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August 27, 2024

To
BSE Limited
P.J. Towers, Dalal Street
Mumbai – 400 001
Scrip Code: 509675
Through: BSE Listing Centre

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza, Bandra (E),
Mumbai – 400 051
Scrip Symbol: HIL
Through: NEAPS

Sub: Transcript of Investors' Conference Call on Q1FY25 Financial Results

Ref: Regulation 30 of SEBI LODR Regulations, 2015

Dear Sir/Madam,

In continuation to our letters dated August 16, 2024 and August 21, 2024, please find below the attached transcript of Investors Conference Call held on August 21, 2024 on the unaudited standalone and consolidated financial results of the Company for the quarter ended June 30, 2024.

A copy of the said transcript is uploaded on the website of the Company www.hil.in

Kindly take the same on record.

For **HIL Limited**

Nidhi Bisaria
Company Secretary & Compliance Officer
Membership No. F5634

Encl. as stated

HIL Limited

Q1 FY25 Earnings Conference Call Transcript

August 21, 2024

Siddharth Rangnekar: Thank you, Zico. Good morning, ladies and gentlemen, and welcome to HIL Limited's Quarter 1 FY '25 Earnings Conference Call for Investors and Analysts.

Today, we have with us; Mr. Akshat Seth, Managing Director and CEO of the company; and Mr. Ajay Kapadia, CFO.

We will first have Mr. Akshat Seth making the opening comments, and he will be followed by Mr. Ajay who will take you to the financial perspectives.

Before we begin, I'd like to point out that certain statements made in today's call could be forward looking in nature, and details in this regard are available in the earnings presentation, which have been shared with you earlier.

I'd like to invite Mr. Akshat to present his views on the performance and strategic imperatives that lie ahead. Thank you and over to you, Akshat.

Akshat Seth: Thank you, Siddharth. Good morning, and I am pleased to share with all of you the Financial and Operational Highlights for HIL for the 1st Quarter.

This is a quarter where we continued our momentum towards a 'Reimagined HIL' in line with the strategic plan that we have shared with you over the last few quarters. We clocked the consolidated revenue of Rs. 1,107 crore for the quarter, which represents a robust 9% growth over last year.

This growth was driven primarily by volume growth across most of our Product Segments despite a modest-to-sluggish demand scenario, intensified competition and adverse price trends both in India and for Parador. In India, the election process and incremental weather impacted overall construction activities.

Significantly, in this quarter, we at HIL have made a nearly 5% swing away from Roofing in our overall revenue mix. It's a metric that we had highlighted we want to strategically shift, and the first signs of those impacts are now visible.

In today's discussion, I will present the Performance Highlights for our Product Segments. I understand there is a lot of curiosity about the margin trends. So, I will delve deeper into that and an overview of the strategic investments we are making to achieve our long-term ambitions.

Thematically, I would like the focus to be on Pipes and Fitting segments, which had a breakthrough quarter on most parameters. This business, Pipes and Fittings, crossed the Rs. 150-crore quarterly revenue mark for the first time. It represents a 78% growth year-on-year on revenue. The business has grown twice as much in volume terms over last year to cross the 10,000 metric ton in sales for this quarter. You would recognize and appreciate that this growth rate is significantly higher than the overall industry growth and of other larger players in this segment.

Even if we separate out the inorganic acquisition just at a standalone level, excluding the impact of Crestia acquisition, we registered a volume growth of 43% year-on-year, of which our retail segment grew by 37% and our B2B project segment grew by 70%. And this again significantly outpaces the growth by other players in the industry and the major players have shown volume growth in the zone of anywhere between 10%-12% on the lower side to about 20% on the higher side.

At a standalone level, we achieved the Rs. 100 crore plus quarterly revenue, which represented a revenue growth of 25% year-on-year on standalone basis. At Topline or Crestia, since acquisition, we have accelerated the retail sales engine, clocking their highest ever sales for this segment in June.

