TOGETHER, WE BUILD.

CK BIRLA GROUP

Date: August 28, 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 Wednesday August 14, 2019.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated August 08, 2019, Please find attached the Transcript of Analyst / Investor conference call held on August 14, 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

Q1 & FY20 Earnings Conference Call Transcript
August 14, 2019

Moderator: Ladies and Gentlemen, Good day and welcome to the first Quarter FY20 Earnings Conference Call of HIL Limited. As a reminder, all participants' lines will be in the listen only mode. 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 * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Rangnekar of CDR India. Thank you and over to you, sir.

Siddharth Rangnekar: Good afternoon ladies and gentlemen and welcome to HIL Limited Q1 FY20 Results 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 me Mr. Dhirup Roy Choudhary – Managing Director and CEO of the company, Mr. KR Veerappan -- CFO, Mr. Manikandan G. – Company Secretary and Finance Controller and Mr. Ajay Kapadia – Head M&A and Investor Relations.

Before we begin, I would like to highlight that some of the statements made on today's call could be forward looking in nature and a detail statement in this regard is available in the earnings presentation which is available on the stock exchange website. We would have Mr. Dhirup Roy Choudhary making the opening comments followed by Mr. Veerappan who will take you through the financial perspective. I would like to invite Mr. Dhirup to present his views on HIL performance and the strategic imperatives that lie ahead. Over to you, Dhirup.

Dhirup Choudhary: Thank you very much. Good afternoon ladies and gentlemen and a warm welcome to everyone to our Q1 FY20 Results Concall. I thank you for taking out this time to join us on this call.

After two fantastic years behind us, Q1 has been a challenging quarter in many ways for HIL. Mainly driven by staggered national elections, significant material cost increase, lower demand especially in rural areas, sand mining constraints, liquidity constraints and crunch in the market and availability of labor. Most of them anticipated by us and discussed with all of you last quarter. However, our performance was marked by balanced mix of industry relevant solutions and products, a robust brand portfolio and a sharp focus on driving system efficiencies that have led the business to maintain the margins despite various atrocities. It may be noteworthy to state here that Q1 EBITDA for HIL standalone has been the second highest for a quarter in its history.

On a consolidated basis we have achieved 53% growth in topline during the quarter with 13% growth in EBITDA year-on-year.

Our roofing solution business has been the most affected segment this quarter facing many headwinds as indicated earlier which has impacted rural demand significantly. While the volumes have taken a hit in the quarter, the business has protected its profitability margins which will support us in the coming quarters as well as sustained our brand in the market. The situation on the ground is normalizing steadily and we have seen some uptrends in terms of volumes, growth in July. Going forward we are gearings to hold a leadership position in the market place by target promotions with our distribution setup.

Charminar Fortune, our innovative, non-asbestos, cement-based roofing product, the only of its kind in the industry is making decent strides in acceptance and initial orders with institutions of national repute and MNC organizations. Having been in the market for over a year, the product itself has proved to be versatile and highly acceptable. We are engaged with several customers who have trialed initially and are ready to allow us to participate more substantially to fulfill their requirements, despite the familiarization and contracting process for this sheet being typically longer. The completely indigenous development of this green products needs to be protected and nurtured and with this vision we have sought patents in not only India, but also neighboring countries where we are aiming to establish this product. The last quarter has seen a positive trend in demands for this product, where the sales in a quarter have almost equated to the whole year sale last year.

The building solution business has achieved an overall growth of 4%. The utilization of our building solution factories are at all time high and the portfolio has been showing robust growth. The quarter has witnessed severe headwinds on material cost and availability of labor, which, together with a product mix variation has had a temporary effect on the margins of this quarter. We have decided to augment capacities in key markets for panels and blocks in order to profitably grow this business, together with our strategy to offer a solution-based approach.

The polymer solutions business, which includes our pipes and fittings and putties, is performing as per our expectations. We remained on course in our bid to meaningfully enhance our presence through wide array of SKUs and focused branding. Our strategy of combining Putties with the Pipes business last quarter has supported in drawing synergy for both these businesses enhancing the profitability of this segment going forward.

Parador is proving to be a great asset to us. Since our acquisition of Parador, our actions on ground have been quite disciplined and regimented. Our first goal was a smooth integration, both in terms of finance and culture, which I am happy to announce has been on track. The second goal we had was to improve operational efficiencies in Germany and Austria. We have introduced Lean Six Sigma and the local team has taken upon themselves many projects to improve the profitability. Q1 results are a positive reinforced towards all these actions. The third important measure was to strengthen the organization for international sales in Parador. As you are aware Parador sells only 25% of its revenue outside Europe. Definite actions have been taken in this direction including hiring of a Director Sales who is expected to join us in a few months. China JV was one strategic move to enhance export business. With some specific initiatives taken in German market, we have seen a double-digit growth in Germany during the quarter despite industry de-growth. We are confident that these and many such initiatives being taken by the Parador management together with us would prove its worth to enhance profitable growth in Parador in the coming quarter.

Our ongoing business policies would certainly help us to outperform in every way possible and a weak quarter performance will not hold us or this organization towards improving its brand and market share in all significant way going forward.

