

Date: June 14, 2019

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 5 th Floor, Exchange Plaza Bandra (E), MUMBAI – 400 051
Scrip Code: 509675/HIL; Through Listing Centre	Scrip Symbol: HIL: Through NEAPS

Dear Sir / Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on Tuesday, May 28, 2019.

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

In continuation to our letter dated May 27, 2019, Please find attached the Transcript of Analyst / Investor conference call held on May 28, 2019.

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

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

Thanking You
for HIL LIMITED

G Manikandan
Company Secretary & Financial Controller.





HIL Limited

Q4 & FY19 Results Conference Call Transcript May 28, 2019

Moderator: Ladies and Gentlemen, Good day and welcome to the HIL Limited Q4 and FY19 Results Conference Call. 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, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karl Kolah from CDR India. Thank you and over to you, sir.

Karl Kolah: Good afternoon ladies and gentlemen and welcome to HIL Limited Q4 and FY2019 Results Conference Call for Investors and Analyst. The call has been hosted to discuss the financial performance and share operating highlights of the company with you.

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

We will commence the call with comments from the management team post which we shall have the forum open for a Q&A session where the management will be glad to respond to any queries that you may have. At this point I would like to highlight that some statements made on today's call may be forward looking in nature and the actual results could vary significantly from the statements made. A detailed statement in this regard is available on the company's earnings presentation which has been shared with you earlier.

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

Over to you, Dhirup.

Dhirup Choudhary: Thank you very much. A very good afternoon to all the participants and a very warm welcome to HIL's Q4 and FY19 Results Conference Call. We are highly appreciative of the investors' interest in HIL and strive to share with you the most exhaustive details as well as address your concerns on your company.

It is our vision to be a leading, global, innovative and eco-friendly, building and infrastructure solutions company and create sustainable value for our stakeholders at the same time. I am here to assure you that the decision we take are keeping in mind the best interest of all stakeholders of the company and as a business we are here to create value for our customers, distributors, employees, shareholders and most importantly the society at large.

Let me dwell on the performance for you. FY19 has been a healthy year for HIL marked with robust growth in revenue and PAT, as performance has been good across the entire board. The company's standalone revenue stood at Rs.1482 crore displaying a growth of 16%. Profits were up by 26% to Rs.102 crore.

The consolidated financials, including the adjustments made towards acquisition of Parador, starting from 1st September 2018 have been considered in these results. For the first time in our history, your company has crossed Rs.2,000 crore mark in revenue and Rs.250 crore mark in EBITDA marking a thumping step towards profitable growth. At consolidated levels, revenues were at Rs.2,208 crore as compared to Rs.1,280 crore last year, showing a growth of 73%. The EBITDA stood at Rs.282 crore showing a growth of 65% over last year.

The details for the same have been made available to you in the presentation.

Getting into the discussions on our business, I will commence with our perspectives on the roofing segments first. Given a strong product family under Charminar and our loyal and hardworking distributor base, we have yet again delivered a robust performance. Growth remains ahead of the market for us as usual. Our marketing teams are continuously working to minimize the effects of headwinds in the rural sector and we are getting to see healthy improvement in both the incremental and replacement market demand buckets. Q4FY19 has been subdued due to pre-election turbulences and high cement prices for the industry as a whole. HIL has maintained its prices to secure a much better profitability in this quarter vis-à-vis our competition.

Charminar Fortune, our non-asbestos roofing solutions continues to show good traction in the markets. We are no longer reliant on a single category of customer. The maiden commercial installation of this wonderful product is underway at Mumbai's CSMT Railway Terminus. We have also started supplying products of this brand with other prominent institutions and intend to scale up the contribution from this offering. We are also planning to take this brand to multiple international markets progressively. The plans are robust, it is going to take time but this will have a huge upside for HIL in future.

Birla Aerocon, our building solutions brand, has outperformed our own expectations on profitability. You would recall that we had decided to pause new capacity enhancement in this segment for a year and rather concentrate towards improving the overall profitability of this division. Our cost improvement drives and product placements with solutions have delivered 279% growth on PBT in this business taking the PBT from Rs.7 crore for the year FY18 to Rs.27 crore for the year FY19 in this business. We are now considering augmenting our capacity and expand this business.

Our polymer solution business is scaling up desirably. It saw a growth of 63% year-on-year in Q4FY19 in revenues. The recent rounds of capacity expansion and range expansion have allowed us to position products matching all kinds of requirements in the market. While the PBT for this segment seems depressed at Rs.2.8 crore in FY19 as against Rs.8.4 crore in FY18, we should not lose site of the fact that Rs.6 crore depreciation and Rs.6 crore branding cost has been spent last year on this business. The traction on putty by virtue of its distribution spread and brand realization is steadily growing.

Moving on to Parador, you would have noted that we have shared the financial updates in our presentation. Since the acquisition we have worked tirelessly towards the successful and seamless integration. I am happy to share that in the seven months since we have acquired Parador the performance of the company has seen modest improvement. We have good scope to expand this operation in

different parts of the world and are progressing in this line steadily. Our recent joint venture in China is a step forward towards that and this will strengthen Parador's presence in Asia.

We are working continually to integrate people and processes and are steadily developing our management bandwidth to grow in all directions profitably. Great Place to Work (GPTW) certification coming to us in our very first attempt is a true reflection of the way our colleagues are bonded together towards making HIL a pride for our investors.

To conclude, I would say that this year has been a very good year for HIL and we are confident that this robust performance will continue in the quarter and years to come.

Thank you. I would now like my CFO, Veerappan to take the call forward with the financial insights.

KR Veerappan:

Thank you Dhirup. Good afternoon everyone and thank you for joining us on Q4 and FY19 Conference Call.

We have intentionally kept our speech precise this time to allow more time for the Q&A session and included a lot more information in our investor presentation uploaded in the website. I will be taking you all through the financial performance and the operating highlights for the period.

