CK BIRLA GROUP | HIL

May 07, 2018

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	**Scrip Symbol: HIL**

Dear Sir/Madam,

Sub: Transcript of Schedule of Analyst/Investor Call held on Friday, April 27, 2018.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

In continuation to our letter dated April 24, 2018, please find attached the Transcript of Analyst/Investor conference call held on April 27, 2018.

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

You are requested to take on record the above said information.

Thanking you
For HIL LIMITED

G. Manikandan
Company Secretary
& Financial Controller.

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HIL Limited

Q4 & FY18 Earnings Conference Call Transcript

April 27, 2018

Moderator Ladies and Gentlemen, Good Day and Welcome to the HIL Limited Q4 FY 2018 Results Conference call. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Rajput from CDR India. Thank you and over to you, sir.

Siddharth Rangnekar Good Afternoon, Ladies and Gentlemen. Welcome to HIL Limited Quarter Four and FY 2018 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.

I have with me on the call Mr. Dhirup Roy Choudhary -- Managing Director and CEO of the company; Mr. KR Veerappan -- CFO; Mr. G. Manikandan -- Company Secretary and Finance Controller; and Mr. Ajay Kapadia -- GM (Finance).

We will commence the call with comments from the management team. Post which we shall then open the call for a Question-and-Answer Session, where the management will be very glad to respond to any of the queries that you may have.

At this point, I would like to highlight that some of the statements made on today's call could be forward-looking in nature and that the actual results could vary significantly from the statements made. A detailed statement in this regard is available on the company's Earning Presentation which has been circulated to you earlier.

I would now like to invite Mr. Dhirup to commence by sharing his thoughts on the business model of the company and the strategic imperative that lie ahead. Over to you, Dhirup.

Dhirup Choudhary Thank you, Siddharth. Good Afternoon, Ladies and Gentlemen, a warm welcome everyone. I thank you for taking out the time to join us on this call.

FY18 has been a seminal year for HIL, where the business charted a strong trajectory underlined by volume improvement across product segments. We were also able to seed multiple platforms for sustaining a robust growth narrative. Our brands, Charminar and Birla Aerocon have access to tremendous goodwill both from the trade and the end consumers. We have been successful in leveraging the more immediate opportunities across both roofing & building solutions and this has translated into a good increase in the revenue line during the year. Roofing has grown at 10% YoY and Building solutions, recording a 23% YoY growth during FY18.

Profitability momentum has been strong with Q4FY18 PBT up 302% YoY at Rs. 30 crore and FY18 PBT up 63% at Rs. 120 crore.

We have seen marked improvement in business in roofing, delivering 15% increase in Q4, 10% increase in FY18, targeting both retail and institutional segments. We have been addressing roofing market comprehensively with Charminar and Charminar Fortune. Charminar Fortune, green roofing solution has been tasked with widening the sales footprint into the institutional category. The way the pipeline has been building up I am glad to share that this has been a timely investment. Initial focus has been on seeding this product, product education and mindshare gains. Response from target segment has been encouraging, and we expect meaningful contribution from the second half of this year. At present we are committing a single facility to the segment but have full intentions of backing growth as and when required. The beauty of the model is that it is relatively inexpensive to scale up as we are utilising the existing apparatus and capabilities.

We have been pursuing ‘product plus solutions’ strategy in building materials, creating opportunities for longer term engagement with key customers, and that has been driving growth. We are working with the builders doing the mock ups for them and assisting them in way of grooving inside the products for the cables and all the rest of it. Earlier we were only supplying blocks now we are doing the entire solution for them and setting up training institutes with big builders and everything that is required to be together with them to give them the comfort. It is the last leg handshake which I believe is helping this business immensely.

I must also mention that the growth we have charted up for the plumbing solutions business (pipes & fittings) is closer to being realised as we operationalise plans through new product lines. During the quarter, we commenced the commercial production of SWR (Soil, Waste & Rain) Pipes, Pressure Pipes at Faridabad plant in Haryana. Further, just recently, we commissioned SWR (Soil, Waste & Rain) Pipes, Pressure Pipes & Fittings facility at Golan, Gujarat taking production capacity from existing 7,500 TPA to about 13,000 TPA across all units. This will further expand to 18,000 TPA after commissioning of CPVC and UPVC pipes and fittings facility in Golan plant in next quarter. This is part of our plan to expand the available opportunity in the market which we want to capture as we believe we have the right brand, the right product and the right marketing sales network. Markets are attuned strongly to Birla Aerocon brand. This augmentation of the portfolio will further strengthen HIL’s relationships with the trade channel, plumbers, influencers and builders/developers.

Building on our brand equity, connecting our brands to a wider customer base continues to be a focus. We recently launched first ever TVC introducing the new positioning for HIL, ‘Together, we Build’ which highlights the presence of the company in various building materials with its brands Charminar and Birla Aerocon with products for roofing, pipes and fittings, smartputty, panels and blocks. HIL’s association with CSK is intended to showcase our brands to a larger audience through the ever-popular cricket tournament. The loyalty and faith reposed by our business partners and customers in the business and brands makes us identify as champions, much like the team’s winning attributes. We are confident that the new campaign will bring in a new wave of awareness for HIL and provide a fresh take to evolve the market.

I am delighted to state that HIL has been conferred with INDIA'S BEST COMPANY OF THE YEAR, 2017 award as well as INDIA'S MOST TRUSTED BRAND OF THE YEAR, 2017 award in the category of building materials, at a recently conducted ceremony held at Mumbai. These awards have been constituted by International Brand Consulting Corporation, USA. Additionally, HIL has been conferred with the prestigious 'TPM Excellence Award' for three of its Roofing Manufacturing Plants from Japan Institute of Plant Maintenance (JIPM). These recognitions underlines HIL's commitment to driving a world-class operation in the field of building material solutions. The awards are also a testament to the dedication of the personnel associated with the respective facilities towards production excellence.

