Date: November 23, 2020

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 November 10, 2020.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated November 10, 2020, Please find attached the Transcript of Analyst / Investor conference call held on November 12, 2020.

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

KARUPPAN CHETTY VEERAPPAN

Digitally signed by KARUPPAN CHETTY VEERAPPAN
Date: 2020.11.23 16:01:08 +05'30'

KR Veerappan
Chief Financial Officer

HIL Limited

Q2 & H1 FY 2021 Earnings Conference Call Transcript

November 12, 2020

Karl Kolah: Good morning ladies and gentlemen and welcome to HIL Limited Q2 & H1 FY 2021 Results Conference Call for Investors and Analysts.

Today we have with us Mr. Dhirup Roy Choudhary – Managing Director & CEO of the company, Mr. KR Veerappan – CFO, and Mr. Ajay Kapadia – Assistant Vice President, Finance and Accounts.

We will first have Mr. Dhirup Roy Choudhary make the opening comments, and he would be followed by Mr. Veerappan, who would take you through the financial perspective.

Before we begin the call, I would like to highlight that some 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 earlier.

I would now like to invite Mr. Dhirup to present his views on the performance and the strategic imperatives that lie ahead. Over to you, Dhirup.

Dhirup Choudhary: Thank you very much. Good morning ladies and gentlemen and a warm welcome to the Q2 & H1 FY21 earnings conference call of your company. I thank you all for taking out this time to join us on this call and hope all of you are safe.

During the entire H1, amongst several headwinds that the industry witnessed, the management team stood behind me and your organization and has converted the crisis into an opportunity by showing huge tenacity and passion. We have worked tirelessly to overcome the bottlenecks that have resulted from Covid 19 pandemic. Maintained profitable growth of the company both in India and in Europe, whilst ensuring Health and safety of our team were our major priorities. The implementation of smart digital systems, Business Intelligence platforms, Heat maps, Pin code wise customer tracking and connects, acquisition of hundreds of new counters and implementation of robust daily review processes fueled by undaunted commitment of our employees have enabled consistent business performance. As an organization, we have been highly adaptive, agile and innovative in our bid to overcome this mammoth task. Our Senior Management teams and Central response Teams have together monitored health of all our employees and their families 24x7 by holding rigorous awareness sessions and prescribing hygiene and distancing norms in all our facilities which has kept all our factories free of COVID.

We have adopted the zero-based cost model in order to make the most of the current situation by redefining our organizational structure and costs. In this process our attempt has been towards leveraging technology to reduce cost and make our processes more efficient. The implementation of an end-to-end connect, digital shop floor, IoT 4.0 across many of our plants along with integrated robotic process automation, institutionalization of lean six sigma and TPM are all promising to deliver good results in the coming quarters as well.

It is imperative that while we have curtailed our travels, we don't lose employee connect during these times. A program called "Man ki Baat, MD ke Saath", a new open house series has been rolled out where I spend time with small groups of employees and address their concerns. Another innovative new platform "Your Dost" has been introduced where external counsellors are speaking to our employees to address their well-being and stress.

All of these have resulted into a top line growth of 22% y-o-y on consolidated basis for the quarter, with the revenue of Rs.704 crore compared to Rs.575 crore last year. EBITDA grew from Rs.58 crore in Q2FY20 to Rs.99 crore this quarter, posting a growth of 72% y-o-y

The rural economy has seen good sustenance during this quarter which has positively impacted our roofing solution business. The fibre cement sheets business witnessed a higher single digit growth during the quarter while HIL was able to grow in double digits thereby improving the market leadership further. We are hopeful to see a positive traction in this business in the coming quarters.

Building solutions segment is seeing signs of revival with the increase in economic activities. The lack of construction activities in the real estate sector in tier-I cities posed a huge threat to this business during the last 6 months. Tier-I cities were the worst hit and hence the business had to be agile and refocused their sales towards tier-II and tier-III cities and towns, using live digital techniques. This has enabled us to recover our volumes substantially in the last couple of months. The teams were very agile in recognizing target cities and opportunities in the construction of COVID centers and labour hutments which has contributed towards faster recovery of business. We believe by Q4, we will be able to come back to our last year's level. However, we have ensured that the profitability is maintained at a higher level during the quarter.

The pipes and fittings segment is performing well given the wide manufacturing footprint, strong brand presence and our process efficiencies. We have achieved 48% growth y-o-y during this quarter and have been able to acquire several new counters during the quarter.

PARADOR has been moving from strength to strength – exactly in line with our aspirations. Introduction of E-business and focus on DIY clubbed with the brand PARADOR have fueled the success for consistent performance. Whilst the entire Europe and the rest of the world were literally closed due to the COVID Pandemic, your factories were fully running. This has led to a good growth in orders and profitability during last quarter. As the global situation improves, we are confident that Parador will be able to spread to newer geographies like USA and MEA through JVs or direct presence. PARADOR China is also coming back in good pace and has delivered higher business than the earlier years in last quarter.

In conclusion, I would like to reiterate that your company has demonstrated a great deal of resilience in these turbulent times. Our agile and flexible business model has allowed us to rise to the challenge. Over the past few years, we have substantially reduced the risk profile of your company by diversifying our product mix. We hope to continue this performance in the coming quarters as well.