The JJM or B2G sales, however, remains subdued due to central elections and delay in fund release by the government. However, the good news is with significant improvement in budgetary allocation, the segment is expected to witness a robust year, and we expect a take-off from the September timeframe onwards.

Overall, the performance in Pipes and Fittings was driven by sustained distribution, expansion efforts in the retail segment and a focused approach to technical sales in the institutional segment. We have stepped up our marketing and channel engagement efforts with multiple touchpoints created with our business partners, both current and prospective.

In the 2nd Quarter, the focus will be to extend the Top Line synergy benefits, particularly in East and for the B2G segment. However, we need to watch out for headwinds being created by the declining trend in PVC prices since July.

Moving beyond Pipes and Fitting, the other pocket of good performance for us was on the Construction Chemicals business where we achieved a 35% year-on-year revenue growth. Specifically, the Tiling segment, which has been a core focus for us, grew nearly 100% over last year.

Roofing Solutions reported a strong Quarter 1 performance that helped us sustain our number one positioning with a 25% market share in the industry. We recorded our highest Q1 sales while maintaining a significant price premium over our competitors.

Our Building Solutions business recorded robust volume growth despite strong competitive pressures. A softer price regime contributed to a near-flat revenue performance of Rs. 135 crore for this segment. We have significantly grown our customer base, having serviced over 1,500 plus projects in this period.

In Putty, a (+5%) drop in volume and realizations contributed to a 10% drop in revenue over last year. This is due to intense price competition and schemes for influencers by all players. We are playing a careful balancing game between volume and margin considerations in this segment.

In Parador, we clocked a 7% revenue growth and a 12.5% volume growth even as the market across key geographies declined by 5% to 10% in this period. As a result, we gained significant market share across Product Segments, most notably in Engineered wood and Resilient Flooring, and channels like DIY and commercial. Germany, Nordic, Spain, and the new focus markets of North America, Middle East, and China have been the key growth drivers for us in this quarter. And this is now the third straight quarter of positive momentum on both billings and order bookings at Parador.

Now, let me talk about the Margin Performance and how we see the numbers and decipher the numbers that have been shared with you. Despite the price demand headwinds that I spoke about, the margin performance for us is on planned trajectory. Specifically, our price realization given the external environment dropped in most of our product categories.

In Blocks, the price realization dropped by about 3%, for Panels by about 3.5%, in Putty by nearly 6%, in Pipes and Fittings by about 12%, and in Parador by about 5.7%. This is largely attributed to aggressive price play by industry players in wake of sluggish demand and increased competitive activity. Example, in Pipes and in Putty, the leaders have taken aggressive price trends and that has affected the price levels across the industry. Similarly, in Blocks, increased capacity in West has led to a benign price scenario.

At Parador, a different set of transient factors, essentially to do with the product and channel mix contributed to this drop in realization. Despite this drop in realization, we recorded improved contribution margins across most segments. In Blocks, we improved our contribution margin by 220 basis points, in Boards by 170 basis points, in Putty by 90 basis points, in Construction Chemicals by over 1,000 basis points. And at Parador, the contribution margin improved by 370 basis points. All of these are in comparison with the same quarter last year.

The contribution margin, despite the pricing scenario in roofing and pipes and fittings, remains stable and flat. And all of this has been delivered by a comprehensive set of value enhancement initiatives that we are driving in the organization which is targeting material and contract labour cost, logistics and energy cost, as well as focusing our efforts on working capital and inventory.

You would appreciate that these initiatives, when fully realized, will yield further improvement in contribution margin as we go forward. Overall, the drop in EBITDA level, nearly about 290 basis points compared to last year, is attributed to strategic investments for the future. Essentially three categories, there is a shift in product mix, manpower costs, while we have already shaved off nearly 100 basis points on other costs, we have sufficient line of sight to guide this EBITDA percentage beyond 10% plus over the next couple of years.

As I mentioned, the margin performance also reflects a continued ahead of the curve investments for growth, products, brands, technology and people. Let me walk you through some examples of impact that are being created along these dimensions.

