Date: November 29, 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 Monday, November 18, 2019.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated November 07, 2019, Please find attached the Transcript of Analyst / Investor conference call held on November 18, 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.

G Manikandan
Company Secretary &
Financial Controller.

HIL Limited

Q2 FY20 Conference Call Transcript
November 18, 2019

Moderator: Ladies and gentlemen, good day and welcome to the HIL Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone 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: Thank you. Good afternoon ladies and gentlemen, and welcome to HIL Limited's Q2 & H1 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 we have with us Mr. Dhirup Roy Choudhary - Managing Director & CEO of the company, Mr. K. R. Veerappan – CFO, Mr. Manikandan G - Company Secretary & Financial Controller and Mr. Ajay Kapadia – Head, M&A & Investor Relations.

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

Dhirup R. Choudhary: Thank you, Karl and thank you, Margaret. Good afternoon ladies and gentlemen and a warm welcome to everyone in our Q2 and H1 for the year 20 results concall. I thank you for taking out this time to join us on this call.

Q2 continued to remain challenging for us. We endure to give precedence to margins over volumes across business lines and our business reflects the same on a Q-on-Q basis. We are focused towards changing our segment mix to de-risk the business and define predictable growth for the coming years.

In terms of consolidated figures, we have achieved 47% growth in revenue during the first half of the year and maintained the EBITDA amidst severe headwinds. The sluggish demand of our roofing business continued this quarter while the industry is still in the middle of streamlining the supplies and pricing for asbestos, fiber and cement.

Despite the lower volumes, HIL maintained its position as the premier product in this segment while focusing on stable margin continued. We remain committed in our endeavor towards achieving the best cost efficiencies in all our businesses. We also foresee an upside from softer cement prices and gradual improvement in volumes in the forthcoming months, though the cement prices in certain areas in the country going to steep up further.

Charminar Fortune, our innovative, non-asbestos, cement based roofing product, the only of its kind in the industry continues to receive a heartening response from our industry clients. It is a world class product and through trials across different seasons has proven its mettle. The fact that our client base is consistently improving is further proof of the same and we are investing in expanding the dedicated capacity to support the growth we foresee. We also expect it to gain traction in selected export markets which we are holding back till now owing to IP registrations and are certain that it will standout with its unique value offering.

Amidst headwinds, our building solutions segment continues to enjoy another robust performance maintaining its revenue across the first half. Even at the high level of capacity utilization close to 100%, Birla Aerocon products quality has remained uncompromised. We also invested in enhancing the block and panel in our present plants having reached a profitable business stability in this segment now. Augmentation of the capacity in a big way is a logical way forward to grow the business profitably and we are seriously considering the same.

The performance of the polymer solutions segment is edging towards our expectations. We continue to strengthen our presence by driving strong and focused branding and a wide bouquet of SKUs. The increase in cost of PVC resin due to antidumping duties posed further pressure on margins going forward. Our brand building around the putty business and market penetration has helped grow this business by 30% during the first year of the year and get stronger in targeted market. We are committed to take all actions to mitigate the pressure and grow these businesses continuously.

Our belief in Parador and the rationale of building a flooring category with a world class brand in our portfolio is proving to be right. Whilst Q2 remained a sluggish quarter for Europe, Parador has continued its run of strong growth in Q2 with robust growth trend in EBITDA margin on the back of implementation of Six Sigma, improved operational efficiencies and growth.

German flooring market has degrown by 5% while Parador has grown in double digits in its key market owing to strategic sales initiatives. It continues to ramp up production and expand outside Europe market. Even in India, our Initial launch has had a positive response. We have already got a few big project orders for our products and hope to slowly and steadily improve the brand presence and business of Parador in India. We expect to see an acceleration in flooring solution momentum from Q4 with adequate support of our branding and business development teams in focus markets. We will continue to work on reinforcing our product quality, gains of production, cost efficiencies and brand initiatives. We are certain our policy will see us through these difficult conditions that we all face with at present.

Thank you very much for your patience hearing. I would now like to hand over the discussion to my CFO, Mr. K R Veerappan.

K. R. 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 Q2 & H1 FY20.

Before I begin, let me add that my discussion will also include the performance of Parador under consolidated numbers as was done in last quarter. The standalone revenues declined by 1.7% year-on-year during Q2 at Rs. 302 crore from Rs. 308 crore in Q2 FY19. The roofing solutions business degrew by 7.8% year-on-year. The focus continued to be on a better price realization clubbed with effective cost reduction measures vis-à-vis the competition and as a result, our margins have improved during the quarter.

On the non-asbestos side, the Charminar Fortune displayed a robust performance in institutional segment and the response was heartening. The building solutions segment degrew marginally by 2% and polymer solutions grew by 14% during the quarter amidst severe headwinds.

The consolidated EBITDA stood at Rs. 60 crore as compared to Rs. 71 crore for the same quarter last year showing a degrowth of 15.3% year-on-year. The main reason for higher EBITDA in Q2 last year was an exceptional income recorded on account of one time Forex gain of Rs. 8 crore. The consolidated PBT de-grew by 13.7% and stood at Rs. 27 crore due to higher depreciation. The consolidated PAT, profit after tax, showed a 164% increase at Rs. 32 crore as we chose to exercise the option permitted under Section 115 BAA of the Income Tax Act 1961, recently introduced by Taxation Laws Amendment Ordinance, 2019.

Focusing on the segmental results, profits for roofing solutions improved during the quarter despite de-growth in volume as a result of better market realization and operational efficiencies. As mentioned earlier, we gave greater importance to the profit margins which has been protected and continues to be the highest among the roofing players by miles for yet another quarter. The building solution segment gave another robust performance with great product quality despite functioning at near full capacity. The polymer solution business grew by 14.4% during the period; however, PBT was near breakeven due to change in product mix and higher depreciation. The expansion of pipe capacity in our Timmapur unit is partially completed and commercialized last week and we remain confident on returns on these investments on all these capacity expansions.