As Dhirup has mentioned earlier in the last two years your company has doubled its top line profitably. In order to better focus on our business and give a transparent clarity to our investors, we have made a few reclassifications in our business segmentation. Our Pipes and Fitting business, which was a part of "Others" has now been classified as polymer solutions. In line with the business synergy, the Putty business has now been moved from building solutions business to polymer solutions business. Accordingly the numbers pertaining to these businesses have been regrouped in the previous year and the quarter.

In terms of Q4 FY19, while the roofing business has been subdued, it has still continued to be the market leader and has shown growth of 7% during the fiscal year. Building material and polymer solutions segment showed robust growth rates of 4% year-on-year and 63% year-on-year, respectively. For FY19 the growth rates were 9% and 108% respectively. Polymer solutions has first time crossed revenue of Rs.200 crore, more than doubling over the previous year. Flooring solutions has registered revenue of Rs.726 crore for the 7 month period from 1st September, 2018 to 31st March 2019.

HIL standalone EBITDA for Q4 was Rs.45 crore up by 7% year-on-year as compared to Rs.42 crore in the same quarter last year. For the year, EBITDA witnessed a growth of 30% growing to Rs.222 crore. At the consolidated level, HIL delivered a staggering Rs.282 crore EBITDA.

As Dhirup has already mentioned, we have surpassed last year's performance by a significant margin.

Q4 PBT is subdued as compared to previous year due to absorption of interest on borrowing towards acquisition of Parador to the extent of Rs.6 crore. The consolidated PBT of Rs.166 crore is after absorbing one time acquisition cost of Rs.21.2 crore. Hence, the underlying PBT is Rs.188 crore.

PAT also witnessed strong growth for the year. It grew by 26% to Rs.102 crore in FY19. I am happy to inform that this is the first time HIL has crossed Rs.100 crore mark at PAT level.

Just to share an update on the financing for Parador. We have taken the rupee loan for €34 million and foreign currency loan of €37.5 million. The repayment schedule for rupee loan commences not before November 2019. A detailed description has been provided in our earnings communication. On a consolidated basis our net working capital stood at 8.5% of total revenue considering annualized revenue of Parador. We are comfortable with our current long-term borrowings and debt equity ratio stands within our target range.

With that I conclude the opening remarks and request the moderator to open the floor for the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: Couple of questions. First on the roofing segment, the slowdown in AC in Q4, is it reflective of the current demand environment of the geographies in which you operate because your peers do not seem to have shown any de-growth? And secondly the inflation in cement prices that you touched upon, how would you think that will impair our margins for the coming year FY20? Do we have levers to improve our operating margins in the roofing segments from here on?

Dhirup Choudhary: Mr. Sarkar thank you very much for your kind comments. You are correct from a number perspective that our competitors may have shown growth which is higher than what we have shown, but we have as I mentioned in my opening remarks been extremely cautious on what orders to take and where because we were more focused on the profitability. Kindly correlate the same numbers for our competitors on profitability and you will definitely see that they have de-grown on profitability while we have grown and the reason for that we have been extremely cautious in our business model. We wanted to keep it that way and in future as well and we will be focusing on profitability than taking the top line and that we believe will bring more cash for further enhancement of the business. So, as far as the business is concerned, yes, Q4 has been quite depressed because of I think the pre-election political reason as well as raw material cost, especially the cement price. Q4 has been a boon for the cement companies and that has definitely depressed the overall market sentiments from a building segment point of view. This quarter also, the damp continues a little bit because of the political elections going on till last week. We are definitely hopeful that the business is going to pick up here on and we would be able to close this season very well which should extend up to the 15th of July. So far as the material cost is concerned, yes that always remains a worry for our business, but that is exactly why we spend so much time and energy into internal improvements of our efficiencies and profitability and I think the results are self-sustaining to say the rise in profitability over the last two years that you have seen in HIL is all on account of these efficiencies that we have built in and we will continue to do that. Our biggest worry is cement but cement prices are coming down of late and I think that should continue. The other worry is our fiber and there has been a bit of our issue in fiber because the supreme court of Brazil has decided to stop the fiber dispatched out of Brazil and that was one of our main suppliers, but we have the Russian suppliers as well as the Kazakhstan suppliers to depend on and that is something that we are continuously working towards to see that we do not have a bottleneck on fibers as well.

Baidik Sarkar: So, net-net given what the cement prices are today and given where your internal efficiencies are, do you think it is fair to estimate that your margins for FY20 will not be below what we saw in FY19 or is there a theoretical risk to that?

Dhirup Choudhary: It should be better Mr. Sarkar.

Baidik Sarkar: Moving on to building solutions I mean obviously you are close to peak capacity in most of your segments you briefly touched upon bottlenecking and growth plans if you could expand on that and give it the sense of what your growth rate for FY20 look like and in Q4 in your building solutions business there seems to be some margin compression as well. So your comments on that?

Dhirup Choudhary: So, actually we had in building solutions again the market was a bit subdued in Q4 and therefore you have seen that margins were under bit of suppression. But overall building solution has done fantastically well last year as I mentioned from Rs.7 crore to Rs.27 crore in the PBT numbers for this segment and we have intentionally not added capacity earlier because ROCE were negative and we did not want to push a business where we cannot make money and I had been very vocal about this in my earlier conferences. We are now getting the strength back and lot of internal efficiencies have been all groomed in. So, we are very consciously taking this step to grow this business. We will be setting up capacities for both blocks and panels in different parts of the country as we say and definitely in next financial year, you would see these capacities reaching value for us. This financial year will again be a consolidation of what we have and we are very certain that the margins will not be allowed to go down.

Baidik Sarkar: So, should we expect semblance of growth at all or in the usual case scenario the best case as far our solution is concerned?

Dhirup Choudhary: Because we are so well positioned because of our solutions process as well as because of our brand in this segment we are slightly favorable in here to do the cherry picking of orders and I think that will continue together with operational improvements. So, you would see the top line and a bottom-line growth in this segment as well this year.

Baidik Sarkar: And in pipes did you say you deliver about Rs.110 crore for the full year. Was that the right number?

Dhirup Choudhary: Absolutely.