Thank you very much for your patient hearing. I would now like to hand over the discussion to my CFO Mr. KR Veerappan.

KR Veerappan: Thank you Dhirup. Good Afternoon and thank you all for joining us on the call today. I would like to recap the financial and operating highlights of the business during Q1 FY20. Before I begin, I would like to add that my discussion will also include the performance of Parador as we are reporting consolidated numbers.

The first quarter has set the tone for the financial year with 53% improvement in year-on-year revenues at Rs.768 crore in Q1 FY20 from Rs.501 crore in Q1 FY19. The roofing solutions business has de-grown by 16% year-on-year. Despite de-growth in the roofing business, we continue to be the market leaders for yet another quarter and continue to enjoy customer loyalty. On the non-asbestos side, the Charminar Fortune, which is our non-asbestos solution has performed very well in the institutional segment and we are encouraged by the response to the product in the market. Growth in the building solution and polymer solutions stood at 4% and 23%, respectively, both year-on-year. The commissioning of augmented capacity in pipes and fittings is shaping up well.

The consolidated EBITDA stood at Rs.100 crore as compared to Rs.89 crore for the same quarter last year marked by growth of 13% year-on-year. The consolidated PBT showed 14% de-growth at Rs.67 crore on account of tough market conditions in India and huge pressure on raw materials during the quarter.

Focusing on the segmental results, roofing solutions declined its profits due to de-growth in volume combined with higher cement prices. However, the profit margin has been protected and still continues to be the highest among the roofing players. The margin in building solutions segment has dipped during the quarter due to lower volumes in drywall solutions mainly on account of unavailability of labor during elections. This has been a one-off instance and is already on track from this quarter. The polymer solutions business has shown a growth of 23% during the quarter and improved the operating profits. However, PBT is lower on account of higher depreciation by around Rs.2 crore during the quarter as compared to last year same period. We are confident of these investments yielding results in the coming quarters.

I am happy to inform that the Flooring solutions has bettered our expectations and delivered an EBITDA of Rs.26.1 crore and PBT of Rs.11 crore during the quarter which is in addition to our existing business portfolio.

We took several steps to improve efficiencies in operating processes, focusing on cost and productivities across the enterprise to minimize the impact of external factors. They are yielding sustainable improvements in our operational KPIs. Our focus on working capital optimization continued during the quarter.

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

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 Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: I just wanted to ask your utilized numbers mean that you would have done 6,000 to 7,500 tons this quarter so what percentage of our overall roofing volume would this be now, can I extrapolate this volume to the entire year and how our pricing and margins differ from our traditional kind of products here?

Dhirup Choudhary: Thank you very much for your question as I mentioned sir Fortune business is doing extremely well. We are definitely looking at volumes to be peaked in the coming quarters. It is growing by the day more and more confidence is pouring to the customers as they use the product that has seen zero failure so far on the products that have been installed and margins are substantially higher than AC roofing business. We have to definitely improve on our production efficiencies because at the moment we are making this product only through makeshift arrangement in one of our plant in Kondapalli. So, actions are being taken to enhance this business production by setting up a brand new facility in Faridabad for Fortune alone. Major market that we are seeing is pouring in North at the moment, including certain bit in exports to Nepal and South Africa and therefore, Delhi would be a good location to setup the new production facility which would improve the efficiencies further and improve our profitability going forward.

Nagraj Chandrasekar: How much will you be spending on this new Faridabad facility and what will be the capacity here?

Dhirup Choudhary: Because we have our own land, the spend for this facility will be about Rs.35 to Rs.40 crore in Faridabad which is already estimated in our plans for this year and this should be able to deliver 35,000 metric tons per year of Fortune. We are hoping to see these volumes really grow up quarterly and therefore once this production comes up in next 9 months' time, we should be able to use this facility proactively towards delivering this product.

Nagraj Chandrasekar: And are you seeing overall obviously our revenues were hit because of elections and the other one offs, are you now seeing benefits from that being the base and from cement prices are coming off, but our lower steel prices also hitting volumes and now at the margins?

Dhirup Choudhary: There are a few things that transparently I would like the investor community to be aware of. I have already said this last quarter about the elections and the threat that it poses. We were not able to contemplate the amount to which it will get but we had internally prepared ourselves for the actions in improving the efficiencies by internal operational efficiency movement. Going forward definitely we do see a benefit coming from the lowering of cement prices, but that was so in last year also. The problem that we face going forward which should be very transparently understood again is on fiber. Our Brazil imports have completely come to a stop because Brazil judgment on the Brazil closure has been taken by the supreme court in Brazil. So, we are now totally dependent on the Russians and Kazakhstans manufacturers. We have had very good discussions around with them. We had never procured from Kazakhstan, so this is more about stability of the product and ensuring that the trials and everything are in place to positively act to the quality of the product. The fiber cost is being increased by them quarter-on-quarter and that is an additional dent to the bottom line as you are aware fiber is about 50% of our material cost. So, this has its debt to the bottom line, but we are taking lot of actions on controllable measures that we can and I think in the quarters to come market would realize and our other competition would realize the difficulty of such a low price level that they are projecting in the market and the market would definitely consolidate itself in some way or the other because this will be a problem for all in many ways.