Our excitement for the future is underlined by the visibility we are creating around our flagship brands. Our focus is to build on the gains in margins that we have seen year on year and this will be a function of enhanced presence in distribution channels in the fibre cement roofing segment, the solutions centric approach in growing the building solutions segment, scaling up of the green roofing solutions product and the momentum we are creating in pipes & fittings by way of enhancing the product range and market reach. Our true strength is in our committed and efficient employees, loyal stockiest and our strong Corporate Governance and value system. It is this vigor within the organisation that enthuses me, and I am confident that we will be able to deliver consistently good set of performances in the coming period through the articulated objectives.

Last but not least, I am happy to share that the board has approved a final dividend of Rs. 12.50 per equity share for FY18 and thus making total dividend payout of Rs. 22.50 per equity share for the year.

Thank you very much for your patient hearing. I would now like to invite our CFO, Veerappan to take to the forum to share his perspectives on the financial review.

KR Veerappan

Thank you Dhirup. Good afternoon and thank you all for joining us on the call today. I would like to inform that this is the first year of adoption of Ind AS reporting standard and am thankful to entire team who helped us to publish the result in a very short span of time. I am also happy to inform that HIL is the first listed company in the industry to have accomplished this task.

I will now start by recapping the financial highlights for the quarter and full year and then focus on providing you some flavour around the numbers and our journey forward.

A sustained growth can be witnessed in the revenue, EBITDA and profit and this is being duly complemented by a much leaner balance sheet.

In FY18, Revenues stood at Rs. 1,279 crore as against Rs. 1,119 crore in FY17 thereby registering a growth of 14%. In Q4 FY18, Revenues grew by 22% to Rs. 335 crore as against Rs. 274 crore in Q4FY17. Please note, for the purpose of comparison total revenue and total expenditure are shown net of duties and taxes on sale of goods. 15% YoY growth realised in roofing segment in Q4 which delivered growth for the third consecutive quarter, leveraging the increasing Charminar brand equity.

Strong contribution continues to come from Building Solutions with 27% YoY growth in Q4 and 23% YoY growth in FY18. This performance has been driven by strong brand recall for Birla Aerocon in combination with our solutions based approach.

In FY18, EBITDA stood at Rs. 171 crore as against Rs. 127 crore in FY17, an improvement of 35% YoY. In Q4 FY18, EBITDA grew by 120% YoY to Rs. 42 crore. I am happy to state that this year we have registered highest ever EBITDA in the history of HIL. EBITDA growth is in line with broad-based gains in revenue line. Expansion in product and customer matrix is opening up opportunities for further leverage in margins. The sustained improvement in EBITDA performance is underlined by disciplined cost optimisation measures.

In FY18, PBT improved by 63% YoY to Rs. 120 crore as against Rs. 74 crore in FY17. In Q4FY18 PBT improved by 302% YoY to Rs. 30 crore. This performance has been supported by growth in sales across board. Judicious capital allocation complemented by initiatives to enhance enterprise productivities is setting the stage for superior returns.

I am pleased to share that the Balance Sheet continues to be strong. Net Debt to Equity remains at 0.12x as on March 31, 2018 vs. 0.12x as on March 31, 2017. We have zero interest bearing debt for the past 2 consecutive years. We have further aggressively optimised working capital intensity by focusing on all parameters which has resulted in Net Working Capital reducing to 4% of total revenue as against 12% of total revenue in the previous year.

As our business mix continues to transform, a foundation is being created for an even better performance in the coming period.

On that note I conclude my opening remarks. We would be happy to give you our perspective on any questions that you may have. I would request the operator on this call to open question and answer session. Thank you.

Moderator Thank you. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. We will take the first question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari Just a few questions from my side. If you can give us, what is the volume growth of both the segments roofing solution and building solution for the fourth quarter and for the full year? Question number one. Question number two is, can you give some color on the raw material side of the business, is there any price inflation on the raw material side? And third is if you can little bit brief us on pipe business update on the same?

Dhirup Choudhary Thank you, Rajesh Ji, for asking this question and thank you for being on the call. On the quantity side in Q4 we have grown the AC sheet business by 12% and that brings us to the annual growth of 6% for this business on quantity. On the building solution side, we have grown by 9% on AAC block and 19% on panels in the quarter four, that brings us to 5% growth in AAC block cumulative for the year and 17% growth on volumes in panels for the year. Your question on raw material, we have absolutely no problems on raw materials. We have fantastic connections with our suppliers and that happening hand-in-hand as we speak, and we see no risk on that account at all.

Rajesh Kothari My third question was on the pipe business if you can give some business update on the same?

Dhirup Choudhary Yes, the pipe business as we said in our opening remarks, we have already commissioned Faridabad expansion of SWR, we have also just a couple of days back commissioned our Golan new plant for the SWR pipes and fittings, the CPVC and UPVC pipes and fitting business expansion in Golan is in the process and we should see that getting commercialized by the end of the quarter. The pipes business has grown by 21% on revenue over last year. And we definitely believe that we have got the right technology behind the product, which has made the product to be an excellent quality as has been rated by experts in the market. And we are doing a lot of branding activities to get the brand pull under the name of Birla Aerocon and we are expanding our sales and marketing network by the day and we have absolutely no concern in way of expanding this business this year as we go.

Moderator Thank you. We will take the next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda Sir, I wanted to know the broad mix of the building solutions business because there are maybe some products if you could give some broader idea as to what percentage would be pipes and what percentage would be panels?

Dhirup Choudhary The building solution business comprises of the wet walling solutions where we talk of AAC block and building mortars and putties. The dry volume solution where we talk of the panels, the boards and the smart fix and the pipes business is separated in the other business, it is not with the building solutions business. On way of the contribution for the business the roofing segment contributes about 64% of the total business, the pipes and fitting is small at this moment only about Rs. 54 crore and the balance is building solutions which makes up the total volume.

Pritesh Chheda I wanted to know within building how much is wet wall and dry wall? And at EBITDA level what is the EBITDA mix between building solutions and roofing solutions?

