TOGETHER, WE BUILD.

CK BIRLA GROUP

Date: November 9, 2021

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

Dear Sir / Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on October 28, 2021.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

In continuation to our letter dated October 26, 2021, Please find attached the Transcript of Analyst / Investor conference call held on October 28, 2021.

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

MAHESH MADHUKAR THAKAR
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Mahesh Thakar
Company Secretary &
Head of Legal.

Encl: As above

HIL Limited
Q2 & H1 FY22 Earnings Conference Call
October 28, 2021

Siddharth Rangnekar: Thank you. Good afternoon, ladies and gentlemen and welcome to HIL Limited's Q2 & H1 FY22 Results Conference Call. Today we have with us Mr. Dhirup Roy Choudhary – Managing Director and CEO of the company, Mr. KR Veerappan – CFO, Mr. Ajay Kapadia – Vice President, Finance and Accounts. We will first have Mr. Dhirup Roy Choudhary making opening comments and he would be followed by Mr. Veerappan, who will take you to the financial observations.

Before we get into today's call, I would like to share that some of the statements that could be discussed on the call today could be forward-looking in nature and details in this regard are available in the earnings presentation which has been uploaded on the websites and also shared with you. I shall now call upon Mr. Dhirup Roy Choudhary to present his views. Over to you Dhirup.

Dhirup Choudhary: Thanks, Siddharth. Good afternoon, ladies and gentlemen welcome to Q2 & H1 FY22 earnings conference call of your company, HIL. I thank you for taking out the time and joining us today. I trust that you and your loved ones are healthy and doing well.

As anticipated Q2 FY22 has been a tough quarter for HIL due to challenges emerging from a supply destruction, higher input costs and an off-season of our roofing segment. The commitment and determination of our dedicated teams ensure that we were able to optimize the situation and maximize our performance which mirrors the financials of this quarter. However, on a half yearly basis HIL has posted a robust performance. Consolidated revenue for H1 FY22 came in at Rs.1,749 crore, registering a growth of 25% year-on-year. EBITDA grew to Rs.241 crore, registering a growth of 17% year-on-year and EBITDA margin came in at 14%. PAT for the same period stood at Rs.126 crore as witnessed a growth of 27% year-on-year.

Moving to each business segments; in the roofing segment Q2 this year was following an exceptional growth registered in Q1 FY22 and also witnessed pent up demand in comparative quarter last year. We observed selling price reduction in the market coupled with discretionary costs coming back which collectively had impacted the profitability. However, our last leg connect to our influencers and customers have allowed us to command our price supremacy. We continue to bolster our leadership position in the market on the back of our high-quality products and our leadership in margins.

Our building solutions segment has seen growth at a robust rate this quarter as a result of the real estate coming back, the demand for this product have increased day by day. This is a very positive sign for the building materials industry, and we are well placed to meet this demand. That being said, we will continue to service the markets in Tier II and Tier III cities as well which we had started last year with the onset of COVID-19 pandemic. Our teams have been consistently interacting with various influencers, developers and construction companies and increasing the awareness regarding our offerings. We are facing short term headwind in availability and prices of key raw materials - slag cement, fly ash, burned lime and coal which will continue to impact the profitability in this segment. Building solutions have reached peak utilization and this is where our fresh capacity in east will assist.

The polymer solution segment has seen a significant performance this quarter. This business has been growing month on month since last 2 years. Our strong brand value, product quality, influencer connects and increasing geographical reach continue to drive growth in this business. High price of PVC and CPVC resin in the market coupled by volatility issues are likely to have an impact on both, revenue and profitability in the coming quarters. Our teams continue to develop more SKUs in a bid to ramp up business and increase our addressable market in the coming months.

Last couple of years including Q1 this year has been good progress for flooring solutions. However as intimated during our last call, the business is facing a huge scarcity of critical raw materials like HDF/MDF, owing to pent up demand for furniture segments in Western countries which is also resulting in continuous rise in price of HDF/MDF boards, chemicals and paper. Further, an increase in PVC price, higher sea freight and restriction of power consumption by the Chinese government has also impacted the availability and cost of multiple raw materials which we import from China. To address the current situation, we have on-boarded several new suppliers for HDF boards from Eastern Europe and Asian countries. We believe that non-availability of raw material is temporary in nature and is expected to normalize by the end of December 2021. However, the price increase for various raw materials are expected to see a downturn only from middle of Q4 in phased manner. While addressing the material availability and cost concerns on a daily basis, the sales team has done a phenomenal job in acquiring new customers across geographies. Taking a price increase to the tune of 12% to 13% and moving towards non-HDF/MDF product offering. This together with reduction in fixed costs have somehow offset the material cost increase. Having said that, aspirational plans for Parador are fully on track and our long-term aspirations to grow Parador is then on course.

While we hope and pray there is no third wave, but our learning from the first two waves will help us adapt to and overcome any such challenges in future. We continue to implement various systems that have proved their efficacy in the past 1.5 years, systems like business intelligence, industry 4.0, tehsil mapping, zero-based cost model etc. These along with our fundamentally sound business strategy ensures that your company remains agile and adaptive even in an unpredictable environment.

In conclusion I would like to say that our teams have been working tirelessly to overcome an eminent challenging phase which to many extents is transient on the supply side both in India and Europe. We are very hopeful to mitigate this in the most professional way. Q2 FY22 has been a tough quarter for HIL, especially in our flooring business where we need another quarter before things settle down. We have confidence that growth will continue to remain robust in long-term. We will continue to launch and expand our new product portfolio keeping in mind customer feedbacks. Innovation, research and development, agility and focus on profitable growth have been key ingredients to our strategy and will continue to introduce new SKUs and new products as we progress towards achieving our goals of making HIL a $1 billion company with a robust balance sheet.