Thank you very much for your patient hearing. I would now like to hand over the discussion to my CFO, Mr. KR Veerappan to take us through specific numbers.

KR Veerappan: Thank you, Dhirup. Good morning, everyone and thank you all for joining us on the call today. I would like to take you all through the financial and operating highlights of the business during Q2 and H1 FY 2021.

With the easing of the lockdown, the financial and operational situation of the company has also improved y-o-y during the quarter. Additionally, the resilience of our teams has also helped give a boost to our recovery.

The roofing solutions business grew 27% y-o-y during the quarter and 9% y-o-y on a half yearly basis while the market has de-grown in last 6 months. Building solutions was down by 13% y-o-y for the quarter and by 40% y-o-y for H1. Polymer solutions business grew 48% y-o-y during the quarter and 12% y-o-y in the first half of the year.

Capacity utilizations for all our business segments are now on the upward trajectory, returning to their pre-COVID levels and even better in case of AC Sheets, Pipes & Fittings and Putty businesses. We are constantly working on curbing our costs and optimizing our processes to improve margins. The strategy has proven highly effective and gives us confidence in abiding by it in the future as well.

Coming to Parador, having completed a smooth acquisition and integration last year, our focus was on improving profitability and sales. We have implemented various tools of management like Six Sigma, zero-based costing and lean manufacturing processes which have led to a reduction in costs, thereby increasing profitability. Operating margin has been healthy and has grown compared to same quarter of last year.

Consolidated EBITDA from continuing operation came in at Rs.99 crore for the quarter as compared to Rs.58 crore last year and Rs.206 crore from Rs.153 crore for H1. The consolidated PAT stood at Rs.49 crore during the quarter showing an increase of 63% YoY and Rs.99 crore for H1, growing by 47% y-o-y. The sale of thermal insulation business was concluded during the quarter resulting into total PAT tripling during the quarter from Rs.32 crore to Rs.94 crore. I am also happy to inform that at the consolidated level, we have surpassed the last full year PBT and

PAT in the first 6 months of this year from continuing operations. As all of you are aware, the business in India was completely shut down in the month of April this year and hence these numbers have been achieved in 5 months.

We do not anticipate any significant effect on the carrying quantities of inventories, intangible assets, trade receivables, investments and other financial assets as we continue to track economic conditions closely. In a situation as we find ourselves in currently, having cash is critical and we are very comfortable with our liquidity position. We also built up teams that have helped preserve liquidity, profitability, link consumers and suppliers, link staff and track people's health and safety. We have taken a range of steps to ensure that we are able to make the best of this opportunity.

We have reduced the company debt to Rs.529 crore at the consolidated level from Rs.741 crore as on 31st March 2020. Cash flows are healthy as well. The debt to equity ratio stands at 0.59x compared to 1.0x as on 31st March 2020. We reduced the long term borrowing of HIL further by Rs.90 crore during the quarter and Rs.212 crore in the first half of the year.

EPS from continuing operation came in at Rs.132.46, grown by 47% y-o-y in the first half of the current year. It is our constant endeavor to maximize profitability to boost the returns of our investors. To that effect, this quarter has been extremely satisfactory.

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

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Naresh Kataria from MoneyCurves Financial Analytics. Please go ahead.

Naresh Kataria: Congratulations, Dhirup, and the entire team, super performance, especially the balance sheet improvement and debt repayment. So, superlative performance. My question was related to the expansion, I think we are rapidly using up our capacity, what are the capacities which are coming up this fiscal and next fiscal in various segments, divisions we have?

Dhirup Choudhary: Thank you, Naresh, for your kind remarks. Yes, we are definitely considering, at all stages, for organic growth of capacity. I think Building Solutions is one segment where we had already decided to expand the capacity last financial year. However, due to the onset of COVID, we have taken a dip. So, we are going to reach our full capacity in this segment by Q4, and therefore, we have already initiated, once again, our discussions in that regard. We will be setting up a newer plan for both Boards as well as Panels in parts of India where we are not present. East is one zone where we are not there at all at the moment. And as you know Blocks can only travel 200 kilometers to be economical. So that is an area we are looking at. We may strengthen our Southern bank further, because though we have a factory in Hyderabad and Chennai, I think the demand and the brand presence in South is exceptionally good. So, we may look at that. So, you would soon hear more details about this as and when we finalize and get an approval from the Board. That's on the Building Solution.

On the Roofing, of course, we have enough capacity and we have recently in the final stages of adding our capacity in Faridabad for non-asbestos roofing, because that was not there earlier in Faridabad. So, I believe by end of December or early January we will be upon running there.

On the Polymer business, we have enough capacity in Golan. At the moment the capacity utilization has already gone up in these last six months. So, Faridabad is fully up for Polymers. Timmapur is full up, in Golan we are about (+60%) is the usage. So, we have some more time before we take a decision of adding those capacities. But if there are new product ranges that we want to bring in and that needs certain specific small capacities to be added here and there, we will definitely look at that.

Parador has excess capacity, and therefore there won't be a major capacity enhancement there. There will be some normal capex that definitely will be spent. So, our capex spend, therefore, I do not see will be exceptionally higher. Not definitely this year, but even for next financial year.

