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CK BIRLA GROUP

Date: May 17, 2022

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

Dear Sir / Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on May 10, 2022.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated May 05, 2022, Please find attached the Transcript of Analyst / Investor conference call held on May 10, 2022.

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

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

Thanking You
for HIL LIMITED

MAHESH MADHUKAR THAKAR

Digitally signed by MAHESH MADHUKAR THAKAR
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HIL Limited
Q4 FY22 Earnings Conference Call
May 10, 2022

Siddharth Rangnekar: Good afternoon, everyone and welcome to HIL Limited's quarter four and FY22 earnings conference call for investors and analysts. Today, we have with us Mr. Dhirup Roy Choudhary, Managing Director and CEO of the company; Mr. KR Veerappan, CFO; Mr. Ajay Kapadia, Vice President – Finance and Accounts.

We will first have Mr. Dhirup Roy Choudhary making opening comments and he would be followed by Mr. Veerappan, who will bring out financial perspectives.

Before we commence, I wish to state that some of the statements made on today's call could be forward looking in nature. And details in this regard are available in the earnings presentation, which has been shared with you.

I shall call upon Mr. Roy Choudhary to present his views now. Thank you, and over to you, Dhirup.

Dhirup Roy Choudhary: Thank you, Siddharth. Good afternoon, everyone, and a warm welcome to HIL's Q4 and FY22 earnings call. Thank you for taking the time to join us today, and I sincerely hope that all of you are doing well. I am happy to share that we have closed FY22 with a 26% growth in top-line on a standalone level and 16% growth at consolidated level, and have reached a top-line of nearly $0.5 billion. This is driven by a committed response by our dedicated teams to various business headwinds. While the flooring segment countered non-availability and pricing of HDF / MDF boards, we have observed inflation build up across other key inputs in every other business segments. However, we believe these challenges are transient and as these situational adversities recede, we will regain our focus on profitable volume growth.

I will now take you all through the individual performance of each businesses. The roofing solution business saw yet another quarter of good performance, marking a seasonal upside. Given our brand supremacy and strong product attributes, we have been successful at gaining market share, even as we took price increments. In line with the overall economy trend, the business has seen a certain pickup in the cost of cement, fly ash, fiber, and sea freight.

Our teams have been working on various avenues of cost reduction methodically including looking at alternative raw materials and recipes. This is being done at HIL for few quarters now and hence, despite the shortcomings on the supply side, we have been able to grow our market share with little impact on margins.

Last year, the monsoon was better on the back of which our optimistic outlook for sales in the present quarter holds strong. Our leadership extends across pricing, quality, distribution, and connects, and we are striving to better our performance this quarter as well. Our non-asbestos roofing Charminar Fortune brand continues to garner business growth and robust traction in the market where volumes have shown improvements. Since last one year, our team has been graduating production towards unit care, which comes with better manufacturing efficiency thereby aiding our competitiveness. We are confident in maintaining our status as industry leader in roofing segment as well as the supply bottlenecks and inflation ease, we will certainly regain our profitability as well.

Coming to the Building Solutions segment, your company was able to deliver a robust performance in FY22 compared to FY21. Revenue grew by 44% and PBT grew by 86%. We are witnessing very high rates of utilization of capacity. Our next growth lever will be geographic expansion in east and capacity enhancement in existing plants. Amidst raw material inflation, the real estate and building materials industry has actually seen a healthy demand and we are confident that we will be able to maintain our growth trajectory on the back of our strategy for this business.

In polymer solution business, margins remain under pressure due to volatility of resin prices and high cost of other chemicals and polymers. PVC prices have come down during this quarter, leading to an element of inventory loss. The putty business too is impacted by the higher material cost and competition. However, our strategy of geographic expansion continues to help us better growth. We witnessed a healthy 36% growth and have successfully crossed the INR 500 crore revenue mark last year.

The challenges were far more in European context, where Parador faced a huge scarcity of raw material, and a doubling of key raw material costs. Other challenges like increase in energy cost, and tripling of sea freight impacted the operations. Yet, Parador registered growth in top-line over last year on an entire year basis. Our European team has taken determined effort towards of making multiple selling price escalations across product categories, entering long-term supply contracts with key dependable raw material suppliers, improving product mix, and continuously working on cost base, which have all supported towards partially offsetting the impact of cost adversities.

As a result of all of this, as committed earlier, we could register good sales in Q4. However, towards the end of the year, the geopolitical crisis between Russia and Ukraine as well as the severe COVID spread in China have brought in new challenges, which has impacted the availability of wood products, vinyl products, increased energy, and freight costs. Relentless efforts are being made to mitigate these challenges by developing new wood suppliers to reduce dependency on Ukraine. Parador continues to expand in Europe at a very good rate. Globally, China continues to be an important market for us, while plans for further global expansions are still on the table.

We remain optimistic on the potential of Parador becoming global brand, catering to the growing needs of customers all over the world. We are orienting the business for a global growth curve. As we tap new countries, our approach is deliberate and we ensure that we understand local nuances in order to maximize the opportunities. We believe we have a strong trademark on design and quality, and this gives us the ability to price our products well. The coming years will be most exciting for Parador.

Overall, in this tough inflationary and volatile times, we have demonstrated 26% sales growth in domestic and 18% EBITDA growth, maintained the EBITDA margins at 14% and increased market share in all segments in domestic market. The fabric of HIL is intact and we are well on way to achieve the goal of becoming a $1 billion Company by 2026, serving as a one-stop building material solutions company with both domestic and global presence.

The Birla brand has a reputation for quality and is one of the most well-known brands in the country. These factors combined with our strategies and valuable experience gained in the last few years has helped ensure business growth despite all the challenges and we are committed to continue leveraging this going forward.

I would like to thank all the stakeholders for their sustained support in helping us close yet another successful financial year.

Thank you for your patient hearing, I would like to hand over the call to my CFO, Mr. Veerappan. As you all know, Veerappan is moving on from the organization, and I would like to take this moment to thank him and appreciate his valuable contribution for all these years. Over to you, Veerappan.

KR Veerappan: Thank you, Dhirup. Good afternoon, everyone and thank you all once again for attending HIL Limited's Q4 and FY22 earnings call. I hope that you and your loved ones are safe and healthy.