Flooring solutions continue to perform better and delivered PBT of Rs. 6.2 crore in Q2 and Rs. 18.4 crore in the first half of the year. We made efforts to enhance our efficiency at an operational level to minimize impacts of external factors and productivity. We continue to enhance our production and expand in markets outside Germany. We once again reassure our investors that your company is taking all necessary actions to enhance the investor’s return while strengthening the organizational stability and sustenance.

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

Moderator: Thank you very much. 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: Just one question. It looks like the big delta on profitability that we could expect in the next couple of years, given capacity utilization in building and in roofing, would really be from polymer and to an extent Parador. Could you give us some sense in the polymer segment, you are up against extremely well-entrenched competitors who have built fantastic national brands, excellent distribution all that. Currently we are not making any money there. What is sort of your right to win in this segment, are you going to be giving better terms to dealers, are you going to be undercutting the Astrals and Supremes, how do we plan to take say the market where we are faced with formidable incumbents and what is the path for profitability. What kind of revenue and profit numbers could we expect to be doing in the next couple of years, that is one question. My second question is on Parador. Obviously, you took some debts to acquire this. I am trying to understand, the worst case scenario, say something happens in Europe and if the company doesn't do so well, how much of this debt has recourse to the parent business via either debt taken at the parent level or via guarantees to the lenders of Parador?

Dhirup R. Choudhary: Thank you, Mr. Chandrasekar. Very good questions, I must say. First of all, just to put a piece of correction to your question, I don't think the delta profit for the balance part of the year is only going to be from profits of polymer and from Parador. We are very hopeful that with the incremental direction of efficiencies that we have taken in the organization and Q4 being better quarters along sides of Q1, we would see roofing segment definitely shaping up and I am very hopeful on that. And therefore the delta of profitability would come through there. Of course, so far as last year versus this year is concerned, of course there is going to remain this concern. Fortune is another product which is shaping up well and that is definitely going to take the credit for future growth. Polymer solutions, as you rightly said, is against the competition and there are quite a few headwinds there. a) Big dealers have non compete clauses and they do not want to therefore work together with us. Our product has yet to prove its stability on cost because it needs volumes and therefore the more volume we push through, the better. We are trying to get synergy from our other businesses. So polymer business, last quarter we have already started the synergy work with our roofing segment, and I think that way things are shaping up very well. The head of sales for roofing is also helping us with the polymer sales to try and build this synergy amongst us. We are very hopeful that some of the dealers with the roofing segment are going to help us. Putty and other business that we have brought in there and this synergy is working very well. So dealers who are not ready at the moment getting with polymers are getting excited to join us using a consolidation of putty and polymers. There is a 55% synergy between these two products and that is something that is helping us to grow and therefore we are quite certain on the actions that we are taking. Some of the actions that we are taking which possibly could separate us from the rest and there will be very few that you can line up there, is our connect with the retailers as well as the plumbers. I think that part, at least from our point of view we are trying to excite most. I think that is something, so we are not pushing the product but rather wanting a pull by the BTL marketing activities as well as drawing the synergy from a pull from the plumbers. So far as your Parador is concerned, I think we are very comfortable that till now the Parador acquisition has come out extremely well. There is a lot that we have done in building the synergies around. Parador is a product which we are very happy to have in our particular product profile and experience has also shown that if you are able to handle things right we will definitely ramp up the product profile. On so far as the debt is concerned, there is no recourse to our parent company here. The debt is very much taken on Parador and therefore, your hypothetical question of anything going wrong in Europe, how will it impact HIL, it is not going to impact HIL so far as the debt in Europe is concerned. I hope I have answered your question.

Nagraj Chandrasekar: Is the debt in India that has been taken by the parent company for Parador?

Dhirup R. Choudhary: Yes. There is a debt in India, that we have taken in for Parador in India and we are very sure how we are going to treat this. I had alluded that there are some assets that we have which we want to liquidate over the years to bring this debt down and those activities are on. You would definitely hear about this in the next 2 to 3 quarters and you will be very comfortable about the debt situation from India then.

Nagraj Chandrasekar: And these would be real estate assets, things like that or what?

Dhirup R. Choudhary: Yes.

Nagraj Chandrasekar: Understood. So you have some real estate assets that you can potentially liquidate and once that is done, you basically indemnify the Indian company from any consequences of Parador, you are saying right now we don't really see a path to significant level of profitability from polymers given the competition. But the big hope is really that, roofing and building could see a bit of an uptick and that is where the big delta comes from. Plus the Parador anything works out, there is a delta there. In that situation, is it at all, I mean why keep polymers around, why not just wind the business down and focus on something else where there is less competition.

Dhirup R. Choudhary: I think you are coming back to the initial question and first of all, you see, it is important for you to get a history on HIL. HIL was extremely dominated by asbestos roofing sheet business and therefore, the entire bid, all the eggs were in one basket. There was a definite need to de-risk the company and get into products which are non-asbestos. We had served the entire market and come with polymer as one of the businesses we want to get into India for. We have looked at several other businesses at that stage in India and we couldn't find anything substantial and therefore went for the flooring business in Europe. I had clearly stated this was the 176th company that we are looked into from an M&A perspective before we signed on to Parador. We have put all our efforts and energy on polymer and beyond what possibly you won't be able to envisage that we have done and we are very confident, we stand confident that we will be able make this business a profitable business. It takes time. The whole concrete actions around polymer, have started only less than 2 years since we have invested the 130 crore CAPEX. We are very clear what we are coming up with. This is a business which excites us. Every business that you want to get in as a new will have its gestation period, please live by that. As long as your comfort and confidence is with the management of this organization, I think you will always be surprised by the result, and surprised positively.

Moderator: Thank you. The next question is from the line of Karthik Sambhandham from Unifi Capital**.** Please go ahead.

