadhyay: Thank you, Dhirup. A very good morning to all, and thank you for joining us on the call today. I would like to take you through the financial and operating highlights of the business during Q2 and H1 FY23.

The ongoing geopolitical tensions as well as the resulting headwinds impacted financial performance during the quarter. It is worth noting that our entire teams worked very hard to mitigate these effects. We delivered a consolidated revenue of INR 764 crore during the quarter as compared to INR 766 crore in Q2 FY22. EBITDA for the quarter came at INR 20 crore versus INR 68 crore in the corresponding quarter last year.

During H1 FY23, revenue stood at INR 1,849 crore growing by 6% against INR 1,749 crore in H1 of last year. EBITDA for the period stood at INR 156 crore versus INR 241 crore in H1 FY22, a drop of 530 basis points in margin. As for H1 FY22, stood at INR 80 crore as against INR 126 crore in H1 FY22.

In Q2, the Roofing Solutions business grew by 5% year-on-year coming in at INR 197 crore as compared to INR 189 crore in the corresponding period last year. We continue to have a higher market share in the roofing business, and this revenue growth is a testimony of that. H1 FY23 revenue stood at INR 650 crore, growing by 8%. The Building Solutions business grew by 29% year-on-year during Q2 FY23, coming in at INR 123 crore. H1 FY23 revenue stood at INR 248 crore, showing a robust growth of 38%.

Polymer business stood at INR 126 crore in Q2 FY23. Revenue from operations in the polymer business came at INR 268 crore during H1 FY23, growing by 10% as compared to INR 243 crore in H1 FY22. The Flooring Solutions business stood at INR 315 crore during the quarter under review. H1 FY23 revenues were at INR 681 crore.

The health of company's balance sheet is of great importance to us. The debt at consolidated level now stands at INR 300 crore and the total debt to equity ratio stands at 0.25. This gives us the comfort and confidence to drive growth initiatives and mitigate challenges in the marketplace. The net worth of the company today stands at INR 1,192 crore, having grown 8% year-on-year.

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

Moderator: The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: We understand operating conditions have been challenging overall, and we hope to get better. So a couple of questions, how has demand salience been in the Parador side of our business in October and November so far? We understand in your September update call, you had mentioned about a lot of initiatives about expanding the market in the Nordics and Spain and the Americas. Have they began to yield any result? So some color on that. And would you reckon Q3 this fiscal will be a breakeven quarter for Parador?

Dhirup Roy Choudhary: So your questions are all on Parador. Let me try and answer them one by one. The demand in October is also low, and we are seeing a drop of demand of more than 30% in Europe, in the major parts of Europe where we are. November has started well at the moment, but it's only a few days now. So it's very early to say how it is going to perform. But normally November is a decent month in Parador, but this year, of course, situations are different.

Our actions are being taken with big houses, big customers in the Nordic countries and Spain, and they have a particular RFQ process and accessing new suppliers. This process does take a few months. Therefore, I will not be expecting orders to immediately fall in from there. The quick orders and the quick revenues in Parador comes from DIY, because those are where people go and buy quickly, and therefore, you can sell better. And those are also products which we make in Coesfeld, namely the Laminates, Vinyls and ModularOne. But those orders have come down immensely. So we are harping more on the project orders, which are primarily Engineered Wood and they take their own lead times and delivery times are also quite extended. So it will take its time, but as long as our order booking is good in the coming months from those customers, which are new and potential for future, than the revenues will definitely do better in the coming quarters.

Baidik Sarkar: On the profitability front, Mr. Choudhary, would you reckon we are significantly away from breakeven and is that something that can be expected by Q4? I mean I know it is early days, but given the cost control initiatives, you have spelled out in the September call, any comments on that?

Dhirup Roy Choudhary: Well, our attempt is exactly on that direction. There are fixed costs within Europe, which everyone is aware, which are difficult to be controlled beyond the level. A lot of cost-saving aspects have been taken including permission from the government to go for, short-term work for a few people so that we are able to save on some part of the cost. Let me define this for you. Short-term work in Europe means that you are able to send people for some days of the week, where you pay only 60% of their salary and the 40% then a part of it comes from the government to them. So those actions have been taken in some departments as we see the weakening of revenues. But they are not enough to help us mitigate all the cost challenges. Our attempts are towards breakeven on EBITDA in Q3, but it will be too early for me to comment on this.

Baidik Sarkar: Sure. I understand that. On the domestic Roofing front, it looks like volumes have been pretty benign in Q2, and you alluded to the competitive aspect. How are things looking like now? Is there a strategy that we have in hand to combat this kind of a pricing pressures from the environment? Or we just have to wait and watch?

Dhirup Roy Choudhary: No, we don't wait and watch at all. Mr. Sarkar, you have been with us for a long, long time, and you are aware that your management is far ahead than the rest. On the top line front, we are doing everything to secure our positions, our market shares in India Roofing. We are growing in our market share over last year, while the price pressures and the cost pressures are huge. I simply hope that the market understands the cost pressures, and we are able to get better realization, which we have not been to my satisfaction. Because the capacities in roofing is far higher than the market demands, everyone knows about that.

So therefore, if there is a determined effort only to sell volumes by our competition, market prices cannot go up beyond the level. But we have a huge differential with the rest on market prices, on NSRs, which is difficult to sustain beyond the level that our attempts on brand, our attempts of direct connect with the retail, direct connect with the consumers is something that we are harping on to continue this spree. I am very hopeful that we will be able to take some price rise to mitigate the cost differential over last year, which is huge because of fiber.

