TOGETHER, WE BUILD.

CK BIRLA GROUP

Date: February 22, 2019

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

Dear Sir / Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on Tuesday, February 12, 2019.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

In continuation to our letter dated February 06, 2019, Please find attached the Transcript of Analyst / Investor conference call held on February 12, 2019.

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

HIL LIMITED GACHIBOWLI HYDERABAD-500 032.

KR Veerappan
Chief Financial Officer

HIL Limited
Q3 FY19 Earnings Conference Call
February 12, 2019

Moderator: Ladies and Gentlemen, Good day and Welcome to the HIL Limited Q3FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karl Kolah from CDR India. Thank you and over to you, Sir.

Karl Kolah: Thank you, Karuna. Good afternoon, Ladies & Gentlemen. Welcome to HIL Limited Q3 & 9M FY19 Conference Call for Investors and Analysts. The call has been hosted to discuss the financial performance and share operating highlights of the company with you.

Today I have with us Mr. Dhirup Roy Choudhary – Managing Director & CEO of the company, Mr. KR Veerappan – CFO, Mr. Manikandan G. – Company Secretary and Financial Controller, and Mr. Ajay Kapadia – Head – M&A and Investor Relations.

We will commence the call with opening remarks from the management team. Post that we will have the forum open for a Q&A session where the management will be glad to respond to any queries that you may have.

At this point I would like to highlight that some statements made on today's call may be forward-looking in nature and the actual results could vary significantly from the statements made. A detailed statement in this regard is available on the company's earnings presentation, which has been circulated to you earlier.

I would now like to invite Mr. Dhirup Choudhary to present his views on the operating performance of HIL, the strategic development and the broader outlook on growth. Over to you.

Dhirup Choudhary: Thank you very much. Good afternoon, everyone. I am pleased to be addressing you once again. We truly appreciate the interest shown by the investor community towards us and it is our continuous endeavor to come forward transparently every quarter and address your concerns as well update you on your company. Your company's fabric is well protected and our attempt at all times is to grow the same profitably, as well as grow the business by broadening the product basket.

To give you some quick highlights:

Q3 has been an exceptional quarter where for the first time in the 70 years' HIL history, the company's revenues have crossed Rs.300 crore mark for Q3, with a YoY growth of 16%. While the profit after tax for Q3 showed a de-growth of 51% YoY, this is owing to an interest cost of Rs.6 crore on Rs.276 crore rupee loan taken in India for the purchase of Parador, as well as a pseudo FOREX loss of Rs.7.5 crore on account of EUR20 million loan given to wholly owned subsidiary in Germany for purchase of shares of Parador Holding GMBH. The FOREX loss reverses the profits we booked in Q2 on the same loan which was well announced to you at the end of Q2, and hence on a YTD basis this effect has been nullified.

As you would note, the business performance for nine months has been robust with a 20% growth in revenue terms. Profit before tax in nine months surpassed the previous whole year's numbers whereas the YoY growth came in at 49%. I will leave out the detailed discussion on financial progress to my CFO, Veerappan, who will be addressing you after me.

During the quarter we have fine-tuned our vision, mission and value in line with our profitable growth journey, involving the entire top management team of HIL. And later, in true spirit of one HIL, we have cascaded the same to all our employees. You may find these on our website as well as in the presentation.

These are exciting times for HIL as we emerge as a solutions hotspot for the developers, designers, architect community, with a full array of product lines. It is my intent to share as much information about the moving parts of the business and the environment in which we operate. And I shall begin with updating you on the Roofing segment.

Supported by a great basket of products and services, Asia's best brands, Charminar, Birla Aerocon, Parador; strong and loyal distributors and a motivated and committed set of employees, we have delivered yet another healthy performance. Our growth momentum remains ahead of the market and this ties in to the pole position enjoyed by the business over generations. Growth has been good across both incremental and replacement demands buckets and we are continuously working with distributors and stockists in order to navigate possible headwinds.

Charminar Fortune, our new non-asbestos cement based roofing product has shown a good traction in the last quarter, with entries into prestigious customers. It is worthwhile here to update you on the welcoming order we received from the Indian Railways for the roof replacement at the prestigious and UNESCO heritage, CST Station at Mumbai.

As far as Building solution is concerned, our strategy as defined to you earlier, was to completely sweat the assets, cherry pick the orders and improve the profitability of this business. This approach has supported us immensely, as you would notice from the results. We have seen good growth of 15% in Q3 YoY and 26% on a YTD basis in this business for revenues. The market is poised interestingly for growth, and we believe that Birla Aerocon enjoys a quality and trust advantage in the industry. Since our capacity utilization is more than 95% in this business, we wish to move aggressively in the market by adding capacities and would soon come back to you with our plans.

Our Pipes and Fittings business has seen strong gains across categories. Overall, the business had seen 121% increase YoY in Q3 FY19 revenues. The plant capacities are being substantially expanded and we hope to be ready with 30,000 metric tons capacity from the next financial year. Utilization levels are building up well and the newly commercialized lines too are benefitting from good off-take. Being in the business of building materials and having access to the trade channel distinguishes the model. I have no doubt that our team will be effective in driving profitable growth as we grow aggressively forward in building this brand.

Let me draw your attention to Parador:

The process of integration is proceeding very smoothly. We already have an outstanding product that is well established in its home market and is showing good growth potential outside. The portfolio of products remain backed by an ever innovating design team and steered by a very capable set of leaders who continue to partner us as we look at new geographies. While the business performance for this segment would be consolidated and published by the end of this financial year, the performance in both top-line and bottom-line in the last five months since closing the deal has been very satisfactory, and better than previous year. This has been a very good acquisition for HIL. And I assure the investors that the underlying fundamentals of Parador are strong and will contribute meaningfully to the overall growth of HIL internationally.

I look forward to the traction for a profitable growth to continue in this quarter. And I am hopeful to create history for all of you by ending this year at a very high note.

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

KR Veerappan: Thank you, Dhirup. Good Afternoon and thank you all for joining us on the call today. I will begin by taking you all through the intricacies of the financial highlights for the quarter and nine months ended FY19. Thereafter, I will also provide you with the update on operating highlights and the focus going forward.

During the quarter, we have delivered sturdy financial performance with a sustained growth around revenues, EBITDA and profits. In nine months FY19 revenue stood at Rs.1,130 crore, going up to 20% year-on-year. In Q3 FY19 revenues came in at Rs.326 crore, as against Rs.282 crore in Q3 FY18, witnessing a 16% growth. The Roofing business continues to be the market leader and has shown a growth of 9% during the quarter and 10% for the nine months FY19. This 9% growth delivered in this quarter is significant under tough market conditions and far exceeding the competition.