K. Sambhandham: Three broad questions. First up, Mr. Choudhary, with half way into Q3, what is the nature of volume salience you are witnessing in the roofing business. You know this is important given that, you mentioned in your opening remarks that you are protecting margins as against volumes in the first half of this year. So some commentary on how the demand outlook is. And you also did mention that cement prices are softer than they were in H1. Keeping that in perspective and the ongoing situation in Kazakhstan and Russia, how would you build your margin estimates, the roofing segment in H2 of this year?

Dhirup R. Choudhary: Thank you, Karthik. Thank you for asking the question. We have definitely seen October was a weak month for us. And it was a weak month from perspective of roofing in India and then the building solution also, the cash availability receivable status and all those sets were deterrent to us. While we say that the cement price has softened, it has softened only when it compares with Q1. But we are still higher in cement price than last year. I am hearing news in the market that it may further steep up due to the presence of some big cement manufacturers and that is something we will not be able to handle. Fiber is definitely a critical element in our business for roofing and fiber prices have scaled up immensely owing into overdependence on Kazakhstan and Russia. Therefore, and even more reason that we look at improving our selling prices or maintaining and improving our selling prices in the market as well as look at various alternatives of reducing the cost base. This is aggressively going on and we are very confident that the margins that we have projected are the margins that you have seen in the quarter and are something that we will continue to leverage on and continue to realize over the years. Volume is definitely something which is dictated by the market while October has been soft, November has started reasonably well. I won't say that we are de-growing as much as we were in the earlier months and therefore we would like to now push our brand in a much bigger way. There are lots of activity we have done at the retail space. For roofing, we have gone in with special schemes with the retail space plus the connect at the retail space has gone up even more. There were lots of counters that we have been able to build further to our activity earlier reported. And that gives a very positive sense to me. I think Q3 may not be one where you will see exciting results, but Q4 you would be able to see the realization of all these activities. So as a year, projection I would say you have all to hope from HIL.

K. Sambhandham: Sure. You spoke quite positively, but the acceleration in the volumes expected in Parador, how should we read that? Is this acceleration driven by Europe or initiatives in China, if you could expand on that please? And in terms of Parador's margins, given we are not privy to last year's entire margins, how would you suggest we understand the margin profile of Parador going forward?

Dhirup R. Choudhary: So, let me answer the first question. The China business, so let us talk from there. The business is showing positive growth. And last month in China was a good month. We had always said that any JV that we move into, it takes time to reap up and shape up. China is a very big market and there are extreme high possibilities of prosperous growth. It takes its own time unless you are able to do it well. So we are very positive that we are not losing market in China at all. We are not losing profitability in China at all. And the positive contribution from the business in China you would be able to see from Q4 onwards in a big way. Our plans to enhance Parador performance, I would like to highlight in a few sub points. So first of all 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. And I must say this is where many companies in India could go wrong. And I think we have gone absolutely right on that. The second goal we had was to improve the operational efficiencies in Germany and Austria. In our factories, we have introduced lean sigma and the local team has taken up on themselves many projects to improve the profitability, even working with suppliers and trying to see the viability of getting into new suppliers with a lower cost base is something we have looked at. H1 results are a positive reinforcement towards all of these.

The third important measure was to strengthen our organization from sales and marketing point of view in Parador. Germany is our biggest market for Parador, we sell about 50% of the product in Germany and Austria alone. This market was de-growing by about 5%. And we therefore changed our strategies of sales in Germany in place of going into a 3-level sales platform, we directly started going in for the consumers. This has helped us immensely. We have grown in Germany about 10% in H1. Parador has also taken Spain as the next action country for ourselves and a lot of actions along with strengthening our organization there, building a cohort to support Parador business. We are happy to say that we have been able to acquire about 19% market share in Spain already. Our market share also going right up to Australia has been further strengthened and we have secured about 20% market share in Australia from a much lesser figure as it was just about a year back. I think introduction of a new Sales Director in Parador is something we always believed in. It took us sometime to select the right guy, a person who has extensive experience in different parts of the world was something that we wanted to bring in and we are happy to say that the new Sales Director has joined us in Parador and we expect that many such deliverables around the world is something we will be able to do it. We will look at focus markets to expand Parador and that is something we are looking at. From a Parador point of view, we are hovering around

7% to 8% margins and our first intention would be to bring it to double figures and then take it forward. So the actions are very much on.

K. Sambhandham: If I can just squeeze in one last question, you mentioned about your debt reduction plans. Are we to read that, there is some kind of finality in letting go of your large land parcels. I understand this has been in the works for more than a year now. Any tangible developments in that front?

Dhirup R. Choudhary: These things do not happen suddenly as per your projections. So many times these can go into swings and therefore it is better not to speak about them in open forums or in any ways because business, I can only say management is fully committed and you would get to see this, it should take about a year more, so please live by that. Already, we paid Rs. 30 crore out of Rs. 270 crore that we have taken through our internal accruals and further will be reduced by the time March ends. And we are hopeful that with the sale of some of the unused asset that we have, we will be bringing this debt down substantially in one year's time.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Sir my question is related to the roofing business. I can see that there is a good improvement in the margin in the roofing business you had delivered, even in the scenario like the raw material prices were on the elevated space as well as the rural market is under slowdown. So can you give some more color on what kind of a cost rationalization you did and whether this Charminar Fortune has contributed in a larger way which actually improved your margin?