Nagraj Chandrasekar: Coming to Parador just wanted to understand the overall logic of this acquisition because your strengths are your brand and distribution network in India and you have acquired flooring player with capacity in Germany and Austria and plan to expand in China. As far as manufacturing is concerned as well peers like Greenlam are able to manufacture in India and export abroad there is some advantage to manufacturing in India, so just wanted to understand the logic of the acquisition?

Dhirup Choudhary: I had mentioned this last time but there is no harm repeating here that HIL was extremely eager to grow and we had foreseen very clearly that overdependence on asbestos for too long is not something that the organization wants to carry. We were about 80% revenue dependent on asbestos product and we wanted to therefore broaden the basket of products which can sufficiently add both to the top and bottom line of this organization using a zero debt capability that we had the balance sheet was completely clean and we wanted to invest to have decent debt on our book which we can manage very well and yet grow. We had looked at several products in the country where we could invest, but we just could not find the rationale of any other aligning to ourselves and therefore Parador was selected. Parador has tremendous benefits going forward. We have our production capacity which is to be used of about 30% extra. We definitely have seen earlier through my experiences of efficiency improvement in Europe which can add on to the profitability of the businesses. We have also looked at dimensions beyond to enhance their market shares in other countries. They do about 25% sales outside Europe only and basically 25% is sold in Germany and another 25% in the rest of Europe. So, we are exciting their organization to go more outside Europe. Director sales position has been recently recruited who would join us in a couple of months to act to this. The gentleman who is going to come has an extensive international exposure and we definitely see he would be able to add to the top line profitability to Parador and we are taking lots of initiatives on the Six Sigma element in the Parador which is we have taken quite a few projects. The material cost of Parador is being aggressively reduced by strong negotiations and the integration, finance and cultural integration, is moving extremely well in Parador which was the very first important ground to set to have Parador into our wings. I am still very positive I can assure the investor community that give it a few more quarter you would see the positivity of Parador coming into the business.

Nagraj Chandrasekar: Just one final question you have acquired this mostly through debt acquired in good terms just wanted to understand how much of the debt goes to HIL?

Dhirup Choudhary: So, on a debt level we have in Europe a debt that has been taken of Rs.244 crore and a debt in India of Rs.273 crore. So, the debt in Europe is payable is 6 years while the debt in India is payable in 5 years and this year, we are very positive that about in excess of Rs.50 crore will be repaid out of our internal accruals of these debt. Our first attention would be to repay the Indian debt because that is putting a lot of load to our interest rate. The European debt is substantially lower in interest rates and that is not really an issue of concern for us, but having taken almost an equal debt in Europe we have been able to substantially come down on the interest rates and the gelled interest rates is about 5% to us. We have done all the calculations around this and from the operations we are very confident that the PAT delivered by Parador will be in excess to repay these loans and will have a positive accretive to the shareholders and we are also looking at other initiatives within the organization and I think in a quarter time we should be able to explain all of that of how to come down on debt further to what the business can bring in.

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

Amit Vora: Just now following upon Dhirup ji comments about the debt repayment has there been any repayment in the last?

Ajay Kapadia: No, we have repaid till now 3 million Euro in Germany in last 8 months so we have repaid in last quarter 1.5 million Euro and end of last year 1.5 million Euro.

Amit Vora: And question on Parador we have done sales of around Rs.310 odd crore in this quarter, what was the corresponding figure last year same quarter?

Dhirup Choudhary: It was quite low, Amit. Parador did not do very well in their first quarter last year.

KR Veerappan: It was around Rs.288 crore.

Amit Vora: I am sure on the margin front we would have been much better than what they had reported last year?

Dhirup Choudhary: Last margin same time was about 1.5 million.

Amit Vora: Another question is on if it is possible to give the volume number for Fortune and Charminar?

KR Veerappan: Yes, the Fortune volume we have delivered around 2,205 tons sales in this quarter.

Amit Vora: This was I think full year last year was 2,000 tons?

KR Veerappan: Full year last year was 2,762 now we have done in one quarter 2,205 tons.

Amit Vora: Okay and Charminar?

KR Veerappan: 2,80,688 tons in this quarter.

Amit Vora: And this Fortune volume, can you assume that this will be the run rate for the remainder of the quarters?

Dhirup Choudhary: I think Quarter 2 may be a slight dip because of rains, but overall please assume it to be higher than this run rate.

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

Baidik Sarkar: Mr. Choudhary could you give us a sense of how the roofing environment has been in July and August and if there is growth what the ballpark of that growth is and secondly, is it fair to assume that cement inflation will continue to hurt us for the rest of the year as far as margin in roofing is concerned?

Dhirup Choudhary: Sarkar roofing segment de-grew in Q1, but we are hoping to see definitely a revival in Q2 so far as the growth is concerned. July has been a growth for us and we are hoping that August and September also we are able to pick the same. The material cost hit for cement has been highest in Q1. I do not see the cement prices, you know, going up till about fourth quarter may be so I think the next two quarters we should be able to get the benefit of a lower cement price. Again, may be fiber is the hit that we are foreseeing definitely and something we are unable to handle at all because it is something coming from the two manufactures now in Russian and Kazakhstan and they are also very clear that there are not any other options for the entire fiber community to buy from.