Charminar Fortune, our non-asbestos solution continues to focus in the institutional segment and started picking up. We have bagged a prestigious order from Railways for their CST station, which is a World Heritage Site, and from BHEL. We are confident of delivering higher numbers in the coming quarters. Our Building Solutions and Pipes and Fittings business continues to witness healthy growth year-on-year of 15% and 121% respectively. For nine months FY19, the year-on-year growth stands at 26% and 132% respectively.

In nine months FY19, EBITDA stood at Rs.178 crore as against Rs.129 crore in nine months FY18, going up by 38% year-on-year. For Q3 FY19, EBITDA improved and stood at Rs.32 crore, witnessing an increase of 4% year-on-year. EBITDA during the quarter is after absorbing the reversal of FOREX gain of Rs.7.5 crore booked in Q2 2019 on EUR 20 million loan given to wholly owned subsidiary in Germany for purchase of shares of Parador holding GMBH.

The underlying EBITDA, therefore, for the quarter stood at Rs.39.3 crore, showing a significant growth of 29% as against top-line growth of 16%, despite spending a significant amount on branding of Birla Aerocon pipes and fittings. This EBITDA growth has been led by the numerous cost optimization measures undertaken which have helped dry efficiency and productivity.

In nine months FY19 PBT increased by 49% year-on-year to Rs.134 crore. PBT of Rs.13 crore during the quarter is after absorbing the reversal of FOREX gain of Rs.7.5 crore booked in Q2 FY19 on EUR 20 million loan given to the wholly owned subsidy in Germany for purchase of shares of Parador Holding GMBH, as clarified earlier and also after absorbing interest cost to the extent of Rs.6 crore on borrowings towards Parador acquisition.

As Dhirup mentioned earlier, with all this, both in terms of EBITDA and PBT, the nine months number have surpassed the total full year number of the previous year. We have institutionalized the working capital intensity with a committed focus on all parameters. The net working capital stood at 4% of total revenue in line with March 31, 2018. Long-term borrowings on the books reflect the acquisition cost of Parador holdings, and even with that we are comfortably placed and are well within our comfort level of debt, equity ratio of 1:1 on consolidated basis.

The effective tax rate for the quarter is higher on account of disallowance of interest paid on loan for taken for Parador acquisition.

As Dhirup mentioned earlier, we will be sharing the consolidated financials during the year end. The first consolidated financial will include Parador's numbers from 1st September 2018 to 31st March 2019.

Our business mix continue to drive progressive growth, laying the foundation for an accelerated performance going ahead.

On that note, I would like to conclude my opening remarks. I request the moderator to open the question-and-answer session. Thank you.

Moderator: Thank you very much, Sir. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Baidik Sarkar from Unify Capital.

Baidik Sarkar: If you could please spend in some degree of granularity on macro and micro factors driving the phenomenal pace of execution, roofing and building solutions? I don't think roofing business has seen this quantum of margin expansion and growth in a while. And importantly, are these margins in solutions business sustainable or is there a one-off aspect in the industry that is driving this heat?

Dhirup Choudhary: Mr. Sarkar, I think your question is specific to the roofing business. So let me say that the market has not grown as much as we have grown in Q3. And as elaborated earlier, we have captured a better market share in Q3 due to some specific attention that we paid towards the dealer involvement. The roofing business definitely is growing, and growing at single-digit number. And I do not see that as slowing down, though January has been a little bit slowing month in roofing business. But this quarter should catch up and February and March should be good again. The macroeconomic levels pretty much stand strong for roofing, there are lot of pressures and lot of headwinds that we witness on the pricing part of it on the material cost because of cement. But we are doing our internal bit to improve the efficiencies in the plant which will continue to drive the profitability in this business. We do not know how the election is going to pose, and that always remains an element of doubt in everyone's mind. But we are very positive that the roofing business should continue as we are doing at the moment.

Baidik Sarkar: Sure. So, did I read you right, did you say there was a one-off cost element that is leading to this kind of margin expansion?

Dhirup Choudhary: No, it is a continuous effort, I said Mr. Sarkar, that we are driving at the operating levels in way of efficiency improvement in the plant, the TPM drive that we are doing, we have now introduced Six Sigma in quite a few of our plants and driving projects specific to that. So you would see that even from the same volumes we get much more margins in this business, owning to these specific drives that we are doing on cost. And that is sustainable.

Baidik Sarkar: Sure, that is helpful. And if I could just draw attention to the statement you made on better dealer involvement. So, are we expanding the channel? If you could just help us understand the macro, what exactly is driving the dealer involvement?

Dhirup Choudhary: I mean, as I had informed last quarter as well, there is a lot of meaningful exchange that we are doing with our dealers and retailers. We have a fantastic set of network of loyal dealers who have been loyal for many, many generations now with us, many of them in their third generation. The excitement that we are doing partly has been ticked, started with the CSK bid that we did, the contribution we did with the IPL movement last year which will continue this year. And that has excited them quite a lot, how quick it is as religion in India, and Dhoni is an icon of his own. And we have then done quite a few engagements with them using our data bank that we have. We have an extensive data bank and software that manages that with our dealers in way of incentives that we provide to them, points that we provide to them and all the rest of it. So that has been exciting in quarter three a lot. And we also have the foreign trade part of it that we excite them with, with additional quantities. The special visits that we have made, particularly meeting all the dealers from the top-level and engaging with them has advocated a lot towards this. So, it is a mix of all of this which has kept them together with us and continuous element that we are spending in growing this, getting more and more retailers in place, going into markets where possibly we had not objectively looked at all of that has triggered. So, if you tap in the zone wise, I think we are doing very well in all the zones.

Baidik Sarkar: Could you just give us the break of building solutions, you have six segments, so if could help us with breakup there, please.

KR Veerappan: They are available in the presentation. I can just repeat it for your sake.

Baidik Sarkar: I meant the volumes as well, sir. Unless I missed the volume number in the presentation.

Dhirup Choudhary: Mr. Sarkar, for a change we had since we get the volume question every time, we had made it very transparent. But we are happy to answer.

Baidik Sarkar: No, my bad. I will back in the queue. Thank you very much.

Moderator: Thank you. Our next question is from the line of Rajesh Kothari from ALFA Accurate Advisors.

Rajesh Kothari: Thank you very much for making the presentation more transparent in terms of disclosing details on the volumes, it is really very useful. My first question is with reference to the total gross un-allocable expenditure which this year if I look at, last year FY18 was Rs.58 crore, and this year for the first nine months it is Rs.57 crore. Is there any one off in third quarter? And how do you see the full year?

Dhirup Choudhary: So, while on that, I would request Veerappan to answer. Mr. Kothari, first of all, thank you for joining this call every time and thanks for your positive remarks. Transparency is a part of our theme, and this is your company, so we will do everything to get that thoughts across to you every time that you speak to us. Veerappan, could you clarify the unallocated expenses please?

KR Veerappan: Your question, is it for the quarter or 9 months? In this particular quarter, as I said, the FOREX is playing a significant part in terms of deflating the quarter.