The successful acquisition and integration of Crestia has been a major milestone and augurs well for our future inorganic pursuits. Our new product development engine is rolling with several new product launches in this quarter. In Roofing, we introduced UltraCool roofs. We have introduced a new line of roofing accessories. We have started venturing into the colour coated steel sheets on a trading basis.

In Pipes, we launched our Silent Pipes. In Putty, there is a new product on Putty Plus. And at Parador, over 160 new SKUs were launched towards the end of March, and it was in this quarter that those orders started coming in.

Equally, there is a strong pipeline of developments for the rest of the year. The work done on this dimension is important because it will help in premiumizing our portfolio and introducing more value-added products, which will help us fight the price volatility that we have witnessed this quarter.

On Digitalization, we are not only upgrading the core enterprise and data systems, but also building platforms for stronger customer engagement, data analytics and efficient operations. For instance, a suite of products around product barcoding, WMS, mobile apps for SKU counting amongst others, has helped reduce loading and dispatch errors for our Pipes and Fitting segment.

The digital marketing engine is not only yielding direct results with significant scale-up in our revenue for Building solutions and Roofing, but also driving awareness and engagement with the architects and other influencers. We have also launched a focused manufacturing excellence initiative to drive productivity, efficiency and quality improvement across our operations.

In the last 12 months, at the EBITDA level, I spoke about the strengthening of our teams. We have invested in our leadership and frontline teams in both India and at Parador, injecting agility and empowerment to win in our defined product markets.

I am happy to share that we have recently onboarded Mr. Manish Khandelwal as the new head of our Putty and Construction Chemical business. With that dedicated bandwidth and the strong experience of over 20 years that he brings in,

in the home and Building segment, and having grown businesses from 0 to 1,000 crore, we feel the Construction Chemical and Putty business is poised for strong growth in quarters to come.

Also, Mr. Pranav Desai joined us as the Head of Innovation to further add fresh energy to our innovation and new product development engine. Further, we have also built a separate B2G sales organization to scale up our play in this important segment.

As a result, HIL is now, and I am happy to share, ranked number 12 amongst the best places to work as per GPTW for the year 2024. And we are ranked number one amongst manufacturing companies. As we march towards our goal, we will sustain this enabling work culture to ensure our teams are inspired to take HIL to the next level.

Looking ahead in Quarter 2, we expect the demand scenario to be moderate in India and challenges on pricing to continue. However, we expect a bounce back from September onwards driven by government spends on infrastructure and housing, and this will all have a positive impact overall when we assess the full financial year in March-April.

For the key Parador markets, we expect the current sentiments to sustain. In this external environment, our focus will be to continue this volume-led growth and also optimize our cost structure across segments. We will also intervene on pricing in select segments at Parador and also in India.

Those were my set of remarks. Let me now request Ajay to provide a detailed Overview of our Financial Performance during the quarter. Of course, both of us will be available after that to answer your questions. Thank you for your time and attention. Ajay.

Ajay Kapadia:

Thank you, Akshat, and good morning, everyone.

I am pleased to provide an Overview of our Financial Performance and Operational Highlights for the 1st Quarter of FY '25:

In a quarter characterized by modest demand and increasing competition, we achieved a steady performance with volume growth across most of our major segments. Our consolidated revenues for the quarter grew by 9% year-on-year to Rs. 1,107 crore as compared to Rs. 1,016 crore in Quarter 1 FY '24.

Our Roofing Solutions segment delivered moderate volume growth, generating Rs. 463 crore revenue for this quarter. Despite a sluggish demand environment, we continued to grow in volume, further solidifying our market leadership and maintaining strong customer loyalty.

The Building Solutions business also performed steadily with volume growth across most categories. The segment reported revenues of Rs. 135 crore. Despite challenges such as poor liquidity in the market, labor shortages and reduced

infrastructure and project demand due to our general elections, we have improved our contribution margin through a strong focus on operating cost management.