Baidik Sarkar: So, adjusting for cement prices kind of cooling off and fiber prices continuing to go up, what kind of margin squeeze would you direct us to resume for the remaining quarter, ballpark?

Dhirup Choudhary: You will have to give us another 15-20 days because we are still negotiating with the fiber guys. Their expectation are roof high, we cannot give it to them. HIL is the biggest fiber consumer for them in the world and I do not think they can ignore us that well. Russia, we have been having good relationship over the years also because we have been continuously buying about 35-40% of fiber from them. Kazakh is a new supplier for fiber that we will have to bring in because Russia has a problem in supplying entire fiber requirement of the HIL of that matter for anyone else they have a limitation. It is a matter of delivery in time and price that context is being worked out. We are still working on that; we are very positive that we will not let the margin get eroded.

Baidik Sarkar: So, the best-case scenario is probably no margin erosion that is the best case scenario?

KR Veerappan: From the same quarter of last year because quarter-to-quarter the margins will differ which you are aware.

Baidik Sarkar: Secondly on the polymer side even if I were to add that the incremental depreciation of 2 crore it looks like the margin at EBITDA level were under pressure, am I right in doing that, is that the right takeaway?

Dhirup Choudhary: You are absolutely right on this Mr. Sarkar. The numbers cannot go wrong at all. The reasons for this are very clear. A) We have augmented our SKUs. So, the type of product mix that we have brought in to correlate with our CPVC and UPVC earlier which is now SWR is a lower profitable product. We are still working on the composition and the manufacturing stability for this product to get us through to a higher profitability. We are very confident the profitability will improve on this product as we go forward. The second is, we are in whichever way you look at us a very small player in this particular business. To give a little feel about this particular market as we see there are the big players of I think about 5 of them who are plus Rs.1,000 crore revenue and then there are a handful of say 10 of them who are around Rs.200-300 crore revenue and then a lot many of them which are much below that. So, our first attempt is to reach the second league and then ride towards the first league. The profitability is extremely high for the top 5 league players. The profitability gets on to that you come down because then you have less efficiencies and procurement of material and power of procurement. The numbers growth and the top line actually proves the metal here and a lot many comes from the branding activity that we are continuously doing. While the margins has been slightly under pressure due to the product mix going forward these are what will deliver us very good margins.

Baidik Sarkar: Lastly on Parador is there any case for us to assume sequentially an improved business scenario as well as margin improvement over the next 2-3 quarters?

Dhirup Choudhary: Again, to put the right perspective here Parador is at sequential or as cyclic as HIL in India or roofing segments in India. Parador has the best quarter which is Q4 the second-best quarter which is Q1, lowest quarter which is Q2 because most of Europe is closed due to summer vacations during this period and the demand are at its lowest. It starts recovering a bit in Q3 but again the Christmas vacation put a halt to the business. So, lowest is Q2 the second lowest is Q3, Q4 is the best and Q1 is slightly lower than Q4. So that is how the business and profitability of Parador is and since 75% volumes comes out of Europe, today there is a lot to depend on these variations. However, as we move Parador to different parts of the world I am sure that these cyclic aspect of Parador will correct itself.

Moderator: We move to the next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, just can you provide this volume and value figure for all this project like fiber, AC blocks, dry mix panel, pipes boards and all?

KR Veerappan: I think I had already mentioned about AC sheets. This quarter we have delivered 2,80,688 tons and Fortune we have delivered 2,205 tons and as far as blocks is concerned, we have done 1,95,542 cubicmeters this quarter it is 17,220 tons delivered in board of 5,813 ton and thermal insulations 1,855 tons.

Dhananjay Mishra: And sir what was the exact volume degrowth in this roofing segment I mean what was the last quarter figure?

KR Veerappan: Last year same quarter was 3,21,446.

Dhananjay Mishra: Sir how have been the raw material prices for this polymer segment like resins must be using for CPVC pipes, so how that has moved, have you seen any spike there also?

KR Veerappan: Not in this quarter, but having said that we do anticipate price rise as far as CPVC resin is concerned there is anti-dumping duty is expected to come because this is mostly imported. So, that is something we are gearing up to handle and mitigate.

Dhananjay Mishra: And what has been the average increase in this fiber prices I mean compared to last quarter till date?

Dhirup Choudhary: Yes, under negotiation if I mentioned Quarter 1, we have not had an increase in fiber price because we had fiber stock with us from earlier so negotiations are still on so I think we will be able to get back to you with these numbers.

Moderator: Thank you. The next question is from the line of Ayush B from Equitas Investments. Please go ahead.

Ritika Garg: I wanted to know how much pipes contribute to my polymer segment in Q1 of FY20 in terms of revenue?

KR Veerappan: Yes, the pipes business we have delivered the revenue is around Rs. 28.5 crore and Putty is Rs.33.8 crore revenue.

Ritika Garg: And what was the EBIT in pipes?