Rajesh Kothari: The Rs.22 crore includes FOREX reversal of Rs.7.5 crore, that is what you mean?

KR Veerappan: Yes.

Rajesh Kothari: So, it means normally I should see Rs.22 crore minus Rs.7.5 crore, which is Rs.14.5 crore?

KR Veerappan: Yes.

Rajesh Kothari: Okay. And how do you see the fourth quarter or the full year on this total un-allocable expenditure?

KR Veerappan: Q4, after removing one-off FOREX, FOREX is something quarter-on-quarter will vary. It is not in our hands and will be same as this quarter.

Rajesh Kothari: I got that, FOREX you are actually adjusting into the other income or loss.

KR Veerappan: No. If there is a gain, it will be reflected in other income. If there is a loss, it will be in other expenses.

Rajesh Kothari: Okay. So, fourth quarter you…

KR Veerappan: There are two things; one is the main P&L representing other income and other expense. Let me clarify, if there is a gain that will be reflected in other income, if there is a loss, it will be in other expenses. The second thing is unallocated expenses; there both other income and other expense get set-off.

Rajesh Kothari: I understand. I am saying gross un-allocable expenditure, if I do segment wise, you have un-allocable expenditure and then you have other income of which there is recurring and non-recurring. If I do that complete breakup, the gross un-allocable expenditure is Rs.22 crore in third quarter and you take out Rs.7.5 crore from that, correct?

KR Veerappan: Balance Q4 will remain the same, net of this Rs.14 crore.

Rajesh Kothari: I see. So Rs.14.5 crore kind of thing you think that will remain as it is. So, if I look at last year which was Rs.58 crore total gross un-allocable expenditure and then if I look at current year going by let's assume Rs.14.5 crore, so why such a large increase of 20% - 30% increase?

KR Veerappan: Last year total is around Rs.36 crore. So I do not know where you have got the Rs.8 crore number.

Rajesh Kothari: Your first quarter was Rs.35.49 crore, second quarter was minus Rs.1.2 crore, third quarter net of FOREX reversal is Rs.14.5 crore. If I add that three and I add another Rs.14.5 crore of fourth quarter.

Dhirup Choudhary: So, Mr. Kothari, there are few things that we are taking in building the brand for HIL. And I had already announced this to all the investors earlier. And this has enhanced our business immensely towards both the top-line and bottom-line. So, CSK was one of them, and then there are other marketing expenses that we are doing, which will continue because this is something that we believe in, that this is building a huge growth profitability. So if you look at unallocated expenses as an item, this may look to be high, but it is more from a total perspective, and therefore the profits and the growth should talk about that this investment is well spent.

Rajesh Kothari: Sure. So, basically with reference to the brand expenditure it goes into the un-allocable or does it go to segment wise?

KR Veerappan: We have been doing it as a part of unallocated, now we have started as far as possible, identifying and allocating the brands, from last quarter we have started this.

Rajesh Kothari: So, now third quarter is true representation, including the brand expenditure, correct? Okay. My second question is with respect to the others which is showing minus Rs.8 crore and correct me if I am wrong, that includes Rs.5 crore of brand expenditure in Pipes business?

KR Veerappan: Yes, that is right. You are spot on.

Rajesh Kothari: So, how should we see this other segment next quarter as well as next year, do you think it will continue to require a huge brand investment or you think it will contribute some positive for full year and for next year?

Dhirup Choudhary: Very-very good question, Mr. Kothari. And I would be very happy to give you a transparent response again on this. The brand expenses are desirous, and if you compare the Pipes business, brand allocations by other companies, they are doing much more than what we are. We are trying to catch up speed with some big ones in a very short time, while they have taken 20 years to crystallize themselves, we are trying to do that aggressively. As I mentioned, to grow to a Rs.400 crore level in four, five year's time is a very aggressive target we are taking. And I think this will continue. We will be very-very judicious in spending this, this is something that we will take on as we grow. So, if the business performance from HIL comes in well, then we will definitely be able to spend a part of it towards the brand enhancement of pipes and overall HIL. Just to give you an anecdote here, Mr. Kothari, HIL was earlier known as Hyderabad Industry, or an asbestos company, we are trying to help that from a visibility point of view to move from both of them, though we are not averse to any of them, but to move to a much bigger brand, which is HIL, and take it globally. So, a part of it will continue, but this will be based on the total profitability of the company.

Rajesh Kothari: So, in nutshell, do you think if you make good money in Pipes then of course you can keep doing brand investment. But considering that first few years of ramp up mode, do you think even FY20 it will be loss making after considering the brand expense?

Dhirup Choudhary: On a quarterly basis, Pipes should turn profitable from Q1 next year. And I am very confident about it on EBITDA level. And therefore, Pipes are absolutely on the right direction, as I would say, and this is the comfort I have given to the investors. I have very well said that the first year will be a loss-making year where we are consolidating this brand and expanding the reach to the market. But you would see a profitable growth for this segment also going forward.

Rajesh Kothari: Great, so that reassures investors that while first quarter I understand investment, I think FY20 hopefully will turn to be positive. Perfect. My second question is with reference to Parador related. What is right now, total standalone debt and total consolidated debt? And what is the total interest cost for both standalone as well as consolidated?

KR Veerappan: As far as standalone debt in India rupee borrowing, we have around Rs.276 crore, that is in the HIL books. And as far as Parador is concerned, in HIL International we have EUR 32 million debt. So, if I convert this Rs.276 crore, basically it is EUR 34 million, so Euro 34 million and Euro 32 million, it is around EUR 66 million is the total debt. And the interest cost, as far as EUR 32 million in Europe, when we acquired, we had negotiated and taken at a very cheaper rate, at around 3.25%, which is not reflecting in HIL books, it will be HIL International which will reflect in the consolidated results. And the good news, let me share, although we are not publishing the results and we will be doing it in March, effective January that 3.25% we have already negotiated and brought down to around 1.6%. So, the cost of borrowing has been really aggressively negotiated and brought down as far as the Europe borrowings are concerned. And the Rs.276 crore, the India rupee borrowing, is at around 8.6%.

Rajesh Kothari: So, basically when we took over Parador we mentioned that it is going to be EPS accretive from day one. However, of course Hyderabad Industries, HIL also had a surplus trajectory on which there was other income, and that other income will become zero as we move into FY20, because now we have a net debt. So, when you say EPS accretion from day one, does it also kick in to factor the other income loss?

KR Veerappan: Yes.

Dhirup Choudhary: It will be on the total picture after consolidation.

Rajesh Kothari: No, what I am saying, there is other income which was close to about Rs.35 crore, Rs.40 crore other income which used to come, now that is not going to come. So, actually there is a loss, am I right? So while Parador on its standalone basis will service its own debt and would report net profit, but actually there is also Rs.25 crore, Rs.30 crore of effective loss of opportunity, because of other income which used to come. So, I am saying, to that extent EBITDA margin needs to move up for Parador to make it EPS neutral.