Thank you very much for all your patient hearing. I would now like to handover the discussion to my CFO Mr. Veerappan to take us through the financial performance of the quarter under review. Veerappan over to you.

KR Veerappan: Thank you Dhirup. Good afternoon, everyone and thank you once again for joining us on HIL Limited's Q2 and H1 FY22 earnings call today. I trust you and your families are safe. I will take you all through the financial and operating highlights of the business for the quarter and half year ended 30th September 2021.

Continuous rigor of daily target achievement and collaborative efforts of our one HIL team resulted in ever highest revenue with a growth of 21% in Q2 in India despite severe challenges faced due to the non-availability and abnormal increase in key raw materials prices. The roofing solution business grew by 1% year-on-year to Rs.189 crore for the quarter and by 25% year-on-year to Rs.601 crore for H1. As Dhirup mentioned, the reduction in selling price during the quarter did put some pressure on margins. We continue to improve market share and remain leaders in the market in terms of margins, given the work our teams have put in to build on outreach and costs. The building solution segment saw a very robust growth during the quarter, significantly boosted by the improving conditions in the real estate sector. Revenue grew to Rs.96 crore in Q2, registering a growth of 42% year-on-year. On a half yearly basis, the revenue stood at Rs.180 crore, having grown by 85% year-on-year.

Capacity utilization across our plants has remained high and the upcoming Orissa plant will greatly help us service the increasing demand with relative ease from the next financial year. The polymer solution segment witnessed a significant growth during the period under review. On a quarterly basis revenue grew by 48% year-on-year to Rs.136 crore and for the first half FY22 it came in at Rs.244 crore which is growth of 74% year-on-year. Our strategy involving increasing brand awareness and widening geographic reach have played a major role in the growth of this segment and we will continue to do the same to drive the growth further.

Flooring solution segment recorded a revenue of Rs.344 crore for Q2 FY22, registering degrowth of 3% year-on-year and for H1 FY22, the revenue came in at Rs.723 crore, having grown by 7% year-on-year. The slowdown in the growth was anticipated by us and communicated in our last call and was fully attributed to the shortage of available materials like HDF and MDF. This shortage is also impacting margins as prices for these materials have gone up significantly coupled with increasing sea freight. We foresee this shortage to prove as a hurdle for a few more months and after that the Parador business will be back on its earlier healthy growth trajectory.

Coming to the consolidated financials; revenue for the company stood at Rs.766 crore, registering a growth of 9% year-on-year for Q2 FY22. On a half yearly basis the revenue came in at Rs.1,749 crore and registered a growth of 25% year-on-year. The company's consolidated PBT for Q2 is Rs.36 crore and is in line with our expectation. The H1 FY22 PBT stood at Rs.175 crore growing 27% year-on-year and was significantly higher than the PBT for the first six months of the last financial year and also higher than the consolidated full-year FY20 PBT. PAT for H1 FY22 grew by 27% year-on-year to Rs.126 crore. HIL continues to maintain its focus on balance sheet health and strong cash flows. The overall debt came down to Rs.307 crore after a debt payback of Rs.102 crore during the first half FY22. At the India level, HIL continues to be an interest-bearing net debt-free company since last quarter despite various challenges on the material front. The total debt to equity ratio stood at 0.28 as on 30th September 2021 as compared to 0.41 as on 31st March, 2021. The company's net worth stands at Rs.1,104 crore and has grown by 23% year-on-year. H1 FY22 proved to be a robust performance for HIL despite some pressure from input materials in terms of price and availability. But our teams are constantly working on ways around such issues and to minimize the impact and we placed great confidence in their abilities. We will continue driving this business towards a $1 billion dream and are confident of achieving all our goals as one of India's premier organizations.

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

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Subham Agarwal from Aequitas India.

Subham Agarwal: My first question is related to flooring division. I was talking about the flooring division, so in your opening remarks you did mention that you have already taken 12% to 14% increase in price but if we see the gross margin or raw material cost to total turnover, it has increased by 8% and it was probably not enough, this increase in price was not enough to keep our gross margin Q-on-Q constant. So I just wanted to understand in the current scenario where we have already taken such high price hikes, what's the current appetite of end customer, how they are reacting to this increase and how do you think we will be able to take further price increase to offset our raw material price, do you see any trend of downtrading in this product segment or any delay in their consumption?