Fiber was created mainly because there was a huge scarcity of fiber from Russia and Kazakhstan due to the war. And therefore, everyone went to Brazil and we were buying only from Brazil, as you are aware. So the Brazilian, therefore, found it difficult to satisfy everyone. And also their costs have gone up, so they raked up the price immensely, which has dented everyone. So not us alone. But we are, I am sure, still a preferential customer to them. The rest are also facing this.

Plus the fact that when you go to new suppliers, the mix of fiber changes, which also increases the cost of production. I am sure all of these are problems that our competition is facing. I would only hope that they understand from their own results and do something to help the industry in raising the prices. We are taking all actions towards that.

PVC, I think has reached a level, wherein further reduction of PVC prices, may be minimal. So I would say another 10 Rupees at the most reduction will be there. That will have a negative impact for a month or 2. But after that, things are going to move up and the demands are being subdued. So I am seeing a resilience of demand going up in Q4 for sure in India, which will be helpful to companies, which have been able to keep their fabric absolutely in order and is ready to grow, and your company will be one of them.

Baidik Sarkar: On your construction chemical story, did you call out a number of INR 300 crore over the next 2 years? Did I hear that right? And if you could just throw some color on what's the business model there, will it be traded, manufactured, something like that?

Dhirup Roy Choudhary: Yes. So you are right, our dream, and I always share my dream and aim with all of you because you must be a part of it. I would like to correct me on that. Construction chemical, any segment which is below INR 300 crore is non-viable from an HIL perspective. And I would like to take this segment, which is our next dream segment to INR 300 crore as soon as possible. My aim will be 2 to 3 years, next 3 years, positively, we should be at INR 300 crore for construction chemical.

At the moment, we are still testing the water. It is doing extremely well. Our brand has already started penetrating the market. Though INR 7 crore in the first 6 months or INR 9 crore in the first 7 months, I won't say these are big numbers. But we would be able to ramp it up here on INR 2 crore to INR 3 crore every month is my aim. And let's see. I mean, we will have to buy a company or 2 to also extend our SKUs when that's needed, but we will keep you fully informed on that.

Baidik Sarkar: Yes. But is the model traded now?

Dhirup Roy Choudhary: The model is entirely traded now. Therefore, there is no Capex in this. The contributions are good, but the costs are also higher because this has also been settling up period where we have introduced a lot of people there already for ramping it up. But this is the time of investment into the business for future.

Moderator: The next question is from the line of Rajat Setiya from iThought PMS. Please go ahead.

Rajat Setiya: Sir, one question about the Parador. So what is the power and fuel cost as a percentage of sales for Parador?

Dhirup Roy Choudhary: Yes. So I will give you the answer in 2 sectors. One is the power and fuel cost of Parador is 2.5%. That's a direct answer to you. The second answer to you, which would give the relevance also, is we don't use gas, we use electricity. And what we did miraculously, I would say, was that decision in February we took, we froze the entire electricity cost of this whole calendar year, up to December end in February itself, and that was at a low base. Then the prices are all shot up. And we have also frozen 60% of electricity requirements for next calendar year in Coesfeld and 40% in Guessing plant. So these decisions were taken in February while the war has not yet started, which will definitely hold on for Parador and hopefully help us.

Rajat Setiya: The other is on the Roofing segment. So the raw material fiber that we use, what is it as a percentage of total sale of that asbestos roofing segment?

Dhirup Roy Choudhary: So fiber is the biggest material that we use in Roofing Rajat ji. And the total is about 40% of the raw material cost.

Rajat Setiya: Understood. And sir, what are the margins in this segment on an yearly basis? If you look at, they keep on fluctuating a lot. So what are the sustainable or there's no such thing for this segment, you would say?

Dhirup Roy Choudhary: No. I mean I'll tell you the fluctuation that you've seen is more cyclic in roofing in nature. So Roofing segment has the best quarter as Q1. The second best quarter is Q4 of the financial year. The third is Q3 and the fourth is Q2. So that's where it is. The fluctuation of margin, what you see is a direct relation to the material cost price, because the material cost plays havoc sometimes. And if the NSRs don't go up in the market, you would see that fluctuating. So a steady state profitability for roofing should be about 20%, 22% EBITDA.

Rajat Setiya: So the fluctuation is not because of the pricing, it's largely because of the raw material prices?

Dhirup Roy Choudhary: That's right, it's raw material, but in quarters, it is pricing also. So every quarter, then there is a low demand, like in Q2. NSRs will drop down from Q1 level. And Q3, we would take some actions to raise it to Q2. And Q4, we will raise it further to Q3. And then in Q4, it will be at its peak.

Rajat Setiya: Understood. And sir, the next question is on the piping business. So in the pipes business, what is the distribution network that we have today? How was it 2 years back? And what is our plan for the next 1 to 3 years?

Dhirup Roy Choudhary: So in pipes, first, let me answer the last question. In pipes, we want to reach INR 1,000 crore revenue in the next 3 years' time. And in putty, we want to reach about INR 400 crore revenue in the next 3 years, so it will be about INR 1,400 crore in this segment in the next 3 years. Coming to the network, there's an extensive network increase that we are doing. Our brand is settling down well, which is the Birla HIL brand. We had initially problem in getting big distributors in our segment because they are all linked to all the big players, we are far, far smaller in every way. But the growth in distribution is roughly about 270 to 300 new points every year that we are growing. And our connect with the plumbers and the masons, plumbers for the pipes and masons for the putty is a continuous effort, which is adding to this. I think presently, as it stands, roofing would have a retail connect of more than 20,000 points. And for polymers, we would have at least 3,500 to 4,000 connects in the country.