KR Veerappan Okay. As far as the EBITDA is concerned for the year roofing solutions out of the total Rs. 170 crore of HIL roofing solutions delivered around Rs. 154 crore. Building solutions Rs. 36 crore and the balance others and there are unallocated expenses of Rs. 32 crore, so that comprises of total Rs. 170 crore of the EBITDA. If you see in terms of percentage EBIT margin, if you see EBIT margin it is…

Pritesh Chheda I have number EBIT. So the Rs. 170 crore, the split is Rs. 154 crore for roofing and Rs. 6 crore for building.

KR Veerappan Rs. 154 crore roofing; building solution Rs. 36.4 crore; others Rs. 12.6 crore; net unallocated expenses of Rs. 32.3 crore.

Pritesh Chheda As I wanted to check FY 2018 has been fairly strong year on roofing both in terms of volume and margin. I understand probably the margin could also be a function of asbestos fiber being imported and currency being favorable and cement price also being lower. So, what would be your assessment on the margin side of the roofing business and the volume growth? Also, this business works relative to steel. So whenever steel is pricier asbestos find favor. So slightly on a two years to three years perspective what would be your call on the roofing side especially asbestos on growth and margins both.

Dhirup Choudhary Thank you again for this question. So we have been extremely encouraged by certain Government policies which have supported our business. We have the demonetization just before the beginning of last financial year which consolidated itself in the quarter one of this year. And then we had the GST implementation which saw an the initial hick-up in way of stocking but thereafter we saw an immense benefit to the business in way of consolidation and the market transparency as well as a 10 percent reduction which has been passed on to the customer that makes the business more viable for the customers. Steel prices went up and that has helped the business because the immediate competition to our product is from the corrugated steel suppliers, color coated steel suppliers. Yes, fiber has been an advantage definitely but that is also because of the 70 years legacy that we have and the connect that we have with the fiber manufacturer, so we definitely draw premium over the rest I would believe so far as the cost are concerned. Our products are extremely professional and have the lowest breakages and highest quality and therefore as a brand Charminar stands above the rest with the highest market share of close to 21%. We have grown that market share slightly this year and we get a premium from the market and as the market grows most of our CAPEX are depreciated because of the long association that we have in the business and definitely with the volume growth the entire thing flows on to the profitability and therefore, a good business on roofing means a good profitability automatically coming through. We have also launched this year a fantastic product called Charminar Fortune and that is non-asbestos, cement based corrugated roofing sheet which is an autoclave, we have done the IP around it. We are the first we believe in this world to have come out with this product because the other people who have a non-asbestos cement based roofing use a different technology which is we would say not as good as the one that we have from Charminar Fortune. This business is just about stabilizing at this moment, we are feeding it in various institutional customers, we want to take the bite from a market which we were not present which is the institutional segment, the big Government houses who went away from asbestos in 2004 or 2005. And we believe that this would bring in a huge sense of expansion for the group as we go forward in the coming months.

Pritesh Chheda My question was sir, do you foresee what kind of growth in roofing and are these margins elevated or these margins are sustainable, and you have got some benefits on what prevailed in RM in FY 2018?

Dhirup Choudhary No, I do not think these are elevated by any means, these are quite sustainable margins. We have pruned down our expenses to a great extent and improved our own operational excellence. The market is showing up there has been good monsoon and the waiver of the loans with the farmers are supporting the cash flow with the farmers. I think this year also would be good the traction should continue.

Pritesh Chheda Okay. And what kind of growth is possible in building solution?

Dhirup Choudhary The tractions are doing well and I think we will catch-up. In building solutions, we are doing the solution base and that should support us in way of growth in a building. I think what you have seen this year is something which is sustainable both from growth as well as profitability point of view.

Moderator Thank you. The next question is from the line of Kaustav Bubna from Rare Enterprises. Please go ahead.

Kaustav Bubna Can you please explain the opportunities size from the institutional markets for this green roofing solution also the sustainability in demand for the long-term.

Dhirup Choudhary So this is a completely Greenfield product because we have vacated that segment long back more than one and half decade. I believe the roofing segment market as an institution is the far exceses of Rs. 4,000 crore. But they are also investing in the pucca roof which is the RCC, they also buy steel at this moment and therefore, we definitely see a good opportunity to come and bear with a much more sustainable product which is the Charminar Fortune as against steel it is highly advantageous product, long life, steel I would say 8 years to 12 years and this is lifetime product. The thermal insulation, the sound insulation, all of it stands very heavy in advantage to Charminar Fortune. So we definitely see that this would be revolutionizing both the industry and HIL's performance going forward. Sustainability, of course, this is a product which is of high sustainability and high strength with very minimal breakages and I think, this product will definitely stand out in the institutional segment.

Kaustav Bubna What is the pricing differentials for these green roofing versus steel?

Dhirup Choudhary At the moment, the steel is the only one which is being supplied. So we do not have a real solution in India for non-asbestos cement based roofing and therefore, it is a very good opportunity for us to position this product higher than the asbestos sheet around the steel sheets prices and get a good realization.

Kaustav Bubna And your main raw material is crude?

Dhirup Choudhary Raw material is very much indigenous, it continues to be cement, fiber and we are replacing the asbestos with another product which is well known by my R&D, even I do not ask that question.

Kaustav Bubna Okay. And on this AAC block segment, what is your long-term plan or vision and in terms of competitive intensity what is really stopping leading cement players from dominating the market in the long-run?

Dhirup Choudhary I think it is the technology Kaustav because easy to say we will implement the machines. But the way that we have been able to handle this business in the ten years is an exemplary, we have been able to come out with the best lowest breakages, high strength product, very light, and all of that stands out. So today if you go to the market and ask for AAC block they talk about Aerocon block or Birla Aerocon block because that is the kind of asserted positioning in the market that we have been able to gather. This business is good for future. There have been lots of mushrooming of unorganized player in this market. But very soon we would see that consolidating, we are already seeing signs of that. RERA act was a severe immediate headwind that came through last year. But I think over the next couple of quarters that should stabilize. New buildings will come up in a big way and all of that will definitely grow this business potential. We will wait for the right opportunity to get our net sales realizations up for this business as consolidation happen that is bound to happen and then we would make further investment into this business. This is a very good product that we have.