Baidik Sarkar: And in terms of breakeven, did you say we are targeting Q1FY20 or was the fag end of Q4 or breakeven in quarter?

Dhirup Choudhary: So, I think if you plough back the special investment, we made in the branding which is about Rs.6 crore in this pipes business, we are breakeven in EBITDA even last quarter. This quarter also the same should continue. The investment on branding will be an element that we will cautiously track as we go forward because pipes definitely sells by brands and there are some big names in the market which have trained themselves for the last 20-25 years and we are fresh goes into the market. But I am very hopeful that I still stay robust with my claims that this business will grow to Rs.400 crore levels in the next 2-3 years and deliver profitability.

Baidik Sarkar: That is a CAGR of roughly 30% to 40%. That is a similar growth rate that I think we should expect in FY20. Is that the right aspiration?

Dhirup Choudhary: Absolutely.

Baidik Sarkar: And your exit margins for Q4 I think the last time you discussed you did allude to a double-digit kind of a number I mean should we continue with that number?

- Dhirup Choudhary:** On a consolidated level with Parador, I will be slightly sensitive not to give extremely high numbers because we are still in the consolidation level integration.
- Baidik Sarkar:** I beg your pardon I meant the margins just for your piping business?
- Dhirup Choudhary:** For the piping business I think we will continue and it will only better from here.
- Baidik Sarkar:** Just heading towards the last part of my question in Parador, Is the net for this Parador a negative amount of Rs.10 crore because when we subtract the numbers from the consolidated figures that is what we get, are we looking at the right net worth negative figure of Rs.10 crore Parador?
- Ajay Kapadia:** That is the FOREX translation reserve. There is no negative there.
- Baidik Sarkar:** So, what would the stated net worth of Parador be?
- Dhirup Choudhary:** Can we get back to you while we pick other questions. We are not ready with that number immediately.
- Baidik Sarkar:** I will just slip in one last question before I get back sir. If I annualize your growth rates in Parador for the entire year the run rate of roughly €160 million and obviously you did allude in your last call that the growth rates in Parador have moved up significantly. So what is the right growth rate that one should assume as far as Parador is concerned for FY20? and you did close the year over 9% margin, so if you can just comment on these number of Parador?
- Dhirup Choudhary:** So, Mr. Sarkar please I mean this is the first quarter that you have got to see the results of the last 7 months. Give us one more quarter to really understand this much better before we come back to you because we do not want to make a commitment to the investors which we will not be able to live with. We are conscious that we are trying every bit to grow this business. Let me tell you we have made the absolute right investment in Parador and this is the great company to work with. The cultures are different with the Germans and Indians and this is something which is the first bit that we need to iron out before we push on anything else that is moving on perfectly well. We are also continuously recharging our loans so that the interest rate comes down and while when we took this company we were at about 3.25% interest in Europe which has already been dropped down to 1.6% by recharging this loan from the bank and I think we are conscious that this is the business which has to grow and we will help Parador to take it to different parts of the world, China being one that we have now done. There is a 30% excess capacity that is there and that should be made use of. So, on the growth front and the profitability of Parador going forward, give us another quarter before we can get back to you with more realistic number on this. But this is something that is working very well.
- Baidik Sarkar:** Do you have a tax credit for Parador? And your tax rate there please?
- Ajay Kapadia:** The effective tax rate in Parador is 34%. During this period we have spent acquisition cost, which is partially disallowed in the income tax and because of that, the entire PBT has gone into the tax liability.
- Dhirup Choudhary:** Just about your question on net worth of Parador, it is around Rs.264 crore.
- Moderator:** The next question is from the line of Sarika Kukshiya who is an individual investor. Please go ahead.

- Sarika Kukshiya:** I want to understand the strategy envisaged to promote growth columns for Charminar since actually you have been vocal about that we are keen on promoting it going ahead both in domestic as well as international market and with the margin at par with the current fiber asbestos sheets?
- Dhirup Choudhary:** Ma'am sorry your voice was not very clear so let me just get the question right are you talking about Charminar or Charminar Fortune?
- Sarika Kukshiya:** Charminar Fortune.
- Dhirup Choudhary:** And you would like to know the growth projections, am I right?
- Sarika Kukshiya:** The strategy behind promoting the volumes from here on?
- Dhirup Choudhary:** So, Charminar Fortune is an extraordinary product that we have brought in our portfolio and I give full credit to the R&D which is done entirely in-house. This is the product which is not there anywhere in the world. There are competitors who claim that they have a similar product, but let me tell you that this has been proved every day that the products are completely different and our product is extremely superior. This is a product which we have at this moment intentionally brought into the institutional levels and the institutional segments is something that is crowded with steel sheets or the RCB. So, they have money to spend. They spend on steel which is expensive as well as RCB which is almost two times or three times as expensive as sales. But Fortune comes in exactly in the price context between Charminar, which is our existing asbestos roofing, as well as steel sheet and we are trying to therefore get this on with the institutional segment to grow this market both nationally and internationally. We are getting good volumes now from Nepal. We have already moved outside India little bit. We are focusing in other zones around the country where there are good possibilities to spread in this. We are cautious about how different climates are going to work on this. But let me tell you with pride that this product has till now got zero defect in the market and already, we are scaling up the revenues for this product about 500-600 metric ton every month and that is a good bit of traction that we are finding because remember this product has to get into new customers. They have to feel it for a year before they start repeating their orders. So, we are absolutely in the right direction. This will be a very big revenue churn for HIL in the next 4-5 years.
- Sarika Kukshiya:** Would the growth rate be parallel to what we have been kind of clocking for the normal asbestos sheet?
- Dhirup Choudhary:** The growth will be much higher here if you look at it from our side, because the base is very small. So, the growth will be much higher, but are we in a position to compare this volume with the Charminar? No. Because this is a very small volume as of now, but it will grow up to a very big business definitely. It will grow up to a big number in the coming years.
- Sarika Kukshiya:** And for Parador what is the growth plan and the cost efficiency that we are working upon?
- Dhirup Choudhary:** Growth plan for Parador is very simple. They are a company which drives 50% of the product into newer technology. So, every three years they change their product revenue by new product contributing to 50% of their revenue and that is exactly what excites us there. The R&D is something that we are promoting very highly for Parador to come up with for the new technologies. SPC, another new type of product that we are seeing in the market now, is something that we are adhering to and are coming up with a newer version called engineered SPC in Parador which is the new sense that we will bring up very soon to the market. Parador