I will now take you all through the financial and operating highlights of the company in Q4 FY22. We have successfully closed FY22 with 16% growth at a consolidated level in the year, coming in at INR 3,520 crore, which is $0.5 billion. PBT grew by 1% amidst the higher raw material costs and margin pressures persistent almost throughout the year and was recorded at INR 295 crore.

Moving on to the quarter in Q4 FY22 revenue was recorded at INR 949 crore, having grown by 12% year-on-year, and 16% quarter-on-quarter. EBITDA grew by 12% quarter-on-quarter, coming in at INR 96 crore. PAT for the quarter stood at INR 51 crore. Roofing Solutions revenues grew at 5% year-on-year, which is INR 241 crore in Q4 FY22, and for the first time, crossed INR 1,000 crore revenue in the whole year in FY22, growing by 17% year-on-year. As Dhirup stated, despite margin pressure, we have yet again seen an increase in our market share. We continue to bolster our position as a leading Indian roofing industry on the back of such performances.

The Building Solutions business grew by 20% year-on-year and 9% quarter-on-quarter during the quarter, coming in at INR 115 crore. For FY22, revenue for this segment stood at INR 400 crore, having grown by 44%. We have been able to minimize the impact of high inflation in raw material prices in this segment through strategic pricing and cost saving mechanisms.

Polymer Solution business grew by 13% year-on-year to INR 137 crore in Q4. In FY22, the business grew by 36%. I am glad to share that this year, we have crossed revenue of INR 500 crore and are hopeful of this number to continue expanding in the future. With the introduction of new SKUs, increasing volume and prudent pricing, and adding new distributors, we have been able to grow this business to where it stands today and will continue to do so.

The Flooring Solutions business growing by 16% year-on-year and 22% quarter-on-quarter stood at INR 454 crore in Q4. For the year, it has achieved a revenue of INR 1,549 crore, having grown by 5%. We continue to adapt to the current conditions and are focused on growing into Europe as well as globally.

Our constant endeavor to keep the cash focused approach in the businesses has supported once again to maintain a healthy balance sheet. The debt has been reduced by INR 120 crore in FY22 and now stands at INR 288 crore at the consolidated level, and INR 25 crore interest bearing debt in HIL India. However, as on date, HIL in India has become once again a debt free organization. The total debt to equity ratio improved to 0.25 on 31st March 2022 as compared to 0.41 as on 31st March 2021.

HIL's net worth stands at INR 1,166 crore, registering a growth of 17% over last year. HIL is making significant strides towards the goal of becoming a $1 billion company, even in the current economic scenario. Apart from the pressure on margins due to the inflation in input prices, the businesses delivered very strong growth. We fully expect the margins to recover in the coming quarters as this situation gets resolved.

With this, I would like to conclude my opening remarks and I thank once again for all the support and I would like to thank Dhirup also for the support he has been giving me all these years. Thank you once again. I request the moderator to open the floor for any questions. Thank you.

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

Baidik Sarkar: Mr. Choudhary, good evening, sir and given the challenges had been, congrats to you and the team on a very strong quarter registration. What is the environment in the domestic roofing segment looking right now? We have seen segmental margin pressure here. If you could highlight the areas that we were inflationary for us and importantly, how the growth and margin profile is looking for the coming quarter?

Dhirup Roy Choudhary: Thank you very much. I must say that the margins have been low last quarter, and were significantly pulled down due to several material cost pressures, or headwinds that we had, whether its the fiber costs that went up, cement fly ash, pulp, the freight costs had almost tripled and all of that had its due course. There is only a finite bit that we could have done in improving the selling prices in the market and Q4 is always a build-up for Q1, and therefore, there is less availability of opportunity if I may say to increase the price. But in Q4, we have already raised our selling price by about 6% and we then prepared ourselves for Q1 one in every aspect. You would have also noticed that inventory levels were kept higher, and one of the reasons for that was for roofing to be better prepared to meet what we would estimate to be another bumper Q1 for us because the rains have been very good last year, and we believe that we would have a very important year ahead, including this quarter.

So, I definitely see that this quarter has started well and we have raised another 8% to 10% selling prices in this quarter. We have been able to penetrate the market even better than the last year by virtue of our last leg connect and the number of dealers, distributors, retailers that we have been able to build to our team. I definitely see that situation will continue to remain tough on material costs, but HIL's performance will definitely be better than the market.

Baidik Sarkar: That's good to know, sir. So with these 8% to 10% price hike, you think we will be in a position to pair our margins to where they were in the previous year, or would you reckon we have some ground to cover before the previous year’s margins are fully met?

Dhirup Roy Choudhary: I would go for your second guess. Yes, there is some room to cover and we will continue to strive doing that. You see, overall the country, the market prices are not the same, and while we are determined to stay market leaders on selling prices and HIL being the market leader in roofing with close to 22% market share will dominate this market in every way due to its brand and quality. We will try and be opportunistic, not to lose our market share, and yet grow the prices. So this is a very, very dynamic balance that we maintain, Mr. Sarkar. And I assure you that any forward potential of increasing price will not go in a den. So HIL will continue to raise the price as the quarter progresses to meet up to the cost challenges.

Baidik Sarkar: Sure. Thanks for that. The rebound in Parador has been very sharp. Again, great execution here, given the environment and the geopolitical environment. What's the scene now with regard to margin improvement? Would you reckon that gradient will continue given recent shock in energy prices? And if you could also please delve upon where and how we stand on the HDF sourcing challenge and how things are looking there today?

Dhirup Roy Choudhary: Parador has been a very interesting and difficult story for us, and I have been extremely transparent all the time about all your businesses, and I will continue the same with Parador. So sometime middle of last year, we were facing, we didn't have HDF / MDF, the prices were haywire, but more than that availability was not sufficient at all. And I have been keeping you fully informed, Mr. Sarkar, that we are trying our best first to remove one variable, which is the availability, and then we will go for the price.

And I had given comfort to all of you that I believe by Q4, we will be coming to some balance on this HDF / MDF concern that the earlier two quarters had, and we were absolutely there. For Q4, we had material, we had orders, we had ramped up production in Europe, that's not easy but believe me, we are working exactly our style, Indian style, and we are working their style. So, it's a fantastic coalition.