Dhirup R. Choudhary: Thank you very much, Praveen. It is as good a pleasure to speak to you as for you to join this call. Definitely all actions that we have taken in improving the margins of roofing is on the right direction. It starts with efficiencies of manufacturing, it starts with maximizing production in every shift. We are at a world class levels of shift productions from each of our lines which is done by a very strategic and supportive help of all our colleagues, TPM which is strongly being followed, Six Sigma which is being strongly followed, all our plants are delivering huge results on that. And efficiencies on OEE, on power consumptions are all being monitored. Variable costs are being lowered at every stage. Further than that, of course we have not lowered our selling prices amidst severe pressure that we have from our competitors to do so, if we were to straight away go for volumes and I think that was the strong view of the management here. We will live with this. I took it upon myself as a goal not to allow that weakening, because Q2, Q3 could have been further down had we lowered our prices in Q1. That element has sustained profitability. Fortune is a very small part of roofing as of now and this will grow, this is a great product, this is a product which is showing huge resilience, product which has proven itself in different parts of the country. We are very courageous in taking it to absolute weak places where the rains are heavy, snowfalls are there and all the rest of it to prove this product. We are very comfortable and satisfied with how it is behaving. So it is a great sustenance product for us in times to come if asbestos was to get a knock from the market. But as of now, the contribution of Fortune is very low in the total profitability. I think the profitability has mainly come from our own internal supports that we have done. Yes, you must recognize that the fiber cost increase has not hit us deep in H1. It will come up in Q3 in a big way and this will be a severe bottomline erosion unless and until we are able to come out with options to reduce fiber utilization as well as improve profitability further and enhance the selling prices. So all these three are working on. So that is why I had said connect with the retailers, doing various type of schemes with the retailer. We are very confident that we will be able to strike out major part of this dent in coming quarters or rather improve it further.

Praveen Sahay: Thank you Sir. Well explained. Next question is on the polymer business, after expansion how much is the total capacity right now?

Dhirup R. Choudhary: It is about 29,000 metric tonnes total capacity after expansion.

Praveen Sahay: And at what level of utilization you are working on right now?

Dhirup R. Choudhary: About half of it is being utilized, the other half is yet to be utilized. Yes, the pipes and fitting business is something we have to grow immensely, while putty is doing encouraging growth for us. Overall, we are getting benefit and synergy out of putty in the pipes and fitting and I think as a strategy bringing both of them together has really helped us. We have not allocated the cost to both these businesses separately. So they are under one and therefore overall we are happy that the way these businesses are progressing together, we should make a better utilization of our capacity in the coming months.

Moderator: Thank you. The next question is from the line of H R Gala from Finvest Advisors. Please go ahead.

H R Gala: Congratulations for giving a decent set of numbers despite adverse conditions. I just wanted to know what kind of capital expenditure plan we will have for current year. How much we have spent so far on different projects?

Dhirup R. Choudhary: Mr. Gala, first of all a positive reinforcement in this time of the world, it was encouraging. So thank you very much for that. This is your company and your trust is really appreciated. Intentionally kept the CAPEX utilization this year low because we had anticipated this kind of a business turndown and you would recall that same time last year itself I had said the next year looks to be tough.The anticipation has helped us in many ways in keeping the profit**.** We put sub Rs. 100 crore this year on the CAPEX part of it while the estimates we initially build up were off much higher levels. We will be very rational in spending. I think the biggest investment that we are coming up with is our Fortune new plant which is in Faridabad. Plus another one that is we are coming out for the blocks enhancement facility. So some of these are the big ones, otherwise, putty, little bit that we are doing in Golan and Jhajjar. Other than that, I think we aren't taking any big step at the moment.

H R Gala: Rs.100 crore will include all these, Fortune, blocks and putty?

Dhirup R. Choudhary: All of that Sir.

H R Gala: Okay. And how much we have spent on the pipes expansion?

Dhirup R. Choudhary: Pipes, total was Rs. 130 crore and that is how we had taken an approval from our investors and the board and we are stuck to that. We have not let that cost to overrun. In fact, we have used less of it I think. Exact number I will get back to you Sir.

H R Gala: Sir, my another question is on Parador, like when we met last time, we had shared certain what values we are anticipating over a period of time, say over next 4-5 years to reach there something like 400 million Euros type of number from the current levels of 150 million Euros odd. So I just wanted to know what kind of capital inputs will be required to reach that level?

Dhirup R. Choudhary: Mr. Gala, you have given me a new target to look at 400 million Euros. I don't think this number has come from me Sir and this is really high. In Europe, the companies don't grow as well as possibly we estimate in India, you know it very well. Yes, the first very important step for Parador is to reach the 200 million Euros stage from a 150 million Euros and for that, the CAPEX will be extremely well under control because major part of the manufacturing facility would be available, we will have to start the third shift, we will have to get more people into the plant to get that done. But from a CAPEX point, I don't think we are looking at too much of a CAPEX.

H R Gala: Any major. So this 200 million, when can we reach realistically?

Dhirup R. Choudhary: As early as possible Sir. The actions are on. I think give us another year and a half to try or two years to reach this level, Sir.

H R Gala: Okay. And at that level, do you think the profit margin would be double digit as you said earlier?

Dhirup R. Choudhary: Absolutely yes is the answer.

Moderator: Thank you. The next question is from the line of Kumar Saumya from Systematix Shares & Stocks. Please go ahead.

Kumar Saumya: Sir, my question is regarding the polymer section. The 14% revenue growth that we are seeing, so how much of it would be from the piping volume growth?

Dhirup R. Choudhary: That number is not with me at the moment, but I can tell you that it is a synergy between pipes and putty as I said, we have now started doing both of them together, because that is how the valuation is coming through. But roughly about 5%, I think on a quantity, on a revenue basis 5% would be from pipes and fittings and about 26% from putty if I am not mistaken.

Kumar Saumya: This is the volume growth pickup?

Dhirup R. Choudhary: Yes.

Kumar Saumya: Okay. And Sir in the current capacity that we have, excluding the new capacity, the 24,000. If we were to break it up into PVC and CPVC, so what would be the volume capacity for these segments? How much would be PVC and how much would be CPVC?

Dhirup R. Choudhary: About less than half is CPVC, the balance is all the other products. About 45% would be CPVC.

Kumar Saumya: And Sir, who is our sourcing partner for the CPVC business?

Dhirup R. Choudhary: It is quite work in progress if you can see. We were buying some from the big companies, some from China was getting imported. Now, with the antidumping duty, this is an element that we are deeply looking at. We had some inventories to carry on, while actions are being taken. I think we are looking at 3 other sources to buy CPVC, I don't think I have reached a level where I can divulge that. Please give me another quarter you will get to know.