Naresh Kataria: Thank you, Dhirup. That was very, very comprehensive. I was just surprised positively to see on a Twitter handle a new product called Tile Adhesive. I have not heard or maybe I missed you discussing in any of the con calls. Is it a new product? How big is the market? And are we focusing on it quite aggressively?

Dhirup Choudhary: So, Naresh, it's slightly premature to discuss this at the moment, because we have just thought about it. There are certain teams that have been formed to look into this. I believe the market is good, and definitely that will be able to get channelized through our existing channel, and therefore the B2C route will be far useful. Give us another quarter or two and we will get back with more details on this.

Naresh Kataria: Super, thank you. And my last point is, how is the business climate? Generally, you are saying for H2, because we are hearing good traction from cement, from housing, several segments of the economy in the rural side. So, are you seeing the momentum continue into H2 for our company in India?

Dhirup Choudhary: Naresh, I am very positive looking. So yes, I would hope that we don't have a severe headwind due to COVID in India. Europe definitely has a slightly deteriorated over the last one month, you must be noticing that. And certainly, the rest of the world hasn't opened up in many ways in the construction sector, and, therefore, the Parador business on the rest of the world has remained subdued. But I am hopeful that in India we should be able to work our way through. We have done a lot of enhancements to work during tough times. As I was saying the smart digital business that we are doing, intelligent platform, heat maps, etc. We are getting prepared, even if COVID was to continue to drive the business in the most efficient way. So, I don't see, we will be extremely concerned about that, though COVID really takes a completely different route no one can say. So, I am positive.

Moderator: Thank you. The next question is from the line of Amit Vora from PCS Securities Ltd. Please go ahead.

Amit Vora: Congrats on a very good set of numbers. First is on Parador, of course, because with the second round of lockdown that has started in Europe, has there been any impact on our business?

Dhirup Choudhary: Thank you, Amitji. Thanks for your kind comments. You see, we have been able to adopt a far superior and efficient sales model within Parador over the last year, enabled by e-business, DIY and brand strategies. Which has allowed us to outperform, I must say, all our competitors during these challenging times. The second round of lockdown does continue to pose headwinds to our business, especially in the international market segments. As you are aware that 25% of our business comes from outside home countries such as Germany and Austria, and another 25% from rest of the world. They are definitely not growing as well as last year, so there is a de-growth there for Parador, but we are having a very, very good tailwind in Germany, by the way we have structured ourselves. And I am hopeful and confident to continue doing better businesses this year over last year, while the challenges will continue to ring the bell.

Amit Vora: The second question is, we have done very good on the cost saving part. What part of this is sustainable and what part do you think might come back again?

Dhirup Choudhary: So, we can confirm to you very definitively that your organization has converted this crisis into an opportunity and utilized this to recast the organization structure and cost thereof. While most of the cost that has been taken out are sustainable, some of it are discretionary, like salaries, travel costs, marketing and branding costs, which in due course, will come back in small spray. But overall, this cost saving drivers have certainly cleaned up our P&L to a great extent and should be something that will sustain in the business profile.

Amit Vora: Is there a target that we are having for the debt repayment for the second half? Is there anything, let's say, internally or if you can discuss that.

Dhirup Choudhary: Thank you. We have, as you know, reduced about Rs.212 crore debt in H1, of which long-term debt was reduced by Rs.120 crore. The breakup of Rs.120 crore is, Rs.113 crore has been repaid in India and Rs.7 crore has been repaid in Germany. As you are aware, we are not in a hurry to repay the debts in Germany because they are at substantially low interest rates. While we will certainly repay Rs.32 crore in H2, I can confirm that because that's as per the repayment schedule. Rs.14 crore will be reduced in India and Rs.18 crore in Germany. Depending on further cash flow and how the business really turns around, we will take a call to reduce this further. I have been always transparent, and this is the way you will hear your company always and I must caution you that we may add on a little bit of working capital debt as time goes, because we have a full season that we foresee coming up in the next financial year from April, so we will add on to the inventories and others. But that will be a short-term debt.

Amit Vora: Yes, but that that will be more for the upcoming business season which is looking very robust and very promising as of now because of excellent monsoon, is that the right way to look at it?

Dhirup Choudhary: I agree. Inshallah, let it be like that.

Moderator: Thank you. The next question is from the line of Baidik Sarkar of Unify Capital Pvt Ltd. Please go ahead.

Baidik Sarkar: Many Congratulations on a phenomenal quarter, especially in the circumstances. There seems to be an execution on every aspect of the P&L balance sheet, and my compliments on that. A couple of questions. Would you reckon there is a one-off-ish kind of tailwind that benefited our Roofing business this quarter, stuff like rural sentiment? And to that extent, not entirely replicable say in the same time of next year? Or would you reckon that your market expansion is organic, and the volume tailwinds remain as we enter the next season?