Rajat Setiya: The final question, on the tax rate of India entity and Parador, what are those tax rates?

Saikat Mukhopadhyay: Tax rate as far as India business is concerned is 25.17%. And in Parador, it should be about 31.5%.

Moderator: The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy: My first question is on Parador. On Parador, given the environment right now and given the fact that competitors are also in a weak footing, is it a time to play offense and take any strategic decisions you believe? Or is it still a time to play defensive and see how the market goes out? So actually I'm saying the on Parador, so is this a time to be aggressive in the market and take any steps in terms of back integration on competition? Or do you think it is still a time to be defensive given uncertainty?

Dhirup Roy Choudhary: Very, very interesting question. And let me answer this to you. I had 2 choices with me. One is lament under the present crisis and therefore, start reducing costs in a big, big way and be defensive, and thereby, maybe in a way, destroy the structure of Parador, which would have been quite a futuristic disruption. And the second was to accept that we will lose some money in PBT, but at EBITDA, keep it awake for better times to come, which I believe will take a quarter or 2 at the most. And in the meantime, go aggressive in new markets with your products, your Parador products are extremely good, high end. Go into the market, establish new contracts with big building houses, contractors, builders, influencers like the interior designers, architects, and build the brand further to be ready to absolute kickstart as soon as the situation is ready, we are taking the second.

Ashwin Reddy: Okay. Got it. That is helpful. No, I am saying you also mentioned that even the suppliers are facing difficulties in your case, in some cases, as you mentioned. So is this also a time to backward integrate? Or there is no need for you to backward integrate in Parador? I mean, are there any inorganic opportunities which you see to make your business more stronger in the future?

Dhirup Roy Choudhary: I will just take you back to about 12 months back. There was a huge crisis for raw material availability in Europe, and that's the time the important raw material like HDF that we buy, MDF that we buy, chemicals that we buy shot up by about 100%. Now when the suppliers have enjoyed such a fantastic profitable year last year, they are determined not to slip that through. So they have 2 choices. One, lower their price immensely because the demands are following and keep their plants on. The second was to stop their plants, not to lower their prices. So they are taking the second option. So we are not seeing therefore a price dip enough from them while they have closed their plants and therefore, suffering a lot on the fixed costs. I am hopeful we have been able to get a 20-25% discount over the peak prices in the last quarter or so in raw material, which as the inventory gets depleted, we will see the benefit of this in the profits, on the costs. But we are not seeing the suppliers taking any disastrous action by reducing their selling prices immensely.

Moderator: The next question is from the line of Amit Vora, an investor. Please go ahead.

Amit Vora: First of all, I would like to appreciate the management's efforts to always keep investors updated about what is coming and being quite appreciative about this, over the past 3 quarters, you've been very clear that, yes, there is a problem and you've been updating us. Firstly, the question is on Parador, again, revolving around this. Are we seeing any kind of inventory that we have stacked up or that is there, which can come as a write-off in the coming days? That's my first question. And the second question is on the Building Solutions where we have done extremely well, and it looks like the new acquisition has merged very well into HIL. The margins that we have reported here, how are these sustainable? And going forward, is there a scope for improvement in these margins?

Dhirup Roy Choudhary: Thank you for giving me a chance to explain the inventory part of it. So let me go back a few months back and draw you to the stress that we had during the onset of the war, where there was absolute scarcity of wood. Because as I had informed you earlier, 40% of the wood for the whole world's supplies come out of Ukraine and Russia. So with the wars there, that was under a big, big problem. We have been able to secure a lot of inventory during that time using our connect so that we don't ever starve ourselves of raw materials.

We were carrying in Parador about 47 million Euro inventory towards the middle of last quarter. Now is the time when we have decided raw material availability is no more a problem. So we have taken concerted approach to bring it down. I would draw to all investors the point that the lowest inventory in the history of Parador used to be 33-34 million Euro, but the raw material costs have gone up by about 100%. And therefore, automatically, the inventory carrying levels goes up. But we have taken determined effort to get the inventory pegged at 40 million Euro. We are at about 41-42 million Euro at the moment. We will bring it down a little more, and peg it at 40 million Euro till sales really return in full speed. That is point number one.

And number two, there is no dead inventory. So every material is usable and therefore, there is absolutely no problem with our inventory. That's answering your second question. Now I come to the Building Solutions. The margins, which were hovering around 4%, 5%, 6% in any of the years earlier, and EBITDA level has now gone up to 13%, which I would give credit to the team. We are very positive that we will be able to continue this spree. And these margins can only improve from here according to me as we grow in this business.

Moderator: The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: First on the Parador business. When you mentioned that we were able to lock in the electricity prices in February and our P&F still remains at 2.5% of revenue, then are we primarily seeing the impact in Parador because of the demand just getting sort of eroded? Or because when we look at even at the gross margin levels as well for Parador itself, then there also we are seeing some pressure. So maybe if I can just, like-to-like basis, a 40% gross margin has gone down to 35%. So could you highlight both these things, please?