Kaustav Bubna So you are currently running at close to full I mean 90% plus capacity utilization, So what is your plan in terms of growth if this segment is so good?

Dhirup Choudhary Kaustav, honestly speaking, we are not in a hurry to set-up another plant which we can do any day. This product can only travel to 200 kilometers from wherever you manufacture and that is some restrictions that we have by way of its freight cost. But what we are doing is to grow this business, we are going through the solution route and I think, in my note I did talk of the kind of intensive focus that we are doing in way of being together with the builders and the customers developing their capabilities, doing the augmentations in our product by way of what they require and providing the whole solution including putties that is definitely enhancing both the top-line and in a big way the bottom-line. So I think, at this movement, as we speak exactly what we have in our mind since the market really consolidates the NSR's goes up and then we will go focus. You had after question why these cement players are not in this business, I think I answered that.

Kaustav Bubna Yes, right UltraTech and JK are in this business, so they have the technology to I mean they have got enough cash in the hands and they have got access to fly ash. So what is stopping them from dominating this market in the long-run?

Dhirup Choudhary I think, they tried, so without naming one of the big cement suppliers, did try supplying AC block, they were not competent enough to develop this technology in the way that we have done. So there were huge breakages, there were losses with them. I do not think this is a focus business in any case and we are very happy to be in this space where we find this to be our focus business and we are doing well.

Kaustav Bubna Okay. So currently at about 20% - 25% market share in this business?

Dhirup Choudhary So Kaustav there is about 50% of the market which is unorganized and therefore getting the market share would be a very difficult task, but we are leaders so far as the organized sector is concerned.

Kaustav Bubna What about Build Tech and Magicrete**.** Is the Build Tech the leader in terms of market share?

Dhirup Choudhary I would leave that to you to assess, I would not talk of any of my competitors. But honestly, I think we are doing the best.

Moderator Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra Sir, could you explain in this quarter what led to this such a strong number in the roofing side and also what were the tailwinds which led to such strong margins?

Dhirup Choudhary I think what we did different in Q4 is more a brand pull by way of lot of activities amongst our dealers and retailers using the CSK bid that we have. So we are very excited to meet up with the players. They are very excited to watch a match in the VIP counters and all of that helped us in drawing them towards enhancing their own results and thereby enhancing our results. So I think, that was what dominated quarter four for us and we are very happy about these numbers. I think, overall the company is well focused to channelize its cost base to be as down as possible and enhancing efficiencies in every angle. So we have been competing within plants to enhance the capabilities of each plant and bring it up at every level and all of that has helped in a big way towards reducing the cost enhancing our profitability.

Dhananjay Mishra Sir, could you give the absolute number of this volume figures for Q4 as well as FY 2018?

Dhirup Choudhary Yes, absolutely. Veerappan?

KR Veerappan As far as the AC sheet sales are concerned in Q4 we have done 1,85,777 tonnes against the last year same period 1,65,920 and as far as AAC blocks are concerned, we have done 1,96,189 cubic meters against 1,80,599 cubic meters last year. Panels we have done 17,971 tonnes against 15,095 tonnes last year. So this is Q4. If you want full year number I can give that also.

Dhananjay Mishra Yes, full-year number if you can provide for sheets, fiber sheets?

KR Veerappan AC sheets are concerned full year number we have ended up with 7,69,831 against 7,23,984 last year and AAC blocks we have ended with 7,02,593 cubic meters against 6,71,312. Panels we have done 64,492 tonnes against 55,102 tonnes last year.

Dhananjay Mishra And sir, lastly, if you could provide the CAPEX figure for this pipe segment we have done and what kind of capacity we are envisaging for next year?

KR Veerappan I think, Dhirup in the last quarter also we have mentioned that we are putting in excess of Rs. 100 crore, the part of which SWR pipes and fittings in both Faridabad and Golan has been capitalized now. The balance will be done in the next quarter.

Dhananjay Mishra So Rs. 130 crore for both the plant, right.

KR Veerappan Yes, Rs. 130 crore included even the Chennai plant and third is also in the progress. So we can take it as excess of Rs. 100 crore. So we have done around, Rs. 40 crore right now the balance will be spent in this quarter.

Dhananjay Mishra So current capacity for this Golan is 13,000 that will increase to 18,000 by next quarter?

KR Veerappan No, the total capacity.

Dhirup Choudhary The total capacity is what he said from 13,000 to 18,000 once we have completed.

Dhananjay Mishra That includes SWR also?

Dhirup Choudhary Yes, that is right.

Moderator Thank you. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar Sir, as you highlighted, you have reduced your working capital from 12% of sales to 4% of sales which is great. So can you please tell us what are the key measures you took to make drastic reduction and are this sustainable?

Dhirup Choudhary Thank you, Arjun Ji, for your compliment. Yes, the company really has worked far towards it. Working capital is something which is well within our hands and that is something that we realized much earlier, and we have worked very hard this year. Some of the old receivables that were sitting in our book were not getting collected is something we focused in a big way and we have tried to reduce that part of it. We have also tried to prune down on further relaxation of financing capability that we give to our customers in a big way, so that we are not able to land up into similar situations going forward. We have reduced our inventory in a big way because something was as a legacy we were following, and I think, as an organization we sat together in fact to work towards there. We have improved on payables a little bit and all of that together has helped. Your question on whether this is sustainable or not for the present business, yes. But as we are ramping up newer businesses like pipes and fitting and also going for Charminar Fortune with institutions, I think this working capital will go for a little bit of an increase. But we will continue to monitor it at the highest level and see that we do not go anywhere wrong on this.

Arjun Sengar Sure. And sir, finally, the other income of Rs. 8.4 crore in this quarter, what is the break-up of that?

KR Veerappan We had particular surplus land in one of the depot premises, so it just has been sold, it is just one transaction.

Arjun Sengar So that would be the complete Rs. 8.4 crore most of it?

KR Veerappan No, that major will be on Rs. 3 crore. There is a dividend income for whatever mutual fund investments we are doing that will be around Rs. 2 crore and you are talking of Q4 and I am giving these numbers for Q4 actually.