Dhirup Choudhary: Mr. Sarkar, I hope you are doing well. Thank you for your questions. To answer your question, let me give you a little peep into how the market and market shares have done this quarter. Fiber Cement Roofing markets, according to me, has grown by single digits in Q2 while it has de-grown in Q1. And overall, in H1, it has de-grown by about 4.5%, partly because of the April loss of volume. Your Company, HIL, has however gained about 250 to 300 basis points market share in Q2. The implementation of smart digital systems and heat maps, pin code, acquisition of hundreds of new counters, etc. have all helped us in this. I think, as we also see, there was a pent up demand in Q2 owing to the demand continuation from Q1 because of the loss of one month almost in April, that has definitely slowed down. But the rural business is continuing to dominate the overall GDP of India. And I think that's the positive sense for us, the Rabi and the Kharif crop both have been good, rains have been good, so next year also promises to be good. So, I am very, very positive, if you ask me, that the demand will continue. And in any case, HIL is gaining market share and will continue to do that hopefully.

Baidik Sarkar: Sure, that's very reassuring. So, we are about three months away from preparing for Q1 of next year. Any pricing levers in the Roofing segment that you believe can see through next year? And how is the peer group thinking about pricing as things stand today?

Dhirup Choudhary: Mr. Sarkar, your second question is difficult for me to answer because, sadly, I do not discuss prices with them and the peer group. But what we see from the market is, they are not very consistent. So, there are players who have been lowering their price even when, let's say, the demand was good in Q2. But that's their business practice, I honor them for their business. So far as HIL is concerned, we have definitely lowered our prices in Q2 over Q1, and that's quite a regular affair, owing to coming out of the season in Q2 once the rain comes in. But we are definitely still doing better on our NSRs over last year. HIL, owing to its established brand, pan-India presence as well as their connect with the last leg, have continued to dominate the market on the prices, and are the leaders for both quantity and prices even in Q2 and for many years now. So, I think now is the time, maybe in a month or something, the price will start going up and I would see that Q4 therefore will enjoy a better price and selling price than Q3 and will prepare itself for the next season.

Baidik Sarkar: Sure. Wanted to just understand from your commentary after Q1 that the Green Roofing product was about six, seven months away from commercial launch. How is that looking? And can that be a potential volume disruptor for the industry, say, for the next financial year? And are you facing any challenges on the feedstock front or on the fiber front?

Dhirup Choudhary: So, this business, Charminar Fortune as we call the non-asbestos corrugated cement base roofing, has been stabilizing fairly well for us, and with each quarter strengthens our own belief on non-asbestos technology. Our R&D is relentlessly working towards even better technology using humid cure in place of autoclave drying, towards improving the operational cost, making this product even more stronger, so the LBC would be stronger, as well as allowing flexibility for future to make this product in any of our roofing plants. So, we will not be again extremely linked to one particular plant. This, as you know, is our strategic direction forward. And we have established a new product range with humid cure and the trials have been very successful and about 700-800 metrics tonnes have gone through the installation also and doing extremely well. So, while our older Charminar Fortune variant which was autoclave has been doing fairly well, the newer version of humid cure also is posing to be far superior in many ways. And the Faridabad plant which will come up will be dedicated to this. So, I think this is our technology for future. I don't think we have reached a level of business where we should start talking about the numbers, etc. today, but we are very hopeful that in the next couple of years you would see a good traction of the business into the institutional segment.

Baidik Sarkar: Sure. In the Parador business, if you could help us understand, apart from the DYI which is a pull phenomenon, from a push perspective of what we have done that seems to have been working so well for us? And does our margin aspiration of about 14%-15% on the EBITDA level in Parador can hold, how confident are you on that?

Dhirup Choudhary: So, Mr. Sarkar, I must once again impress upon everyone who is listening to us that because we were well prepared with our e-business, DIY, there is a digital shop that is there for Parador, where people can use a software called Roomvo and order directly for the product, they can visualize their own floors at the home and decide what they want and order it. That has definitely helped us. I don't think any of our competitors had it in that established way. They go through in Germany in a very rigorous old-fashioned way of distributor, retailer and then consumer. They lose touch with the consumer; I think we have gained that immensely. So we didn't have to really push, it was more a pull in Germany during these COVID times where people invested a lot towards renovating their houses, and therefore they needed the material and they had Parador right at the click of a button to order, and we were ready to deliver it at their doorstep. And therefore, all of that supported this business. We have done extremely well in Germany and actually have improved immensely on our market share and reach, and in Austria. Rest of the Europe has also grown but not so much because, again, the second wave of COVID is impacting, as we have seen. On the margin side, let me once again caution you, Mr. Sarkar, that the margin that you are seeing today may not be a sustainable margin. I would still say there is an impact of conversion that you would see. Margin, of course, has been very good because of certain products range that we have been able to get through Germany, as it goes outside to the rest of the world, there will be a different set of products where the margins seem be slightly lower. But I would say, on a sustainable basis, I had given you this earlier also that consider the range of 10% at the margin range of EBITDA, and that definitely we will be able to meet, we will try to do better than that.

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

Ritika Garg: Congratulations on a good set of numbers. Sir, I wanted to know, what was the volume growth in Parador?

Dhirup Choudhary: Miss Garg, thank you very much for your comments. It is very difficult to track volume in Parador because there are different sets of products altogether, and there are various variants that we do. So, it's best to look at from the revenue growth itself. And that's how we do it.

Ritika Garg: Okay. And sir, I also wanted to know, what was the volume growth in the Roofing segment that we witnessed in Q2?