Moderator: Thank you. The next question is from the line of Ganesh Radhakrishnan from Pristine Portfolio. Please go ahead.

Ganesh Radhakrishnan: You mentioned that there is a price increase or constraint in sourcing the fiber for asbestos. So I guess that you and your competitors in India will also have the same challenge. So in light of it, does it actually provide you an opportunity to push into the market, the non-asbestos product, namely the Fortune and maybe take away some share from your competitors?

Dhirup R. Choudhary: Brilliant question Ganeshji. First of all, thank you for asking that question. The answer is no and I will tell you why. The answer is no, because the present selling price of our non-asbestos sheet is roughly double of that of asbestos sheet. We have pegged the non-asbestos close to steel and therefore the competition is more with steel than with asbestos. Asbestos sheets are still, the lowest price, highest strength product. Non asbestos walks into a different IS segment where the strength is necessitated lower than that of asbestos sheet. I am not getting into technicalities at this moment, but I can only tell you that pushing Fortune into asbestos roofing market a) would not be viable for the customers and b) will not be the right strategy at the moment because we will be killing the asbestos market or rather, in order to do that we will have to kill the asbestos market by doing negative proposal around asbestos which is deadly for our company and we would not like to do it. So we would still like to sell asbestos roofing where the rural market is set. The non-asbestos product, we would like to still expose ourselves to institutional segment where the steel has the lobby and therefore our competition with steel and also look at international markets where asbestos is not an approved product. So all of that is what we are presently sensing.

Ganesh Radhakrishnan: Okay. Now on the building products, you mentioned that you are running at 100% capacity. So what is the plan for the near future?

Dhirup R. Choudhary: So Ganeshji, we are at 100% capacity utilization for building products and therefore there has been a small augmentation of capacity that we have done in our existing plant as much as we could, but beyond that I think it is not possible in these plants. So Timmapur for instance in the blocks plant have improved the capacity from 1 lakh tonnes to 1.5 lakh tonnes. In Timmapur plants, panel plants we have improved the capacity by 6000 metric tonnes and therefore this is all that we could have done in the present plant. We have to go for a new plant and last quarter I had already appraised all of you and we have taken the board approval to go for the new expansion for blocks and panels and that is exactly what we are working on at the moment. We do not want to immediately dive into a market set up a new plant and try to face the atrocity. So there are steps we are taking, a) we are seeding markets in where we wish to be and trying to do our market outside in data gatherings so that we are clear. Parallelly, we are working with manufacturers of plant and machinery to get the costs down as much as possible and also looking at inorganic acquisition of existing plants and machineries, so that the timeframe to bring down the gestation period is there. All of that are work in progress, but we are committed, and I can only once again reiterate that in the next one or two quarters, you would definitely see which side we are going and how we are augmenting these facilities.

Moderator: Thank you. The next question is from the line of Ayush Bhutada from Aequitas. Please go ahead.

Ayush Bhutada: Sir, so I wanted to understand on raw material prices, you mentioned that the fiber prices effect might come from quarter 3 and you might see a severe erosion in bottomline. So are the suppliers increasing the fiber prices and have they in H1 yet?

Dhirup R. Choudhary: So Ayushji yes, as I had confirmed that quarter also, we are now in a very difficult position when it comes to fiber because HIL had a bigger equity with Brazil players and Brazil has closed down since. We have also a good equity with the Russians, but Kazakhstan are new suppliers to us. So we are trying to gather our speed in discussions and relationship with them. Russians also have a difficulty in supplying all the fiber needs of HIL. Plus, also when it comes to new fiber, you can well understand that the recipes have to be reworked and consume more fiber as a content into our product and these are the concerns that we have. This has come as a big break to us. We are working very hard on this, I can tell you. Internally R&D sweating out to see how to bring down fiber utilization rates and improve our efficiencies. So we may get a severe problem in quarter 3 so far as fiber is concerned. We are also working hard to improve the selling prices to try and compensate because this I am sure is a problem with all our competitors, my concern and they recognizing and doing something to bring the selling prices up, why are they going for low cost, low selling prices and ruining their own profitability. So this is, I can't dictate from their side. They are separate business, so are we. And therefore we would do exactly what is needed for our business and we can make you proud by saying we will try and do everything to bring up the investors' confidence further on us.

Ayush Bhutada: Okay, great. And Sir, on our polymer division, so can we have a breakup of the sales between pipes and wall putty?

Dhirup R. Choudhary: 50% pipes and fittings and 50% putty.

Ayush Bhutada: Correct. And on our existing capacity of 30,000 tons we can do a sales of Rs. 400 crore, right, in pipes division?

Dhirup R. Choudhary: If the product mix lines with what we have settled. As you know, there are market changes, as times comes in HDPE is coming up as the new pipe requirement, there could be a PEX pipe that is needed tomorrow. As the market is changing, there could be a multicore pipe that is required for certain parts, replacing CPVC. So those technology changes are something that is inevitable. We will have to live with it. But at the moment, the capacity built for CPVC, UPVC, SWR, that we have, if the products kicks and other things are gathered, this is the highest possibly revenue that we can achieve which is Rs. 400 crore theoretically.

Ayush Bhutada: And what level of revenues can we expect to start adding profits in the pipe segment?

Dhirup R. Choudhary: So pipes and putty, as I said is a merged business, because we are getting huge synergy between the two and therefore we don't have a separate profitability mark up of price for pipes and putty, but overall we are very much profitable at the moment, pipes and putty standpoint and we will only improve that profitability as we go further.

Ayush Bhutada: And Sir on the antidumping duty imposed on the PVC resin, so do we import all the resin requirement, or are we sourcing it domestically also?