Dhirup Choudhary: Thank you Subham. I'm not sure I heard you very distinctly, but I could definitely grab your question and it's directed towards our flooring business Parador. Let me try and answer as much as I thought your question was and if I've left anything out, I would request you to fill it up please. Before I answer your question let me give a little more input on Parador. All of you are aware, the Parador has been delivering consistent results since its acquisition almost 2.5 years back. In fact, last financial year was an exceptional year also for Parador. The way that we have been able to stimulate this company to be a part of HIL, I take pride in saying we are one. However, globally there is a transient, unexpected, huge shortage of quality manufacturers for HDF and MDF boards. This is far more critical in Western Europe. In three contributable due to a sudden spark in demand after the second wave of COVID in the furniture industry. Suppliers of HDF/MDF having their own upward integration into furniture, flooring businesses have stopped supplying to external clients. This has created a huge shortage of raw materials from majority of flooring companies including us. Parador has reached out to several manufacturers across the globe for supply of these critical raw materials and the process of trials and quality inspections are in their advanced stages. We hope to stabilize the supplies for these products by the end of Q3. However, owing to huge price increase taken by these suppliers globally together with a peaking sea freight, the profitability pressure for Parador will continue till the end of this financial year. We have a fantastic connect with customers. Our brand is very strong and over the last 7-8 months, 10 months our theme of taking Parador up to about €350 million company in the next 4 to 5 years had taken a lot from the sales to acquire new clients. This was absolutely in place and have this transient issue not come through, Parador business would have been robust even this year. In fact, to give you a number of we have let go €25 million orders this half of the year which was in our platter just because were unable to deliver as most of it needed HDF and MDF in their product. The model is very strong. The fabric is strong. I can assure you that. We have taken in three stages 12% to 13% price rise already with clients. This is going to be continued till we see any softening in the material price. We are pegging ourselves alongside some suppliers of flooring who have their own HDF/MDF, and that I would say is the disadvantage Parador has, like many other flooring companies. So only about 10% or 15% of flooring companies would have their own HDF/MDF in their own company. So majority are facing this problem. We are tracking it. We are getting across to clients. We are getting the price rise. We will get more and cost cuttings in Parador, very huge cost cuttings are in place so that we are able to keep up the tally. Q2 has been quite disastrous, and I will not mince words in saying that in the profitability of Parador but I'm happy that we could stay with a good top line because we were able to ship some of the HDF/MDF products into resilient products which do not need HDF/MDF and thereby is catered to our client. This effort will continue. I can tell you during these times a daily review with Parador far more improved impressions from HIL way we deal in India has penetrated. I think this opportunity has helped us to be even better connected. In many ways the MIS, the controls, the daily reviews, the aggression that HIL has is now a part of Parador. Give us Q3, give us Q4 to stabilize the prices, you would see thereafter Parador will be on a different pedestal altogether. Hope I answered your questions.

Subham Agarwal: Yes sir, like one more question I had regarding flooring, so if you can tell me what sequentially was the volume drop with regards to non-availability of raw material.

Dhirup Choudhary: The prices have gone up 12% to 13% as I mentioned. The revenue has an element of price there. Volume drop has nothing to do with entry of orders or customers. It has everything to do with how we have been able to service the customers. Just giving again a very strong note here as a commitment from my side, the customer makes the demand, everything is absolutely fine with Parador. As soon as material - first of all was material availability, we have been able to sort that out to a great extent I must say. The second is the huge price that stands on it. That should take a little more time to soften but I have an impression that maybe in Q4 this year we would see some changes and the prices will start lowering down. Till such time. We will continue to see wherever opportunistically we can raise prices. For all new orders, we'll try and get more of non-HDF/MDF products. Those are the actions that we will continue to do.

Subham Agarwal: On the building solutions division, given that we are working at optimum capacity, but our margin has again dropped because of raw material pressure. I wanted to understand our ability to pass on the cost because of the last 1-1.5 months, in fact the raw material pressures have gone up. So how do you see the customer getting any increase in price that we may take?

Dhirup Choudhary: That's a very good question from your side. And the point that I have with my team is this price pressure on bottom line because of materials I guess is being faced by everyone. Therefore, we have to do far more to get the NSRs up. And I think that's a consistent discussion that we keep doing, our sales teams are doing with the customers. Good thing is HIL is able to cherry pick a little bit because we have now penetrated into Tier 2, Tier 3 cities during the COVID and you would see definitely an NSR upward movement as we go forward even more. So I'm not too worried about building solutions though we have had a little weak profitable business, but the growth has been very good. We are back on track, and we'll be able to mitigate these damages.

Moderator: Next question is from the line of Shantanu Basu from SMIFS Limited.

Shantanu Basu: So, some parts of my Parador query has been answered but I still have something more to understand basically. So there has been only a 3.5% de-growth but there has been an EBIT loss and if I put matters into context in Q1 FY21, Parador revenue was Rs.320 crore and EBIT was Rs.20 crore. While in the current quarter we've seen sales of Rs.344 crore and loss of Rs.7 crore. Again, in FY20 sales per quarter was generally less than the current quarter and profit was made at EBIT level. So just want to understand what's particularly wrong with the management of cost and prices given the fact that you have taken 12% to 13% price hike, so what's particularly wrong because the historically even at lower revenue in the recent past has given higher EBIT or positive EBIT for that matter positive and higher. So that is one. What should we expect in this context? What should we expect in Q3 and Q4, would they be EBIT loss in Q3 and Q4 as well for Parador? And the next question is with respect to roofing, so as you've stated that you have reduced your prices, so post reduction of prices has there been any market share gain and if you could just give me the volume growth it's just been 1% growth. I presume the volume growth would have been much higher as there has been a price de-growth. If you could give me the volume that would be helpful. Are there any cost pressures in that segment as well, in roofing as well as we see in all the other three segments?