Dhirup Choudhary: So, Roofing segment has seen a good volume growth in Q2. The volume for HIL has grown by 25% in Q2, and 3% in the half yearly basis in Roofing, while all other competition I think has de-grown in a half yearly basis?

Ritika Garg: Okay. And sir, my last question is regarding the Polymers business, so we have Putty as well as Pipes in this business. So, would it be possible, is the revenue breakup maintained at 50:50 in this quarter as well?

Dhirup Choudhary: Yes, more or less you can take it that way. It will be 48:52 at times, but it's more or less that.

Ritika Garg: And sir, how do we see the Pipes business growing going forward?

Dhirup Choudhary: So, Pipes have certainly done, I must say, in the last eight-nine months has been steady growth for pipes from October last year. We have looked at the organization far better and driving it. We don't have a Business Head since last October because we felt there was a need to get a little myopic into it and try and look at every angle. I think that's doing well for us. Now we will get a Business Head definitely to stabilize this further. We have done about Rs.50 crore revenue in Pipes during Q2, with a 57% growth over last year. We have seen a huge volatility in the material front, but the business has been positively impacted because of that, because the resin prices were going on improving, and that has improved the business. I definitely see that the activities that we have taken in enhancing our last leg connect to Tier 2 and Tier 3 cities, adding lots of distributors, product enhancement as well as R&D contribution towards reduction of costs and enhancing quality and growing our sales in pan-India. I think all of that will continue to positively impact this business. My aspiration, as I had mentioned earlier, is about Rs.350 crore to Rs.400 crore in the next two years' time, and hopefully we should stay with that. But that will not be all, we will definitely grow this side beyond that. So, we will be in the lookout for even inorganic growth in this direction.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors Pvt Ltd. Please go ahead.

Bharat Sheth: Congratulations for excellent performance in this challenging time. Sir, to understand a little more on this profitability of this Roofing Solution. Since last year, from second half we had a feedstock problem, and even Q1 also to some extent. Now, whether we had to go for some sourcing from different country, so how the things are playing out? So, in view of that, how do we see second half, profitability wise for this Roofing Solution?

Dhirup Choudhary: Bharatji, thank you. Your blessings are needed for your Company always. We are very happy with the way we have structured Roofing business for ourselves, even though it's a historic business, a legacy business for us. The way we have been innovative during these times in reaching out to the last leg, we are no more depending on pushing the product to our big dealers, we are rather doing the last leg pull through various digital mechanisms. I think that's working very well for us. Price wise also we are doing well, so price realization has been good from the market. We are the leaders, and we will continue to be the leaders on prices, because the brand plays very well. I see H2 also positive, if you ask me. And you can certainly expect that on the top-line we will be better than last year in H2, unless COVID really impacts the rural sector severely. And on bottom-line, of course, there are lots of cost saving not only at, let's say, the operations part where every element is being looked at, we are also looking at all addressable points. So, hopefully, you will be pleasantly surprised also with the bottom-line. So, I hope that we will be able to do genuine benefit to the investors in way of both top-line and bottom-line going forward

Bharat Sheth: Sir, on this Parador business, you made a comment that there will be some conversion cost and because of that this margin is not sustainable. So, can you give a little more colour on that what exactly? And currently, see, EBIT margin which is 7%, so from here we will keep on improving, but 10% EBITDA that you said, will be the maximum that we can achieve in our next four quarters or six quarters timeframe? So, in that what will be EBIT margin will remain?

Dhirup Choudhary: Sir, what I said and let me just once again reiterate, thank you for bringing up this question, is that Parador will make its margin by growth. Since the revenue has been growing, therefore, the profitability will grow. I said it last time also, there are certain fixed costs in any European companies and the trick of getting more on the bottom-line in any European companies is to expedite growth of top line, while continuously working on the bottom-line. We are doing a lot of actions in Parador. We have literally very happy that the team has converted itself to be more Indian than European in many ways. They have accepted the Lean Six Sigma, they have accepted IoT 4.0, efficient management systems in the shop floors, which are all helping in cost reduction. I only said that the EBITDA margin today looks to be very, very high. I will be very happy if we can continue developing and generating such EBITDA. But it looks unlikely, therefore, as a guideline I said, please consider that the EBITDA margin will be in the range of 10%. That's been my guideline even earlier. I would not change that guideline in a hurry. Let another quarter go, let us see how we establish Q3 on the EBITDA margin, then our confidence will be further. So, it's easier for me to say please take these margins as ongoing, but I would never do that. So that's where it is. I think when we took this company, we were at 7% - 7.5% EBITDA, so we have come a long way since then. But hopefully we will be able to continue the present margin. But it is better to be slightly conscious of that.

Bharat Sheth: And on Parador, sir, because of lockdown, and we were well prepared so we have been able to grow, whereas other people might not have been able to grow. So, have we grown there also, increased the market share? And now with lockdown, no more there in Germany, so over a period, again, the second half will be some kind of vis-à-vis first half a slowdown on the top-line?

Dhirup Choudhary: I would not say that because normally Q4 is a good quarter for Parador, just like Roofing segment. Parador is, simply you can say, like the Roofing segment of HIL where Q1 and Q4 are the best quarters, Q2 and Q3 are low. Q2 is low because of summers, Q3 is low because of Christmas break. So, I don't think that we will too much worried in H2, we should perform well in Parador. I think we are doing well.