growth profile for us is extremely good. We definitely see a lot of zones where they have not been able to make attempts and with HIL contribution now, we will be focusing on them. China will be a market which we will sensibly put ourselves through. There is a very high reason for high end product demand in China to continue to grow. There is a very big middle class, it is the biggest in the world and the latest DOMOTEX fair where we put up our stalls. The footfall was immense and the interest for Parador was immense. So, that shows a lot of potential that is there in China. That was the first JV that we have opened with Parador now and there are many more to follow in the process which will help Parador to grow in different parts of the world. As I mentioned earlier the capacity is there in both the plants in Austria and in Germany and we would make the best of it to grow. So, let me get back to you with more credential on Parador in the coming concall.

Sarika Kukshiya: Any ballpark figure on the growth numbers?

Dhirup Choudhary: It will be in the mid-single digit at the moment till we have really found a solution for further growth.

Moderator: The next question is from the line of Megha Hariramani from Pi Square Investment. Please, go ahead.

Megha Hariramani: My question is on the block and panel capacity that you just mentioned that you are looking to expand into different states. So what will be the total CAPEX for that for the year and for the next year that we have outlined?

Dhirup Choudhary: So, for the blocks and panels this is the time now that we are looking at further expanding. It should be to the tune of Rs.40 to 50 crore that we are looking at expansion.

Megha Hariramani: So, it will all be done in this year itself, in FY20?

Dhirup Choudhary: We have started in this year and I think the commercialization would happen in FY21.

Megha Hariramani: What will be your total budget for the advertisement and branding since now we have Parador into the picture? Are we looking to spend more than what we did last year?

Dhirup Choudhary: Last year was a particular year which we had spent more to get the HIL brands standout. Both the IPLs saw its virtue in last year – the first IPL was in April last year and most of the last one was in March this year. With Chennai Super Kings I think that was well received. We did a few ATLs also both for HIL to show where all it is present as well as for the pipes. I think here on, the budget will be lower than what we have spent last year. Last year we did about 2.7% of our revenue, if I am not mistaken and earlier years, we were at 1.4-1.5%. So, about 1% more was spent on the branding in last year. This year we should be substantially within 2% thinking around it. Parador also spent about 2% on branding and we should continue with that so that is how it would be.

Megha Hariramani: What will be the capacity utilization for the pipes and fittings?

Dhirup Choudhary: The pipes and fittings, the total capacity once it is platformed in the next couple of months would be about 30,000 metric tons and we are looking at close to about 50-60% by the end of this year.

Megha Hariramani: Lastly from my side next year what are the overall margins that we are looking at? I mean is there any comfortable level that we are working with on the EBITDA side?

Dhirup Choudhary: We will continue with, Megha ma'am and that is something that you will be always proud to see in HIL that I can vouch for. So, we are on the right trajectory. I think we should continue to expect similar margins from HIL.

Moderator: The next question is from the line of Kush Gangar from Care Portfolio Management. Please go ahead.

Kush Gangar: With respect to our roofing solutions, you mentioned that current couple of months have been little slow and with Q1 being the major portion of our revenue with respect to roofing, do we still maintain our high single digit growth guidance which we normally give for the roofing division?

Dhirup Choudhary: Yes, you are right that we have not started the year as we would have loved to because of the elections and most farmers who buy our products are rather interested to attend the election campaign than to construct their houses and also the cement price was at its peak. So, they were waiting for the cement prices to come down. Overall the market has been quite damped. Cash was not in the market. You are not allowed to carry more than 50,000 cash during the election period. So, all of that we have seen through. We are very hopeful that we will be able to pick up the volumes going forward from this quarter and we are still maintaining that our growth would be in high single digit.

Kush Gangar: And with respect to the Charminar Fortune have we received the international patent which we were targeting for? Because we are going aggressive and lot of international markets for the same?

Dhirup Choudhary: Thank you for asking this question this was a miss in my statement. I should have said that. We have gone in for a PCT application as I had said earlier of 120 countries and I think in 12 countries already, the patent has been applied for. And wherever we will supply, we will first ensure that the patent is there because we do not want to lose sight of the technology that we have so preciously developed and come to a level where the production is now very smooth in this product. We are getting good saving from the production so we are hoping for extremely good margins coming from this product as the products scales out.

Kush Gangar: And with respect to the growth for the Charminar Fortune product, you mentioned that currently we are around 500 MT per month sales, so just your view on that. So, it has been one year or more than one year since we have started testing the product and then doing trials with the customers. It has not scaled up as per our expectations, so any reasons for the same and outlook going forward?

Dhirup Choudhary: I would first of all try to help you understand how this business really goes forward so that we are very sensible on our expectation around this product. This is all with institutions. Institutions are big giants. They do not buy a 1,000 ton in one stage. They will buy a few tons put it on to their applications. See it for one year before they put your name into the tender list and then you will have to go to the tendering process and then try and get small quantity to prove it. And it is always like it takes 12 to 18 months to develop even one institutional segments because they are so used to steel, they do not really see a reason to change. This product, therefore, has taken on 4th of January I remember last year when we had commercialized this product. So, it has been close to a little more than a year that we are there. But the volumes have really picked up from about 50 tons per month to now ten times that and as we go forward, you would see again the volumes picking up in

double figures on percentage and I am very cautious in what I am saying. But I am very clear that this is our future product.

Kush Gangar: Last question will there be any impact on currency on our Parador margins or any currency fluctuation impact on margins?