Dhirup Choudhary: Ma'am we do not look at the profitability of pipes and putty separately because the channels are the same. We are using the same people to deliver them they are being made at the same plant and therefore we are not looking at the profitability separately, but we look at volume and the tractions.

Ritika Garg: So, QoQ it has declined considerably right, it was Rs.37 crore in Q4 of FY19?

KR Veerappan: Rs. 25.3 crore revenue has gone up to Rs. 28.5 crore top line for Pipes and putty Rs. 25.5 crore has gone up to Rs.33.8 crore.

Ritika Garg: So, what is the run rate that we can expect for pipes going forward in the remaining quarters and when do we expect to reach Rs.400 crore of revenue?

Dhirup Choudhary: So, we had always said that Rs.400 crore will be three to four years from now because 4 years now we have covered one year after we have made that statement and we are well on track for that. There will be a run rate improvement in pipes and putty as you would expect. There will be a lowering in putty this quarter because of rain the demands of putty are lower, but this again going to pick up towards the end of Quarter 2 and more in Quarter 3. So, you can expect much better than this in the coming quarters.

Ritika Garg: If I look at advertisement cost, in FY17 there were Rs.11 crore and they have gone up 4x to Rs.44 crore in FY19?

Dhirup Choudhary: You are talking about the total, total for the year.

Ritika Garg: Including Parador.

Dhirup Choudhary: Total for the year had improved or increased last year and we had already spoken about this last time where we said that there were very creative meanings to this increase in expense last year more for a brand realization of HIL which we were doing together with brand realization of all other products that we have. We had done certain IPL related engagement with Chennai Super Kings to advance these brands which was for both HIL and Charminar and Birla Aerocon brands. We had also done some engagement which we have done with several other ATL mode towards building the brands for the pipes last year, all of those were included in this plus a significant contribution was towards engagement with dealers, retailer, plumbers that we did, more towards business enhancement which was done and all of this was missing in earlier days which was required towards realizing the total brand value for HIL and for Birla Aerocon and for Birla HIL pipes. So, all of that added to these Rs.40 crore that you are talking about last year.

Ritika Garg: But has it actually given me that kind of profit realization that I expected after spending Rs.44 crore or increasing my advertisement cost for it?

Dhirup Choudhary: It had a clear ROI and we monitor each of these expenses through ROI. So, some of this have given very positive ROI to our business. Some of it is more towards much detailed works being done towards the future enhancement of HIL. Earlier HIL was known as either a Hyderabad company or an asbestos company, at least today I can say with pride that the entire investor community, the entire employee community and entire business community whether dealers, retailers and all are recognizing the brand of HIL which they have seen in many places. We have been able to also get a very clear articulation of how much we have spent for the IPL engagement versus how much we have got by way of eyeballs in the various medium that IPL is engaged with and all of that have given a very positive sense. If one was to look at a spending versus immediate deliverance, that does not come in most of this, but many of them we have a very clear IRR and ROI working around this.

Ritika Garg: And what is the kind of advertisement expenses that we expect for FY20?

Dhirup Choudhary: Similar percentage to revenue as earlier it may come down a little bit, but it will be significantly more towards growing the organization network with the dealers and retailers and plumbers that we are going to do rather than an ATL mode.

Ritika Garg: What is the contribution in revenue from pipes that I can expect for FY20?

Dhirup Choudhary: It will only grow madam. It is going to improve by the day and this we see definitely because as the top line grows, we are going to have very positive improvement in the bottom line.

Ritika Garg: My revenue contribution was Rs.110 crore in FY19, can I expect it to grow by 30%?

Dhirup Choudhary: Yes definitely. We are growing at 23% as on Quarter 1 we can easily expect it to grow by 30% in fact we can expect little more than that.

Ritika Garg: And regarding Parador, what is the percentage of hedging done for my FOREX loans?

KR Veerappan: There is no FOREX loan I want to clarify the Euro loan is there in Europe itself. So, it is in our subsidiary step up subsidiary the loan has been taken. So, there is no FOREX loans per se we have.

Dhirup Choudhary: This will be paid back from Parador.

Ritika Garg: What is your payback period for my investment in Parador?

Dhirup Choudhary: It is a long-term but we will look at how to explore possibility of payback I think we have 6-7 years' period that we have aligned ourselves to, but we will see how to advance that further.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: You mentioned that you have issue with availability of raw material, so I wanted to know how do the competitors manage you know where do they buy from? And their results have not been so bad, so if you can answer that. And second this green product that you make that does not require fiber, is that correct?

Dhirup Choudhary: You have asked three questions and let me align them one by one. First of all, I think they would be buying raw material from the same companies as we buy. I would not have the exact details of where they buy from. Second question was that they have not done as bad as ours so on that let me just put the numbers across to you and you are talking specific to the AC business, roofing business I assume.

Tushar Sarda: Roofing business and volumes more on volumes than on just the margins, volume and margins both?