Dhirup Choudhary: Mr. Kothari, if I can say, your numbers need to be relooked. You have a quick talk with our finance colleagues after this call on this. But let me tell you, the other income was not the right way to run a business, we have run our business absolutely the way that investors want to see. We are investing and we are growing this company. And overall, absolutely, this will be EPS positive.

KR Veerappan: And you need to little bit maybe like to check on the numbers, we never had Rs.35 crore other income.

Rajesh Kothari: I am saying Rs.25 crore, Rs.30 crore, because last year you had Rs.23 crore other income, if I am not wrong. So, if I would have not acquired Parador then my other income would have been further increased, as cash accrual goes up. So, I completely agree that it is a strategic decision. But I am just trying to understand that the margins need to be of that extent to make it real EPS neutral.

Dhirup Choudhary: Mr. Kothari, can we take this offline because there are others analysts in the queue. But I appreciate your concern. And let me give you in one word, we are absolutely in the right direction, please have faith in us.

Moderator: Thank you. Our next question is from the line of Praveen Sahay from Edelweiss.

Praveen Sahay: Can you give any detail regarding this railway project? How much volume are you going to receive and will that maintain the margin of Roofing?

Dhirup Choudhary: Mr. Sahay, this is a small order we have received at the moment from CST Mumbai. It is more prestigious than the value. But for Fortune, I mentioned earlier and I continue to mention that Fortune product is highly profitable it will only enhance the profitability of our Roofing business.

Praveen Sahay: So, the Project business would have similar margin or higher, is what you are saying?

Dhirup Choudhary: Exactly, Mr. Sahay.

Praveen Sahay: Right. Coming to the Pipe and Fitting business, how much of capacity do you currently have?

Dhirup Choudhary: Mr. Sahay, last financial year end we had a capacity of 7,000 metric tons. And by the end of this March we will have a capacity of 30,000 metric tons.

Praveen Sahay: Okay. So, is it Plumbing based piping, having a CPVC or PVC mix, can you give some detail on that?

Dhirup Choudhary: So, this is a complete 30,000 metric tons by the end of this financial year would constitute of CPVC, UPVC, SWR, Pipes as well as Fittings, the entire range.

Praveen Sahay: And lastly on Parador, as you had experience in last five, six months, can you give some details on the number side, how much margin they are incurring?

Dhirup Choudhary: I am missing your line, Mr. Sahay. But if your concern is on numbers of Parador, as we mentioned, we will be consolidating all of this by the end of this quarter and you would get absolute transparency on this company. But as I have said in my opening statement, the company is performing very well since we have acquired it, last five months they have been up on their top-line and bottom-line than the corresponding year last year.

Moderator: Thank you. Our next question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Sir, my question is on the Roofing business, can you elaborate on the market condition, what helped us more in growing ahead of the market compared to peers? And also on the cost front, you mentioned some worry on this increase in your cement prices. So, your thoughts on these two.

Dhirup Choudhary: Mr. Shah, I would just reiterate my stand here, we are doing extremely well in way of capturing the market and I give full credit to the sales team as well as the loyal that we have. They have been really working in unison with us. There are a lot of things that we are doing, exciting bits we are doing with them where we are bonding them together. First time we brought them over to see cricket matches, first time we brought our consumers to see cricket matches also. We are also doing the international travel part with them, we are doing a lot more association with the miles that they get with every bot, what they get as loyalty program that we do. We are exciting them and giving more and taking more thereby. Then the sales bit, the spread has been improved, the number of stockists have been improved. In every corner of India we are conscious not to pick up orders from regions which are far away from our factories so that the costs are higher therefore profitability is low, rather we are picking up in very profitable zone. And therefore, the focus from this business has shifted immensely from just a vanilla ongoing business to a much more focused business, where we are trying to get better margins, better quantities, and aligning to the stockists. The people who had never met top management earlier, today are on hot line with us. And I think all of that makes a symbolic approach towards transparency and communication, which we are dominantly providing and helping them with.

Dhaval Shah: Got it, Sir. So, if I were to look at it this way, now we have grown much better than the industry, and you laid out the reasons for it, the extra sales effort and the way you are more getting closer to your distributors and dealers. Now, typically, so this also shows that they have pushed products of your brand compared to the peers at a time when you did lot of activities, as you mentioned. But going forward, so this will require doing this activity on very regular intervals to keep this momentum going on.

Because after all, agreed brand is very well respected, but it is a very matured, old industry. So, for you to get additional pie from your competition, this activity needs to be done. So, am I reading it right? Or the brand spends on the other products, like the Piping division, is having a spill over impact on this product as well and helping you?

Dhirup Choudhary: Your second question is not correct, Mr. Shah. But your first question is absolutely correct, and your inference is absolutely right. This is a continuous effort. We were lacking somewhere in it, but we have strengthened that part and we will continue that.

Dhaval Shah: Okay. So the Piping advertisement has no relation to the kind of growth and success we have seen on the Roofing side?

Dhirup Choudhary: It is very difficult to correlate Mr. Shah, but definitely the Piping advertisement and all the bits that we are spending on, marketing and branding, definitely gives them a pride of their association with HIL and we will continue that. But a direct correlation is very difficult to be bought, because the customer segments are quite different.

Dhaval Shah: And Sir, we had taken a 5% price hike as you have mentioned in the second quarter. So, any price cut or rise you have taken in the third quarter or planning to take in the fourth quarter?

Dhirup Choudhary: Mr. Shah, we have again raised our prices in quarter four and that is specific as per our plan and strategy so that we are able to come up to the peak season, which starts towards the end of March, with a good price base. This has to be done sensitively, zone by zone, because our competitors are not doing that. And if you see their results, I do not want to comment on that. You are investors, but you can see that they have not fared as well as us, which clearly symbolizes that our strategy has been slightly better than theirs. We will continue that, we are the market leaders on prices and HIL is the market leader on quantities as well, we have about close to 21%, 22% market share and we want to continue that, Mr. Shah.

Dhaval Shah: Sir, last question, are you seeing any player getting weak in your market which is helping you along with your own efforts?

Dhirup Choudhary: While I am transparent, I would like to refrain from talking about our competitors. I think the markets are well versed to you as much as we are. I would definitely say there are very good people, there are extremely strong competitors and make us even do better by what they are doing, and we are proud of having an association of our competitor who are striving us to do better. I am sure they know their business well. I would only say, HIL is becoming stronger.

Dhaval Shah: And just one request, if possible for you to hold an analyst meet where we can meet you in Bombay.

Dhirup Choudhary: Absolutely Sir, we will do that. I mean, I am slightly occupied. Please allow me, the Parador acquisition does take a huge bandwidth from me and my team. And if we miss out or we mess this up, this can have a severe detrimental effort. So we are very conscious of that. So, I think after couple of months we can do this, Mr. Shah. But anytime, you are most welcome to shoot out your questions across to Ajay or to Veerappan or even to me, and we will be happy to answer them to you.