Dhirup Choudhary: Currency front, we have done major part. We have hedged it already going forward. So, we had a bit of positive realization in Quarter 2 and then we had a damp in Quarter 3. So we have faced all of that, but we have learned from there. So, major part of it is hedged I think €6 million is all that is at the moment unhedged. But we are very conscious about what we are doing and there won't be any risk that outstanding as of now as we speak to.

Moderator: The next question is from the line of Pratik K from Narnolia Financial Advisors. Please go ahead.

Pratik K: Sir if I got the number right. You mentioned about 150 million Euro sales for Parador in FY20 looking at the current numbers. The growth does not seem to be coming in the year, so just wanted to understand?

Dhirup Choudhary: Very valid question again Pratik. I think that is the numbers which I have mentioned so that I am able to manage your expectations a little bit, let me be very frank. Parador definitely is in a position where we have done the financial integration now very smoothly. The first of its kind is front of you where we have 7 months and these results are there. Cultural integration is in process. There are lots of changes that we are making in way of their own strategies in going forward. So, I wanted to be slightly cautious while giving these numbers. At the market unfolds into newer markets, you will see the growth coming through in Parador. Just kindly be a little more patience in Parador. I know it is a big investment, but we are ensuring that money at any stage is not left on the table. The growth will come from Parador and this will definitely be much ahead of 150 million Euro. But give it a little bit time before we make the next possible valued commitments for going forward.

Pratik K: Sir on the same thing, you mentioned that the margins would be around 8% for the whole year, so if you look at the FY19 numbers, it is already at 9%. So let us take after transformation what you are looking at? After that, what margin can we expect from Parador?

Dhirup Choudhary: Pratik as I mentioned I have been a bit cautious in my numbers projections. Kindly live with that for another quarter. We will have a much better smell of it in the coming quarters.

Pratik K: Sir, can we expect a consolidated number on the quarterly basis from going forward?

Dhirup Choudhary: Absolutely you will get it. Here on you will get all the numbers.

Pratik K: Sir I just have one book keeping question if you can just help me with and that would be since we have changed the composition of a segment revenue shifted. Wall putty from building to polymer, can we get the number for Q1 and Q2 as well the reinstated numbers?

KR Veerappan: You give us some time we will give it to you we will discuss separately off line.

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

Prashant K: So, just wanted to understand about your pipes and fittings. What would be the growth that you can confidently project for the next year, for FY20?

Dhirup Choudhary: We grew in this division by close to about 100% in this financial year. So, in the coming financial year we are expecting that at least we grow above 60-70%. We are putting all attempts towards this segment.

Prashant K: So, with the present capacity and you said actually what would be the revenue at present prices?

Dhirup Choudhary: Present capacity if utilized fully and with the right product mix, we should be closer to Rs.400 crore.

Prashant K: So, next year if you are talking about 60%-odd growth, we are talking about just a 350 crore revenue?

Dhirup Choudhary: I am talking about Rs.170 crore revenue in pipes because there is a putty also which is around Rs.100 crore, so putty will also grow. So hopefully the number that you are looking at may not be that much but a little lower than that between the two.

Prashant K: So, what will be the present top line growth including Parador. Exchanges approximately may not be a guidance as such because in polymers suggestion last year like FY19 we had a 100% growth and that is what carried rest of the growth rate and there is nothing about from Parador. So yes, if you are talking about around Rs.170 crore from pipes and another Rs.110 crore odd so the growth would be just around Rs.40-50 crore from polymer solutions. So best around Rs.70 crore so that would be just around 4% and Parador adding up another high single digit or maybe 6% to 7%.

Dhirup Choudhary: If your question is on top line where will HIL be by the end of this financial year? It will be close to Rs.2,600-2,700 crore including Parador.

Prashant K: So, that will be the full year of Parador?

Dhirup Choudhary: Right.

Prashant K: So, we are not targeting high top line as of now possible with the current capacities?

Dhirup Choudhary: Yeah.

Prashant K: And the margins remained the same?

Dhirup Choudhary: Yes I think more or less where we are. That should be a margin we definitely safeguard if not grow.

Prashant K: Okay so it is Rs.700 crore and around 11% to 12%. Just one last thing sir, are we considering any stock splits? Do you think that it could be the right price for your stock because valuations or first should I say value in the markets? The volumes are pretty low because outstanding share is Rs.74 lakh. So do you think that we should or maybe we could think of stock split just a broad view?

Dhirup Choudhary: Valid point from your side as an investor, but it is to a wrong person, Prashant. I am not the owner of this company. So, I guess pass this question for the AGM and

ask it through the board I would sensibly say. This is not a decision I would be able to help you with, sir.

Moderator: The next question is from the line of Sree Ram from Metro Investments. Please go ahead.

Sree Ram: You have stated in the presentation that you opened a showroom in China in the city Shanghai, is it only a showroom or have you started appointing distributors also in China?

Dhirup Choudhary: Absolutely. It is a joint ventures showroom and has just walk in. We call it PoS, Point of Sale. So basically you can see the products. You can place your orders. But that's just one of its kind that we have set up in Shanghai, which is a fantastic showroom we have. But the joint venture partner that we have has a very good spread of distributors and we are only continuously developing that further. So, the point of sale is only more from the taste and the look of the product, while the sale would happen through the distributors.

Sree Ram: And secondly how more you bring this? I know India is a country matured to drop out the products?

Dhirup Choudhary: I think this is a question which haunts me every day and we are working towards that and we are doing a lot of market research. We set up a small team here specific to bring this product to India. What people have done very well here is just consolidate their business to about Rs.20-30 crore each of our competitors from Europe in India or in the Indian context, some of the manufacturers, but no one has really developed this segment as much. So, I think it is still a segment which is populated by stones, marbles, carpets and tiles. So, a lot more work has to be done. Specifically, products that are not sensitive to high temperatures or let us say water or termite are the ones that will work very well in this country. So, we are picking a stock of those things and we are trying to explore the market. We have already created three distributors in the country, in the main cities, who have together taken promise to take this business up and the first orders from them have been quite bullish. As I mentioned what type of business Parador did last two years, we have been able to cover it in our first orders. We are hopeful it is a process of first developing the need for this product and then selling this product in India, but we are very clear that this will happen and we will be the first movers to do so and it is a wonderful product that the Indian market will relish. So we are very hopeful.