In the Polymer Solution business, we saw a 62% year-on-year revenue growth, which is Rs. 195 crore compared to Rs. 120 crore in Q1 FY '24. This growth was supported by our recent acquisition of Crestia in the Eastern region. Within this segment, the Pipes and Fittings business grew by 103% in volume and 78% in revenue year-on-year during the quarter and touched Rs. 150 crore revenue during the quarter.

Our Flooring solutions represented by the Parador business grew by 7% year-on-year, touching Rs. 313 in Q1 FY '25, up from Rs. 294 in Q1 FY '24. Despite ongoing market sluggishness, Parador's order bookings remain strong. We have also introduced several new products across categories to capture a larger market share.

EBITDA for the quarter stood at Rs. 74 crore compared to Rs. 91 crore in the same quarter last year, with consolidated profit before tax at Rs. 21 crore as compared to Rs. 51 crore last year, which is after excluding exceptional income of Rs. 23 crore on account of sale of assets.

We have taken significant steps to enhance operational efficiencies, including improvements in sourcing, cost management and value enhancement initiatives. These efforts are yielding sustainable improvement in our key operational metrics. The operating margin was impacted due to our ahead-of-the-curve investments for growth in people, in technology and marketing activities, as well as adverse price trend in the market. Additionally, our focus on working capital optimization remained a priority throughout the quarter.

Our debt at consolidated levels stood at Rs. 569 crore, which includes loan taken for Crestia acquisition of Rs. 160 crore and also loan at Crestia Group at Rs. 104 crore. This total debt-to-equity ratio stands at 0.45 as on 30th June 2024. We are confident in our ability to grow our performance footprint and create healthy cash flows.

That concludes my opening remarks. I now invite moderator to open the floor for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Sai Ganesh from Square 64 Capital Advisors. Please go ahead.

Sai Ganesh: I just want to understand on the side of AAC blocks of our company. What is the cost of fly ash per ton? What is the raw material? Like fly ash is our main raw material. What is the cost per ton of fly ash?

Akshat Seth: So, fly ash is not the only key raw material. There are several other products which will contribute to a bigger chunk. We can get back to you with exact prices, but you would appreciate fly ash prices are different at different locations. So, there

is no one standard price that I can quote. Also, there are seasonalities involved. So, it changes with the season as well.

Sai Ganesh: Because BigBloc, which is our competitor in the AAC blocks segment, they are mainly using pond ash, which is free of cost, and we are using fly ash, and their gross margins are 63%, while our gross margins are 40% in this segment. So, that's the major difference in both of our companies, like in BigBloc and our company. So, could you elaborate more on that why are the blocks margins are 60%, why ours is 40%, while pricings are more or less same?

Akshat Seth: Yes, so I think that I have touched upon this topic in the past calls as well. Between BigBloc and us first, for BigBloc, the overall margin is not just Blocks, but it is a whole host of other products and players that they have, from Carbon Credit to Construction Chemicals portfolio to a few other things. All of that contributes to the consolidated margin that they report. So, it's not a like-to-like comparison.

Having said that, in our blocks business, we believe there is an opportunity for us to improve the margins by nearly 500 to 600 basis points. A lot of that effort is going on the material cost. Material composition is a theme, so you are right. They have been using pond ash. We have steadily increased pond ash in our recipe, and that trend will continue.

But you would appreciate every company has its own recipe and mix. Eventually, the product we sell, and partly the reason why Birla Aerocon Blocks are more highly regarded in the market from the end users is because of the composition that we have. So, we do not want to compromise on the quality of the product that we offer.

But that said, we are chasing a nearly 500 to 600 basis point improvement in our margin structure as far as Blocks is concerned. It is coming from material cost, it is coming from conversion cost, and also logistics related costs. So, work is happening on all fronts.

In fact, in this quarter, when I said earlier in the call that we have actually improved our contribution margin despite a fall in the price realization, it is essentially because of these factors that have come into play.

So, if you recall, I said in Blocks compared to last year, there is a 220 basis point improvement in contribution margin. The initiatives are on, but the impact is not fully realized, but we are trending in the right direction.