Moderator: Thank you. Our next question is from the line of Teena Virmani from Kotak Securities.

Teena Virmani: My question is regarding Parador, I do not know whether you will be able to share those details now or not. Just wanted to get some idea on the gross block or the working capital requirement of Parador as a company, which would ultimately get consolidated in HIL. So, would you be able to throw some light on the same? Or do we have to wait for the fiscal to end and the numbers to get consolidated?

Dhirup Choudhary: Madam, very kind of you to join this call. Thank you for your questions. I can well understand that there is a lot of excitement around Parador and it is just that we want to do the financial bit very well, the integration is well in process. Just give us another breather, a few more months and you will get all numbers as transparently as you get it for other part of HIL.

Teena Virmani: Okay. And also sir, regarding the strategy for the sale of Parador product, so would you be focusing on the existing markets of Parador or would you be bringing that product in the domestic markets? Like you had earlier mentioned that you would be bringing that product in the domestic market and selling it across. So, I just wanted a simple comparison, although there are not many listed players in the same side, but a couple of players who are there in the wooden flooring, they have not been able to make that kind of money or they have been able to make that kind of margins on the sale of this product. So, how would Parador be positioned with respect to the current industry in the domestic markets? And what kind of margins would you be targeting from the sale of Parador? Would they be in line with what Parador has been making in the global markets or would it be in line with how the other players in India are making on that segment?

Dhirup Choudhary: So, again, first of all, congratulations for very good market assessment. You are absolutely right, this is a small market in India because India still is predominantly a stone market or a marble market, and the conversion has to take place. But what we are coming to India with and that is not the only strategy we have, so India is a part of the strategy. But buying Parador was much more to explore other markets where they have not reached and grow the product. Let me once again remind you that the total capacity utilization of Parador is about 67%, so we have one-third of the capacity in Parador to be extensively utilized for other markets where they have not been able to reach. We will definitely support them, and we are already talking to them in way of supporting them to reach out markets where they have not reached. So, we definitely see that full utilization of their capacity in Austria without meaningful CAPEX investment further is on the cards, and we will help them. India would be a small part of that and we will have to convert the market. The present players are great companies who are operating here, but as you rightly said, they have not done too much. And that kind of a brand pull, that kind of a brand visibility, that kind of a creation of markets, conversion from the carpets or from marbles to the wood flooring, all of these are elements that we are consciously considering. And when we are ready with our plans on Parador for India, we will definitely share that with you.

Teena Virmani: Okay. But in the current scheme of things, India would be a small part, as you mentioned?

Dhirup Choudhary: Because the market is small, so there will be a lot of effort to converting this market towards it. And we are fully focused on doing that.

Teena Virmani: Okay. And lastly, would you be able to throw some light on the current pricing differential between the asbestos based sheets and non-asbestos, and even the steel sheets, because now that steel prices have also come down. So what is the current pricing differential between these three categories, if you can throw some light on that?

Dhirup Choudhary: Yes, absolutely. See, when you talk of price, sometimes it is not the right comparison because a sheet to sheet price would be some, but the total installed cost with the structures and everything could be different. But on a very simple correlation, if I can say, asbestos sheets are at a particular level, the non-asbestos is higher than that and the steel is higher than that. So we have tried to position the non-asbestos between the asbestos and the steel, closer to the steel. And therefore, I said this business will be highly profitable to us.

Teena Virmani: Okay. So, how much higher would that be sir, any idea on that?

Dhirup Choudhary: It is difficult today to spell out that number, because it is very different from customer to customer. And we are just, as I said, setting in this product. Each customer has a cycle of test procurements, they want to see it for a year, they want to really assess the product and then to for a tender, the price list has to be updated by them. So these are all institutional customers, big giants who take their own time. Of course prices are different for them, but I can say its substantially higher, about 30%, 40% higher than our asbestos sheets.

Moderator: Thank you. Our next question is from the line of Aejas Lakhani from Edelweiss.

Aejas Lakhani: Mr. Dhirup, congratulations, I think you are really trying to navigate the ship, so you are doing a wonderful job till now. Kudos to you on that. Two questions and one follow-up query regarding something you mentioned earlier. My questions are, are there cost pressures on the Roofing business from fibre prices if you could just throw some commentary on that? And the election season is coinciding with your peak quarter, which is quarter one, will there be any impact of that? So if you could answer this, then I will ask you a follow-up.

Dhirup Choudhary: Thank you very much for your comments. It is your company, we are just trying to do our bit on that. On the fiber, I think we are very well poised. I think the fiber suppliers have been very kind with us. And HIL being the biggest amongst all the fiber suppliers, I think we are quite favorably poised on the cost. So we do not see a rise in cost on that aspect. On the election side, it's anyone's guess, I mean, there would be some problems but there could be also positive sides, it all depends on how the election really moves if they are spending a lot, giving more capacity for the farmers spend and lot more things to really get them on to their election bandwagon. I think that will be helpful to the market. So the rains have been quite good last year, there have been some zones where the rains have been low, so those zone will be affected. But overall, I think I am still bullish about the next quarter.

Aejas Lakhani: Fair enough. And sir, could you also throw some light, I know probably it is still early in the day, but as you have international aspirations through Parador for HIL, given that some of these markets the nature of business would be different, would it entail a higher working capital requirement at HIL' side?

Dhirup Choudhary: I mean, you are talking about exports out of HIL and the working capital, am I right?

Aejas Lakhani: That is correct. So, through Parador you are looking at international markets for HIL, would that result into an incremental booking capital?

Dhirup Choudhary: So, at the moment our exports are more or less close to zero, because we only sell a bit of Hysil, which is our industrial product out of India and a bit of panels outside India. But we definitely have good hopes of acquiring some good markets around India for Fortune, non-asbestos as well as for the pipes and fittings, and also help Parador in zones where they are missing. When we reach those countries we will be extremely careful on working capital, we will do business through letter of credit or secured terms, and that is something that is prescribed in my business ethics. So I think from an investor point of view you have nothing to worry on that.

Aejas Lakhani: That answers that. And sir, the EUR 66 million breakup you gave, EUR 32 million and EUR 34 million, could you just explain, the EUR 32 million is incremental debt you have taken and EUR 34 million is the existing debt in the Parador business, is that correct?

KR Veerappan: The EUR 32 million is taken incremental debt in HIL International for the acquisition of Parador in Europe. So, EUR 32 million is a Europe debt which will be appearing in the HIL international and Parador books. As far as the EUR 34 million is concerned, which is nothing but Rs.276 crore, that is taken in India in rupee loan.

Moderator: Thank you. Our next question is from the line of Amit Vora from PCS Securities.

Amit Vora: The question is on the advertising budget that we would have done till now, and what would it be like in Q4 as well, combined, all the segments together?