Sree Ram: My final question is that have we started leveraging these Parador distributors worldwide with the HIL products?

Dhirup Choudhary: Parador distributors incidentally are not in or around our country. Our products in HIL have not moved a long distance yet. Fortune would be one, pipes will be another for which we would definitely look at leveraging Parador distributors. But as of now in countries surrounding India, Parador is not very strong, so we have not been able to leverage it.

Moderator: The next question is from the line of Sri Ram Rajaram from Sundaram Mutual Fund. Please go ahead.

Sri Ram Rajaram: Sir in opening remarks, I mean, you had mentioned some sort of slowdown that we are witnessing and we are expecting some sort of pick-up. So just want to know what is the confidence that you are getting on the ground that pick up would probably start because we are already two months for the full year and generally Q1 is a big one for us. What is giving you the confidence and how do you see the

volumes for the industry and for yourself as far as the roofing business is going forward?

Dhirup Choudhary: Sri Ramji, again if I tell you I am very confident that it will be a wrong statement, because we have yet to see how the market really unfold after the political scenario. The confidence in the market is very high with the present government and our honorable Prime Minister coming up with thumping victory, we are definitely hopeful that a lot more investments will happen in this country which will promote the products that we make and we are quite close to being utilized for all of it that Prime Minister funds really goes for. So, I am very hopeful and I am encouraged that this business is definitely going to look good in the coming months.

Sri Ram Rajaram: Is there a number that you have in mind if at all?

Dhirup Choudhary: I mean we definitely have certain expectations but let us unfold it a bit more. I think a couple of more weeks. 30th May is swearing in and I think a couple of weeks thereafter we would definitely see how the market unfold. The season would be there this quarter. We are well poised. We have positioned our products in different parts of the country where it is needed and there is a small bit of engagement we have done with great Mr. Salman Khan for his new movie where a lot more engagement with the dealers are planned where they could go and meet Salman and Katrina. So, all of that have been planned very well and we are very hopeful that we would be able to get the best of the market once it opens up in a big way.

Sri Ram Rajaram: The reason why I am asking sir is, I mean, we are talking about a kind of a rainfall deficit this year. How will that impact? That is what I want to understand. how the macro picture would actually impact the roofing segments as a whole?

Dhirup Choudhary: Markets for roofing segment, had it not been a political insecurity or bit of a slowdown, was really projected very well and I was very hopeful of that and I am still hopeful that we are going to make the best of it once the cash flow improves in the market in the coming years.

Sri Ram Rajaram: Sir what was your volume as the asbestos sheet including Fortune for Q4 this year and last year if you can give the volume numbers. It has not been disclosed in presentation?

KR Veerappan: The sales number for AC sheet in Q4 there is still 1,71,106 tons. Fortune we have done 1,582 tons against 282 tons last year.

Sri Ram Rajaram: Sir the last year, what is the full number for the roofing segment Q4FY18?

KR Veerappan: Full year is around 8 lakh tons this year against 7.69 lakh last year.

Sri Ram Rajaram: No, I am saying Q4 FY18 figure alone if you can give?

KR Veerappan: FY18 is 1,85,000 tons.

Sri Ram Rajaram: So, what were our gross margins for last year versus this year for the roofing business, if you can give the gross margins?

KR Veerappan: I have mentioned in my remarks that margins have been maintained last year and if you see the EBITDA margin, we were at around 21% last year and this year also roofing is 21%.

- Sri Ram Rajaram:** So, as a percentage of cost how much is the component of cement?
- KR Veerappan:** Cement is about 30%.
- Sri Ram Rajaram:** And does it change very much for Fortune or it stays the same?
- KR Veerappan:** Same.
- Moderator:** The next question is from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.
- Mahantesh Marilinga:** Just a call earlier you have mentioned about this Brazil stopping these bids of the raw material. How are you placed on that front? Will there be an impact on the costing or it is not that material?
- Dhirup Choudhary:** This is definitely a risk and therefore I wanted to be very transparent with all of you that this is a risk. This is not a risk to HIL alone, this is a risk to the entire industry. Brazil was one of the biggest suppliers of fiber into all the companies that make fiber cement. This is the risk, but we have been the leaders in these segments. In India we have very good relations with the other manufacturers or suppliers also and therefore, we think we will be able to mitigate this risk considerably. We are going for a discussion with them very soon and hopefully we will be able to come out with very good results through that.
- Mahantesh Marilinga:** Currently what is the contribution of Brazil in your raw material government?
- Dhirup Choudhary:** See we do more than 50% from Brazil.
- Mahantesh Marilinga:** But then the whole shipment will be stopped since it is the Supreme Court decision?
- Dhirup Choudhary:** So, it has stopped already and till the Supreme Court really withdraws their decision, at this moment, this will remain stopped. So, that is exactly what we are trying to do, we are now trying to get from the other manufacturers.
- KR Veerappan:** In fact we have not had any problems for our manufacturing, the season is protected and we have tied up with the other suppliers as Dhirup said that we have an excellent relationship with the Russians. So, we have been getting a material. There has been no problem so far.
- Mahantesh Marilinga:** Is there a difference in the costing in both the Brazilian and the Russian raw material prices.
- KR Veerappan:** It is very minor. It depends on the different types of the product, but we are managing it so I do not see any such problem.
- Dhirup Choudhary:** I think more than the fiber cost it is the overall element that is fiber and what is the other parts of that. So, overall it is just a worry that I thought I should platform transparently but is that having a substantial business effect I do not see that.
- Mahantesh Marilinga:** In a call earlier just mentioned the pipes has been shifted from others to which segments?
- Dhirup Choudhary:** From others to polymers.

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

Nikhil Upadhyay: Three questions one is on the polymer division. So if we see the revenue, we have just doubled the revenue and that revenue doubling has happened both for pipes and putty, but the EBT has moved down from Rs.8.3 crore to Rs.2.8 crore. So if I remove that, because we did a lot of higher Ad spending this time around. If we remove the Ad spend, what would be the manufacturing EBT? If you can just help me understand?