Dhirup R. Choudhary: I don't think domestic resins are available to the tune that every other manufacturers needs it in India for pipes, therefore we are definitely importing quite a bit. And we are also concerned on the quality of the local deliverables and therefore we have not gone for them. But having said that while the antidumping duty is there, we are definitely not looking at compromising on our quality and we will look at the best possible way. Someone also had raised the question on whether we are pegging the prices of lower and lower, no. Our prices in the market are symbolic to only the likes of Astral and Ashirwad. We are not comparing ourselves with anyone else and our quality is definitely higher or as good as the big names of Astral, Ashirwad and we will compete only Astral. Our concern for growing this business is only that the big dealers are all tied up with these big companies and they have non-compete clauses. Therefore we have to look with average middle-sized dealers. But with the plumbers, it is definitely going to move this business further, we are committed on this business.

Ayush Bhutada: So, I wanted to understand that we are sourcing a resin from China and Korea where the antidumping duty has been imposed or from US and Japan?

Dhirup R. Choudhary: So, we were doing a mix of all and at the moment, I do not have the percentage breakup, but definitely the ones that we were importing from China presently come under a big duty framework. That how we can get it from other sources, that is WIP at the moment, as I said within a quarter you would get to know really where we are doing about.

Ayush Bhutada: Sir on an overall basis, for the first year we have not really made any profits in the pipes division, but for the full year, can we estimate that we will end up on a EBIT positive level for our pipes division, polymer division as a whole?

Dhirup R. Choudhary: On a PBT level, I think on the polymer segment, we have made Rs. 66 lakhs profit this year so far in H1 and this will only go up.

Ayush Bhutada: And lastly Sir, how are the pulp prices moving, the pulp prices for our boards and panel division?

Dhirup R. Choudhary: No, they are quite under control. So I do not think we have a concern on that at all.

Moderator: Thank you. The next question is from the line of Mahantesh Marilinga from Finquest Securities. Please go ahead.

Mahantesh Marilinga: Just wanted to ask a few questions here. There were some discrepancy in Andhra Pradesh due to sand availability like, is there any impact on the construction space or how much it has impacted asbestos sheets?

Dhirup R. Choudhary: Mahanteshji, thank you again for a positive reinforcement on our results. I think we should not be too much worried about state to state impulses. Andhra Pradesh could be one that is at the moment looking to be disturbing, but overall on a country base, I am still very bullish on the roofing segment, we are going to come back strong.

Mahantesh Marilinga: And coming to the fiber impact, can you just broadly quantify like both Q-on-Q and year-on-year, how much margins it might impact, how much price it has gone up?

Dhirup R. Choudhary: I wish I could do this, but these are something very strongly discussed between the supplier and customers and these prices do not float in the market and it is also not safe from a business perspective to let this out. So while I can say there is a steep upward on the fiber prices, on the exact numbers please allow me not to give this number openly today.

Mahantesh Marilinga: Can you quantify the steep uptick in terms of percentage, 10%..

Dhirup R. Choudhary: That again that gives the number. So when I say steep is steep. Please understand Sir.

Mahantesh Marilinga: Sir, you told that the Brazil sourcing has closed or I did not get that point Sir actually when you were speaking sometime back.

Dhirup R. Choudhary: Brazil is closed, that is right because of the Supreme Court announcement, they have closed down and that is why presently the fiber is only available from Kazakhstan and Russia.

Mahantesh Marilinga: It is mainly due to the closed down of Brazil, the prices have gone up or due to any other issues Sir?

Dhirup R. Choudhary: Absolutely on account of closure of Brazil because now you live with only two suppliers in the whole world plus of course, there is raise in ocean freight that has come through due to some other rule changes which has also made them to raise their prices on FOR basis.

Mahantesh Marilinga: Sir, coming to the pipes volume, the volume growth of 5% odd looks to be very low relatively compared to your aggressive framework like any reason for a slower growth in pipes division?

Dhirup R. Choudhary: I totally take your comment on face value and I say yes, the answer is yes. It is not as per our expectations and therefore we are trying to compute pipes now differently. We have changed the organization a little bit, we have joined putty and pipes together to get the synergy. We are getting the synergy from SBU one sales, as I mentioned, sales side of SBU one is now also directly looking at pipe sales to try and get these synergies on. I am very confident that the change that we have made in our step forward is going to give us a growth in the coming quarters. Q4, you would see the results.

Mahantesh Marilinga: Sir, also like coming to the government's initiative of providing water to all, would the pipes that you manufacture and use somewhere in that value chain?

Dhirup R. Choudhary: There would be definitely some places where we would bring in, so we would have our other materials also finding its place. We are all the time looking at all alternatives to enhance the sales.

Mahantesh Marilinga: And coming to Parador like you mentioned that by Q4, would you be looking at a very good number? Can we expect a double digit margin in Q4 as you are guiding or maybe later?

Dhirup R. Choudhary: Mahanteshji, I did not say that we would see a very high margin in Q4. We said for Q1 favorable quarters for Parador, Q2 gets dampened owing to summers, Q3 gets dampened due to Christmas where the whole part of that world gets closed. Double digit, I mentioned very clearly, I stand by as soon as we are able to get a topline up to the 200 million Euros level, we are expecting that we will reach closer to double digit or double digit EBITDA.

Mahantesh Marilinga: Sir, actually mentioned about the uptick in China by Q4, would that impact the margins in positive way, sorry I want to understand.

Dhirup R. Choudhary: It is very hypothetical because you are setting up a new joint venture in a big country or an ocean like China and then expecting very high returns. I think it is illogical. I would not get into that hypothesis. I would only say China will be a great market going forward. We are committed. We are taking all actions on brand building, we are going to the premier market of China and not getting into the vanilla product. If you are in China, please do visit some of our POS, point of sales, that we have opened in China, they are world class absolutely and we are very confident that China market will bring good volumes to Parador in the coming year.

Moderator: Thank you. The next question is from the line of Jaspreet Singh Arora from Equentis Wealth Advisory Services. Please go ahead.

Jaspreet Singh Arora: Just from the previous question and the guidance you had given 2 quarters back, so 150 million Euros in Parador for current year is definitely achievable and you looking at 200 million Euros plus in 2 years from now. Would that be correct?