Bharat Sheth: Okay. And sir, this Polymer Solution, we have already expanded the Piping capacity in H1, is that correct understanding?

Dhirup Choudhary: The expansion of Polymer Solutions, you are talking about the sales or the capacity in lieu of factory?

Bharat Sheth: Capacity.

Dhirup Choudhary: Capacity was established even earlier. So, we have a good capacity in Polymer Solutions which can deliver up to Rs.350 crore to Rs.400 crore from the existing capacity.

Bharat Sheth: Okay. Sir, I mean, this you are talking only for Pipes Rs.350 crore to Rs.400 crore or including Putty?

Dhirup Choudhary: No, only in Pipes, Bharatji. We can go up to Rs.350 to Rs.400 crore from the existing capacity, with the product range of cPVC, uPVC, SWR, Column and Pressure Pipes and Fittings.

Bharat Sheth: And how is it, because in H1 all paint company also have been able to grow this Putty business, including known paint companies. So, the how do we see this business? And since we are expanding it geographically also our presence.

Dhirup Choudhary: Sir, Putty business is a very, very interesting business for us. I must say, my heart goes out for it because it's a negative working capital business for us. We make Putties in two locations, one is Jhajjar, which is our existing Putty plant. We have two machines there. And then we have added one more Putty line in Golan, which is in Western India. In past we have been only focusing on North and West, but now we have started focusing on East and South as well. But we are not in a hurry setting up manufacturing plants of Putty. We are rather doing outsourcing, but using our own people to supervise manufacturing and policy at the source of manufacturing. And therefore, a lot of new distributors are being set up in East and South as well. So Bharatji, if you ask me, I am very bullish about Putty as well, like I am bullish on Pipes. So, we should be able to grow this big time.

Bharat Sheth: So even Pipe when we are seeing Rs.350 crore to Rs.400 crore, so Putty will be in the same range or it will be higher?

Dhirup Choudhary: Yes. Our focus is more on Pipes, but Putty should follow. I don't think it will be as big as Pipes, because there are big players there. We will have to see once we go beyond the level what kind of market forces work on it. But you can definitely look at say Rs.250 crore to Rs.300 crore in Putty in the next two to three years.

Bharat Sheth: Sir, we are largely a B2C company in large part of the business like Roofing and Flooring Solution, but still we are not able to command because of ESG compliance of the Roofing Solutions business- asbestos. So, what exactly we can look forward, I mean, we being an ESG compliant company so we can start commanding B2C kind of a premium on the stock market?

Dhirup Choudhary: So Bharatji, I do not understand stock market, so I leave that to you and your guidance. But I understand the business very well. Even though we do asbestos roofing, we are extremely conscious on the way we do it and, therefore, we guarantee to you there is absolutely no impact on the health of either any employees who work or our customers who use it. That is point number one. Point number two is, we are also generating, through R&D, sustenance model of non-asbestos products so that if there is any hindrance to the asbestos market, we have a ready product to be launched at any time, even in the rural sector. Point number three is, our entire business model is moving more and more to sustainable products, and therefore, the percentage of revenue at one stage just three years back was about 70% coming from asbestos products, now it's the other way around, only 30% of our revenue comes from asbestos. So therefore, the company has moved a long way, in sustaining itself and, let's say, growing in non-asbestos product range, and we will continue that effort. So, we do not see a problem with HIL. Now, whether the market realizes this or not, I will leave it to the guidance of senior colleagues like you.

Moderator: Thank you. The next question is from the line of Arpit Shah from Care Portfolio Managers Pvt Ltd. Please go ahead.

Arpit Shah: Excellent set of numbers, heartiest congratulations. Most of the questions are answered, just one small question, that we were supposed to get some low-cost fibers from Brazil, so any update on that, whether we have received it and that has helped us to improve margins in this quarter?

Dhirup Choudhary: Arpitji, I hope you are doing well. Thank you very much for your kind comments. Yes, the Brazil route has started well for us. They are our old associates and big way our partners. We were quite unnerved last year when we had to switch from Brazil to other suppliers, more because of our relationship, even though we have good relationship with the other suppliers, the costs were very high. Brazil has started once again supplying to us and, therefore, over the years you would see the new prices settling down into our average fiber prices in SAP as it reflects. So, we keep getting benefits of that. However, let me give you two cautions on that. Caution number one is, Brazil has changed its terms of payment to entire advance and, therefore, our working capital has gone up and will continue to be there. But the interest arbitrage on carrying a higher payable, as against the benefit of price we are getting from them is still on our side. Therefore, the business is definitely going to get rewarded while the working capital will be high. The second thing is, we are not getting the type of fiber that we need, the grades in fiber that we need, which was historically something we were getting but now as the mines are going down and down, the quality of fiber has deteriorated, which is having an impact on sustainability of our product quality and usage of fiber. That has increased a bit of material cost, but R&D is working, and we will find a solution on that. So overall, it's a positive news for HIL.

Arpit Shah: Very good. So, sir, this source is now permanently open or there is some clearing of inventory from their end?

Dhirup Choudhary: I think it is permanently open, at the moment the court has approved them to once again continue the business.