Dhirup Choudhary: Around Rs.6 crore. You can have that Rs.6 crore, it will be Rs.8.9 crore.

Nikhil Upadhyay: Why I am asking is because even in putty, our margins are lower or because putty also has seen a strong growth?

KR Veerappan: Since there is a higher depreciation also. So, it is not an operating problem and if I add that depreciation of another Rs.6 crore, actually Rs.14.9 crore.

Nikhil Upadhyay: So, the EBITDA is around 14 crore?

Dhirup Choudhary: Yeah.

Nikhil Upadhyay: So, this year if I understand correctly in pipe we had many new facilities which were coming up and now as we move up the capacity utilization with better volumes, you mentioned that probably the margins might remain same for FY20, but if I consider that the capacity utilization will improve and added to that the growth on the polymer division. The polymer division margin itself can move the needle?

Dhirup Choudhary: I totally agree with you Nikhil ji. Very valid point. I refrain from giving very positive futuristic figures because it is best to appeal at once we receive it. I am very bullish on this segment as I mentioned.

Nikhil Upadhyay: No I am just trying to understand is that a possibility which can happen here?

Dhirup Choudhary: Absolutely yes.

Nikhil Upadhyay: Secondly sir on the CAPEX plans you mentioned that for the building solutions you would be doing some Rs.40-50 crore of CAPEX and if I look at our company over a next two to three years period, most of the pipe CAPEX is already now done. So, we increase the lot of pipe capacity in the last two years. So with the cash generation that we would see over the next 2-3 years, would we see an accelerated debt repayment deleveraging or we would be looking at keeping the cash and probably going for another acquisition or entering a new segment?

Dhirup Choudhary: Nikhil ji I think if we go for expanding a new segment or whatever we are always conscious of our debt equity ratio and we will try to maintain that as 1:1, if not bring it further down. So, that we are sensibly into the business

Nikhil Upadhyay: Sir where I am coming from is if we have to understand our focus over the next 3-5 years over a medium term because we have Parador acquisition with us where the utilization are 60% and most of the bandwidth could be going to move that 60% to probably 80-85% so as to get the benefit of the acquisitions. But parallelly, the core business is itself generating a lot of cash which basically covers up the debt. So, effectively if I look at our cash generation, we can cover up in two and half years. So, considering that as a management the way we are placed as of now,

how do you see the roadmap for the next 3-5 years? So would it be the similar mix of businesses or would it be like we might go into some other segments? So how are you thinking over the next 3-5 years?

Dhirup Choudhary: I think I am very clear that we have to first make a meaning of the Parador acquisition, in which we will put all our energy. Bandwidth is never saturated because in Parador, we have a fantastic management team which is there and we just have to support them in whichever way that is there to augment their capacities and enhance their revenues. That is something that we are fundamentally doing. Pipes business is another that we are putting all our energy into to expand that, and there is very clear focused operational themes that have been set up there to augment that business. So, that's their fortune. We have a very specific and separate management which is looking at Fortune expansion so that is something that is also there. So, all these three businesses definitely we are going to expand and grow much beyond in Vellore, early in two-digit number. So, I am very hopeful that we will reach the good numbers.

Nikhil Upadhyay: Our first focus would be to grow these three businesses rather than entering anything new as of now?

Dhirup Choudhary: I am not in a hurry at all to enter into anything new. We are opportunistic though I am not closing that, but we are not in a hurry at all. We are very much focused on the business in hand.

Moderator: The next question is from the line of Bobby Jairam from Falcon Investment. Please go ahead.

Bobby Jairam: Mr. Choudhary prior I may I just can't make sense of this Parador acquisition, especially when you have a German from a 4-5 decade old that has been operating globally and we suddenly take it over and want to help it expand. So what is the edge we really bring to such a company?

Dhirup Choudhary: Yeah there are quite a few of them that we bring definitely to them. Number one is our astute financial management is something that we are definitely supporting them with. Best use of the money is something that we Indians understand very well and as a HIL and as a CK Birla group, I think that is our core competency. Second is professional management skills in the operational excellence to drive their profitability in even better way.

Bobby Jairam: This is a German company we are talking about. They are miles ahead of us in engineering and operational skills?

Dhirup Choudhary: I do not agree fully with you sir. It will be exciting to exchange our notes I have run companies in Europe for last more than a decade and I am well aware of what are their strength they are fantastic in technology, they are fantastic in R&D. Can they learn something from us in way of operational skills and can we learn something from them on technology and product development? Yes, both these opportunities are open. We can already see that Parador is very open for learning and that is the kind of cultural streamline that we are trying to define ourselves. Even from a market point of view, it is definitely delicate for the European companies to operate in growing markets of Asia unless they have someone to protect their back and that is exactly what HIL will do.

Bobby Jairam: No but China is full of German companies I mean China has been open for years and it is full of European companies. So I fail to understand how we can actually help them there?