Q4 has been the best ever revenue quarter by Parador in any stretched history and that was very, very pleasing to us. But then came in this geopolitical Russia, Ukraine crisis and I am sure all of you all are updated. Ukraine supplies almost 40% of Oak, Lamellas. Lamella is 3 and 4 millimeter thick Oak, and Ukraine is the supplier of 40% of the global supplies of Lamellas. And Oak is an imperative part of engineered wood, which is almost 30% revenue of Parador. And 80% of Lamellas that Parador buys come from Ukraine. As you can see we have sorted out one issue with HDF / MDF. And your last question was where are we. That has been sorted out.

So the quantities have been all now committed, we have long-term supply agreements with some of the big, big HDF / MDF suppliers in Europe, which we have done over the last few quarters with me jumping in directly into it and that has helped the organization immensely. But we have a different problem now. The problem is, which was completely unacceptable and unprepared for was the Lamellas' issue. So, I was in Europe for almost two and a half weeks, and we were trying to meet all suppliers that we could even think of, dream of around Europe, right up to Americas, and I am telling you, we are doing everything that we can to meet up even this challenge. Order book looks good in Parador. I can take pride in saying that the growth that we wanted to bring through exciting our sales to different countries outside Germany has worked very well last couple of years and the fruits are there for you to see. Spain has grown immensely last year. U.K. has grown immensely. China has grown, but still to really flower for us and we are waiting for COVID to really come down there.

But we are aggressively working at getting orders and that's working well now. So the question is can we continue to get Lamellas from different countries? How can we safeguard materials, how can we keep up the revenue? So when I was looking at maybe a little bit of a restful period and same Q4, the challenges behind us. It doesn't seem that way. So to be objective, we will have to wait and watch. We don't know how the war is going to still pan out. We don't know what kind of challenges it would bring to Europe in way of inflation, gas prices, demand structure by consumers, at the moment the orders are flowing in for Parador, and we are happy, but I'll caution you to wait for another quarter or two to really ascertain that yes, we are back once again.

This is transient. Once we are back, the fabric is well constructed. Parador will grow and will double its sales. We are roughly about EUR 180 million turnover from EUR 140 million, which we were two years back, and we will ensure that we are moving towards EUR 350 million in the next three to four years' time.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Aequitas India. Please go ahead.

Shubham Agarwal: Thank you for the opportunity. Good evening to everyone. And firstly, I like to congratulate the entire team to post such a good number despite of the severe headwinds. Sir, my first question would be regarding Parador. So I would like to understand a bit more about the demand scenario because obviously, we know the cost of living has also gone up significantly in Europe because of the war. This being a discretionary product, obviously, it will face some demand challenges. So I wanted to understand what's the ground reality currently and what's your view regarding this?

Dhirup Roy Choudhary: Thank you, Shubham. Thank you so much for asking these questions, and thank you for your appreciation. It means a lot. I must say that I am well aware that all the investors of HIL, all owners of HIL do not maybe have a direct approach to the European market, and therefore you may at times feel little helpless to understand the reality, but you have me, and your trust has always kept me alive. Let me give you the reality as we see in Europe.

So, we have certainly a different challenge with the war. HDF / MDF problem is behind us, at least on the availability. The costs are still high, but it's only a matter of time when these costs will start sliding down. But the war has put lot more threats to us. There were lots of wood that were coming from Russia into Europe. There was, as I said, pure wood that is Oak, coming from Ukraine into Europe. Those we have to ensure availability from elsewhere. And that's a challenge and challenges keep us alive. So, we will go through that.

Prices are high, but selling prices have been improved because we have been able to get into different areas, which is not Germany alone. It has helped us to construct our selling price direction very well. We have increased our selling price last year by 35% on wood products and 25% on the rest of the products. So, definitely, the selling price has gone up immensely in Parador, and we have been very opportunistic in picking up the orders. We still have a good order base.

The other challenges, some of the existing product has to be reworked on. So, if we had HDF / MDF problem, we have to rework and come around and sell non-HDF/MDF products last year. Now we will have a wood problem possibility to solve that out and get into non-pure wood products. So, all of that the R&D is working immensely. The market still is holding on, but we will have to wait and watch. That will be my gauge on the markets, Shubham.

Shubham Agarwal: So, what would be our current order backlog size around?

Dhirup Roy Choudhary: So, Shubham, a very healthy order backlog that Parador always carried was about 16-17 million Euros. We do have 16-17 million Euros order backlog as we talk now. But the order backlog has gone up for engineered wood and is lower for the other products that is vinyl and laminate. That not a comfort area because engineered wood orders have a long-drawn delivery, whereas laminates and vinyl have a shorter delivery. So we need more of vinyl and laminate orders to now plug on and that's what the team is doing so that the current monthly revenues can be cracked. April in Parador has not been a very good month on revenue, while it has been a fantastic month for the rest of India. But we are hopeful that we will climb on and make good all of this, Shubham.

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

Mohit Khanna: Good evening, sir, and congratulations for registering for strong set of numbers. So I just wanted to understand that in the current scenario, what are your margin expectations for the first half '23 from where we are right now? First. And second question was that in the 17% revenue growth that we have posted on a overall basis in FY22, would you be able to give us a break-up in the in price and the volume growth terms?

Dhirup Roy Choudhary: Well, your first question is on margins and how do I see this particular year proceeding, if I have heard you right. I think we are well poised for a decent margin this year itself, The exact numbers will be very difficult for me to pronounce here, sir, but I can only say that every adversity that we are facing on material costs, availability, and everything will be sorted out by this team. We will help this company to continue in its stream. That is point number one.

The second question is on quantities versus prices for last year. Did I hear you right, Mohitji?

Mohit Khanna: Yes, sir.