Arpit Shah: Sir, another part is that Building Solution now that unlocking is happening, and India rural and Indian construction industry is doing well. So, do you expect that Building Solutions will surpass last year top-line and probably with the same level of margins?

Dhirup Choudhary: At the moment, Building Solutions is below last year and way off top-line. And I can only say, in the next two quarters our attempt is that we are able to go better than last year same quarter. But to make up for the whole year will be a difficult challenge because our existing customers, especially the big guys in Class 1 cities haven't really come back to their business as usual. So, those will take time.

Arpit Shah: So, basically you are expecting better H2 than H2 of last year, but full year may be we may see at the same level of may be some down?

Dhirup Choudhary: On the top-line, on the bottom-line we will definitely try to do as much as possible.

Moderator: Thank you. The next question is from the line of Shantanu Basu from SMIFS Securities Ltd. Please go ahead.

Shantanu Basu: My first question is with respect to balance sheet line item which falls under other intangible assets, it's called 'Service Concession Arrangement'. So, I want to understand the nature of this intangible asset because this is also being shown as part of your revenue. So, if you can explain the nature of this 'Service Concession Arrangement' as intangible assets? That's my first question. My second question is with respect to the Golan plant, so what was the CAPEX for the plant and how did you fund it?

And lastly, I want to clarify, Mr. Choudhary's comment that he just made that he will be getting a sustainable supply from Brazil. Because my understanding was that Brazil had stopped exporting fibers and maybe they would sell from the inventory in the next one or two quarters, and then the supply would completely come to a halt. But since Mr. Choudhary mentioned otherwise, or maybe I heard incorrectly; I just want to clarify that.

Dhirup Choudhary: So, I will take the last question first and then I will request my CFO to answer the first two questions for you. The last question, we are getting very positive news from Brazil that they have been allowed to operate the mines in a substantially lower deliverable format. And I think we are still enjoying that news. Let's see how it turns out. At the moment, the product is coming steadily to us. Veerappan, can I request you to answer the balance sheet question?

KR Veerappan: Yes.

Shantanu Basu: Sorry to interrupt, sir. But Mr. Choudhary, do we expect sustainable supply from Brazil in the next one or two years as well?

Dhirup Choudhary: At the moment, that's exactly what I said. We are hoping that we will get sustainable supplies, unless the rules suddenly change.

Shantanu Basu: Okay, thank you very much.

KR Veerappan: Yes. On the 'Service Concession Arrangement', let me just clarify that the income which you see is on the revenue generated from our windmills, we have around six windmills in three states. And based on the IndAS for the last three years, what we are recognizing that as the agreements of future years with respect to State Governments that is shown as intangible assets.

Shantanu Basu: Sorry, I could get you, what with respect to the State Government?

KR Veerappan: Agreement for future years, we have a long-term agreement with the State Governments. So, I need to recognize that as an intangible asset based on the IndAS.

Shantanu Basu: Okay. Thank you. And with respect to the Golan plant, the CAPEX and the how it was funded?

KR Veerappan: It was through internal accruals.

Shantanu Basu: Okay. And what was the CAPEX?

KR Veerappan: It is around Rs.10 crore to Rs.11 crore.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: Congratulations on a good set of numbers. Mr. Choudhary, I did not understand your comment about revenue growth. Because when I look at your first half numbers on a consol basis, you grew about 5%. And then you said you will grow in the second half also. So, did I get something wrong in your commentaries?

Dhirup Choudhary: No, you have got it right. Our attempt is that we will grow in the second half as well over last year and that's how the organization is planning itself through various digital connects, as I said, both in India and in Europe.

KR Veerappan: Sorry, let me intervene here. I think his comment was with respect to Building Solutions segment.

Dhirup Choudhary: No, so I said in Building Solutions we will not be able to match up for the whole year, but overall, second half we should be able to do as good as what we did in second half last year.

VP Rajesh: Understood. Okay. And then my second question, Mr. Choudhary, is on the EBITDA margin. In your first half, you have on a consol basis been about 14%. And I am assuming that you had some advantages because of less travel, less marketing costs, etc., etc. So, do you perceive this margin sustaining in the second half as well as next year? Or do you expect it to come down to a lower level?

Dhirup Choudhary: Sir, in a different way I have answered this question, but I will repeat, that some of the cost drives that have been taken are sustainable, and therefore that will have a continuous impact, positive impact on the P&L. Some of it will come back, as the rightly said, travel or marketing and other thing. But overall, margins should be better than last year. I am not very happy giving exact numbers, though we have them as our target for the year. But hopefully, I am saying you would be happy to see the margins.

VP Rajesh: I got my answer. Thank you so much. And the last question very quickly, this Parador business, how much is it being sold in India? Or is it primarily a Germany based business?

Dhirup Choudhary: It is a global business. Germany and Austria contributes about 50% of their business historically, though over the last six months they have done better in Germany and Austria than 50%. And the balance of the business comes from the rest of the world for them. In India, we have definitely settled down slowly. And as we speak, in the last one year, we have done about Rs. 8 crore business in India with about 250 installations that have been done. Each installation is a brand for ourselves for future business. And it's really been taken well. Last six months there is a slight headwind in India owing to the construction. The big construction guys not really at their prime in real-estate sector, so it will take a little time once again to start firing, hopefully by Q4 we will start firing. But we are also consolidating in the Southeast Asia part, so Nepal and Sri Lanka, we are hopeful to get a very big order from Sri Lanka, very prestigious order in the coming one month's time. So Parador is now slow from Germany to export to the rest of the world because of COVID, but they are doing very well in Germany, Austria, and also structurally consolidating themselves in the rest of the Europe.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Nikhil Upadhyay from SIMPL. Please go ahead.