Dhirup Roy Choudhary: Absolutely. I will be happy to highlight all of this to you. First of all, and as you spoke about electricity, yes. For this calendar year, up to December, it's 100% locked at very favorable rates than what is there presently. And for next calendar year, it's locked up to, say, average 50%. The other part we still have to lock it. And in the present rate, we are unable to lock it for next year because that's a huge, huge cost. So we are waiting for the government to take the right decisions, which I am confident Germany and Austria will take in times to come, and we will see possibly some good reduction or rebates on this in the coming months. And then we will go for the lock in.

Even amidst that our contribution is low, our gross margins are low. The reasons are the following; number one, the raw material costs that are standing in our SAP is very, very high, because they were very high initially. It's just started coming down in the last 1-1.5 months. We have seen aggressive negotiations that has come down by about 20-25%. We will be able to realize this benefit in the coming months it may be after a quarter, because we are unable to buy more material as we are taking concerted approach to reduce the inventory. So that's one point.

Second, why is the margins deteriorating? So one of the reasons for margin deterioration is there is no orders. So if there are no orders, you are taking active actions to bring in order and stay alive, and that's exactly what we are doing. Therefore, the NSRs are not going up at all to compensate for any of the other costs that have gone up. Overall, if you see freight costs have gone up immensely because of oil prices 3-4x, everywhere. All raw material costs have gone up, chemicals have gone up, because everyone is sweating at the moment in Europe. So all this is adding to the woes of the margin. So as situation eases out, all of this is going to come down.

Nikhil Gada: Understood, sir. And just on the electricity front, when you say that for the next year, we have locked in 50% on an average for both our plants. This is on what trades, if you could specify? Is it for the similar rate that we have for this particular year?

Dhirup Roy Choudhary: Yes.

Nikhil Gada: Understood. Sir, just then on the overall impact, which you are seeing in October. And we also know that December is Christmas, which is generally a bit of an off-season in Parador. So for Q3, do you see similar kind of numbers which we can achieve as we have seen in Q2? Or you would see that we might be relatively better off?

Dhirup Roy Choudhary: Yes. We are trying every day, sir. Every day, I am on top of that, I am spending almost more than 2-2.5 weeks in Europe myself and traveling to all customers directly to have a first impression and also support. So every attempt is being made to see what best we can deliver in Q3.

Nikhil Gada: Got it, sir. Sir, just then on the Roofing business. I just missed your comment on the increase in fiber prices. Could you quantify that, please? And that is close to 40% of our total RM, right?

Dhirup Roy Choudhary: You're right. So fiber has gone up by more than 15%, maybe 15-20% rise in fiber cost. And the sea freights haven't come down. So given you a clear impression the sea freights from China to maybe Europe has come down, but from Brazil to India hasn't come down because it was already lower than the other sea freights. So that hasn't come down enough. So therefore, these are cost elements, which is very, very difficult to be recovered from the market with NSR, and that's what's creating the downsize.

Nikhil Gada: Okay. So just from that, understanding perspective, this 15-20% increase is year-over-year, right?

Dhirup Roy Choudhary: That's right.

Nikhil Gada: So when we look at our margins for the current quarter and when we look at what we achieved in Q2 of last year, there's a significant decline. So is there anything else that we are missing because the fiber price have not shot up so significantly to have an overall impact on our margins in such a way?

Dhirup Roy Choudhary: I mean if you look at fiber alone, there is a big, big dent to the bottom line that has come through. I don't have the quantified numbers, but we could send it later for you. Cement had also gone up in Q2.

Nikhil Gada: Close to 6-7% impact, right? 35-40% and 15%?

Dhirup Roy Choudhary: And the NSR happens, the other costs are also there in there. So all of that together, I think the dip in margin are at least correcting in roofing. So there is a dip in margin of 8% in H1, and I think most of it is fiber, cement and, of course, quarter-on-quarter, there will be some cost increase, which is on manpower and all those things. Plus the electricity costs in all our factories have gone up in the country that has gone up. So all of that.

Nikhil Gada: Understood, sir. And for a second half in the roofing business, sir, do we see a step-up improvement in margins? Or we see a moderate sort of an improvement? Because for second half of last year, we were somewhere in the band of 15%, 15.5% on EBIT levels. So do you think that is something which will be achievable given that we have seen such sharp increase in freight prices and even in fiber prices?

Dhirup Roy Choudhary: The attempt is to improve the margin, but it will not happen by any cost savings and everything that I do, which is controllable, is not going to give a substantial flip-up unless the NSR goes up substantially. So that is the element on which the team is fully working on because the cost, given where we are I don't see an improvement in cost of raw material at all.

Nikhil Gada: And sir, just lastly, on the Construction Chemicals business. You said that you have hired close to 25-30 people, and you have achieved somewhere around INR 7 crore of revenue in the first half. What has been the operating cost as of now for this business, first half FY23?

Dhirup Roy Choudhary: I don't have that number here, and I think it will not be fair to me to talk about the entire P&L in this call. It is too early, sir. This is an investment. See if I had investors in Construction Chemicals by heavy Capex, there would have been depreciation and costs and all the rest, which we have not taken the route. So the route we've taken is organic growth. So these costs, you should estimate as an investment for the future growth of construction chemical.

Moderator: The next question is from the line of Pavnish Kumar from Hridya Cars Private Limited. Please go ahead.