Arjun Sengar Yes, only Q4.

KR Veerappan Q4, the profit on the sale of fixed assets was around Rs. 3.34 crore, the dividend income was around Rs. 1.9 crore and we have certain rental incomes for our properties which is around Rs. 1.6 crore and that is it.

Moderator Thank you. The next question is from the line of Rishab Chaturvedi from Edelweiss. Please go ahead.

Rishab Chaturvedi One question that our gross margins were down 400 bps. So I would like to understand where has the margin reduced from and whether it is from roofing solutions or building products? And what has impacted these margins?

Dhirup Choudhary Yes. I guess the gross margin reduced is the question that I am trying to hunt on because our EBITDA has improved. Where did you get that number, sir?

Rishab Chaturvedi So in value terms, the gross profit has improved from Rs. 155 crore to Rs. 178 crore. But in percentage terms, it has reduced from 56% to 53%.

Dhirup Choudhary On the EBITDA side, I think, as an organization, we have improved from Rs. 126 crore last year.

KR Veerappan	I am not getting where you are see, in terms, of EBITDA margin if you see HIL Q4 we have delivered 12% compared to like-to-like quarter 7%. On a full year basis, we have delivered 13% compared to 11% last year. So I am not sure where exactly it is?
Rishab Chaturvedi	I am doing revenue minus cost of goods sold, the revenue last quarter was Rs. 274 crore and the cost of goods sold were Rs. 119 crore. And this quarter the revenue was Rs. 335 crore and the cost of goods sold were Rs. 157 crore. Then I got the gross profit and then I put it in percentage terms. So as a percentage to sales, it has decreased from 56% to 53%.
Dhirup Choudhary	Sir, we will get back to you on this, if you are okay.
KR Veerappan	No, I think, you need to reduce the excise duty part because of the Ind AS grouping there is some confusion. We got the decent ones, I do not think there is any problem there. And a little bit in terms of the business mix overall the percentage may be on the higher side. But anyway, we will come back to you on this.
Moderator	Thank you. The next question is from the line of Vinay Menon from Centrum Broking. Please go ahead.
Vinay Menon	Just one question from my side. Sir, your number on trade payables has been increasing for the last two years. Any specific reason for that, sir?
Dhirup Choudhary	Well, as I mentioned in my opening remarks we have a fantastic relationship with our suppliers and this is 70 years legacy. So we have been trying to use that relationship wherever possible to expand it. So I think, it is that relationship which is helping up which is pretty much continuing.
Vinay Menon	Okay. Should we assume this kind of run rate for the next couple of quarters?
Dhirup Choudhary	Yes, this will be consistent.
KR Veerappan	Yes, this will be sustainable.
Moderator	Thank you. We will take the next question from the line of Jigar Shah from ICICI Securities Limited. Please go ahead.
Jigar Shah	Sir, I wanted to ask the question on boards and panels, what would be the installed capacity for the same?
KR Veerappan	The panels our capacity is around 72,000 tonnes per annum.
Jigar Shah	And boards?
Dhirup Choudhary	Boards we are basically focusing as a facing sheet for the panel. So we are not focusing on boards as a market individually. About 20,000 metric tonnes you can say as the boards capacity.
Jigar Shah	Okay. So you are very close to the capacity, you did some 65,000 panels, right?
Dhirup Choudhary	65.
Jigar Shah	And you are growing good in panels like good double-digit. So my question is that your EBITDA margin will be higher in boards and panels than AAC blocks?
KR Veerappan	That is right.

Jigar Shah So, is there any plan to go in panels where you are growing faster and good EBITDA margin, AAC block not doing well since last three years - four years, your margins in single-digit if I am not wrong in AAC block?

Dhirup Choudhary You are right.

Jigar Shah So what is the plan going forward in building solution.

Dhirup Choudhary So Mr. Shah very-very good question, I must compliment you for this. I had answered this last quarter but I will do it again. The entire boards market as I speak today in India is about Rs. 400 crore including the material that we manufacture and similar to that. And therefore, this is not a focused market as of now for us because if we want to expand the CAPEX it is normally Rs. 150 crore to Rs. 200 crore for additional board plants and if we do that we should be very clear that we will be able to have the necessary asset turns around in this business. We are studying this market as I speak to you in detail. And if we feel that there is a need to expand this we will definitely do this. But it is a very very good question that you have asked.

Jigar Shah Okay. And one more question is that other income of Rs. 8 crore is sustainable or just one-off?

Dhirup Choudhary Rental income is sustainable which is there of course. But the sale of land is one-time so it keeps happening as and when there is a surplus land. We have a land bank in the organization and when there is a surplus it happens. Dividend income and rental income will continue till we invest the money elsewhere.

Jigar Shah Okay. And one more thing, boards, and panels contribute how much of the revenue?

Dhirup Choudhary Boards and panels together is about Rs. 65 crore to Rs. 70 crore out of the total revenue.

Moderator Thank you. The next question is from the line of Samarth Sanghavi from Phillips Capital India Private Limited. Please go ahead.

Samarth Sanghavi We have been seeing that coming across last three - four quarters now. Just wanted to ask sir, pardon me if I might have missed it in the beginning, any update on the plans that we would have in terms of acquisitions or anything?

Dhirup Choudhary Samarth Ji, the acquisition was only something which we had referred earlier as we are open for it because we have a clean balance sheet and cash in the account that is not the focus that we have at this moment doing. In any case last year was the first year for me in this organization and there was a lot that we thought internally that we could achieve and thanks for your compliments I think we have as a team been able to deliver some robust numbers. We would like to focus in our existing business while keeping our eyes and ears open for M&A and as and when anything crystallizes around that you will get to know about it.

Moderator Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.

Siddharth Rajpurohit Sir, what will be the share of the unorganized market in the roofing business?

Dhirup Choudhary The roofing business is primarily dominated by a few organized sectors. I would say about 10% would be unorganized otherwise everything is organized there.