Nikhil Upadhyay: Congratulations on very strong numbers, sir. And a lot of improvement on balance sheet, which we have seen across the last two, three years. Really appreciate the work the team has done. I have one question on the Polymer side of the business. Now, as I understand, on the Pipe specifically, we were seeing that the PVC prices were increasing and there were issues with the availability of raw material. If you could breakup our revenue growth between volume and value? And a continuation on that, because of the unavailability or the stress in terms of availability of the RM PVC, did we see some impact on our business as a whole? Which means that we could have grown more than what we have already delivered? If we can just share those two points. And lastly, if we look at the margin profile of that business, I think we have broken even and made good profits on the EBIT level. But there would also be lower promotions and advertisement costs, which were basically impacting the margins in earlier quarter. How do you see the profitability sustenance in that business now as promotion and Ad spend come back?

Dhirup Choudhary: So, on the Polymer business, let me tell you that while the resin prices have continuously increased, we have been able to handle this business rather well and done alternative sourcing, which has complimented the profitability of this business. As the resin prices were steeply going up, market was reacting positively to it in lieu of additional volumes, so it has helped us to grow also. Whether this is a pent-up demand and it will start coming down as the resin price starts going down, we will have to wait and watch because there is a huge turbulence in the raw material prices. So, future is very difficult for us to predict, but we have done the ground level bit by enhancing our distributor networks and presence, as well as our sales team presence pan-India. So hopefully, all of that will help us in sustaining the business.

On profitability side, yes, we have done far better than even our own expectation, and part of it has come from a very intelligent material cost procurement strategy that we had, as well as the cost reduction that we have done in marketing, branding and all the rest of it. I would earnestly request all of you to look at this business slightly different than the Roofing or Building Solutions or even Parador, because this business is a growing business, it's our newest baby, and it's a baby which wants to grow to a much bigger size. And therefore, there will be time to time requirement for additional funds into the business either by marketing expenses, branding or whatever. So as the business needs, we will take those calls, but we will keep you fully informed about it. Therefore, on both the projections and profitability, I won't be able to give any guidance by exact numbers, but I will only say that our attempt was to bring this business to a profitable business. And we are happy that we have been able to do that, and the growth will be here after also quite good.

Nikhil Upadhyay: Sir, just give a breakup of volume growth and price growth for the Pipes business?

Dhirup Choudhary: Sir, again, I will say, first of all, I don't have the numbers with me right now. But it's also not the right way to do it, because there are lots of mixes. If it is a cPVC order, the prices are much higher, the profitability are much higher. If it's a Column pipe order both the value of the order and the profitability is lower. It is a mix you see. So, I would rather go by the top-line.

Nikhil Upadhyay: And just one last question, now if we look at the market, and I think we have done a good job in terms of expanding our capacities across pan-India, which basically takes care of the freight cost. But if we look at most of the companies, the companies have been like regional or some specifics of invest you could have won a large company or in Middle East part there could be one large company. And there are already incumbent players with strong brand name and strong following among the dealers and the customers. Now, if we have to understand for us the growth, is it basically in the deeper parts of India where we are getting the growth or where there is like unavailability of the product, to some extent that is where we are getting our market shares, so how should we look at this?

Dhirup Choudhary: You are again on Polymer business I am hoping.

Nikhil Upadhyay: Yes, Polymer business.

Dhirup Choudhary: Yes. So, Polymer business, we do not have a pan-India manufacturing base, first of all, we have only three factories. One in North, which is in Faridabad; one in West, which is in Golan; and one in Central South which is in Hyderabad. So, these are the three factories we have. But freight costs for these products are not very high and therefore there are lots of companies you would see which are channelizing their supplies out of one factory alone. Now, we are spread pan-India, though, because our brand is well established. In Birla, there is only one Birla Pipes and Birla is a very good, reckoned name by any standard. But our dominant business comes from Western & North region. We are structuring ourselves very well in Eastern & South region now to get bigger volumes to come from these zones in near future. And if needed, we will set up new factories there, but we will keep you fully informed on that. So, our strategy in the last six months definitely has been moving out of "A" class cities to Tier 2, Tier 3 cities, because we were earlier focused only on big cities. So that strategy has worked for us. The way that we have our presence in the rural market, in the Tier 2, Tier 3 cities, our brand presence, our B2C connect, all of that have a positive USPs for your company HIL. I think every company has its own USP, they have to dwell on that, we are dwelling on this. So, it is working for us.

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

Dhirup Choudhary: Thank you very much all of you for your patient hearing. It has been a pleasure interacting with all of you over this call. We thank you for taking time and engaging with us today. And I hope that you could get a transparent view about your company, as is my interest at all times. If you have any further questions or would like to know anything more about your company, kindly reach out to our Investor Relations desk. If you want to connect separately with me, I am most happy to do that. Thank you very much. And please stay safe and all the best.