Dhirup R. Choudhary: Definitely, 2 to 3 years, if I can just change the tone. But 150 this year, yes.

Jaspreet Singh Arora: And just related to that, just trying to capture, understand the segmental margin, there was a drop in EBIT margin in the flooring business while the revenue has not fallen as much, I am talking about the quarter-on-quarter, Q2 versus Q1. So maybe if you can just help understand, maybe you have touched upon it earlier and I have probably missed that portion.

Dhirup R. Choudhary: No, I think what I have said is and I have given this guidance last time as well in Parador also, just like our roofing segment, there is a cyclical demand throughout the year. So Q1 is the best, then Q4 is the second best or vice versa. Q4 and Q1 almost are of the same. Q2, it drops down because of summers and Q3, it remains low because of Christmas and slightly better than Q2, I would say in Q3. So the margins going down in Q2 vis-à-vis Q1 is therefore on those lines.

Jaspreet Singh Arora: But the drop in revenue is less than 10%, Rs. 309 crore dropping to Rs. 287 crore, still the margins would drop as much?

Dhirup R. Choudhary: I think the margins in flooring dropping down, you see, Parador, you must understand that fixed cost is quite high, it being an European company. So therefore, the topline drops even in decimals the profitability gets impacted, but where did you get these numbers, sorry, I need to be very clear what I am speaking. So unless I have the number in front of me, it is difficult to me. But as the guidance I can tell you, in Europe, any country you look at it, if the topline comes down by X, the bottomline can come down by 2X.

Jaspreet Singh Arora: And there was an earlier point Mr. Veerappan made, I think about there being a Forex gain in the Q2 of last year of Rs. 8 crore, did I hear that right?

K. R. Veerappan: Yes.

Jaspreet Singh Arora: And therefore the margin drop is not from 17% to 10% EBITDA margin, it is from 15 to 10% adjusted for that, would that be the conclusion?

K. R. Veerappan: Yes, you are right.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: On fiber cement prices, we are not breaking out the exact amount of the increase, but just what sort of price increase would be made to keep our margins at the high teens, 20% levels on an annualized basis now with these higher fiber prices. I think they are around 55%-60% of our overall raw material cost. So would we need 10%-15% increase in fiber cement sheet prices or what would be the quantum needed?

Dhirup R. Choudhary: I think if we can get 10%-15% topline increase in the selling price, we will be pretty safe.

Nagraj Chandrasekar: And then just on the roofing segment margins over a longer period of time when margins there, we have already started breaking it out as a separate segment for the past 2 years where we have seen EBIT margins here grow from 11% to 21% from FY17 to 19, what were the biggest drivers of this 1000 bps margin increase, were they lower fiber cement prices, were they higher pricing, were they decline in the GST rate related to other products. What was the largest contributor and relatively how much each of these contribute?

Dhirup R. Choudhary: I think you have identified it absolutely right. It is a mix of all of it. I would say part of it was within our control, part of it came to us on a platter, GST was on a platter to us, definitely. There was a huge synergy we had with Brazilians where we could get quite a bit business comparatively with them. So that element has missed today. So the fiber price going up would be a severe dent to us, but overall I think efficiencies have come up very much in this business and product deliverance from the lines and all the rest of it, costs have come down, so all of it. I think you have already pointed out those points very well.

Nagraj Chandrasekar: And just on the 10%-15% increase that would enable us to maintain margins, what has ASP growth been historically for fiber cement and what are we seeing now in terms of price increase by competitors, now that in the second half you would be now using up higher cost fiber inventories, the entire industry earning.

Dhirup R. Choudhary: Your question is how much have they increased the prices in the market?

Nagraj Chandrasekar: Yes.

Dhirup R. Choudhary: So, we are not seeing them increase in the prices, that is the sad part of it. So till last month, there was absolutely loading-unloading of prices and we have a huge delta between them and us. So the delta that had now gone up to, we normally have a price leadership in the market, we are about 7 to 8% higher than them, about 5% we normally maintain leadership in prices, but at the moment it has gone to more than double figures as a differential and that is putting severe pressure on our dealers and retailers who are like three generations extremely very well, they have a very good cohort with us working together but they are finding it difficult to find their market for price which is so high to our competition. But I think 2 quarters, the competitors have lower prices. They have also lowered their quality and we expect that they should now realize and raise their prices because their bottomlines as the result say have come under immense pressure. Many of them have made negative bottomline and I think on a long term, this is nonsustainable for them. So we are waiting for good reasons for them to hike in the prices and at least come closer to what our prices are, then we will be able to get better realization.

Nagraj Chandrasekar: And just your peers, obviously the large 4 are 50-50% of the market and this product is the main product for them as well as it is for you, why are they following this sort of strategy of not taking up prices in your view?

Dhirup R. Choudhary: I would find it difficult to answer. Honestly, I do not have an answer because I think business is best if you are able to make profitable growth and not non-profitable growth. So I do not understand this at all. Maybe, it is a myopic approach of taking up some margin share in one of the quarters, maybe I do not know, maybe some other pressures because one or two of our competitors were up on sale was what I was thought to believe. So I do not know whether there are those pressures on them, but it is not something which is sustainable I can tell you. They have come at a wrong time to lower their prices because the market has come down, the costs have gone up. It is not the right time to lower your prices, so I think they have got a heavy beating on them and hopefully, now they should recover. I am really waiting for them to recover the prices now.

Moderator: Thank you. The next question is from the line of Ashish Khokha from AK Investments. Please go ahead.

Ashish Khokha: First of all, thank you for the transparency and friendliness on the sharing information about the company. I have two questions. One is on Parador, can you tell us a little bit about the India order, please and on China, how big is the flooring market if you have a sense of that between organized and unorganized and then the pricing of Parador as a product, is it primarily a premium product or if the product across various price points which does not preclude it from competing at the large volume maybe lower priced segments as well. And the second question is more on the business model in terms of how it happens today like do you think about any buying assistance for your customers whether they are institutions or individual consumers like financing or is that something that does not matter in this market especially in case of let us say higher value purchases for HIL products?