Dhirup Choudhary: And you have your rights to be strong on Parador. Let me just take it on face value and try to answer them to you. There is absolutely nothing wrong with the management or our cost structures. Let me assure you that. In fact, there has been a lot of efforts in reducing the costs in Parador to sustain our type of business. If whatever numbers you have said are all valid and their data and data speaks very well. Last year Parador had an enjoyable year and last year the Parador's business was not at all hurt by COVID. Last year in fact Parador had a boost of a business because people were sitting at home. In Europe they call it as a cocooning effect where they sit at home, and they were doing a lot of investments to renovate their homes. So, profits were good, top-line was good, everything was good in Parador last year. Now this year we up at against that and that cannot be a comparative first of all. Q2 is always a weak quarter for Parador for years together. Q3 is also weak owing to Christmas and all the rest. Now having said that the top-line in Parador was the first attention that we didn't want to slide on which means material availability no matter at what cost was the first impression that we wanted to do, stay in touch with clients, don't lose sight of them, continue to give them what they want so that we are not at all damaging all the hard work that we have done in developing newer clients to expand Parador. That was step number one. The cost structure on materials is something that has completely ruined the profitability. Once again, let me just harp on that. The entire profitability loss that we see in Parador has nothing to do with management structure, the way we handle Parador, anything. It is everything to do with the price at which HDF/MDF, chemicals, PVC, sea freights, everything has gone up now, terrible. In Europe the best thing is Shantanu, everything of these are well published. There are websites where all of these indices are available, and one can peep into it. It's much more explicit. We had gone through severe problem. You asked the question, whether there'll be a loss next quarter, no next quarter we will not be in loss. That's our ardent efforts we had gone through I would say the worst phase. Next quarter we have been able to master up more quantities of raw material. So, which means our company should run full and we should be able to get far more revenue in next quarter and Q4 of course we will be fully up as it seems today, costs will remain a trigger but in Parador the more revenue we should be able to manage that. I think next quarter we'll be far better on profitability than this quarter and Q4 will be even better than Q3. I would assume the lowest point of the bell curve has already been reached. That's about Parador for you. I can't give you exact numbers of how much Q3, Q4 we will raise because I don't have a crystal ball. That's my sad part. No one in the market is able to commit when HDF/MDF prices will start coming down. But, we have our deep connects with the clients, customers, suppliers and we are able to manage the situation to the best of our abilities, is what I can say.

Coming to your next question on roofing segment; I think roofing segment has done exceptionally well. Yes, the prices by our competition or the market prices have slipped down in Q2 immensely because Q1 was HIL’s quarter where HIL took almost 24% market share. We dominated Q1 in roofing and a loss which was very dramatically difficult to absorb by any of our competition. They have tried whatever is under their room to try and get market, gone down on price, literally wrong decisions if I may say from my lens but we couldn't do that, and we didn't do it and we've never done it. We have our market, we back our customers, we have the last connect, we have a brand. We get Rs.15-17 more than our competition per sheet in many places. We have continued that. We have reduced our prices by about 2% to 3% depending on the zone we are talking about and that's about it. And we have got our markets. Our market share I would say has gone up by about 200 basis points over last year in the first six months. And we should be anything between 22% and 23% market share in roofing, far-far higher than any of our next competition. So that's on roofing for you.

Moderator: Next question is from the line of Dhananjay Mishra from Sunidhi Securities & Finance Limited.

Dhananjay Mishra: Would like to congratulate on showing resilient performance at least in terms of revenue. I hope the input cost pressure would subside in next two quarters and the price hike and other efficiency measures taken will improve the margin in Parador. Just wanted to know in terms of long run will it make sense to do some investment in terms of backward integration in Parador like we put something for MDF/HDF thing of our own?

Dhirup Choudhary: Dhananjayji first of all you made my day by congratulating the team because I didn't think Q2 really deserves that but very kind of you. Coming to Parador and your specific question for any factory that we want to set up for HDF/MDF, our minimum investment size will be about €125 to €150 million. The capacity output will be three times that of what Parador would need. I think that I was not and I'm still not very sure. I want to get into a B2B model by getting into HDF/MDF manufacturing myself and then run pillar to post to sell those products because I'll have a lot of excess capacity. That's one and investment size will be very high. Second is, this product was in for a very low margins just a year back and last 4 years they’ve struggled, in fact in Europe if you map out, many capacities have closed down in HDF/MDF just because the realizations were too low. This is just a transient part I would say because of COVID, this is just an element where it will get automatically corrected. I think we will be able to do strategic sourcing from many more suppliers of HDF/MDF and continue our efforts while the prices soften from Q4 onwards, later part of Q4 is my guess. I don't think so we need to invest in HDF/MDF, we should find a better business model is my view but I'm happy to connect with you separately if you have a strong view on this.

Dhananjay Mishra: If you could provide the breakup in terms of geography how we did in Germany, Austria and other markets in terms of Parador this quarter.

Dhirup Choudhary: This time we intentionally supplied maximum to Europe because we had created a good customer base for expansion of Parador assuming nothing will go wrong in materials, but we were suddenly paused with this challenge. So, we concentrated maximum in Europe and the reason is because the realization then becomes best with less freights and all the rest of it. I think the numbers therefore would be far more versus Europe. I think about 70%-80% would be sold within Europe and the rest is outside.

Dhananjay Mishra: My second question would be in terms for roofing business, what is the outlook in terms of availability of this fiber and any costs that we are facing in that segment?

Dhirup Choudhary: I think today I can tell you the comfort we are in. So, we are well-poised in roofing. The business is doing well. We have sustained our margins to a great extent. There are challenges of material always, you know what the cement companies do. I don't have to talk about it. But fiber we are absolutely well-poised, there doesn't seem to be a big concern in roofing at all. We have been able to penetrate the market. We have been able to sustain our market shares to a great extent, take lots from our competition, brand is doing well, quality is doing great. So, no concerns.

Moderator: Next question is from the line of Nikhil Gada from Abakkus AMC.