Dhirup Roy Choudhary: Okay. So last year, more or less in quantity terms also, roofing has done fantastically well. As I mentioned, we have increased our market shares and now we are close to 22% in roofing. So quantities have done well. Selling prices have done well. Roofing has grown last year, so I think overall that also building materials selling prices have gone up in Q4 by cherry picking that we have done and this will continue. Therefore the margins for building materials and growth profile should continue. We are absolutely at the zenith of utilization there. So two things we are doing. One, of course, you have been kind to approve a new CAPEX in east. So we are proceeding with that CAPEX that's been slightly slower than our expectations because of COVID and other reasons, but it will inflame, I think by quarter three, quarter four we'll start delivering from that CAPEX.

The other part that we are doing is on improving capacities in building materials in every plant by automation and small investments there to improve, IoT 4.0 is helping us immensely in also transparency and preventive maintenances of our machines. So that's helping another part of it.

In the plumbing sector, of course, the prices had gone up extremely. So on pipes, we have delivered 19% growth, I think, on quantity and on overall, we have delivered 55% growth. Putty was slightly lower. So, overall, 35% growth in the plumbing sector is what you possibly see from your results. And Parador I have already talked about.

Moderator: Thank you. The next question is from the line of Alisha Mahawala from Envision Capital. Please go ahead.

Alisha Mahawala: Hi Sir, Good afternoon. My first question is with reference to a comment made earlier in this call. In Q4, the roofing business has taken about a 6% price hike.

Dhirup Roy Choudhary: That's right.

Alisha Mahawala: So, was it a volume de-growth during the quarter?

Dhirup Roy Choudhary: No, we have grown. We have grown in quarter on volume as well.

Alisha Mahawala: On Y-o-Y basis, I'm saying, with referring to the Q4 of last year.

Dhirup Roy Choudhary: We have almost done the same volume, about 1% growth.

Alisha Mahawala: Okay, sure. And a couple of quarters ago, we were discussing this in the call that there is at an industry level an increase in capacity in the roofing space. Is this one of the references, which is probably impacting our volume growth or because of the increase in competitive intensity impacting our margins in this business?

Dhirup Roy Choudhary: So there are multiple questions you have asked and I will answer each one of them separately, Alisha, for clarity for you and for everyone. Yes, our competitors are increasing their capacity, but that's not at all a problem for HIL and I once again say it's not at all a problem for HIL. We will never increase capacity in asbestos roofing in HIL. We rather use your money for far better utilization. And so far as the competition is concerned, they are not able to get to those performances that our plants are delivering and those kinds of efficiencies that each machine is delivering. So we will never be dirt up quantities when it comes to selling and that's my commitment to you. So we have not de-grown, we have grown in asbestos, and we have taken more market share from about 19.5% to 22% in one year's time. That's point number one.

Point number two. Q4 always we are lower in market shares because we want to ramp up production during this time for a better Q1. So we prepare ourselves better for Q1 when the prices are at its peak, and we want to really maximize the utilization of inventory versus shares. Last year also Q1 was the bumper for us and this year also it will be so. So, we will not be staying back on account of any capacity constraints.

Alisha Mahawala: Understood, that's really helpful. Thank you. Also, is it possible to quantify what is the contribution from Charminar?

Dhirup Roy Choudhary: Contribution from Charminar, I couldn't understand that question of yours.

Alisha Mahawala: What is the contribution to revenue?

Dhirup Roy Choudhary: Roofing is all about Charminar.

Alisha Mahawala: Sorry, I mean the non-asbestos...

Dhirup Roy Choudhary: Non-asbestos is only a very tiny element we have. So, primarily it's Charminar there.

Alisha Mahawala: Understood. And just one last question, what is the capacity utilization in the polymers business currently?

Dhirup Roy Choudhary: Polymer business different plants have a different capacity utilization. Overall, we are about 60% utilization. Golan factory is slightly low around 51-52%. Faridabad is almost about 80% utilization and Thimmapur is almost 100% utilization.

Alisha Mahawala: And is there any CAPEX plans for FY23?

Dhirup Roy Choudhary: For polymers?

Alisha Mahawala: Yes.

Dhirup Roy Choudhary: Yes, so polymer will continue to grow. This is a business, which we have now touched INR 500 crore and you might remember just three to four years back,

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we were INR 55 crore in this. So we have grown well. But the aspirations are far higher. So this business will be INR 1,500 crore in the next three to four years. So, INR 500 crore to INR 1,500 crore. Part of it will be from the organic growth levels from the existing machineries, and part of it will be new SKUs that we will continue to add. Last year, for instance, we have added 200 new SKUs in this business, and part of that is where you see the inventories of our polymer is quite high because these are new SKUs and we have to platform it that way. We will continue to add CAPEX wherever that is needed for range expansions on SKUs and grow this particular business, Alisha.

Moderator: Thank you. The next question is from line of Shivan MS from JHP Securities. Please go ahead.

Shivan Sarvaiya: Sir, my question is on the roofing business and specifically on industrial applications. So, sir, I was referring to our previous concalls and you had said that the industrial segment has more or less transitioned from the asbestos roofing to the non-asbestos and the other options available since 2005. So, sir, my question is that while this transition was going on, majority of the market share has been taken away from the asbestos by the metal roofing segment. So, sir, what is the reason for the non-asbestos cement roofs not being able to penetrate this market where the transition was going on? Because they are a much cheaper substitute compared to metal roofing. So that's my first question if you could just tell me this.

Dhirup Roy Choudhary: Thank you, Shivan. Very, very strong question and very correct question. If there is one business where we have not been able to do as well to our expectation is this, which is the Fortune business. The reason was, we had gone for an autoclave technology earlier which was very, very high on costs, and we found very soon, that it is unsustainable. So then we went for the Humid Cure. Last 12 months has been Humid Cure technology, which we were stabilizing. Remember this being roofing, Shivan, we can't go full out into the revenue, past 12 months application is overall the seasons are over and we are able to then understand whether our technology is very proven. Today it is proven.

So you would see a ramp up on this business, definitely. Yes, the costs are still higher. But we are working on that regularly and we will position it. So last year, in the last third and fourth quarter, we did roughly about 5,000 metric tons every quarter. I am hoping that this year we would be able to see that number go up.

Shivan Sarvaiya: Okay. Sir, thanks for the answer. Sir, my question was more from an industry perspective. So the industry as a whole, so not only from Charminar Fortune perspective. Rather than non-asbestos cement sheets being used in the industrial segment, during the transition that demand was swayed towards the metal roofs and the RCC construction market. So, sir, why did that happen? Because if we see the characteristics of a cement roof, they are much less on the noise, much better in terms of heat resistance, etc. Then why do people prefer metal roofs compared to non-asbestos cement roofs?