Pavnish Kumar: Good morning Mr. Choudhary and thank you for such comprehensive, detailed analysis of the business performance. And I can very well understand the kind of difficulty which the company is going through, but you all are relentlessly fighting to make the company profitable once again. So congratulations once again. Sir, my question was like asbestos sheet has always been, there are always apprehensions around the future of asbestos sheet it being cancerous. So do we have a plan B in case in future government bans asbestos sheets?

Dhirup Roy Choudhary: Kumar saab thank you for your good wishes, in this period it is far too impossible to get compliments. But thank you for understanding our pain. Your team is fully on the job. And I can tell you, we are more than committed when it comes to mitigating hardships. Your question on asbestos is fair, but to tell you very frankly, I do not see a problem in the immediate future in India because there is no other competitive material to asbestos roofing in the whole world. And the rural sector relies immensely on cost-effective, high strength, high-longevity products. And therefore, I don't see problem at all in India.

But your company is the only company which has taken a strategic decision to come out with non-asbestos roofing product. We are unable to push this in the big numbers because this product is more strategic for a possibility when asbestos roofing will go out of the market. If asbestos goes out of the market, Charminar Fortune, which is our non-asbestos roofing product, can be made from each and every manufacturing facility that make asbestos roofing. So there is 100% replacement that can happen of the affected lines to make non asbestos products. So that product is already there. Enough actions are being taken on cost reduction there, so that we are able to bring it down substantially. We have sold in excess of about 11,000 metric tons in the first 6 months of this year, of this product, and the quality is doing fantastically well.

Pavnish Kumar: Fair enough. Sir, my second question was like we seem to have a weak brand in terms of pipes in North India. So do we plan to strengthen it further in North India? And also do we wish to outsource the production in North India of PVC and CPVC pipes?

Dhirup Roy Choudhary: Thank you again. I'll take the second question first. We have 3 manufacturing units for pipes and your question is going to be on pipes. Because putty, we are actually very good as a brand in North India, and we have secured good market of putty in North. Let me come to pipe specifically, that's your question. We have 3 locations where we make pipes. Faridabad is one, which is in North India. Golan is the other, which is in West India. And Thimmapur is the third, which is in South, so mixed out. So we have 3 factories.

At the moment, Faridabad is about 85% fully capacity utilized. Thimmapur is 100% capacity utilized, and Golan is about 50%. So we have enough capacity within the manufacturing facility. So we don't have to go for outsourcing. Second is the 3 verticals on which pipes really works according to me and you can correct me always, is the brand, number one; product quality, number two; and the team, the sales team. So we are strengthening all of these 3 continuously. You would have seen a lot of brand activation in North behind the autos, the 3-wheelers with our brand. It's always a matter of when do I spend more on brand on ATLs. And that decision we will be taking as the business takes the lead. PVC price reduction has kind of hovers around the minds of the industry on a lower demand and lower primary sales. So give us another couple of months, as PVC price stabilizes, you would see a lot more brand activation.

Pavnish Kumar: Yes. My question specifically on PVC pipe was because, sir, I am myself into this trade, I am a distributor of PVC and CPVC pipes. And in our area in Haryana, we see Astral and Ashirvad being extremely strong in CPVC. I don't see that kind of a push from HIL. Me being a very, very loyal shareholder of HIL, I would love to see some force in CPVC pipes in Haryana also. That's a request, sir.

Dhirup Roy Choudhary: Do I have a difference with your view, not at all. Astral and Ashirvad, you named 2 companies, they are big giants in pipes. Over the last 25-30 years, they have built a brand which is exceptionally well, and I look up to them. Can we get to that league very soon? Yes, we will. And thank you for being so patient with us. Do interact with our pipes team and help us to appreciate what more we can do in Haryana specifically, and we'll do every bit of it.

Moderator: The next question is from the line of Nikhil Upadhyay from SIMPL. Please go ahead.

Nikhil Upadhyay: I just have 2 questions. One is specific to Parador. In the opening remarks, you mentioned that the problems which we are facing, many other competitors are also facing. So over a long period, if we look at Parador has 2 manufacturing lines, 1 in Germany and 1 in Austria. Now if you get from manufacturing lines in some other region in Europe, which probably helps you reduce the logistics costs and help to expand the market faster, would you be open to any acquisitions of that sort in Parador? Or is there anything of that sort in terms of acquisitions to build or strengthen our logistics or supply chain better in Parador you are thinking?

Dhirup Roy Choudhary: Nikhil Ji, that's a very, very important and pertinent question that you have asked. I will tell you why because when situation becomes so bad in Europe, and I think that this will continue for the next quarter at least, there would be some distress effects that we can look at. Our team is working on this as we speak. At the moment, our German factory is fully unfilled. So we are about 60% capacity utilized. So there's far more that we can do in Germany. Therefore, we will not be in a hurry to look at expanding the facility for products like resilient, laminates and modular one.

But our wood plant is fully utilized. So we are actually having order backlog up to end of February there. And we are definitely looking at some companies from where we can possibly source some part of this. Though the brand plays a bigger role, the brand is so well established, we don't want to dampen the brand and its value, therefore, buying from anyone else, selling will not be our course of action. We would be doing majority value add in our factories to continue the brand spree. But your question on whether we can look at constructively to buy some company during this distressed time, yes, that window is very much open. But I will not be in hurry immediately.