Nikhil Gada: My first question is regarding Parador, and while you have mentioned that we have taken the 12%-13% price, I wanted to know whether this entire price hike was taken in Q2 itself?

Dhirup Choudhary: I mentioned to you, this was taken in three stages. The first price rise that we gave was 8%. I think this was at right at the beginning of the quarter. And then we had 3% then and then another 2.5%- 3% depending on the client. So yeah, the full of it hasn't matured in last quarter's revenue if that's your question.

Nikhil Gada: And you mentioned that we have shifted to other products which are like non-MDF/HDF and supplied flooring orders based on that. Can you highlight what kind of products are this? Are they similar to MDF/HDF and what is their availability source?

Dhirup Choudhary: Yeah, that's another tricky part. We tried to change some of our orders of HDF/MDF based products which have HDF/MDF as a central layer to the resilient flooring which is like the PVC based products. They look exactly the same and the raw material for that comes from China. That part we tried to do but for instance, SPC we call it, then ModularOne Hydron is another brand-new product that we have already posted, some of the engineered wood where we don't need HDF/MDF. Those are the products we have tried to supply more. There are two concerns there, one the HDF-MDF products have better margins on a run rate basis. Therefore, the margins for these alternative products have not been as good. So, that's some hit that we have taken on that on an equal basis. The second is PVC comes from China and there the new laws on our power and you all must be read about it. Most companies are running three days a week and some who have a good connect with the government run five days a week. Some of our suppliers are big guys, so they run on five days a week but they have hiked their prices. And the killing part has been the shipping lines where the context is almost 8x-9x costs. They are also posing a threat, but we will mitigate this.

Nikhil Gada: The reason to ask this is that whether this was more of a makeshift arrangement, or we were planning to at least a move certain part of our product lines to alternate sourcing. That was the reason I asked this. And just some of the domestic MDF manufacturers have highlighted during conversation that few of the European players for MDF and HDF and they're booked for 2 years in terms of the order book for MDF and HDF. Since you mentioned that we are moving sourcing from Europe to other part, just wanted to highlight if we can give more details from where we are trying to source the MDF/HDF requirement.

Dhirup Choudhary: So, 2 years if they've locked their product deliveries then I don't think they are the ones we can look at for alternatives. We were primarily buying this from Western Europe, and we have very good sources in Western Europe. Sadly, two of our sources out of many were people who had an upward integration themselves in the company of supplying furniture and flooring. They completely switched off because they had enough demand within their own group. That's the reason we have to look out. We are buying from Eastern Europe which is one part that we have moved to. We have looked at China and there is a good supplier in China which we have frozen up. There is a in line that is there. We are trying to use that if that's possible. SouthEast Asia is another, so Malaysia has a very good supplier. We are at the prime stage of concluding with them. Vietnam is another. There are quite a few options that we are looking at. We have looked at everyone, we have looked at United States also, we looked at Indians also. Couple of them couldn't match our quality. Some of them had a problem with the European approval. One of them who could do everything, their prices were too high. We are looking at everything that's possible Nikhil.

Nikhil Gada: The freight cost over here would not have any impact.

Dhirup Choudhary: They have a huge impact as you know from India also. So that always climbs on to the FOB price that we get. All of that has to be considered.

Nikhil Gada: Just on the other part of the business which is roofing; you already mentioned that we have been able to do quite well in terms of market share as well but you had highlighted in earlier calls that we were going to finally get good quality fiber from Brazil and that would reduce our production costs. So, any updates over there where are we in that?

Dhirup Choudhary: It is helping us, that's all I can say. How much etc. I would not like to talk about.

Nikhil Gada: But the integration has been done completely for those?

Dhirup Choudhary: Absolutely, we have a very focused supplier in Brazil. We have a preferential treatment from them so it's absolutely in placed.

Nikhil Gada: And it's flowing in our margins, right?

Dhirup Choudhary: Yes.

Nikhil Gada: Just lastly if you could highlight the capacity utilization across all of our segments that will be really helpful?

Dhirup Choudhary: So, Q2 is always a weak quarter in roofing. We had a mega-mega Q1. You may be aware that this was the best ever in the history. Q2 is always weak, so I think last quarter we were at 65% capacity utilization in roofing. We were almost at 55% to 60% in the plumbing sector, and we were almost 90% in our building solutions sector. Parador was less, we were around 70% in Parador, and it could have been far more had the materials been available.

Moderator: The next question is from the line of Nikhil from SIMPL.

Nikhil: On based on the discussion we had till now on Parador, as I understand like we've tried to save our sales and maintain our market share because during COVID if I understand we had gained significant market share because other people were not quite agile in the way we were. But considering that some of the suppliers were already having a forward integration, so have we seen a market share loss significant market share loss or would it be in some percentage points market share loss in Parador? And on the pricing side you mentioned that we've taken 10% to 12% price increase, but has the premium of Parador versus the other guys who are forward integrated has gone up significantly or the price premium would have remained the same way, so they followed on the price increases?

Dhirup Choudhary: Both are very good question. Let me try and answer, so countrywide if you see market share mapping, I think we have done very well to secure that. We have gained market from a few additional connects a few other additional customer acquisitions which we have done. We have left out a bit of DIY in the process because DIY is more standard module that we sell and there the contribution is immensely low. So, we have left out a bit of DIY specifically and strategically, but we have gained everywhere else and that DIY we will be able to gain back anytime. So, we have not lost anything on the same side on the customer side forever at all. That's answering that question of yours.