Siddharth Rajpurohit Okay, sir. And we have mentioned in the call that we have captured the market. So after market share increase we have grown as 5%. So can assume that the industry is growing at 3% - 4%?

Dhirup Choudhary Yes, you can assume that.

Siddharth Rajpurohit Okay. And what will be our key markets, sir, with regards to rupee and also if you can mention the key demand, driver?

Dhirup Choudhary Let me take the second part of your question first. The key demand drivers for roofing is the monsoon is always followed by the next year's demand. So if there is a good monsoon in one of the years, the next year there is a good demand driver that is one of the KPI for driving this. Second is we have been benefited by way of GST which has reduced the taxes from 28% to 18% and made this product more viable for the consumers and that has helped in the business pull. The third is we have got the waivers of the loan at the farmer's end which is definitely supported in way of cash flow for them. And all of these are positively impacting the business and we hope that the traction continues in this direction. For the way of spread, I think we are spread pan India completely. We have 6,500 strong stockiest first level who are most of them serving us in the third generation and we have a price premium over the rest, we have a brand which is par excellence and a lot of brand pull and everything helps us to sustain this in pan India basis. We are strong in one or two zones, we are slightly low in one or two zones. Again, it depends on where our plants are located and where our focus is. But overall, you would say pan India full strong brand of Charminar.

Siddharth Rajpurohit Okay. In roofing business is there a lead distance which we can go from the plant?

Dhirup Choudhary No, in roofing honestly the product is so robust that the breakages are less than 1% as against 4% to 5% average in the market for all other products. We have sent this product 2,000 kilometers and it has sustained very well. I do not think that is a limitation. But definitely, the freight cost would have an impact on the total cost base so it is more commercial than technical.

Siddharth Rajpurohit Yes, sir. I was on the commercial side only. To what extent we are viable or competitive from the plant?

Dhirup Choudhary So we have six factories around the country and we are quite spread that way. We are slightly less in the deep south I would say and that is more strategic because we feel that the demand there is sliding a bit. So at this moment, I think we are well versed in all the other zones except slight weak in South more from a plant perspective. But otherwise, we are very well-positioned.

Siddharth Rajpurohit Okay. And in regards to branding sir, what would have been the branding cost for this quarter and going forward how it will be, sir?

Dhirup Choudhary So the branding cost has not increased immensely at all. We had mentioned earlier that we expect that the branding cost will go up by a 1% and we are well within that and we are prudently using our money in branding and we have got new marketing head to drive this efficiently for us and I think what we are doing is prudently using all the money for very clear channels to make our brand very viable.

Siddharth Rajpurohit Any percentage of sales that we have done, and we are targeting?

Dhirup Choudhary I said the percentage would be more than what we have done on revenue base.

Siddharth Rajpurohit No. But as a percentage of sales what will be the branding expenses?

Dhirup Choudhary We are still in the process of capturing all the data maybe next quarter we would be able to have had a better view.

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

Ritika Garg Sir, could you tell me the industry growth rate for roofing segment?

Dhirup Choudhary Ritika, the industry has been growing about 2% to 3% last year and we expect the same growth to happen this year, the traction is good.

Ritika Garg Okay. And sir, with the rupee depreciating, we import our fiber, right?

Dhirup Choudhary Yes, that is right.

Ritika Garg So do we see our raw material cost going up?

Dhirup Choudhary Definitely Ritika the fluctuation of the rupee-dollar does impact. But what we do is we never take an open exposure. So, we always go for very closed rupee-dollar monitoring. So, I do not think that will have an impact on our cost because we do that very well. Hedging is done extremely well.

Ritika Garg Okay. And currently, our sales mix is around 60% is roofing; around 33% is building solutions and the balance is others. So how do we expect to change the sales mix going forward?

Dhirup Choudhary Again, we are about 64% in roofing I guess if I remember right. What I would say is as we grow in the newer products which is pipes and fittings as well as Charminar Fortune, this mix would keep changing. So, we do not monitor it as roofing and non-roofing, we rather like to monitor as asbestos and non-asbestos and we definitely go on expanding our non-asbestos portfolio while it is still growing in the asbestos product.

Ritika Garg Okay. But then sir, most of our margins are contributed by the roofing segment. So then we would naturally see the margins coming down going forward?

Dhirup Choudhary I do not think that is the right assessment, you see a good margin in roofing because we are historically a roofing solutions provider. So that's been our deep strength most of the assets are depreciated and that is what you see. But pipes and fittings is a very profitable business, most of the leading players are doing very good on both EBITDA and ROCE. We see that particularly supporting in this direction and Charminar Fortune would be an exemplary product once we are able to establish it in the market in a big way, which will give higher profitability than the present profitability from the roofing segment.

Ritika Garg Okay. How much revenue do we expect to get from the pipes and fittings business in FY 2019?

Dhirup Choudhary I had said sometime back that we have high aspiration on pipes and fittings and we want to grow to Rs. 350 crore - Rs. 400 crore in four years' time and I think we are well on way for that.

Ritika Garg Okay. And margins typically for pipes would be?

Dhirup Choudhary This is at the moment we are still in a very primitive stage. We are only Rs. 50 crore in the volume. But as we stabilize this business, the margins will be as good as the company's average.

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

Megha Hariramani Most of my questions has been answered. But just one highlight, if you could just give us on the geographical revenue break-up, how much does the each of region contribute to the overall revenue?

Dhirup Choudhary So Megha, I think I mentioned this earlier but thank you for asking this again. We are pretty much in every zone. So, except south a little bit down otherwise, it is average in all the other zones.

Megha Hariramani Any focus area for us for pipes and fittings which is a division coming up where do we want to enhance our presence for that product?

Dhirup Choudhary So we have three existing plants now – we have one in Hyderabad, one in Faridabad and one in Gujarat, Golan is the area. We will also have a pipe and fitting plant in Chennai very soon as part of this expansion plan. And the F&I cost for these products are not very exorbitant and therefore, this product can be sold to any part of India from whichever plant we want. So I do not think we will have any kind of constraint on the geographical push, we want to be pan India on this.