Dhirup Choudhary: So, now the question is slightly different so as I mentioned Tushar we were very clear what we are going for, we were not going for volumes we were going for our profitability margin which we wanted to continue to repeat because the price at which we expect Q1 becomes the price for the rest of the year and we did not want to damage the entire year by certain reactive measures in Q1. We have lost volume we are very clear about that, but we have definitely safeguarded our margins. Our EBIT margins for this particular business is 25.8%, but if you were to compare it with any of our competitors and they are released their results, quite a few of them released recently, their margins are less than half of ours. So, I am sure they have their own imperatives and business alignment of what they are wanting to do, we are very clear what we are wanting to do. Your third question was on fiber for the non-asbestos yes, the non-asbestos segment is absolutely not dependent on asbestos fiber and therefore we are much better of that.

Tushar Sarda: I have a follow up on this non-asbestos business you know when I had met you last a couple of years ago you mentioned you would be carrying out trial and all. So, I assume all your trials are over and now this is the official launch of the product?

Dhirup Choudhary: Tushar ji this is a process. Let me just quickly tell you about how it happens. So, we approach the customers who are not our existing customers. So, they are institutional customers where we have never been to last 15 years because they do not buy the asbestos sheet. So, these are strictly new set of customers we approach them. They first understand the product through various technical discussions then because they are big giants they agree to test our product which they test by a small installations and try it for 12 months for all the seasons to see how product works. Then they put us into their suppliers list and then they allow us to participate in their tender by a trial quantity and then the trial quantity has to again prove itself for the next at least half a year or more before they have a process by which they can reap us into their regular supplier list. This process normally takes a year to 2 years depending on which customer we are talking about and we are very well-progressed with many customers on this and therefore, some of the very prestigious customers like Indian railways have gone ahead and given us order for the Chhatrapati Shivaji Terminal, the entire roofing is through Fortune, so they have replaced the entire thing. Gaushala in UP is another very prestigious project which the UP Chief Minister wanted it in a hurry and we were able to deliver it true to their perfection. We have several other projects that are there with both private and public sector which we are doing. So, I think it is gaining ground every day to say that we have completed the testing round with everyone is not fair, but we have definitely completed the testing round with many and therefore firm orders are not coming through, but at the same time we are also going to newer customers every day, and the process is on the round.

Tushar Sarda: Thanks for a very detailed update when I said that you have completed testing, I meant to your satisfaction so you are confident that the product will work right now. So, customers will do their own testing but the company is confident that it will work now very well.

Dhirup Choudhary: This is a product which has been completely tested by all the initial customers we are positioned this to and the product has got zero failure rate till now and we are very proud of what our team is delivering.

Tushar Sarda: So, this should open up quite substantial market for us right, in terms of the size of the market to do three times the existing roofing market?

Dhirup Choudhary: This will definitely open up a big market for us in terms of institutional customers however they are extremely happy procuring the steel sheets in many places as well as going for the RCC. So, RCC is definitely not the market that we can tap on, but we can be a competition to steel sheets for their new projects that is definitely there. Second is this is a product that can cross the borders and therefore we are going ahead and registering the IP in 16 countries outside India where we wish to supply these products and then supply to these countries and I think what the company has in mind is very very bullish future projections for this product as we cross borders.

Tushar Sarda: So, in terms of steel sheets we are cheaper than the steel sheets?

Dhirup Choudhary: Yes.

Tushar Sarda: By how much?

Dhirup Choudhary: So, it will be difficult to say because installation to installation, the major cost is not for the sheets as you know it is mainly for the support material that goes in, but we are on a sheet-to-sheet basis I think is about 20% cheaper than this steel.

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

Megha Hariramani: So, my question is on the full year CAPEX guidance what is the CAPEX target that we have for the year including the Rs.35 to Rs.40 crore that you mentioned that is allocated towards Faridabad facility, and second is more of a macro question like looking at the current rural slowdown that you mentioned in your opening remarks, we do not see economy growing that fast this year listening to all the other companies commentary, so do we also foresee that kind of a slowdown for this entire year and if so if that is that cases how do we see the flooring solution offsetting the slowdown in the Indian markets that could likely hit our numbers?

Dhirup Choudhary: You have talked about the CAPEX so the total overall CAPEX for this year we would say about Rs.75 to Rs.80 crore includes which includes the Fortune new plant that we talked about earlier in Faridabad. There will be quite a few investments that we are also looking at enhancing our building solutions business for blocks and panels. Now your next question was how do I see the year. So, definitely there have been concerns in Q1 and there is no shame to talk about them and accept them. The business, the management have tried everything under their quarters to try and make up for it. We have definitely stayed on by not getting latched on to a quantity game and rather look at the total profitable business sense and that is what we have stayed with, that is how our brand is that is what we are known for in the market and I think over a long run this is what will bring benefit to us. We do not see that the building solutions segment will have a hit going forward definitely that is something which we have favorably contributed by our brand Birla Aerocon and well-poised brand acceptable to customer. So, we are at the moment at 95-97% of our capacity utilization. So, that is why the need for the new project enhancement is being looked at and to grow this business. We are very bullish about this business as we go forward. Pipes is the other business which I do not believe will be hit by any kind of rural demand contraction because this can go into any kind of markets and the market is huge. It is for us to be able to get more of it. It is difficult to get big dealers into our role because they are used to some of the big players. So, but Birla name, HIL name is definitely providing a route for us and we are making signifcant growth in this. Last year we grew by about 100%, this year we are so far growing by about 23% we hope to grow this further. And definitely Parador will be an area which a product which will add on to the growth in many ways, but to expect that Parador will start meeting a 10% or more EBITDA level or a growth levels in the next 2-3 quarters, I think will be irrational. I would like to, therefore, request you to have a little more patience with Parador for its margin growth. We started off with 7.5%, last quarter we are about 8% we will grow this margin, we will grow the business also substantially in other countries, but we are very positive. The actions are in place in many bids and many things are being discussed further. This is going to be a future growth profile for HIL for sure and Fortune business will be another business that we are betting on to come through in the next few years.