And on your second question, well we have raised the price. We have a premium, we get that, and these rises have always been a hard negotiation, but we have been able to convince it to the clients. Yes, some of the guys who have HDF/MDF in their family products are low and quality products supplier and therefore we do not have a very steep competition against them. I would say they would have also raised it because their HDF/-MDF price costs have gone up immensely. They would have also raised it, but it was not on a competitive level.

Nikhil: Secondly on the polymer business, see what I'm trying to understand is if you look at the growth last year, we were doing around Rs.90 crore of sales and this year we've done Rs.136 crore of sales. As I understand PVC prices have gone up significantly. So, of these 50% sales growth or even if we consider for the first half almost a 50% sales growth, would it be like 25%-30% would be volume driven growth or can you give me a split of volume and PVC led price growth?

Dhirup Choudhary: I think you're right absolutely. The number you've mentioned things very logical about 25%-30% would be the volume driven growth and the rest would be boosted by the cost structure.

Nikhil: So, if I look at sequentially from Rs.108 crore to Rs.136 crore and the EBIT remains in that Rs.9 crore range. So, have we increased our market spending and promotions to gain volumes or is it like there was some inventory adjustment which has led to, the whole of the sales growth has not flown into the EBIT improvement on a sequential basis?

Dhirup Choudhary: Nikhil ji actually your questions are self-answering, and I must give credit to you, you are very well-read on this, but let me try and point it in my own words. So last year if you are comparing last year there were obnoxious cost controls that we have taken a lot of it which had to come back. We had not given a raise in salary to manpower; we had not started at the going from one place to the other so that costs come back. There are costs also on some branding that we are doing if you ever go to Delhi or to Hyderabad the autos would have HIL Pipes behind them. Those are some specific branding work that we have done. Not big scale at all but specific ones, so some of those costs have definitely come back. Then there is the element of always inventories with the PVC prices continuously up and down there are plus and minuses keeping going. So it's not an apple to apple comparison but let me give you a broad sense the biggest push that I wish to do and that's exactly what I have requested my team to do is to go on exploding on sales. We are growing in bite roughly about 50% in Q2, Q1 will not be a right presentation because last year Q1 was very weak so I'm not even going to that, but Q2 have been almost, and we are on a drive scale for in excess of Rs.300 crore this year on Pipes alone. So, I think that is our cost. The more you're able to make the better will be the profitability, engagement and everything. So that's our drive. You would see this profitability coming up coming for in coming quarters and years.

Nikhil: I appreciate it and I think I'm not too much concerned on the profitability because this we've discussed multiple time and you've mentioned that as sales come the profitability will improve. I'm just trying to understand if because if it's a marketing and promotion spend it's more productive spend which will improve the market share for us over a longer period. That's just I'm trying to understand is it inventory loss which has hit the margin or is it more promotions which we have increased that.

Dhirup Choudhary: Inventory gain in Q3 last time which was significant, Q2 and Q3 you would see that also haunting us as we going to Q3 results a quarter later. But let me tell you where the losses have come down immensely it's all on quality rejections. We are far more efficient than manufacturing. We have penetrated into newer sectors. A lot more travels have happened, a lot more influencer activities have started with the plumbers and every bit is all costs but those are very, as you rightly that they are investment than cost. This particular business is, we were struggling up to October 2019. I must say everything that I was saying was not happening, from October '19 when we changed the business or rather removed him, and I took it upon myself that we should do something and the whole organization as one HIL has come together. Every month on month we are growing in this business and it's exciting to see we will be crossing Rs.300 crore this year from a Rs.200 crore last year. And as we crossed Rs.300 crore we coming to a very selected set people in pipes, and I think the market share or profitability there after the quite as strongly.

Nikhil: Last thing which you can take up later also on Charminar Fortune, how is the progress since last 2 years now? Are you seeing traction building up or are we still in the process, the proof-of-concept stage? Any thoughts there because we had good expectations from the product.

Dhirup Choudhary: We are finally I can make a thumping statement that we are out of the proof concept. We have tested the product enough. These rains have been merciless in many ways, sectors of the country which has had torrential rains taken away sheets which was not ours thankfully. Fortune has sustained all of that which means we are absolutely clear about the quality, technology and everything. Now we will be completely ramping up this product. If there is a concern, the concern is only on the cost of fortune. We can't peg it along with asbestos and we don't want to. So, we have to peg it with alternative products and get the market scaled up. Fortune is in far better hands, and you would see progression quarter after quarter.

Moderator: The next question is from the line of Anish Jobalia from Banyan Capital Advisors LLP.

Anish Jobalia: I wanted to discuss broadly on your broad thoughts. So overall how do you see the EBITDA margins recovery from Q2 onwards? In H2 in the last year we did close to 13% EBITDA margins; do you think we can recover to those kinds of levels in this year?

Dhirup Choudhary: That's a very tough question I must say and part of it I'm not able to talk about exact numbers. I can only tell you that I think the worst is over in Q2. Q3 will also remain tough but it's not going to be as bad as Q2 and Q4 will be far better. We will considerably be improving here on. Last year was a bumper year for us. There were lots of cost cuts and everything let's see we will keep our fingers crossed.

Anish Jobalia: Sorry. I'm pushing but in terms of achieving our $1 billion revenue by FY25. I wonder to check it very crucial developments in this quarter that you would like to highlight which may help further crystallize your conviction to reach this milestone.