- Dhirup Choudhary:** The German companies in China which are making their mark really are with the local joint venture participation. Companies which have gone and opened their own company, set up their own management with the Germans. All Germans there have not at all performed. I have personally run companies in China for the last one decade and I can tell you that the success in China comes from being supported by their local partners and unleashing really every bit of what China needs, it is exactly like in India.
- Bobby Jairam:** I understand. The question is what value do we add? They can directly have a Chinese joint venture. I mean, we do not know the Chinese market do we?
- Dhirup Choudhary:** Now we are helping them to think in that direction and therefore, articulating their own strength towards developing these markets.
- Bobby Jairam:** And we have so many businesses here that we have ventured into. I mean, from an asbestos company we started building materials then we went on to pipe and all of them are at a meniscal scale at this point and yet we make such a huge acquisition. I mean, how much bandwidth does a company have? I do not get when we had such a small scale in India, why go abroad?
- Dhirup Choudhary:** I think you have a particular view on all of this. We definitely would love to sit around and engage ourselves. When you say meniscal of the building material which we have landed up may be about 6-7 years back. It has already reached a Rs.400 crore level and I do not see for HIL, it is anymore small. When you look at putty, we have already scaled it up to Rs.100 crore from virtually nothing two years back. When you look at pipes, we have scaled it up to Rs.100 crore from virtually nothing. These are businesses which are futuristic. We had to expand our product portfolio. We had to be more cautious about how to broaden the non-asbestos portfolio that is exactly what we are doing. Flooring was something that we are very extremely happy to have acquired. This is a fantastic company which is a great product company and a brand company and we see a good possibility of expanding. It is all done with rational thinking by the management. Please have faith in this management, we are absolutely on the right track.
- Moderator:** The next question is from the line of Abedali Morbiwala from Vibrant Securities. Please go ahead.
- Abedali Morbiwala:** My question is on Parador. The current team has been retained, right? There is no change in the management and team at Parador?
- Dhirup Choudhary:** Absolutely right. There is no change in the Parador team. It is the same incumbent management that is directly reporting on to us and we are helping them to unleash areas which possibly they need to stretch.
- Abedali Morbiwala:** So, it is a simply a change of ownership which has taken place?
- Dhirup Choudhary:** Absolutely.
- Abedali Morbiwala:** And what was the just brief rational for the seller I mean was he not able to operate the business properly? I mean can you give some color on that how did we land up?
- Dhirup Choudhary:** The owners of Parador was a PE firm and as PE firms are known. They tried to extract the best out of the business for the time that they own and then look always for an exit whenever they want. And I think the bandwidth had come to a level where they wanted to exit and we were at the right time at the right place to take it at the best price.

- Abedali Morbiwala:** But half a time I think maybe the sales is a, would not say a very demanding valuation. So is the current and at the current levels is the business sort of one profitable as a current utilization level. I saw that the PBT is around Rs.25 odd crore, but is it when we bought was it profitable entity?
- Dhirup Choudhary:** When we bought it they were profitable and we definitely saw that there were huge opportunities to expand it further and that is exactly what we are trying to do at this point.
- Moderator:** The next question is from the line of Ritika Vaidh from Aequitas Investment. Please go ahead.
- Ritika Vaidh:** So, in our polymer solution business how much has pipes contributed this quarter?
- KR Veerappan:** Rs.34 crore.
- Ritika Vaidh:** And on EBITDA level?
- KR Veerappan:** EBITDA level will be around breakeven.
- Ritika Vaidh:** So, how is pipes doing as a whole? Like what kind of revenue do we expect going ahead because we expected a very aggressive growth in pipes division?
- Dhirup Choudhary:** I mentioned this sir a little while back that we are about Rs.110 crore revenue last year and we should look at 60-70% growth in this business this coming financial.
- Ritika Vaidh:** That would be at what kind of EBITDA margins?
- Dhirup Choudhary:** It will be in the single digits.
- Ritika Vaidh:** And about Building Solutions segment, so now that we have changed our mix what kind of EBT margins are sustainable with the current mix?
- Dhirup Choudhary:** The current margins that you see have been projected to you after taking out the putty. The only trends that we have done there is taking the putty out of building solutions and putting it with pipes because there is a 100% synergy with the sales network of pipes and putty and that is the reason, we have done this. So, the margins that you see there is about 11%. So, I think this is very much sustainable.
- Ritika Vaidh:** And sir if you have mentioned something about Rs.6 crore Ad spend and Rs.6 crore depreciation, that was in which division I actually did not quite get that part?
- Dhirup Choudhary:** The polymer solutions.
- Ritika Vaidh:** The polymer solutions for the quarter.
- Dhirup Choudhary:** For the year.
- Ritika Vaidh:** And sir last question would be on Parador. So sir we actually expected Parador to be EPS accretive but it has not turned out to be in the current year?
- Dhirup Choudhary:** It is EPS accretive if you consider Rs.21 crore of exceptional cost that has gone towards acquiring this company and the tax we have paid at Germany to acquire the German entity. So, if you add that Rs.21 crore, then you will see that from an operational basis it is EPS accretive.

- KR Veerappan:** Rs.21 crore is a one time. It will not be there from the next quarter.
- Ritika Vaidh:** And sir, what will be the total debt figure on a consol levels?
- KR Veerappan:** Total debt is Rs.600 crore. Consolidate including Parador.
- Ritika Vaidh:** Sir roofing you mentioned, that I did not really understand for de-growth in Q4 and roofing when our other peers have actually shown a growth.
- Dhirup Choudhary:** What I said is, we have been very selective in our orders in roofing. We are leaders, markets leaders, not only for the market share but also for price. We are the ones looking at, soon the competitors decides to raise or lower their price. But we are always the leader in the market, we continue that way. Q4 we definitely saw that the market has come down and therefore there was a fierce fight in the market to reduce the prices. You can seek from the results of all our competitors they have weakened their Q4 EBITDA substantially whereas we have continued to stay at our price levels to protect our margins and that is exactly we lost the bit of quantity.
- Ritika Vaidh:** And sir this time you have not given out the volume figures in your presentation actually I wanted the volume figures for our various divisions?
- Dhirup Choudhary:** Mr. Veerappan did call up the volume figures for the roofing segment as was desired. The reason we have not put in the presentation let me be very candid, is because none of our competitors put these numbers so openly because it was not available. But anyone of our investors wanting to get these numbers, we are just too open to give it to you.
- Moderator:** We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- Dhirup Choudhary:** Thank you very much. It has been a pleasure as always to interact with all of you over this call. I am sure that one hour and a few minutes may not be enough to answer all your questions. We thank you for taking time and engaging with us. We value your continued interest and support. If you have any further questions we would like to know about your company, kindly reach out to our investor relations desk. Thank you very much and look forward to a similar interaction again next quarter.
- Moderator:** Thank you very much. On behalf of HIL Limited that concludes the conference. Thank you for joining us. Ladies and gentlemen you may now disconnect your lines.

- ENDS -

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