Megha Hariramani: So, roofing is the one that would likely see some kind of a slowdown if the economy slows down?

Dhirup Choudhary: It has already seen the slowdown in Q1, I would say, from many perspectives the market has de-grown. Some of our competitors have made the best of it on quantity, but on a profitability, they had to pull themselves down. But going forward I do not see this dipping down on the volumes beyond last year's number. So, I think Quarter 2, 3 and 4 should be quite stable from roofing demand perspective, there could be severe pressure on the bottom-line as I have talked about A) because of the price metrics that our competition is using and therefore we can only get substantial premium beyond that we cannot. B) the material cost which is fiber as I mentioned is our biggest worry, but we are taking lot of actions. This is the premium product for us where we have developed a sort of huge competency in operations. We are the best cost drivers in the market here whilst we produce the best quality. So, we will continue that lead to improve the profitability internally on issues that are controllable to us in many ways.

Megha Hariramani: One on the operational efficiency standpoint, what were the working capital days last quarter versus this quarter?

KR Veerappan: The working capital is around 5% of sales in this year last year it was around 1%.

Megha Hariramani: Okay so do we see that going higher and to what extent would be the alarming situation for us to further reduce our cost and optimize it further?

Dhirup Choudhary: Megha ma'am our working capital as a company used to be around 17% two years back. We had brought it down in a very constructive way. I think going forward because there are new products that have sunk in with our company like the pipes which needs a little higher working capital then fiber also because of availability we would like to line up a little higher inventory with us in many ways. So, I think about 7-8% would be a decent working capital on an annualized basis that we can look at and this is very much within the rights of the organization to have it.

Moderator: Thank you. The next question is from the line of Jigar Shah from ICICI Securities. Please go ahead.

Jigar Shah: I had 2-3 questions, first of all what will be the pricing difference between you guys and the top other 2-3 players in Charminar?

Dhirup Choudhary: What will be the price differentials that is your question?

Jigar Shah: Yes.

Dhirup Choudhary: Differs from zone to zone. Prices would be better for them where their factories are near because there will be freight element for us if our factories are in distance, but on a realization market, it will be about 10%.

Jigar Shah: So, you would be selling at 10% premium?

Dhirup Choudhary: Again market-to-market could be different, but 5% to 10%.

Jigar Shah: Where I am coming from is that you said that your margins will be more than double of theirs, so I am just trying to understand where will be the difference of your realization and their realization otherwise cost or there will be difference in fiber cost, so are you sourcing fiber from Brazil at a cheaper rate than Russia or Kazakhstan or what is the difference between those two countries' fiber price?

Dhirup Choudhary: I think it is a mix of all. Our margins I mentioned a number, but you should check it through the number definitely the latest number they have released this is our context. I think we get the benefits on all account. A) our assets are quite depreciated. We have reached a huge element of operational benefit against many others. Raw material cost definitely will be lower than theirs, I can vouch for that. Our power costs are much lower. Our efficiencies what we say OEE for each of the plants are much higher than theirs. We are able to deliver 500 metric tons in a single shift in a single line which is the world record. I do not think anyone would be any closer to that and this we have achieved in the last one year's time. So, I think all of it together has been worked on to improve the profitability that we see today.

Jigar Shah: One more thing on since rupee has depreciated since last one year from Rs.64-65 to Rs.70-71 and also since you have stopped sourcing from Brazil and now you are going to source from Kazakhstan and Russia, so do you see any increase in cost apart from depreciation in rupee which can impact your margins?

Dhirup Choudhary: Definitely Brazil was very competitive supplier to us which was not as good from let us say Kazakh or the Russians so we will have a hit there.

Jigar Shah: Any quantum of how much increase in cost you would see in particular?

Dhirup Choudhary: We will be able to understand only once we have formalized our business relations so as I said we are still on the game.

Jigar Shah: Lastly, how much volume growth or decline considering this would be the best quarter in roofing and we have seen around 12% to 13% decline in volume, so by the end of the year what is your target?

Dhirup Choudhary: It is a very difficult question sir let us park this question and face it every quarter.

Moderator: Thank you. The next question is from the line of Prashant Kanuru from Pinakin Ventures. Please go ahead.