Dhirup Choudhary: You should push me because this is your company, and you have all rights to do so. We are here to make that happen. $1 billion dream is absolutely there, and this is no more a dream this is now being positioned in plans. Lot of exciting bit has happened. One is we have got your approval and we are going ahead with the new factory for building materials in Eastern zone, so that's one step, a small but very clear step that we will be taking on that. We are growing in pipes. We are increasing our product availability getting into newer types of SKUs of pipes. That is definitely going to reward us in going future. There's a lot of room for pipes to grow and we will do everything to do that. It has been slow in H1 but because of COVID in Q1 and then in incessant rains that happened in Q2 we have been slow in H1, but we have grown over last year and now, putty season is now and this month I must say it's looking very good, so putty will also be growing. Parador everything, every planning is in place to double Parador from where it is today in the next 4 to 5 years' time and that's another part of the $1 billion story. We have just been crippled by what I'll say is a transient problem which will go through on raw material availability, but we'll be back once again. I do not see anything that will keep us back from that story.

Moderator: The next question is from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: The first thing I'd like to understand is how is the pricing trend in the roofing business now? Because you did mention that Q2 did see you some price cutting by competitors, that's still continuing?

Dhirup Choudhary: Sadly yes. It's still continuing, and it will be prudent to say I would have assumed a lot more robust approach there but if see our competitors are adding new plants. I can't blame them if they want to take more markets, who crystallize their own plans. The question is at what price, question is at what profitability but that's for them to handle. What pushes us therefore more is how do I not reduce price and still maintain my leadership and market positioning? Far more activities are going on digitally, tehsil mapping, the PIN code mapping that we have done. Lot more drive into influencer segment the last leg connect that we are doing with the meetings. I think all of that as whatever the others are doing, I will say is helping us to even form us our plans better and be in the market better, so I don't think we will be as exposed as they are.

Alisha Mahawla: The next question I have is as while we understand the challenges that you're facing in the flooring business and obviously as you've identified in detail the alternate suppliers that we're searching for, but we'll be able to maintain last year's revenue or it's hard to see at this point in time considering demand is there, but we are unable to supply?

Dhirup Choudhary: If your question is whether we will be able to reach last year's revenue, that's the aim. So, till now we are very much on track for the last year's revenue in H1. The aim is exactly that we don't want to let go the revenue. Profitability is another question.

Alisha Mahawla: While you've highlighted that you've taken 12% to 13% price hike in H1 in stages, is it possible to quantify what is the incremental amount of price hike we would have to take to neutralize the increase in costs that we've had to face?

Dhirup Choudhary: That's not an easy question because Parador has lots of SKU's and each one has a differential model of costs and price, very difficult for me to answer. Ideally if I take another 5% maybe I would have been able to equate things that's only ideally speaking again. It depends on what products and what orders I take from which horizon, which geography and everything else. There's a lot more there's a very strategic calculation tool that we use now with Parador so that we keep a glimpse on profitability at the time of picking the orders, but our attempt is that while the prices are still not showing down how can we raise, all the materials are not showing down how can we raise further on NSR those attempts are going on.

Alisha Mahawla: And just one last question. Once everything normalizes in the flooring solutions business what do we feel would be a sustainable margin in that business?

Dhirup Choudhary: We are absolutely committed as an organization. We picked up this company with 7% EBITDA margin. Sorry, I don't have the PBT numbers with me, but 7% EBITDA margins. We had come to 11.5% EBITDA last year end and I had committed to you that 10% is what you should take on a normalized basis for Parador as we will grow this company and I stick to that. We are going to be back but give us a quarter and a half more.

Moderator: The next question is from the line of Nikhil Agarwal from Tusk Investments.

Nikhil Agarwal: So, my question is around the target of HIL trying to become a one-stop solution of building materials provider. HIL was initially a roofing company and now expanding to multiple products in parts of roofing business and in building materials. So how does HIL plan to utilize that distribution network and use outsourcing models for creating new products, launching new products in the market and improve the working capital requirements?

Dhirup Choudhary: We are absolutely going to be one-stop building materials $1 billion Company and that we are going to achieve. The whole team is signed up to it and I do not see that as an issue at all. There will be these kinds of problems some quarter. Last 4-5 quarters have been very good from HIL's perspective. This quarter has been a bit hard because of Parador. Next quarter also will be slightly pained because of Parador, but we will be back once again. Our strength is the last mile connect across the country in India. We are going to utilize every bit of it. Evolve, therefore come out with products has a meaningful contribution in its distribution and connect with the clients. We have come up with for instance you would have read it that we have come out with water tanks; where we have a particular trial mode that we are doing. We have come out with some other products like primers, Tile adhesives that also we are trying and very specific test markets to see how it works.

All these products have the Birla brand to it, so it's all under the Birla HIL brand. I think none, if I may say, have a Birla connect elsewhere other than us. That's a good tool that we have. We are being sold through both our roofing as well as the plumbing networks that we have. So, there's a huge synergy, therefore. They're all being bought out mostly. So, we are gathering speed and getting contracts done for a contract manufacturing at this location and cannot travel beyond a particular kilometer because of freight. So, we will have to have lots of them. Therefore, working capital will be really less because we'll be mostly doing on the outsourcing model where we will be able to sign up with them. CAPEX will be minimal, unless we really need something. This will be an efficient model, but they'll have a very finite bit that we can do. If we want to go aggressive in any of the products, we'll have to look at a different model at a later date but at the moment we want to keep ourselves open, kept it to this route and then come out with what's the rational good model to take it to the next level.

Moderator: The next question is from the line of Vipul Prasad from Magadh Capital.