Dhirup Roy Choudhary: Shivan, you are absolutely right. The market should have been taken full time by non-asbestos cement roofing than steel. The reason is very clear there weren't any other products in the Country. So there is no other supplier which is making Fortune as well as we do, the non-asbestos roofing sheet. So we came up with this technology, primarily to ascertain our future in case asbestos goes out of the market. But at the moment, we definitely see there is a good potential for us to be sold to industrial customers and we are the only one which are doing this in big numbers. The others maybe have some product, which is 3,000 / 2,000 tons in a year, which is as good as not being there. So the answer to your question is non-availability of the right product in past allowed this market to go to steel and the future will be Fortune for us.

Shivan Sarvaiya: Great. And sir, if you could just give a broad idea about the market size in the industrial application and the broad breakup between cement, metal, and RCC, if that's possible?

Dhirup Roy Choudhary: No, it's a tough question for me, Shivan, because we are not in those markets, we will not be able to address the whole market. I can say the steel sheet market will be as big as the asbestos market for roofing. So there is a big, big room for non-asbestos products to capture there.

Shivan Sarvaiya: Okay. And sir, my second question is on the Building Solutions business. Sir, we've done about INR 400 crore of top-line. Sir, could you give a broad breakup of how much is in blocks, boards, and panels for the year?

Dhirup Roy Choudhary: So blocks is majority out of the INR 400 crore. Roughly about INR 250 crore is blocks. The rest of them is panels and boards, and we are growing in all the segments. So we are 100% utilized on capacity for blocks as well as boards, and panels. And, therefore, the new plant is being set up in East for enhancing this capacity, plus, as I mentioned, we have also taken some actions on automation as well as through IoT 4.0 to enhance this capacities.

Moderator: Thank you. The next question is from the line of Sagar Jethwani from Phillip Capital. Please go ahead.

Sagar Jethwani: Sir, I have a couple of questions. Firstly on the flooring business, how is the competitive intensity in Europe now? And in last one year many headwinds, actually, so what steps do we have taken to stand out from the competition? What are those steps which we have taken? This is my first question. Second is on the building material waste disposal policy in Europe. I guess it's a concern, somewhere I was reading. How do you see this? So these are my two questions. Thank you.

Dhirup Roy Choudhary: Okay. So thank you, Sagar, for your question. First of all, competitive intensity of the flooring business and what steps we have taken. The competition is pretty loud and clear in Europe. In Germany, we are number one in flooring with the brand and the penetration that we have in both DIY as well as projects business. Austria, we are very, very strong again in flooring. We are not a big player in the other countries of Europe. Therefore, there is good potential for us to grow. Spain, we have now taken a good positioning. The last two years, whatever we have done has gained us to come to the second positioning in Spain. The other part is France, U.K., where we have small players and we will try and gain competencies on that.

There are two types of players there. One are who have their own HDF / MDF in homegrown. So they have those materials being produced by their company and then they utilize it for the flooring. So they were slightly benefited enough because we were to buy HDF / MDF from suppliers and suppliers who are neutral, so they didn't have flooring for the suppliers, we could go to because others were more interested selling it to their own companies. So, therefore that was a disadvantage we had, but that's now behind us. We have got now long-term contracts with big players there, and hopefully we will be able to mitigate the HDF / MDF risk. I have already discussed about the Ukraine crisis and how it's posing a concern. We have still wood, but we will have to watch and see.

Now, your second question is raw material waste disposal policy in Europe. That's very strong. But Parador is absolutely safe because we have wood-based products and our scraps of wood are re-used by boilers to generate power and therefore there is absolutely no problem in waste disposal.

Moderator: Thank you. The next question is from the line of Sandesh Barmecha from Haitong. Please go ahead.

Sandesh Barmecha: Congratulations on good set of numbers, sir. I have just two questions. First question is for the pipes and fitting segment. Sir, what kind of volume growth have we recorded in this quarter? And so what are the utilization rate for Gujarat and Telangana plant for pipes?

Dhirup Roy Choudhary: Thank you, Sandesh. So, your second question I had answered earlier but I'll repeat it, just for you again. So, we have roughly about 60% capacity utilization in totality and Telangana is almost 100% utilized, Golan is about 51% utilized. Your first question was on quantity growth. Very difficult to track because each product are different. There are plenty of SKUs and we don't monitor therefore through that because it's quite confusing to monitor the quantity from that angle. We monitor the sales growth, which has been 55% for us.

Sandesh Barmecha: Great. Just one last question, sir. So when do we expect the capacity in East to come online?

Dhirup Roy Choudhary: So this is on your Building Materials, right?

Sandesh Barmecha: Right.

Dhirup Roy Choudhary: There are three things that we are doing in East. First thing we are doing is boards manufacturing capability. So that will come on live, I think, in the next three to four months' time. The second is panels to be made in East. So that's a brand new facility that's coming up. As I mentioned in my opening remarks about Q3 or Q4, that'll come on board. The third is blocks that will take a little more time and we will keep you fully informed on that.

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

Amit Vora: Good afternoon, gentlemen, and congrats for good set of numbers in a very tough environment. My first question is, you have mentioned that you are going to stick to the $1 billion mark target. Will there be change in the timeline on that or we still need that three to four years that we can make it with all the situations across Europe changing and inflationary situations coming up in India? That's my first question.

Dhirup Roy Choudhary: Thank you, Amit Ji, for your appreciation and thanks for the question. My counter question to you is, as an owner, would you give me some more time, and I think the answer is no. So, therefore my standard response is you trust me, you trust the management, we will do it as per the timeline we have committed to you, may the heaven fall.

Amit Vora: The second question is if you can give some numbers on the number of dealers that we have, the sales points that we are touching right now compared to what it was last year to just give us an estimation of how we are growing in that aspect, if that is possible, and if it is handy with you?