Sai Ganesh: Sir, in Parador, the margins are compressed, like it was you guided for the year that EBITDA will be positive in FY '25 in Parador.

Akshat Seth: Correct.

Sai Ganesh: So, that is a margin compression in Parador. So, could you elaborate more about that EBITDA margins and all?

Akshat Seth: As I said on Parador also at a contribution level, see, and this is a theme I will keep repeating in the call, a business which is on a transformation path and which is turning around, one metric that you should all keep in mind is how are we tracking contribution margins because that is an indication of how the product specific profitability is being driven.

At an EBITDA level, there are some strategic investments that we are making which we believe are the right ones to drive future growth. Hence, even at Parador, the contribution compared to last year has improved by nearly 370 basis points.

At the EBITDA level, there is also an improvement of nearly 170 basis points. The delta that you see is essentially because we are investing in the teams. So, salary costs have increased, and we have also increased our marketing expense. But these are investments which are ahead of the curve, and which will increase the growth agenda that we are on.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Sir, my first question is on Parador. So, this is the, I think the 1st Quarter and last so many quarters that we have seen a year-on-year growth in our revenues. So, would it be fair to assume that this business has bottomed out and we should continue to see this improved trajectory in Parador, especially on the revenue side?

Akshat Seth: So, you are right. I think there are two or three things at play. First, if we look at the trajectory over the last three quarters, quarter-on-quarter there has been, we have registered revenue growth and we are on that trend. If I compare it with last year, yes, there is robust volume growth.

However, all of this is coming because of the efforts that the company is making rather than a supportive external environment. The external sentiment remains largely the same. As I mentioned earlier in my opening remarks, in this quarter compared to last year, there has been a decline in the overall market, and we are gaining share at the expense of our competitors.

So, two things. The things which are in our control, we are pressing hard, and which is yielding results, and that trend will continue. For now, the moment the external environment also turns positive, there will be fresh gains for us. Now, how soon that happens is anybody's guess, but it is not likely to be a fast bounce back in the external environment. So, those are the two factors to keep in mind.

Aditya: What I wanted to understand was, are there any one-off, big commercial orders which we delivered this quarter or these kinds of sales are now sustainable for Parador division?

Akshat Seth: No, these are sustainable. There is no spike by one or two orders that created this volume momentum. In fact, we expect this momentum on the commercial side to

only grow. So, there is no outlier of a performance or an order that created the performance in this quarter. So, we have no such concerns on that front.

Aditya: Sir, now on the profitability part, now when I look at it on a Q-o-Q basis, our sales in Parador are pretty much flat, but the EBIT losses, which we report, we have spiked up. So, if you just elaborate, what has led to such a big spike in our losses even when the sales are flat on a Q-o-Q basis?

Akshat Seth: On a quarter-on-quarter basis?

Aditya: Yes.

Akshat Seth: I think overall, there are basically two factors. If I compare Q4 versus Q1, there is a one-time wage payout provision that we have taken, which accounts for nearly two-thirds of this difference between Q4 and Q1 at an EBITDA level. This is a provision, and we are confident that because there are wage negotiations that are happening, we are confident that during the course of this year, there will be a chance to sort of offset this. So, that's number one, but for now it is impacting and showing up in the numbers.

Second, there is a conscious call on the product mix across price and channel that has played out. This is largely a transient factor. Typically, in this quarter, DIY orders are higher, and we have also pressed hard on that. So, there is volume that has come from that. Engineered wood in the overall product mix has increased. So, that's a good development.

And the third thing, those are the price and channel related factors, which are transient in nature. In fact, as we have entered Quarter 2, many of those are settling down again in the right direction. So, that explains the Q4 versus Q1 delta that you are talking about. Anything else, Ajay?

Ajay Kapadia: There is one more point. The difference or delta of around Rs. 11 crore is on account of finance cost. So, in Q4 when we capitalize our warehouse on lease, the interest cost which we have paid during there, we capitalize that Rs. 11 crore, which is not there. So, the interest cost which is appearing now is the right number, whereas it was in negative in Q4.

Akshat Seth: But that's a below EBITDA line item.