Dhirup R. Choudhary: So I am not sure I got your second question as well but let me try and answer your first question. Thank you very much Sir for coming in this meeting. And you will always get transparent view from us. Last 2 years since I am here, whether it is the annual report or each of these tele-cons, I think I have been just as transparent as could be under the laws of SEBI and this is precisely what I want to continue. This is your company, so I am just running it for you. Coming to India, I think Parador has set itself well in a small way but set itself well. We have made 20 installations so far in the last 2 quarters in India because we came into India late, we did not have the right products set from them, so we could get that through. We are doing short brandings in India. I think if you travel by Vistara you have seen Parador on its magazines. There are lots of attachment with big retail space and influencers that we are doing. Parador has products in virtually all ranges, but even if you take the lowest range, we will still be premium to the lowest available market products in India. So I do not think that is something that we want to have a compete, this is a brand, a brand of its virtue. We want to bring it with its virtue. It is a great thing for even big retail space or builders to have an association with the brand like this from Germany and it only strengthens their brand and that is precisely what we are trying to do so. Couple of orders we have just about received from some big projects, but mostly smaller ones, but each of these installations, we are clinically contributing to, we have set up a team who are going and installing them hands in though these are products that you can easily click and get it through yourselves as a consumer, but we are trying to have a look at. We are also going to do a lot of branding with these installations to make people realize what this product really gives to ourselves. The Faridabad factory that we have, if you have reasons to visit any of our factories, please visit the Faridabad factory, we have made a new office there which is with Parador flooring. It looks gorgeous.

So far as China is concerned, so your question was on how big is the market, it is a very big market, it is in billions. So the market is fragmented between the small time sellers there and brands. In China, incidentally even though it has the biggest middle class population in the world, the population size within middle class is also quite divergent and there are these big guys, the higher middle class which are very wealthy and only look for brands. Any of these exhibitions in China throws open really what they are. So for instance, Domotex, the last one we had on flooring, there were lakhs and lakhs of footfalls on our stall and I think it has been well appreciated. So there is a big market even for premium product. We are selling mostly the premium wood segment in China. There is a direct railway line between Germany and China, so that helps us to have a very efficient inventory transfer plus we have software in China that we have built ourselves to track it through your mobiles on where your product is at any time of the day and we have software's which we have introduced in China where our retailers and our customers can place order directly on Germany and the stock transfer of the material happens, they know exactly how many days they will get delivered, payments are done through the software, so advances etc are handled and also it is a very good model we have come with in China in the JV and the local partner is also amazing. So I think there are, honestly, very good signs of this becoming big.

Sorry, your second question was on funding to our consumers, am I right?

Ashish Khokha: Like in everyone is buying everything on credit as you think about your selling model, is that an important factor to think about in terms of pushing the topline, some kind of buying assistance or financing for some of the higher value purchases for HIL products?

Dhirup R. Choudhary: Is it only for Parador?

Ashish Khokha: No, overall, I am saying just in terms of overall.

Dhirup R. Choudhary: For our roofing segment, I think we are one month on credit, mostly maximum, otherwise most of it is advance payment to us in roofing segment. So far as building solutions, since it is to the big builders, even big names like Larsen & Toubro and all the payments do not come through within your stipulated time. So payments from the real estate building segment is a very difficult task. We do accept some bit of and that is where our receivables have gone up a little bit, you would see, but we are clear that if we do not do this, it is not going to work out. For Parador, I think most of our receivables are hedged and therefore there is absolutely no recourse. In India, getting a bank to give a non-recourse funding is absolutely difficult to nil. So that is something we have not been able to crack.

Moderator: Thank you. We will take one last question from the line of Amit Vora from PCS Securities. Please go ahead.

Amit Vora: I am sorry if I am repetitive on this one. Just wanted to understand, I assume that there was some one time gain that we had last year in Q2 and that is what there in this year and still without that also, we have been able to pay this number, is that the right way to look at the numbers?

Dhirup R. Choudhary: Yes, you are dot-right. There was Rs. 8 crore foreign exchange gain that Veerappan already spoke about. There was also an Rs. 11 crore one time offset because of the acquisition cost, basically this was when this quarter we got it from Parador. So basically that was the benefit we have in the quarter. These are all one time, so about Rs. 20 crore roughly was one time last quarter, which was not there this quarter. On a consolidated, of course, the second one did not have a bearing on the consolidated because Parador had to pay. So on a standalone India basis, yes. Amidst all of that, yes, we have tried to put across a brief performance for you, Mr. Vora.

Amit Vora: And one more thing is on the advertisement with the way the things are going, how are we placed with our advertisement and next year or this year, how are we going with that?

Dhirup R. Choudhary: So we mentioned last time, Mr. Vora and just for the sake of clarity for others as well, last couple of years we had done good bit of advertisement. In fact, last year was the biggest we did. We have for 2 years signed up with IPL, Chennai. We have also done ATL advertisements of pipes and on our company. For all of that, ATL part, we did it, but this year we are trying to reduce that. So Q1, we had spent about Rs. 11 crore on advertisement. The Q2, we have only spent about 7.5 crore and going forward also, we will keep it under a strict vigilance. This year, we are not going to go out of the way for ATLs unless there is a real need from the fund raising products like putty or pipes or Parador.

Dhirup R. Choudhary: Thank you gentlemen, thank you so much for attending this call. It has been a pleasure interacting with all of you over the call. We thank you for taking your time out and engaging with us. We valued your continued interest and support. We can at all time confirm to you that we will be transparent to the last level as much as possibly SEBI allows us to be. If you have any further questions or would like to know anything more about your company, kindly reach us to us at the Investor Relationship Desk, I am always available to you as always. Thank you very much.

Moderator: Thank you. On behalf of HIL Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.