Dhirup Roy Choudhary: That's a little sensitive question, Amit. I normally don't hide any information from our shareholders, but this is sensitive because we are extremely strategic in each zone on what we do. I can tell you with a clear confidence that we have grown on our spread immensely last year, and the number of counters that we have added on is huge. I will leave that huge to be guessed, sir.

Amit Vora: One broader point that I just want to highlight here is that, of course, Parador if we see the total profit that the company has done, the differential that has come down this year is because of Parador's performance just slightly dipping. So I think once with your efforts and the people and team that you've put behind it, once that gets back on track, which we are hopeful you're doing the best efforts for that, we should see the best results coming in very soon. All the very best from our end.

Dhirup Roy Choudhary: Thank you. Your assessment is absolutely right. I mean Parador, I would have said with thumping note that Q4 onwards, we are back and profitability will only go up. But this war has put another set of questions and challenges, but the team is working on it, Amit Ji. But India will continue to grow strong.

Moderator: Thank you. Next question is from the line of Satish Kumar individual investor. Please go ahead.

Satish Kumar: Hello, sir. Congratulations for the good quarter in the challenging time. My question is, do we have any plan to invest more on green energy?

Dhirup Roy Choudhary: Satishji, we have no plans to invest in energy, but we are definitely looking at putting up solar plants in our factories wherever that is possible. And if that answers your question then that's what we are doing.

Satish Kumar: Yes. To be self-reliant on the green energy and not on the business purpose for our one purpose I am asking?

Dhirup Roy Choudhary: I completely agree, sir. There is a challenge there that our roofs in all the plants are asbestos roofs, which are now 70 years old, 60 years old. Putting up solar plants on those roofs do not seem to be a possible way. So, we will have to look at where to put those solar plants. Those actions are going, there is a CFT that is working on it, Satishji, and we are very, very clear we will go for all of that.

Moderator: Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj Kacharia: Hello. Yes, I just wanted to understand a little bit on Parador. I just want to understand the kind of price increase we have taken. You indicated that order book is still healthy. So I just want to understand how is the demand environment broadly like in major markets? And how is the overall competitive landscape? So, in last one year gone by, especially in last six months, how is our market share in core regions kind of changed?

Dhirup Roy Choudhary: I would repeat a part of it, which have already stated, Viraj. The demand environment is strong, and we have cascaded our sales to many, many countries, which is helping us to more or less spread our risk. And what we see is that our strategy of moving to different countries has helped us. Order book, at the moment, looks good. Not really big, but it's good enough. That's what we will say. And so far as market share, I mentioned that in Germany, we are number one and Austria also we are doing very well, and Spain, we are number two now. Other markets we are not market leaders at all. And we will have to work on that. So our specific markets would be outside Spain will be, Switzerland, would be United Kingdom, would be France, would be Nordic country and we are working on that.

China, we have a joint venture and that joint venture is growing. We have done about EUR 4 million turnover in China, which is a growth over last year. But this is initial. There is plenty of opportunity in China to grow with a solid middle class base that Chinese have with a good interest for European products. We are just waiting for COVID to slide down a little, which is taking time and you are aware of what's happening in Shanghai. So give us some time. China will be a very good growth profile for us. We are looking at North America, we are looking at

Canada, we are looking at United Kingdom in a big way to grow. So all of those will be avenues to grow Parador as situation eases out a little bit.

Viraj Kacharia: So the reason I asked about market share is sometime back, you also talked about the market structure where it's large, it's a very fragmented market. And given the kind of supply chain pressures you are facing, I am just trying to understand, does that has also kind of has enabled us to gain more market share vis-a-vis other players. Just trying to understand how is the overall landscape in terms of competition, given the supply chain challenges in core markets?

Dhirup Roy Choudhary: Yes. So, I mean the challenges would be same for all flooring players. There'll be something which is good for guys who have their own down the level HDF / MDF products but otherwise we are all on the same base and Ukraine crisis will be a crisis for everyone. So it will not be a Parador issue. Wood will be a critical issue unless we are able to sort out. So we have taken quick actions to gain accessibility to several other suppliers for wood, I'm keeping my fingers crossed that the war ends rather quickly and we are back to where we were let's say a year back, and drive Parador to newer zeniths. So yes, competition are facing the challenge, so are we. But we are doing well and under the limited potential that we can with so much of headwinds, but we will come back in a quarter's time or so once the war recedes with far better numbers.

Viraj Kacharia: Okay. Just one last question, if I can squeeze in. On the supply chain part, especially for Parador, I mean, when we started the year, we were kind of put in a spot because of the MDF supplier issues and now this is related to oak wood. So just want to understand, other than these two, are there any other elements in the value chain, where we are kind of more overly dependent on a single source or single country? Any thought process on the supply chain sustainability?

Dhirup Roy Choudhary: So Q1 last year was a very, very good quarter for Parador, and both on top-line and profits. I will not at all predict that we will reach those numbers this quarter because of the war. But Q2 onwards, we should be able to stabilize Parador in a far better way, better than last year, is my advocacy. So far as materials and every base in Parador is concerned, I think we are no more dependent on single suppliers. We have rub in the bucket for all suppliers. Costs are still very high in Europe. Other than HDF / MDF and oak, the vinyl costs have gone up because they used to come from China in a big number. That stopped. The chemical costs have gone up, which has an invariable issue on HDF / MDF costs because chemical gets into that flux, the insulation that gets on in some of our products. So that's also. So those are criticalities which we are seeing, but our team is managing it pretty well.

Moderator: Thank you. The next question is from the line of Chirag Shah, Individual Investor. Please go ahead.

Chirag Shah: Congratulations on a good set on numbers. Sir, I had a couple of questions on the Board segment. So you mentioned that you will be setting up a new capacity will come on stream in the next three or four months in Eastern part of the country. Could you help me with the unit economics in the Board segment?

Dhirup Roy Choudhary: So, sir, we are not board focused, we are panel-focused. So first of all get that. Second is, we are not setting up a greenfield project on board in East. We are augmenting our asbestos roofing plant in Odisha where we have at Balasore so that during off-seasons, we can make boards out of that plant because the capacity utilization in off-season goes down to 45-50%. So boards will be made locally for panels to be made locally and therefore we'll make boards in Odisha plant during off-season and then utilize it for our panels facilities, which will be our brand new facility. So at the moment, if we were to set up a panel plant in East, we would have had to bring boards either from Faridabad or from Hyderabad, which would have been very expensive on freight. So that's the reason this augmentation has been done.