Aditya: So, Rs. 11 crore of interest cost is there for Parador this quarter, which was negative last quarter.

Ajay Kapadia: Q4, yes, Q4 interest cost was negative in Parador. So, basically Rs. 11 crore was capitalized to asset, the interest paid during the year.

Aditya: And this Rs. 11 crore of interest cost, why has this increased so much? Because last year I think we had repaid our borrowings and renewed our borrowings at a lower rate of interest. So, why such a spike in interest cost for Parador?

Ajay Kapadia: So, it was not borrowed at a lower rate. The rate has increased by 200 basis points. So, we have refinanced it and brought it down to the same level. So, it was Rs. 9 crore versus it is Rs. 10.3 crore this year. It is more or less same.

Akshat Seth: I just want to correct one thing, Aditya. There is no spike in Q1 of this year. In Q4, there was a dip, and it was a one-time dip to accommodate for this adjustment. Otherwise, even if you go back to Q3 or Q2 of last year, we were at pretty much similar levels as what we see in Q1.

Aditya: Sir, my next question is on Roofing business. So, if you just provide what was the volume and pricing growth on a year-on-year basis?

Ajay Kapadia: So, there is in Roofing business, the volume growth is 0.7% and the price growth is more or less flat.

Aditya: But what I understood was, last year we had taken some price hikes to offset the increase in fiber cost. So, ideally the realization, there should have been some realization increase on a year-on-year basis. So, have we taken any price cuts because of lower demand, which we are witnessing in the reducing business?

Akshat Seth: We have not taken price cuts. So, as Ajay said, I think largely the price realization has increased by about 0.3%, 0.4% and that is why we are saying it is largely flat. So, there has not been an increase on the price side or a major increase.

Much of this is driven by the fact that while there has been some volume growth in this quarter, there has also been a fair amount of price undercutting that has happened, especially by smaller regional players, which is why across the board and if you see even our competitors and peers, the price realization has not increased. In fact, volumes also have been dropped.

So, at the lower end of the market, there has been some fairly aggressive price behavior. So, overall, I would say the price levels have remained flat compared to what it was last year. Normally, one would expect a slight increase which has not come through.

Aditya: And how are the fiber costs trending now? Are they stable or have they reduced? How are they trending?

Akshat Seth: Largely stable. So, there is no decline. There is no abnormal increase also expected. So, it is largely stable.

Aditya: Sir, according to you now, we are at the bottom end of the margin of the Roofing business. So, what needs to play out for us to regain, get back to those higher 18% to 20% margins which we had, we used to enjoy earlier? So, according to you, what needs to happen to get back to those margins?

Akshat Seth: So, there are two factors in that order. The most important factor is some level of price support coming from the market. And that will be a direct correlation to how the demand scenario pans out. The trend this year seems to be on the right

trajectory. So, we are still hopeful that when we look at the full year in analysis, there will be both volume and price growth to show.

The second factor, to a much smaller extent, there have been for certain grades of raw materials, there have been some concerns on availability and hence the pricing of that. As that situation stabilizes, that will also add to the margin profile. But those are the two factors to watch out for.

Aditya: Sir, on this demand part, so what we understand is when the rainfalls are good, the demand for our products generally increases. So, this year, the rainfalls have been pretty good. In spite of that, the demand has been a little subdued. So, if you could just elaborate what has happened this quarter? Why is it not showing the sales figures and the volume figures in the roofing business?

Akshat Seth: So, you are right. The general view is that the rain in this monsoon season has been good. And it is expected to pump up the rural economy and demand. But all of that will play out post the monsoon season and post the crop harvesting season. Typically for Roofing, a good monsoon this year affects the demand in the season for next year. So, there is a little bit of a lag. It does not happen in advance. So, the season that we saw Q1 was before this spell of rains and this current monsoon season. But overall, the sentiment is that the rains and monsoons so far have been positive, and we expect a good second half of the year around that.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Mr. Akshat, I am saying in our Roofing segment, our revenues are flat year-on-year, whereas our PBIT is down. Whereas if we compare it with our competitor Visaka, their revenues are up 5% year-on-year, and also their PBIT is up from Rs. 27 crore to Rs. 35 crore. Similarly, if we look at our Polymer Piping business, only we have made losses in the whole industry. I am trying to find out another player who has made losses or even whose profits are down. But actually, the whole industry's profits are up and only in HIL there is a loss. So, I am sure if you sell your product at a loss, you can achieve whatever kind of volume growth that you are tom-tomming about.