Nikhil Upadhyay: Okay. Second question Dhirup Ji is, slightly if I zoom out in terms of the company, now we have three pillars for us here, one is Parador, another is roofing. And third is the new business initiatives, which we are developing. Now for the last 1.5 years, if I look at it, all the events are exclusive events to each of the business, but all of them hit us at the same time. So if you have to understand, and if you review your business over the last 5 years and you create your strategy over the next 5 years because this volatility of the business, operating environment can sustain and we don't know about it. Would you see any way that probably in some part of the business aggressiveness has to increase? Or would you say we need one more pillar in order to strengthen the P&L, balance sheet, in order to compensate for such volatile events whenever they happen? Or how are you looking at it? Like what's your learning or what's your reading of the events which have happened over the last 3 years? And what are your key takeaways, which you probably think next 3 to 5 years the whole company has to bring?

Dhirup Roy Choudhary: Quite a strategic question, and I am very happy you asked this because this is something which continues to grow in my mind, and I can give you an answer straightaway without looking at any papers. Strategically, HIL is all planned to become USD 1 billion by 2025-26. And this is a commitment I have made. This was a commitment I made 5 years when I joined this organization, when we were only USD 140 million, and I continue to make that commitment. But the last 2-3 years have been difficult, first COVID, now the war. These were unanticipated. These were unprecedented. You can label them as historically one of its kind.

But the team has really, really taken lessons to make this as an opportunity for the business in many ways, and we will continue to do. Let me come specific to your questions. Roofing, you can expect in the next 3-4 years, and let's talk about only 3-4 years now time fame, roofing, I still don't expect more than a single-digit growth in roofing. The cost will always be a threat to roofing profitability, but we will take enough actions from R&D in alternative recipes to mitigate these costs. And therefore, on a profitability scale, roofing will be quite sustainable.

Let's come to now Building Solutions. So that's a segment which was nascent when I joined, and it was not even INR 150 crore, I remember. We have taken this segment to INR 400 crore, and now you can see this year that we are able to grow this segment with a double-digit profitability. And we will take enough actions to grow this further. I am determined not to add too many assets to this because the asset turn in this business is not very high, but we would look at all alternatives to grow this business through outsourcing route, as well as, wherever needed, add-on intelligent Capex so that we are able to grow this business. This business will become at least INR 800 crore in the next 3-4 years' time.

When we look at polymers, that's absolute new business, which came in once I joined. So I remember the INR 130 crore Capex that we invested within 3-4 months or 5 months of my joining. This is a complete new segment, and we are learning the trade of it. Have we expertise in it? No. Every day, we are learning, sir. This is a very, very difficult, but very interesting segment. This segment, we've seen enough to grow to INR 1,000 crore in Pipes, and we are absolutely committed to take this up there. So this growth will happen. And when we reach those levels, the profitability will be quite good because that's what we have seen for all the established players, 5-6 of them who are at that level, INR 1,000+ crore.

Putty, of course, is more opportunistic, more a brand play by us, more opportunistic based on our penetration countrywide, where we are connected with 26,000 retailers around the country. So putty, to take it beyond a certain level will be difficult because there are big players there. Two of them established and now one paint company is making a big play in this. So we will continue in this product and take it to INR 400-450 crore, certainly. My earlier estimate was INR 600 crore, but I would soften that a little bit, but we will grow.

When it comes to Construction Chemicals, that's the newest business, we are caught into. And construction chemicals for me is absolute Greenfield for HIL with its brand, it's connect. Most of our counters sell this product, and it's just to climb on it and try and make best of this. We have just entered sir, and you would see good, good improvement, very good exponential growth in the segment in the coming quarters, quarter-after-quarter.

The flooring segment that is Parador is a very, very good segment. I once again say what is happening in Europe was completely unprecedented. We will grow this segment and double Parador from where it is in the next 3-4 years' time, that's the commitment, that's where the new greener pasture that are being secured. Parador already sold in Germany and Austria, almost 70-75%. So now with the turmoil there, it's giving us an opportunity to look at other avenues, and the team is fully contributing to that.

And of course, if you add all of those, we may still be lacking about INR 1,000 crore more to reach up to the INR 7,000-7,500 crore level. And we are always opportunistic with that.

Nikhil Upadhyay: My question was not with respect to reaching a particular scale. My question was with respect to having the ability with the company to move the pedal and improve the profitability. So what we saw this quarter was like the roofing got impacted, Parador got impacted, pipes got impacted. So all 3 were exclusive events, but they all impacted the P&L badly. Now what we have seen in many large companies is like if 1 or 2 business don't operate, they have the ability to move the profitability in the third business and still keep sanctity of the P&L and the cash flows as it is. So what I am trying to understand is that probably rather than opening more avenues, should we focus on improving the scalability of the existing avenues so that profitability lever stays with us?

Dhirup Roy Choudhary: The whole team effort is not only top line, but profitable top line, and that has not daunted at all. What you are seeing as fluctuation or negativity in profitability is entirely externally created. And I think the entire industry is in this problem. So I am not defending where we are, but I am just saying, no matter which segment you look at if you were there, situations were difficult. There are just a few segments which are doing extremely well. All the others have been knocked down in building materials.

So whichever segment I would have created, we would have faced this problem in the present terminal, which is more geopolitical creation. So you have one stability here that you are not only in one geography, you are in 2 geographies or 3 geographies, if I may say. And therefore, India weakens for any reason, Europe will sustain. If Europe has weakened today, India is sustaining. That's the sustainability of this organization. So I don't think anything is lacking in our futuristic strategy that will not take this company to profitable growth. These are absolutely unprecedented times. Live through this and you would see what your management brings to you.