Chirag Shah: So, sir, the capacity is with roofing is fungible. Am I right? Of the board.

Dhirup Roy Choudhary: Because two quarters, we use at 95-100% and two quarters we use at 50-60%. So those are the capacity utilization. Therefore your fixed cost won't go up. It will only be the variable cost and far more utilization.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from Quest Investment Advisors. Please go ahead.

Saurabh Patwa: Good afternoon, sir. Thanks for taking the question and congratulations on very good performance despite the challenging times. Sir, I also thanks for giving a lot of insight in last one hour. Sir, just my question was related to the asbestos fiber roof availability. I think you touched upon it, and also provided insights on how our company is placed for it. But on a structural and industry level, how do you see the impact of this war on, because it's a very limited. So I think Russia, Ukraine supply would form a very large part of the global supply chain. So how is impacting the supply the pricing on an industry level?

Dhirup Roy Choudhary: Saurabhji, you were off and on, on the voice, but let me try and re-capsulate your question. Your point is, how will the war impact, supply chain, am I right?

Saurabh Patwa: Of the fiber availability.

Dhirup Roy Choudhary: Yes. So my estimate, Saurabhji, is that the Russian suppliers of fiber will definitely be a little bit of a concern. If not for availability, at least from the shipping lines and payment terms, etc., so would be Kazaks. So a lot of dependence now will be, therefore, on Brazil. And we can already see it because almost all competition has rush to Brazil to get more quantities of fiber from Brazil, which we get an indication and that has also impacted Brazil raising their fiber costs.

And the other thing is the sea freight. So sea freight is becoming far more expensive, which will be hurting everyone. So on fiber side, it will be an expensive game for everyone. Some of them will also lament under the availability issue and I feel for them. But your company, HIL is absolutely safe. We have, both, the availability of fiber, and we have been able to mitigate some of these cost structures also well. It will hurt us immensely this year over last year so far as landed fiber costs are concerned because of sea freight and other things, but that's something which is far better to be handled than availability.

Saurabh Patwa: Right. So, we believe pricing is the transitory impact would be there, but on a structural basis, you would be much better than everyone else.

Dhirup Roy Choudhary: Absolutely correct, sir. Thank you for putting that through.

Moderator: Thank you. Next question is from the line of Deep Gandhi from Astute Investment Management. Please go ahead.

Deep Gandhi: Good evening. So my question is about the fiber cement board division. So in the past calls, you have been mentioning that the company has not focused much on this division. So can you please elaborate on the reason behind this? Because if you will see some of your competitors, they have been talking a lot of good things about this industry and they have also been planning to do CAPEX to expand their capacity. So just wanted to know your view on this?

Dhirup Roy Choudhary: You're right. We did not focus on FCB, whereas our competitors have done, and some of them are doing well, and I give credit to them. We are more focused on panels because we believe that's a good value add product for us, sir, and we were making fiber cement board only from Hyderabad earlier, historically. Now we have set up the Fortune line in Faridabad and 50% of that capacity is utilized for making fiber cement board. So the board requirement for North, which we needed for our panel plant in the North is now being completely met from Faridabad. So that's giving us profitability benefit that's where in building solutions, you have seen the profits go up by 86% this year.

I would say our focus will continue to be in panels and we are setting up, we are augmenting our asbestos manufacturing line in Odisha for making fiber cement board for again panels a need. We will focus more on that. We are going to park more and more money to invest into pipes business and grow that, which is the significant value add in coming time according to us.

Moderator: Thank you. The next question is from the line of Sagar Doshi, Individual Investor. Please go ahead.

Sagar Doshi: Okay. So my question is, firstly, regarding the margins. Okay. So as we could see like this quarter Parador won't be performing that well. So could I expect that on a year-on-year basis, even though we will be having a good quarter for the roofing, there would be a hit on a consolidated level due to Parador or will we be able to manage it? The second question is, are we taking any steps to reduce the cyclicality of our business? I know there would be around 20% of hike in the Q1, Q2. But somehow due to more revenue from other segments in the next two years or something, do we see our cyclicality being softened up? These are the two.

Dhirup Roy Choudhary: So I'm not sure I heard you, Sagarji, and my apologies for that. The line wasn't good. But let me still try and answer what I have heard. So your question on cyclic element of the business. Q1 will continue to remain the bumper quarter for HIL followed by Q4 and Q2 & Q3 will be weak. This is also sadly the same story in Parador because in Q2, they have their summers, and Q3 they have Christmas vacations. So that remains in Europe, a cyclic issue again.

Now so far as the product cycle actually is concerned, as you have been hearing and I have been saying very openly, we are trying to use our asbestos roofing facilities for non-asbestos to ensure that the plants are run continuously across the year, and provide us incremental revenue as well as profit and that's the process that we'll do. Pipes is another business that has come in now and as it grows and the profits come up. At the moment, the profits are low there, but as the revenues come up and as the volumes go up, you would see that that is going to compensate for loss of profitability in Q2, Q3 for HIL results on account of roofing dip. So, we are hopeful that in the coming years you will see for yourself that HIL has come out of this cyclic nature and every quarter, there are strong foray into profitable growth.

Sagar Doshi: Got it. Thank you for that information. Just one more thing on the margins, can I expect, like this year we had inflation issues etc., which would let's say continue for say Q1 or Q2. But in the long term, let's say around four quarters down the line or so, can I see the margins being at a state where it was in FY21?

Dhirup Roy Choudhary: FY21 was a booster year because a lot of cost was subdued owing to COVID. We had taken a lot of discretionary measures on that. Okay few things let me clarify. One of all, your company will grow. So top-line will see a growth. With that, the profits will grow on absolute value and that you will see in a disciplined manner. So absolute value of profits are going to grow. Profitability percentage to revenue looks low because of the huge challenges on material. We will be

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able to come back to a greater amount as situation normalizes and that's likely. So overall a profitable growth towards $1 billion, I promise you that.

Sagar Doshi: If you can give any number towards the margins that, you can generate let's say in long-term?