Vipul Prasad: I have some questions again on your expansion plan. So, when you talk of $1 billion revenue in the next 4-5 years. What is the CAPEX that you're targeting over the next 3-4 years? Let's say in the next 2 years.

Dhirup Choudhary: I would say rather than looking at CAPEX let's look at what will be the borrowings and debts because it's a mix of CAPEX model and OPEX model that we would be doing. I cannot put my finger at the moment on how much will be an organic, how much of it has to be inorganic wherever there'll be a need. I would say at the moment in India we are debt free. We have been able to clean up entire loans that we took for Parador which was taken for 7 years, in 2-2.5 quarter year. The loans in Europe is absolutely not a bearing on me because it's at 1.5%-1.75% and it's easily payable from the cash flow of Parador. That's not going to be an issue. Therefore, we have now a room for any further investment that we want to do organically or inorganically. So, we will continue to look at that table if we ask for the business practice.

Vipul Prasad: And when you put these plans on the drawing board you would have some sort of number when it comes to return the issuers let's say ROC or ROE. So even if it's in some kind of a range let's say last year probably your ROE was 25% and in fiscal 20 it was 15%. What kind of numbers would you be looking at? Assuming net sales realizations do not change much?

Dhirup Choudhary: I think there are a few boxes we always tick for ourselves and I'm not talking about an initial teething time but more on a stabilized time off of business. Any business that we want to go for I don't think we want to go more than 1:1 debt to equity in nature like any state. I'm not comfortable with that. That is also far-fetched with an EBITDA it should be double figures in stabilized format for any new business that we look at. Because we don't want to tarnish the companies EBITDA at any stage, and ROCE I think a sustainable 20% looks quite steady from my meaning. These are some of the boxes that will always be warning signals to us before we look at any investment.

Vipul Prasad: Just one more question, you've been very clear about Parador's target about €350 million. Out of the total revenue that you are foreseeing about $1 billion what percentage will come from roofing and out of that what percentage will come from asbestos roofing?

Dhirup Choudhary: Let me give you a few numbers. I'm just thinking about while I speak it's not on the paper. So, roofing will be about Rs.1,500-1,600 crore, building solutions will be about Rs.750-800 crore, plumbing solutions will have a pipe of Rs.1,000 crore and putty of a Rs.600 crore. Parador we'll do about €350 million, and we will have to look at new products new verticals to fill up the rest to make it a Rs.7,000 crore or whatever would be the need then.

Moderator: The next question is from the line of Ishrat Khatri from Omkara Capital.

Ishrat Khatri: I was just evaluating the flooring business the Parador's numbers. I was trying to understand what kind of raw material price increase have we seen because like you mentioned we've done about 12% to 13% price hike despite which if we see on a Q-on-Q basis our gross margins have decreased from 48% to about 40% please correct me if I'm wrong. But what kind of raw material price increase have we seen on a Q-on-Q basis?

Dhirup Choudhary: These are different for different products on a ex-work basis we have seen at least 40% increases in HDF and MDF prices in Parador. We have seen a 7x to 9x increase in sea freight for everything that we buy from a distance. We have seen the chemical prices shoot up by almost a 100% to 200% depending on what we are looking at. Some of the paper that we use for impregnation, those paper prices have also gone up so it's a mix of everything. I think overall about €8 to 9 million has been the cost increase only on material costs in the first half year in Parador.

Ishrat Khatri: You mentioned that we've done 12%-13% price increase and that was over a period of three different increases. So, what percentage of that has already been captured in the Q2 prices? Because I understand not all of it has been captured and Q3 will be definitely better than Q2 is what we expect. What kind of number has already been captured in Q2?

Dhirup Choudhary: I don't have that number currently with me, we can always get back to you, but I'll say we have taken it in three stages, so not all of it has fully rolled on to Q2. I would say about 60% to 70% has rolled on and the rest is already happening as we speak. Second point is, does it straight away reflect that we will have a very high profitable Q3. No, because material costs haven't started coming down yet and that's why that's a very volatile part. We will have to still see where really the hike conveys where the way we reach the topmost and then start coming down. I don't believe material costs will start coming down before Q4 middle. We will have to, therefore, look at even further price-rise if there's a need, so all of that are work in progress on the drawing board every day.

Moderator: We will take the last question for today which is from the line of Sagar Jethwani from Phillip Capital PMS.

Sagar Jethwani: How many channel partners you have added in each segment and how much addition we have seen over 1 last year? I think we have 2500 distributors. Can you please share break up of that? It will be helpful. My second question is on the domestic revenue mix between last Tier II and Tier III towns, if you can share that as well?

Dhirup Choudhary: It's a difficult question for me to answer off the board but in my reviews that was very clearly understood that we have done about 600 - 700 new acquisitions of last leg connect in roofing and about half of that in plumping. Q1 was far more; Q1 was about 1200 new counters that we have taken, and Q2 was about 700 more. Your question on Tier II, Tier III versus Tier I that breakup, I don't have but I think roughly about 30% of building materials is coming from Tier II, Tier III.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Dhirup Choudhary: Thank you. It has been a pleasure interacting with all of you over this call. We thank you for taking time out and engaging with us today. We value your continued interest and support. I hope I've been able to give you a very transparent view on where your organization is and the challenges ahead. Let me once again reassure that every minute, every hour of our time goes towards protecting your interest as investors and we will continue to deliver what's feasible and more from your organization. Please reach out to us if you have any further questions, till then Happy Deepawali to all and stay safe. Thank you very much.