Dhirup Choudhary: Mr. Vora, you are trying to take everything out of my pockets, so thank you for that.

Amit Vora: Only if it is possible, I mean, if it is not then I respect that.

Dhirup Choudhary: It is your company, you have the right to ask and I am obliged to answer you. We have spent about Rs.5 crore last quarter for the advertisement, HIL alone. And overall, about Rs.10 crore has been spent for the CSK bit that we had with the IPL. So, total about Rs.15 crore, Rs.16 crore is what we have spent in nine months, Mr. Vora. This all was thanks to the comfort that you all gave to us and the powers you gave to us to run this company. And we felt that this was needed from every aspect. I must tell you, the recent market survey that we have done through very-very specialized marketing agencies, talks about very high HIL brand that is being perceived around. And that is well visible with the business that we are able to see and the attachment of our dealers, retailers that we are able to see. So, going forward we would be, as I said, we would be quite judicious on spending that, but some bit of it would be needed to push business forward.

Amit Vora: We are very happy to get that visibility. Would that be the similar amount that you have spent in Q3 for pipe division in Q4 as well or it will not be…?

Dhirup Choudhary: For the IPL part there is one more year's association that we have, but part of it went into production of a film which we brought at the IPL. We are not planning to do another film this year, rather, repeat that film because that film really got excellent exposure for HIL. So, that cost would definitely come down. But more or less, as I said, the marketing will never increase more than 1% of the revenue. And we are quite in that level.

Amit Vora: Perfect. And one more question, last quarter our working capital to sales was around 4%, is that what has continued even in Q3?

Dhirup Choudhary: So, Amit, your question is valid. We were at 17% two years back on a yearend basis, we brought it to 12% and then to 4% last March. And we thought we had come to exactly a level where we want to keep ourselves too. But the quarters are always different because we try to pump up the capacity for the peak. So quarter four, I am assuming that inventories will be higher, because they will be planning for the Roofing peak which comes in April.

Amit Vora: That is normal, I think, market sentiment.

Dhirup Choudhary: Absolutely. Overall, the working capital has come down not because of these spurts in inventory sometimes that you want to keep as a strategic base, but because of the receivable collections, because of being extremely sensitive on every aspect. So, I think that will continue as an organization.

Moderator: Thank you. Our next question is from the line of Deepanker Sati from Magadh Capital.

Deepanker Sati: I have just one question. I missed the numbers on interest cost, if you could please repeat that?

KR Veerappan: You are talking of the interest rate or…?

Deepanker Sati: Yes, the rates.

KR Veerappan: Interest rate, the EUR 32 million borrowing which we have done in Europe, it was acquired at the cost of 3.25%, which we have again renegotiated and effective 1st January it has come down to 1.6%, average interest rate.

Deepanker Sati: 1.6% right?

KR Veerappan: Yes, that will reflect in HIL International books and it will reflect in our consolidated financials. Right now in HIL standalone that will not reflect. As far as HIL standalone results are concerned, we have Rs.276 crore borrowing, its weighted average rate of interest is around 8.6%. So that is what is reflecting as a finance cost.

Moderator: Thank you. Our next question is from the line of Rajesh Ravi from Centrum Broking.

Rajesh Ravi: My question is pertaining to the Asbestos, you have been doing consistently like 9% volume growth is what you reported this quarter for nine months particularly if I see. Just wanted to understand, is it broad based? Or few markets are growing at a faster pace?

Dhirup Choudhary: Rajesh, As I answered earlier, I do not think the market is growing at 9% in India. So we have been quite satisfied and happy to see that we are growing much on that level. And I definitely see that overall the entire companies in the Asbestos forum are doing their bit to see that the market grows. And hopeful that this should sustain. Definitely these are in pockets, so some zones always grow better than the other. But overall, I think it is sustainable.

Rajesh Ravi: Okay. So any specific markets where you have seen contrasting trends?

Dhirup Choudhary: I think overall, I would say, it has been a pretty favorable. These are quite seasonal, these are quarter wise different. Overall, I would say, I will not speak specific to any market as overall HIL has been.

Rajesh Ravi: Sir, you were discussing on the price hike that was implemented at the start of the quarter. So, for you what price improvement did you see quarter-on-quarter on the Asbestos segment?

Dhirup Choudhary: The price improvement is an element that we monitor very closely, and we never go for volume, we go for price, profitability, and that is our system. So, this January also we have raised the price, February also we have raised the price. While our competitors are not doing enough, but I have no control on them. From HIL's point of view, this has been our philosophy and we will continue that.

Rajesh Ravi: Sir, I was asking, in Q3 what price improvement did you see versus Q2?

Dhirup Choudhary: Those are very-very detailed numbers, I am so sorry, I have not come prepared for this teleconference for that. You can see from the profitability that on a volume growth, the profits have gone much better.

KR Veerappan: Rajesh, you can see Q3 volume growth was 8% in AC sheet and revenue has grown by 9%. So, the realization has improved.

Rajesh Ravi: Okay. I was asking on quarter-on-quarter perspective. And sir, in terms of the others, if you could throw some light on the segmental operating margins, some broad color also that would be helpful to understand how different business segments are doing on the EBITDA level? Even for nine months that would be helpful.

Dhirup Choudhary: I mean, the numbers that we normally give is the PBT numbers, they are in the presentation.

Moderator: Thank you. Our next question is from the line of Manish Poddar from Reliance AIF.

Manish Poddar: Just wanted a small clarity. So this pricing which you have increased in Q1 and Q3 now in the Roofing segment, is it largely to cover the dollar-rupee conversion for the fiber? Or have we taken a slightly more price increase than necessary?

Dhirup Choudhary: Partly, yes, absolutely right, it is to cover the cost, cement as well as dollar-rupee conversion. But partly also to compensate for the detailing that we are doing and in connections. So, I think we have a right to claim a little more than our competitors because of the detailing we do.

Manish Poddar: So would it be a fair assumption that the margins at current levels can sustain for the coming year?

Dhirup Choudhary: I think the worst is over for Roofing for a year, because this is cyclic as you know. So, quarter three is the weakest quarter and we are happy that HIL has outperformed in that quarter as well. Quarter four should be reasonably good, while we prepare for quarter one which should be the best quarter for us.

Moderator: Thank you. Our next question is from the line of Sharvari Joshi from Trivikram Consultants.

Sharvari Joshi: Sir, my question pertains to the effective tax rate which seems to be on a higher side this quarter. So, could you explain about it a little bit?

KR Veerappan: In fact, in my opening remarks I had specifically mentioned about this. Yes, the effective tax rate for the quarter is higher because the interest cost on the loan which we have taken for the acquisition of Parador, that is from a tax perspective there is a disallowance. So we need to remove that disallowance, that is why the effective tax rate is higher in this quarter.

Sharvari Joshi: And sir, any CAPEX guidance for FY20?