Dhirup Roy Choudhary: It's not that you are asking this question. It's in general, I don't give futuristic number because a), it's not something that maybe like set, and b) I am sure you will appreciate this can go either side based on several headwinds that we keep facing. So I would not like to shame our trust. So please allow me not to give a direction, but I'm just saying, you will have a very profitable growth from HIL, sir.

Moderator: Thank you. The next question is from the line of Ajox Frederick from Unifi Capital. Please go ahead.

Ajox Frederick: Thanks for the opportunity. Sir, we understand Ukraine is a major source of Oak wood. So as things stand today, are borders open for trade, or is it just completely shut for oak wood?

Dhirup Roy Choudhary: So, Mr. Frederick, thank you very much for your question. Ukraine is quite a big spread and the Eastern side of it is absolutely closed, but on the West, it's still something that we are able to do. So the question is more about how they run the factory because there is a dictate that all males have to join the war, and therefore, they can’t run the plants only based on women employees. And that becomes an issue, but there are couple of our contracts there who are trying to support us, and we are trying to do as much as possible there.

Ajox Frederick: Got it, sir. And I mean, if I may, what is the breakup of Building Solutions business, let's say '23, bricks, putty, and others?

Dhirup Roy Choudhary: INR 250 crore is blocks and the rest is panels and boards, out of INR 400 crore. Is that your question?

Ajox Frederick: For next year, sir?

Dhirup Roy Choudhary: So next year also, we will remain the same. See, as soon as the new operations come in place in Odisha, then we will have more of panels there coming in till the blocks plant comes in. But we will grow because on NSR is growing. So I think you can steadily expect a growth in both profitability and top-line in Building Solutions. I can vouch for that.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities and Finance. Please go ahead.

Dhananjay Mishra: Sir, just wanted to know how the penetration level in Tier 2, Tier 3 for our AAC block. I mean is it increasing?

Dhirup Roy Choudhary: Mishraji, the business normally is mostly driven through big construction agency. So Tier 1 has started. Tier 2, Tier 3 we had penetrated during the COVID times and that has helped us to do a cherry-picking of orders and improve our NSR. The better thing that I can say in penetration of Tier 2, Tier 3 has been the working capital. So we have almost started getting 50% advance for this business and you would have seen that the working capital of this business has gone down immensely and the reason is that. So our penetrations are good, our selections are good for customers, there are no bad debts provisions which used to be quite a blatant thing 4-5 years back. I think this business is absolutely streamlined, sir.

Dhananjay Mishra: No, sir. I was asking in the sense that market increasing for AAC block in Tier 2, Tier 3 cities.

Dhirup Roy Choudhary: We are doing well, sir, there is a huge demand as we see. We have a problem and orders are more than supply, really, and therefore, we are able to cherry-pick.

Dhananjay Mishra: And would like to thank Mr. Veerappan for his contribution and facing the analyst community for so long, and wish him all the best for his future endeavor. Thank you, sir.

KR Veerappan: Thank you, Mr. Mishra.

Dhirup Roy Choudhary: Yes, Mr. Mishra. We are all going to miss him, but I am sure you will be in touch with him because he is going to a listed company.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Deep, Individual Investor. Please go ahead.

Deep Sukhwani: Yes. So, I had a couple of questions. First one is on the given the competitive scenario and the dampening valuations because of commodities pricing and the global crisis regarding Russia and Ukraine, are we seeing any prospective inorganic growth opportunities right now? And are we pursuing something? I understand that due to competitive reasons you might not be able to reveal the details, but are we pursuing something in those directions?

And secondly, one administrative question. In the independent auditors' report that we were reviewing, there was one emphasis matter which I couldn't get much my head around was around the compensation thing. If someone could throw light on how that works and what required us to pass a special resolution due to the compensation numbers and all that? Those are only two questions I had.

Dhirup Roy Choudhary: On your inorganic growth story, I can say, sir, this organization has pledged to you to take it to a $1 billion story. $1 billion won't come from our existing lines alone. We have to be opportunist in our ways and seeing which is the new vertical we will get in and how we grow that. So those aspects are all being reviewed at all times and we will soon come back with more details on that to you. At the moment, we don't have any inorganic acquisition in our site and therefore, I am unable to talk about that, sir.

About compensation, could you please define this a little more? And I will definitely answer that, sir.

Deep Sukhwani: Yes. So, there was something in the emphasis of matter called out in the independent auditors' report, which said that due to certain limits described by Company's Act, the compensation should be around INR 1,205 lacs, but due to it being around INR 1,627 lacs, we will be seeking the shareholder approval through a special resolution during AGM.

Dhirup Roy Choudhary: Okay. So this was about my salary. And let me define this to you. My salary hasn't changed, and if you can put in a word to my bosses, that will be great for me. But on a serious note, the expansion of salary that you see is only on account of ESOP. ESOP was approved by all shareholders and in the AGM also, and just that the tranche has been due and I have taken my claim to the first tranche of ESOP. There is a valuation that comes when you buy the ESOP, and you pay income tax from your personal taxation on the perquisite value in the salary and therefore around INR 8 crore is coming as a perquisite value of ESOPs, which is nothing that I or anyone could have controlled.

Since the amount of the salary at it stands with this ESOP, which is primarily a perquisite value getting will be more than 5% of the profit of the company. That's where it will need a resolution and an acceptance by shareholders. So that's what has been written, which will come in the AGM also.

Deep Sukhwani: Got it. Thank you so much. And once again congratulations on the great set of performance on great, I mean, the way we hear from the management in terms of getting responses and also thanks so much to Mr. Veerappan for the contributions he has been giving us. Thank you.

KR Veerappan: Thank you, sir. Thank you very much.

Moderator: Thank you very much. That will be the last question for today. I will now hand the conference over to the management for closing comments.

Dhirup Roy Choudhary: Thank you very much, Neerav. thank you all. It has been a pleasure interacting with all of you over this call. We thank you for the time taken out and engaging with us. We value your continued interest and your questions, and your support. If you have any further questions or would like to know anything more about your company, kindly reach out to us at the Investor Relationship desk or I will be most happy personally to interact with you. Thank you all, bye-bye. Stay safe.