Moderator Thank you. We will move onto the next question. That is from the line of Charandeep Singh from Girik Capital. Please go ahead.

Charandeep Singh We have one question on the balance sheet. What was the cash balance and the marketable securities balance combined by the end of the year?

KR Veerappan The mutual fund's investments are concerned, it was around Rs. 120 crore.

Charandeep Singh Okay. So the total cash accrued year-over-year was approximately Rs. 100 crore?

KR Veerappan I have not mentioned in my opening remarks and I am happy to share that this is the first year where throughout the year every month we have been having a Rs. 100 crore plus surplus.

Charandeep Singh Okay. Another housekeeping question, on other revenue, is reflected at approximately Rs. 70 crore of that pipes and fittings; I think you have mentioned is 50 to 55, what is the remaining revenue?

KR Veerappan We do generate an income from windmill operations, around Rs. 7 crore.

Charandeep Singh Yes, how much capital is allocated in that windmill operation?

KR Veerappan We have around six windmills across the country. So around Rs. 40 crore employed in windmills.

Moderator Thank you. The next question is from the line of Sanjay Sathpathy from Ampersand Capital. Please go ahead.

Sanjay Sathpathy Two things. You mentioned that industry will grow by 2% - 3% in the fiscal year 2018 for roofing and what is the growth that you are looking for there?

Dhirup Choudhary So Sanjay Ji, we are already the market leaders there and we have as I mentioned about 21% - 22% market share and this is quite a matured market and therefore growing market share is significantly difficult here. To retain the market share is our concern because any new player which walks in tries to eat away the market from the leaders. So we will be happy to maintain our market share if not grow it by a few decimal percentages. But we hope that this market will continue to grow and grow better.

Sanjay Sathpathy Understood. And in terms of your pipe business what kind of revenue growth you are looking for?

Dhirup Choudhary So I did mention this, and I am happy to repeat that Sanjay Ji we have a good feel about this because we have a great product in hand and we are hoping to get this business up to about Rs. 350 crore - Rs. 400 crore in the four years' time.

Sanjay Sathpathy And you have completely in the range of products which you are looking for in the past?

Dhirup Choudhary We are continuing to add on our product profile, but we are very much compacted today.

Moderator Thank you. The next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi I have few questions, first of all, regarding this roofing business, we have done industry-leading growth of 6%. If I see the revenue growth for this business, it seems you know on net sales adjusted basis I see around 12% revenue growth. So have we been able to see a better revenue realization improvement in this segment?

Dhirup Choudhary So Rajesh Ji you are absolutely right. For us, the improvement of revenue is more from a point of very-very consolidated business that we have here where the product mix, the regrouping, the geographies that we supply, all of that has a lot of implication on this business. So we have tried to look at every bit, we have reduced our point of godowns and we have brought it down from 57 to 40. All of that has a good impact on the realization.

Rajesh Ravi Okay. Nice to hear, sir. This business what utilization we are operating and the volume growth can we expect that it could be around 5% for next two years assuming things remain stable as they are?

Dhirup Choudhary So this business, if you are aware, is a little bit cyclic and there are some peak times between March and July middle is the peak time for this business. So our plans are 110% full during those times and then there are a bit of slack periods when our plans are not fully loaded and we use that for the purpose of maintenance. Now we are using the offseason for the same plants, we are using them to make Charminar Fortune which is the new non-asbestos product we have come out with. And therefore, we are about 70% utilized in the manufacturing capacity that we have, we have in access of 1.1 million metric tonnes that we can supply. And therefore, there is enough capacity to contribute to this 5% of growth or whatever you are talking about.

Rajesh Ravi Okay, that is great, sir. And this fortune product obviously, it is in the testing phase. But in terms of your cost metrics versus the AC sheets which you are producing, are they similar or the cost is slightly higher even at ex-factory level your costing I understand that for the single plant you would be supplying to various freight cost will vary. But even at ex-factory level how is the costing experience that you are seeing, sir?

Dhirup Choudhary Rajesh Ji, it is at this moment in a very primitive state. So if I say that the cost is high, it would not be the right reflection of how it will be future. You please allow us to take another couple of quarters to stabilize this product, it will be slightly higher than our existing asbestos roofing segment, but the market realization would also be higher. So I do not think the cost would have an impact on that.

Rajesh Ravi And once because in your earlier concall also you have mentioned that the institutional market which this industry has lost out to metal roofing sheets can be a big opportunity for such products. So once this product acceptance is good and your capital intensity for converting the lines could this become many of your other lines would also get converted into this non-asbestos roofing sheets. Is that the thought process?

Dhirup Choudhary You are absolutely right, and I think you have taken it out of my mind. This is exactly what we want. We want to expand this product more and more as we get seeded and accepted by the customers. As you rightly said the customers we are accepting today is with the institutional segment. Big customers who have their own norms of approving materials, first getting them into their approved list and coming and testing the factory, testing the product, using a small quantity to test it for the next 12 months to see how it works. So there is a certain set rules that are there with these big customers. So we will have to be slightly more patient here. But what you see today is giving us a very good count that this product will sensibly build up to a very big business within HIL in the coming year.

Rajesh Ravi Okay. Great, sir. And this building solution, if you could just throw what sort of growth opportunities because AAC blocks we are at peak and we would be waiting for more CAPEX in that business and obviously the solutions building up primarily the boards and panels where most of the growth would come from in that segment. And thirdly, the pipes business, what sort of investment when we are talking of an Rs. 400 crore top-line fixed capital investment and working capital investment that would go through, if you throw more light on that. And also, if possible to articulate what sort of top-line we would be looking forward to not really a more broader number for FY 2019 and FY 2020 from the pipes and fitting business.