Moderator: The next question is from the line of Rama Krishna Neti from Zen Wealth Management Services Limited. Please go ahead.

Rama Krishna Neti: Yes. So the question, particularly with respect to Roofing segment. In your initial comments, you mentioned that apart from the raw material impact and all those things, there was high competitive intensity because of this there was a pricing pressure which have impacted the margins. So at a general level just trying to understand, at what stage of the cycle do you see the current situation now, this competitive intensity related pricing pressure will continue to stay in the system? That is first one. Second thing is to what extent the pressure is also because of demand-supply scenario and impact of alternatives to asbestos roofing?

Dhirup Roy Choudhary: Okay. Let me take your second question first. There is no alternative for Roofing segment. I don't think steel at all competes into this segment. The price of steel sheets would be at least double of that of our asbestos roofing. And therefore, I don't see that at all a competition. This segment is about 3.7 to 4 million metric tons in India. And it stays with a cyclicity within quarters that happens. If the rains have been bad in a particular year, the next year, demand will be low because the crops will be less, and therefore, the farmers get less to take for the roofs. But the rains have been very good again this year. Therefore, I do not see a problem next year so far as demand is concerned.

This segment has at least 35% excess capacity. And for HIL, we have about 20-25% excess capacity in our machines. So there is always a lower demand to the capacity that can be produced in the country. And 2 of our competitions are adding new machines, new lines for asbestos roofing. I wonder why, but they are. So that will further increase installed capacity in India. The demand grows at about, single digits, 2%, 3%, 4% annually and that’s the best you can achieve.

So far as the margins are concerned, yes, the raw material has played out about this year, fiber being one, your sea freight being the other part of that. Cement always is a concern, but I think the industry has learned to live with the cement cyclicity. But fiber has been a complete bouncing. I think this will soften once Russia and Kazakhstan start in a good way, which should happen in the next 2-3 quarters is my view. On the selling price part, your company is the only one which has at least a market differential of 5% to 7% over the next on realization. So that's because of the brand, because of the penetration we have. So we will always be ahead of the curve when it comes to NSRs. And we will also be very competitive on the material cost because being big and having a long-term relationship with some of our key suppliers, we get preferential treatment. So this segment will continue to be high profitability and decent growth on a sustainable basis.

Moderator: The next question is from the line of Subham Agarwal from Aequitas. Please go ahead.

Subham Agarwal: First of all, really appreciate you explaining the current situation in such detail. Sir, most of my questions have already been answered, but one more question I wanted to understand is related to the fiber prices. So you mentioned that Y-o-Y, it has gone up by 15%. But if you can give me some more detail around the current situation or the magnitude of the problem. Do you see the Brazilian supplies increasing in order to capture the growth in the demand? And when do you expect the Kazakhstan or Russia supplies to come back?

Dhirup Roy Choudhary: Thank you, Subham. Fiber price escalation was created because of, I think, 2 or 3 factors. One was this war. Therefore, there was a huge uncertainty around deliveries from Russia and Kazakhstan. Even today, I guess, the deliveries do not come direct, but are routed elsewhere. But we don't buy from Russia and Kazakhs, so I will not have a clear update on this. But certainly, what it meant was we saw many of our competitors flocking to Brazil to fill up their fiber requirements, which was evident. And along with the cost structure in Brazil and of course, a little bit of opportunistic regime that they could see themselves in, they raised the prices. 15-20% is the rise in selling price that they have declared, I believe, to everyone. We have a preferential pricing with Brazil, I guess, over the rest and these numbers are not officially circulated, so I am using the word guess, but I am rather confident on this. And therefore that continues. So on a lower base, even if we have to increase the price by 15-20%, others have increased it on higher base. So our cost, therefore, would be lower than others. That's one aspect of it. What was the other question that you asked?

Subham Agarwal: When do you expect the supplies to come back from Kazakhstan and Russia? And is there a possibility of a Brazilian entity increasing the supply to reduce prices?

Dhirup Roy Choudhary: So I think the Brazilians would look at improving their capacity because they are now full up with orders. There are a lot of people crowding on them for more. So if I was them, I would increase the capacity. That's what I would say. It's on their hands. I don't buy from Kazakhs at all, so I can't give that answer to you. You should ask some of our other competition who regularly buy, but I think they're having problems. Russians have shown enough intention to once again supply to us. We will take it as it comes, but there are concerns on way of payment, as well as on routing of the material.

Subham Agarwal: Got it. And lastly, on the Building Solutions division. So with our new investment, when do you expect the capacities to fully ramp up? And by Q4, how much can we expect out of the new investment?

Dhirup Roy Choudhary: So the boards adaptation in Odisha, which was about INR 20-odd crore Capex, has already started kicking. So which is our roofing plant, which has been adopted to make boards, non-asbestos board during off-season, so they start kicking already in our roofing plant in Odisha. Panels new plant is being created again INR 28 crore something, which is in its final leg, I think by February, we will start commercializing that. So boards have started on. Panels will add on from February. FastBuild, which is the new acquisition of blocks, we have already started getting revenues from that last quarter and this quarter again. And other quarters, we will start, and we will try to grow that further.