Dhirup Choudhary: I think, Ms. Joshi, we would be maintaining our CAPEX pretty much there. But for the buildings solutions we have reached a 95% capacity utilization and since now the profitability has come up, we are very much prone to look at investment opportunities that would take this business higher up. Next year we will actually face this problem that the building solutions would have reached its capacity and therefore we will have to quite aggressively look at what are the next bit. So those CAPEX are going to come. Parador, I do not imagine any big CAPEX, except maintenance CAPEX. And for Pipes, we have lot of capacity that has been created and I think we should use it. If Fortune business really takes up well, then we may go with some addition of capacity on that. Other than that I do not see any big items there.

Sharvari Joshi: Okay. So maybe you would be announcing in, say, first quarter of FY20?

Dhirup Choudhary: You are talking about?

Sharvari Joshi: Building solutions, because you had said that the capacity utilization is quite high.

Dhirup Choudhary: Capacity will come, it will take about eight, nine months to come forward once we give an okay. But we haven't yet given an okay to the proposal. We are still looking at it.

Moderator: Thank you. Our next question is from the line of Chintan Shah from Investec.

Chintan Shah: Sir, wanted to understand on the Agri space, I mean, Pipe space, if you could elaborate what is the strategy, how do we position ourselves? And what is the market situation right now and how you intend to compete?

Dhirup Choudhary: Mr. Shah, it is quite an open ended question and let me see what justice I can do to this. This is a pretty much crowded market, we have 500 players in India alone for pipes. Four or five of them are at the top which have a good market share, the others are all below 3%, 4% market share, if I can say. The market size is anything between Rs.12,000 crore to Rs.18,000 crore and we definitely see this market growing at about 10% annually, all pipes together. We are into CPVC, UPVC and SWR only, we are not in agricultural pipes. The competition here is absolutely steep against some big players, we do not want to compete against the small guys, because the profitability could be a big risk there. We have come out with a product which is excellent, in my opinion, and it is not only my opinion but opinions of people who know this product well in the market, who have all symbolized that we are at par with everyone of the top names in the market. The issue is brand creation, the issue is brand pull, the issue is getting some big dealers and retailers to be associated with us, why should they change from the big names to us. Those are the issues that are critically getting evaluated, while we are spending a lot of time in building our core competencies in manufacturing in pipes, while we are creating capacities for that. At any stage the manufacturing losses can be minimum and efficiencies could be maximum. So all of it, it is riding on three horses if I can say, horse number one would be expansion of market reach, horse number two is branding, horse number three is manufacturing and getting the best quality out. But we have the Birla tag with us, which is very well known, and I think that is something we take pride on and I think all of you should being associated with this company. And we are very-very comfortable the way it is going, and we are very-very bullish on the pipes.

Chintan Shah: Sir, if you could share more of your expectations for next year for this segment?

Dhirup Choudhary: Mr. Shah, very difficult to quote the numbers because it is a growing market, as you see we have grown 121% over it, and projections are something I stay away with. But I have given good projections to all investors that we are striving at a Rs.400 crore revenue number of pipes in the next three years, four year's time.

Moderator: Thank you. Our next question is from the line of Sriram R. from Sundaram Mutual Fund.

Sriram R.: Sir, basically if I come to your roofing business, now the other building material players have been talking about some kind of rural stress, especially in Maharashtra and Karnataka. And you had mentioned about the elections also. So if you could help us understand what would be the impact of all those things in the ongoing couple of quarters? How do you see this business in the next year?

Dhirup Choudhary: Mr. Sriram, so Karnataka we are not as strong, possibly. Maharashtra, yes, but in Maharashtra there are some other players also doing well. But I think we are not very worried because we are at the top, we have the best quality, we have the best dealers who are working with us, our brand is well recognized. The product losses are less than 1% while the market average is 3% to 4%. I think there is a lot that we can offer while the others aren't, and I think that is the strength that we draw. I am not at all very worried about it. The CSK bit that we do pull the people towards us. The elections insecurities always stay in everyone's mind, and that is for all products I would say. But I think the rural segment would do well, and I am very bullish about next year.

Sriram R.: Sir, but does your business have some kind of correlation with the tractor sales or something, what is the key metric that you people follow?

Dhirup Choudhary: There are two macros that we follow Mr. Sriram, one of them is do with the rainfall last year. So if the rainfall has been good last year, that gives a good reap for the farmers and then the financial capability of the farmers grow, which helps in the business in the subsequent year. And second is overall GDP growth, because those are the numbers that we can depend, the rural GDP and other things are not very well prescribed and therefore those numbers are not very authentic. But the overall GDP has a good room to follow. So these are the two that we follow and we make it. So, it is showing a little bit of dampening coming forward because of the insecurity on election, but we are very conscious about that and therefore we are working around it so that our direct touch with the last level, as we say, the last mile is always there. And therefore we are very hopeful that we will be able to sustain our business.

Sriram R.: But sir, insecurity in what sense? Because as far as I understand at least the budget announcements are positive, at least in the short-term there should be some kind of uptick, if not later. So, what is that you are seeing, is that volumes have started to taper off, is that what we are seeing in Q4?

Dhirup Choudhary: I did mention that January has not been a very good month, not only for us but I believe the market has literally clipped down. But for us we are very conscious, January has been weak because we wanted it to be weak, that means took height in December and secondary sales have been lower. And therefore the pull from the primary sales has been lower in January. We had understood this, but we wanted to do it this way because we can then collect our money back so that the receivables are lowest by the end of March. So this was quite strategic. February and March, I think the volumes are going to be good, and therefore I am not at all worked up on that. I just said the insecurity is for everyone around election, because that is an animal I don't think anyone understands well. So, we will have to just wait and see how it is, but we are going across it and taking all actions so that the business does not get weakened.

Moderator: Thank you. Our next question is from the line of Ritika Garg from Aequitas Investments.

Ritika Garg: Sir, I wanted to know what is the FOREX hedging policy that we have in place?

KR Veerappan: See, as far as the imports of fibers are concerned, we do have a policy that every month we see the next three months and try to cover a minimum 30% to 70%. So that is something we follow consistently as per board approved policy. And this particular thing, Euro, this is the first time which has happened because this is something a loan which we have given to our subsidiary and it becomes a receivable.

So this is a reverse case. And this is something the first quarter like there was a huge gain, as you would have noticed, and second quarter it has been reversed. Now we are looking to hedge, and we are waiting for the right moment, we would be hedging at least more than 70%, but we are waiting for the right rate to be hedged.

Ritika Garg: Okay. And what was our advertisement expense in absolute terms for FY19?

Dhirup Choudhary: 2019, I mentioned that number, about Rs.16 crore.

Ritika Garg: So we are not going to incur anything further in Q4?

Dhirup Choudhary: At the moment it is not on the card, but the CSK bit will come in, so there is an alignment with Chennai Super Kings which we have for this year as well, so that part will flow in definitely, part of it will flow in.