Dhirup Choudhary Rajesh Ji, you have virtually asked me the entire P&L and balance sheet. I am happy to answer in a short way. But I will be happy to meet you up in case you have any other questions remaining. On pipes and fittings, I said Rs. 400 crore - Rs. 350 crore is our aspiration in the next four years. We are very much aligned and the CAPEX that we are investing presently would lead us to that. So I do not think we will be having any major CAPEX invested for reaching those numbers. Our aspiration will not limit ourselves to those numbers and therefore as and when we feel necessary, we will invest more, we have cash in our balance and there is absolutely a good use for it if we go for pipes and fittings as the business grows. Your other question was on building solutions. So building solutions, we are very much to go the complete systems route, the complete solutions provided to the customer because simply adding another AAC block plant we do not see is the need. There is a lot of consolidation happening in the market as I speak, any day there are few requirements on the table for M&A, buyouts for AAC block plants and therefore people are selling them. There is a market consolidation happening, demonetization has pumped it through, the GST transparency pumping it through this market had a lot of grey area which is now settling down. I think we will give it another quarter to really realize the real value-add from this business before we pump in any further money.

Rajesh Ravi Okay, that would be great, sir. And lastly, working capital similar to what you are currently doing or are the working capital requirement would be structurally different from the current business mix on a blended company basis?

Dhirup Choudhary Net working capital is not consistently viable solution for newer products. So there is some requirement to pump-in definitely on this. But as and when the business happens I am sure this will be something we will look at. It would not be a very big difference.

Moderator Thank you. The next question is from the line of Umesh Patel from TCG Asset Management. Please go ahead.

Umesh Patel Sir, my question was related to PVC piping segment. As you have drawn down your vision to achieve Rs. 400 crore of revenue from Rs. 51 crore. Wanted to know few things, sir, what is your game plan in terms of new distributors to be added in FY 2019, what is it and in terms of pricing wanted to know where your company stands in terms of pricing when it comes to your competitors?

Dhirup Choudhary This is definitely our focused business and we would love to see it travel throughout and we are definitely looking at building new distribution channels, working with MEP consultants in way of introducing our products to big builders and also working at the last leg with the plumbers and trying to build the complete brand pull from the plumber's point of view. So all of that is happening on a rigorous basis to get this business pulled up. I think it is a quite sustainable business. This is something that will need a lot of effort, but we are very tuned in. The management is regrouping itself in every way to make this happen in a big way.

Umesh Patel Yes, so what is the number of distributors? And what is our plan to add it in FY 2019?

Dhirup Choudhary So I said every day we are introducing new distributors and retailers, we are going right up to the plumbers' level. If you are asking the number of distributors I am sorry, I do not have that number at this moment.

Umesh Patel Sure. And all this pipes and fittings product would be sell through the retail channel only or is there any institutional sales or project in which we are also supplying through distributor route?

Dhirup Choudhary I think, I mentioned to you, so it will be both through the MEP consultants for the B2B as well as B2C through the distributors. Definitely, this has its significance for big builders where they buy it in bulk as a B2B as well as through individual channels in the retail space for their requirement. So, we are very much competent to go through both the routes.

Umesh Patel Yes. And my question was related to overall business mix, if I was looking your last five quarters' EBIT margin for roofing and building solutions. So it has consistently grown and right now it is kind of something around 15% for roofing business and 5% for building solution whereas revenue share is also changing. So with the change in product mix, what kind of EBITDA margin that we are looking at a blended level for the company as a whole which was around something 11.5% for FY 2018.

Dhirup Choudhary I think, we are a very conscious company on the profitability, I have absolutely no scope to let this company at all dilute its stands on the profitability. Any growth would continue to comply with the norms of profitable growth and these are numbers that we have achieved, and we want to continue doing it no matter what the split is. There would be some ifs and buts in initially putting our business across but as the business stabilizes, we will continue to get this or better results.

Umesh Patel Yes, so there is further scope for further improvement at EBITDA level, right?

Dhirup Choudhary Yes, Mr. Patel you can expect the traction to continue.

Umesh Patel Right. And my last question was related to GST and E-Way Bill. I mean any structural shift towards a branded organized product that you have seen. And you also mentioned that GST rate has come down from 28% to 18% which will help us to compete with unorganized players and other players. So can you throw some light on that? And what is the pricing difference after GST cut as of now or we have taken or pass the rate cut to end users?

Dhirup Choudhary Mr. Patel, I think, it was statutory on our part to pass on GST to customers and we were very happy to do that. We were the first company in the industry to implement GST for all our modules and from 2nd of July onwards we were live on GST. We had taken enough steps to help our retailers, stockists, also to get the GSTN number and had a war footing team to support them in every direction. So we are very happy that

	this has happened and we are very happy that we have taken the best benefit out of it. Definitely, this has supported the business and we are very well-planned organization to work on that.
Moderator	Thank you. We will be taking the last question that is from the line of Deepankar Sati from Magadh Capital Advisors. Please go ahead.
Deepankar Sati	Most of my questions has been answered. When I was looking the restated numbers versus the numbers that you have reported previously there is some difference in that around Rs. 40 crore per quarter around Rs. 200 crore for FY 2017 when I am talking about. So can you just help me understand what happened there?
KR Veerappan	If you can just a little bit clarify on what exactly, which line item you are talking about?
Deepankar Sati	Revenue number, total revenue number. So for FY 2017 previously we reported around Rs. 1,054 crore and currently we reported around Rs. 1,245 crore.
KR Veerappan	This is we clarified in my note, now we are in line with the IndAS we have regrouped the last year numbers also because this was part of the reporting, now it has been classified GST coming in.
Deepankar Sati	Okay. And that impact was around Rs. 200 crore for that?
KR Veerappan	Rs. 180 crore, yes.
Deepankar Sati	Okay. So it was mostly because of that changing of accounting standard?
KR Veerappan	Yes.
Moderator	Thank you. Ladies and gentlemen that was the last question. I now hand the conference to the management for their closing comments.
Dhirup Choudhary	Thank you very much, Lizzan and that was wonderfully executed by you. So it has been a pleasure interacting with all of you over this call. We thank you for taking time out and engaging with us today. We value your continued interest and support. If you have any further questions or would like to know anything more about your company, kindly reach our Investor Relationship Desk. Thank you very much.
KR Veerappan	Thank you all.
Moderator	Thank you. Ladies and Gentlemen on behalf of HIL Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

- ENDS -