We are also adding small capacities in our existing plants to increase the production and all of that should back to grow this business further. And opportunistically, looking at a further blocks from an outsourcing route, which I mentioned, which we have not yet been finalized. I think in the next month or so, we should be able to kick off a few. So next quarter, we should be definitely able to share with you that part of it. We may need to add a couple of Capex here and there, but at the moment, it's not in a stage where I can for sure talk about it. But Building Solutions, we will grow.

Subham Agarwal: Got it. That's good to hear. And lastly, on the Polymer division, do we expect breakeven in the current quarter? Or the situation is still negative in terms of pricing?

Dhirup Roy Choudhary: So if PVC prices do not further drop, I think we should be able to breakeven at EBITDA terms. But if PVC prices drop, well, we have already seen a INR 7 drop already this quarter, adds to the woes of inventory losses, for everyone, not only for us. But let's keep our fingers cross. But I must give you a realistic view, I definitely see CPVC prices further dropping by at least INR 7 to INR 10 more. And then there is no further possibility for this to drop, that's my estimate on this. And the reason for PVC price drop is U.S., which has closed its operations a year back from October, November of last year has started kicking. And there is a huge, huge excess capacity in Europe. China is dumping their products. So they have excess capacity. So from international markets, all of this is ruining the prices. Whether they are making margins or not, I don't believe. Because in India, some of the companies who are selling are not making positive margins by selling PVC.

So I don't think this is more from the suppliers' intention, this is more an overcapacity globally, which is ruining the PVC prices. What it's doing for pipe businesses, every customer is expecting a further drop in selling price of pipes because PVC will further go down, therefore, primary stockings are not happening, and that is really shaming this industry.

Moderator: The next question is from the line of Mohit Khanna from Banyan Capital Advisors. Please go ahead.

Mohit Khanna: My question is regarding Parador, we can see that demand is scarce. What is your sense still, when would you see a DIY demand to be scarce, first? Secondly, would you look for acquisition of brands in Europe and this is adding on to that distress acquisition question, that one of the listeners already asked you. So would you be acquiring more brands to become a consolidator in the European market?

Dhirup Roy Choudhary: So Mohit Ji, thank you for your question. Part of it I have answered, but I don't mind repeating any bit of it just for clarity. First of all, demand definitely has gone down more than 30%. Let me tell you, this is not what Parador is facing. The market is facing even more. We are trying to sustain one part of our business, which is the engineered wood through project orders from Nordic countries and Spain, which I guess others are not able to do. So to an extent, we are slightly better off than others. Therefore, we have not closed our factories. We are keeping our factories on. That answering your first question.

Your second question on when this demand will improve, I can't say honestly. Because it all depends on after the winter, whether the sentiments of the consumers return. I can only say that my bet is on that after the winter, situation improves. So from February, situation should improve. The other bit I can tell you is I have seen that when 6 to 7 months, 8 months, the world was closed for COVID, when situation became good, there was a huge, huge demand spree that came in Europe, and we were unable to fill it up at that stage because raw materials were not available.

So that kind of a spree of demand is definitely going to come and most probably then not next year. Therefore, I am preparing myself to have a bumper Parador performance next year. That's how I am preparing. Hopefully, the war should subside. Hopefully, situation should be far under control. Hopefully, the government also does enough. The German government is a very strong government, just that they have, at the moment, 3 parties running and so there is no single majority. They need to find a way to influence on the industry that are doing well, and sustaining and keeping the jobs on trend. If you get an opportunity, do watch my interaction with the biggest forum that KPMG is platforming in Frankfurt. And I am going to speak aloud on what the industries need from the government. Let's hope that helps.

Mohit Khanna: Fair enough. I was just actually trying to understand that you have already explained that you have spent quite a bit of time in Europe. So from that perspective and the gas prices, which is causing inflation and eating into wallet share of the consumers. So on that front, do you see really concrete steps taken up by the government in Europe to lower gas prices and situation might be better controlled starting Feb?

Dhirup Roy Choudhary: What they have done is close to nothing because they have passed on a EUR 200 subsidy to all individuals in the last month, which is neither here nor there. So that's not helping at all. They have declared a EUR 200 billion package which is only on the net. But no one knows the details of it truly how it's going to help the industries or consumers. They are still waiting for more clarity. The clarity that has been sent across is very confusing for everyone. And therefore, I am unable to comment on this. I think in the next few days, months' time, we will have far more clarity. On 14th, I am back to Europe. Let's hope, I will be meeting a few government agencies also and bankers. At the moment, also, bankers are important because we have to continue to see liquidity in Parador in every way. So all of that is being worked for, as I say.

Mohit Khanna: Liquidity in Parador. Could you just emphasize a little bit more on that, sir?

Dhirup Roy Choudhary: Parador liquidity is always a concern if we do not do enough revenue. And therefore, when revenues are low, we have to continue to look at the liquidity in Parador. At the moment, there's no problem. But for future, depending on how things mature, we would like to have everything in our hands from the bankers, and that's what I talked of. Interest rates have gone up in Europe, as you are aware, and therefore, all of that is gone up. All I said is, we are monitoring every bit of it.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Dhirup Roy Choudhary: Thank you very much, everyone. It has been a pleasure interacting with all of you on this call. I hope I have been able to transparently inform you about how your company is, where we have the constraints and what actions we have taken. We would like to engage more and more with you to give you full history of where we are. If you have any further questions, I would be happy to answer them. Please reach out to our Investor Relationship desk, and we will always be available to answer them. Thank you. Stay safe. Bye-bye.