KR Veerappan: And also, IPL has been advanced, this year it is going to start in the month of March itself. So there will be a little bit of spend advancement also.

Ritika Garg: Okay. So, could we say that the number would be around Rs.20 crore or it would be more than that?

Dhirup Choudhary: It would not exceed that, Ms. Garg.

Ritika Garg: Okay. Also I wanted to know what will be the breakeven period for the pipes business?

Dhirup Choudhary: I mentioned, quarter one next financial year I am hoping to see a profitable, or at least a breakeven for this business.

Ritika Garg: No, so when do we expect to recover our investment by?

Dhirup Choudhary: Rs.400 crore is the revenue that this business will deliver to us, and I think four to five years, as I said, to reach that revenue, we will be able to recover all and more of it.

Moderator: Thank you. Our next question is from the line of Kush Gangar from Care Portfolio Management Services.

Kush Gangar: My question is on Parador. So, I wanted to just understand your strategy with respect to, so we understand the margins over there are lower and there is a scope for improvement in margins. So our focus would be on ramping up the capacity utilization or you want to inch up the margins and cover up all the loose ends which are there and then focus on capacity utilization? So what would be our strategy over there?

Dhirup Choudhary: So, that is something that we are dwelling every day, so this strategy I something that we are working on. I think the first step that I was fundamentally very clear about is to see that they feel a good home in us. And that integration, both in terms of human capital as well as in terms of processes and system and financial integration was the first key element that I had in my mind. And I am very thankful and happy to declare that this absolutely in peace, there are many Indian companies which have failed with European companies after the takeovers, but I think we are comfortable, touchwood, everything is working in the right direction. We have a fantastic team there who are singing in unison with us and we are working together. We are working on all directions together, like in HIL when I came in two years back, I had mentioned to all my investors and I think I stand by it that we are going to improve the internal efficiencies as well as help this company to grow from a Rs.1,000 crore which it had stayed for many years to a much higher level. Similar for Parador, we will try and look at every element that is there to improve its efficiencies within the company, whether it will be procurement, whether it will be cost savings, whether it will be efficiencies built in there in every element, all of that is being looked in. We have also now introduced Six Sigma into Parador, and that has been a big leap for us definitely, and for Parador. And they feel that that should deliver the results. And then of course, strategically look at markets where they are not there and try and help them to acquire these markets. China being one, where we are trying to look at joint-venture partner to help us grow this market in China. There is a huge potential in China and we have huge capacity in Parador to furnish this material over to China. There is a direct train line which is existing between Germany and China, so that gives flexibility for transportation, and the costs are quite subdued. So, all of that, I must say, I mean, we are not looking at any one aspect, it is everything together that we are working on.

Kush Gangar: Sure. So, can we expect, so currently we are at 66% utilization over there, so would it be fair to assume that over the next two, three years we can reach probably the optimum utilization over there, which will also help in improving our margins from the current levels?

Dhirup Choudhary: Can I request you to just give me a little more flexibility of four to five years, not two to three years, because European companies are used to a particular growth. We will try our best on that.

Kush Gangar: Sure. And with respect to Charminar Fortune, you mentioned that we have received CST Station's order as well as couple of big clients like BHEL have come on board. What kind of utilization can be expected for the next year? Because currently it is hardly any contribution over there, after I think one year of the launch. So, what kind of utilization would be expected over there?

Dhirup Choudhary: At the moment I think from a utilization point of view there is only one plant that we are manufacturing this product, which is in Kondapalli. And we have only been able to get into the real business last six months, I would say, while we have launched the product last one year but there is a lot of process in getting into even the trail orders from the big companies. They first get your product, there is a lot of technical seminars you have to undertake, then they will bring you into their price list or approved price list and then they will test the trial orders. They try one year at least to see how the test orders work and then they will go for main order. So it is a painful process, but what I am happy to say is there are zero failures in this product, the product wherever has been installed has been installed with pride and a lot of positive sense is coming through. If this was not the case we wouldn't have got an iconic order of the Chhattrapati Shivaji Terminus, because that is something which is visible to the world. So, we are very happy with the way things moving. BHEL is a very prestigious customer, so are the Indian Railways, so are many of the other reputed customers whom we have been able to meet. I am very hopeful, but giving a number to an upcoming business is always dangerous. And I would not go for projections for future at all at this stage.

Moderator: Thank you. Our next question is from the line of Nikhil Upadhyay from Securities Investment Management.

Nikhil Upadhyay: Sir, most of the questions have been answered, just two things. One is, continuation on Fortune. As you said we just started providing the product in last six months, but over a three to five years period do you think that this product now, based on the feedback from the customer and all, do you think it can be a 25%, 30% of business on the Roofing side? Do you think that opportunity is available and the customer acceptance is there?

Dhirup Choudhary: Nikhil, you are being very kind to me to ask this question, because my aspiration is much higher. I will rather put my personal money in this business, because I am convinced. This was my dream, when I came in the R&D really worked on this, they have come out with an excellent product. We have now done IPs, not only in India but around India in 16 countries we have done IPs for this product. The product has done very well wherever we have supplied, there has been zero failures on this product. It is a fantastic product, it is a game changer, no one in the world has this product. So I am extremely bullish, I think the aspirations that you have will certainly get met.

Nikhil Upadhyay: Okay. And secondly, in the pipes business you said that we would probably breakeven next year Q1. But just to understand, pre-ad spend we would be breaking even at the manufacturing level? Because as of now…

Dhirup Choudhary: EBITDA, yes, at the manufacturing EBITDA.

Nikhil Upadhyay: We would be breaking even?

Dhirup Choudhary: Correct.

Nikhil Upadhyay: Okay. And lastly on Parador, I think just to understand, there was some promoter or the previous promoters loan which the company had, which I think we repaid during the process of our acquisition. So what was the cost of that loan which we have brought in at around 1.6% now? Because that will give us a major change in terms of the interest cost advantage which the company was earlier paying vis-à-vis what we have brought in.

KR Veerappan: Yes, they were paying at around 8% average and we have bought in at 1.6% now.

Nikhil Upadhyay: Okay. And its EBIT margin was around 5%, 6%, which we mentioned, last year's EBIT margin was around 5%?

KR Veerappan: 7.5%.

Moderator: Thank you. Ladies & gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Dhirup Choudhary: Thank you, all, for this exciting discussion. It has been a pleasure interacting with all of you over this call. We have tried to be as transparent as possible, we thank you for taking time out and engaging with us today. We value your continued interest and support and we value every question that you have platformed today to us. If you have any further questions or would like to know anything more about your company, kindly feel free to reach out to our investor relations desk. I personally look forward to meeting many of you in the coming quarters. And all the best to all of you. Thank you.

Moderator: Thank you very much, sir. Ladies & gentlemen, on behalf of HIL Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.

- ENDS -