Prashant Kanuru: Just wanted to understand a bit of a Parador. You did mention about the cyclicality of the business and last year we had around close to 9% of the EBITDA margins if I am not wrong starting September 1 to March 31st the consolidation would be period when accounts were taken, it was around Rs.63 odd crore of EBITDA for revenue of around Rs.700 odd crore, so will that be better this year because what you had said is Q1 last year for a Rs.288 crore revenue they had EBIT of €1.5 million I will assume will be around Rs.11 to 12 crore max and this year so Rs.309 crore in the first quarter we have done a Rs.26 crore EBITDA so with this 8%. So, that is a pretty significant jump YoY if you see, so will that be carried forward for the full year?

Dhirup Choudhary: Quite a few data I am sorry I could not track all of them on the call, but broadly if you are asking me whether we would carry the same percentage of profitability as we had achieved in the first 7 months of acquiring Parador versus the whole year. I think one thing that we all must appreciate is the toughest quarter that Parador has which is Q2 was not in half year's numbers. So, this quarter will be a weak quarter in Parador because of summer vacations in Europe, low demand and various other aspects which I already eluded to earlier. Overall the profitability of Parador in the last let us say if your question is last 7 months of this year versus last 7 months of last year, I am very hopeful will be higher than last seven months of last year.

Prashant Kanuru: And sir like just trying to understand about Charminar Fortune you are talking about another 35,000 metric tons being ready in Faridabad so that would be in addition to that 33,000 metric tons in Kondapalli?

Dhirup Choudhary: Kondapalli manufacturing I think is about 16,000 to 18,000 metric tons at the most because we cannot use that plant for the whole year for Fortune. We use it only in the lean period where we continue with one line with the AC sheet and the other line is then dedicated for Fortune. New one will be a dedicated line which we are trying to position for Fortune.

Prashant Kanuru: So, it will be right to say that Charminar Fortune would have 50,000 metric tons of capacity?

Dhirup Choudhary: You are absolutely right in the next months' time that is exactly what we are looking at. The question is how can we then get the demand towards that and that is something that we are working continuously round the clock.

Prashant Kanuru: And sir what is the capacity utilization in pipes and fittings as of now?

Dhirup Choudhary: I think about 40%.

Prashant Kanuru: And what is the expected further augmentation that you are talking about how much more would be added to that in terms of metric tons?

Dhirup Choudhary: Pipes and fittings we are only adding the Timmapur expansion which was already there in our plan which is about 7,000 metric tons so that will be ready in the next few months' time.

KR Veerappan: So, we will have a capacity of 30,000 tons by end of this year when all the capacity is fully.

Prashant Kanuru: And what is as of now operational sir?

KR Veerappan: 23,243 tons is operational and Timmapur additional capacity 7,000 is coming so will that it will become 30,000 tons.

Prashant Kanuru: 23,000 operational another 7,000 makes it 30,000. So, the target you are talking about Rs.400 crore would be achievable in this 30,000?

KR Veerappan: Yes, it is achievable.

Prashant Kanuru: Sir, just to understand about the PVC pipes which requires chlorine, would it be having any related-party the transaction Orient Paper's caustic soda plant will be producing chlorine, so do we take it from them?

KR Veerappan: No.

Prashant Kanuru: Any plans for the future?

Dhirup Choudhary: No, we do not have any plans related-party transaction point of view.

Moderator: Thank you. We take the last question from the line of Aejas Lakhani from Edelweiss. Please go ahead.

Aejas Lakhani: Sir I want to ask you two questions one is that you mentioned that the others in the industry are also facing the raw material price increase and you said that in due course of time you know they will also realize that and there should be some price hike, but my query is that there has been no collusion in the industry participant as witnessed with the decent pricing actions that other participants are taking so is there collusion amongst yourself presently given the new reality of the situation with regards to raw materials?

Dhirup Choudhary: I am not sure I got your question correct, but if you are saying is there a cartel that we have, definitely not. We are far away from it. As an organization you work on strong values around the Globe and that is the last thing that we would ever talk about and if there was a cartel then our results would have in similar lines with all the others.

Aejas Lakhani: Sir, as in industry can you all come together and take a price hike are you all in that talking, I mean are you all talking to each other that as an industry you will come and take a price hike?

Dhirup Choudhary: Question is, are our business plan aligned, are we allowed to do that legally? I would say no to both of these, so therefore, there is absolutely no way we can come together.

Aejas Lakhani: And given that you know there was the IPL and you incentivize distributors, what are the inventory stocking levels presently with distributors?

Dhirup Choudhary: No, we do not work on too much of an inventory with the distributor. We have a model of build-to-ship in most of the situation. So, most of our primary sales transform into a secondary sale actually. Keeping inventory with the distributor is not a prudent way to run business because you are basically shifting your inventory to your receivable and that is not something as an organization we lead to.

Moderator: With this I now hand the conference over to the management for their closing comments. Over to you, sir.

Dhirup Choudhary: Thank you very much to you all. It has been a pleasure interacting with all of you over this call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know anything more about your own company, kindly reach out to the investor relationship desk. We once again assure you that HIL is fully committed to deliver value to all our stakeholders at all time. Thank you very much, good bye.

Moderator: Thank you very much sir. Ladies and Gentlemen on behalf of HIL Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.