Akshat Seth: So, first, I think your question on Visaka and how that has played out, so Visaka reports in their Building Products segment not just Roofing but their other associated products as well. For us, this is essentially Roofing. On standalone Roofing, our understanding is that we have, again, compared to last year, done better than any of our competitors, both on revenue and on profitability. So, the numbers are not a like-to-like comparison, point number one.

On the Pipes and Fitting segment, the difference that you see compared to our competitors, as I said, it is important to look at where we are on contribution margin, where we are stable. At the EBIT level, this time because of the consolidation of Crestia, there is some one-time adjustment which are to do with the transaction, and that will go away next quarter.

So, there is no cause of concern or alarm there. What I will assure you is that we are not selling products at negative margins. If that was the case and, in any case, we are a commercial operation, we are not here to sort of run a trust-based or a charity-based setup.

Keshav Garg:

And also, if we come into our crown jewel, I think basically going by your commentary, it seems that the shareholders should now resign to the fact of around Rs. 100 crore loss per annum. Is that understanding correct?

Akshat Seth:

So, I am just getting over the sentiment behind the question first and then let me respond. No, I don't think we are resigned to any such outcome. As I have said in the previous call, as I am repeating in this call, any business that is in a turnaround or in a growth phase requires investment.

Now, investment can come in two shapes and forms. Either we are adding more capacity, which shows up as CAPEX and as a number on the balance sheet, or I invest in people and in technology and on brands.

In Parador, the phase at which we are, we don't need to invest in CAPEX. We need to invest in these things, which is what we are investing. We are also happy and confident, given the numbers over the last couple of quarters, that there is a positive revenue trajectory as a direct result of the efforts we are putting in.

So, we have a game plan which is essentially around turning around the revenue profile, changing the geographical mix and the channel mix of the revenue profile that is tracking in the right direction. And we are not resigned to the fact that this will be a Rs. 100 crore EBITDA impact year-after-year for posterity. That is not what we are aiming for or working towards.

Keshav Garg:

So, I mean, there should be some achievable target for the shareholder that to basically compare your guidance against. It is very well to say that, okay, we are investing, and we are growing the business, but when will it show in the bottom line? I mean, any growing business, at least on the EBITDA level, it should make money, whereas this doesn't seem to be the case over here. And also, did I hear actually that you are trying to take this business Parador into China where there is a huge collapse in the real estate market and now we are trying to enter, FDI is for the first time ever going out of China and we are trying to enter the real estate market of China? Is that correct? Did I hear that correctly?

Akshat Seth:

So, first, again, I will, Keshav, reiterate one point, which is in a growth phase, EBITDA, your statement that in a growth phase, EBITDA should be positive. I would ask you the question that when somebody is investing for growth, that growth will come, those investments will come in two forms. Either I am adding capacity, which will not show up on P&L, or I need to add people and bandwidth to run that capacity, which will show up on P&L. And hence, EBITDA may or may not be positive in a growth phase.

And that's a general statement, nothing to do with Parador. It is applicable to any growth business. And that's why I highlighted it is important to also track what we are doing on contribution because, and it goes back to your other comment that whether we are selling products for free, and at that level, the volume growth can come in. So, we are not doing that, and that is showing up on positive contribution movement overall. So, that's a general statement, nothing to do with Parador.

China, if you would recall, we have been in China for the last four years. So, it's not that we are establishing a new entry. We have a retail presence in over 30 stores across major markets. These are experienced stores. The idea is that we build on that platform, because again, we don't need to invest much, but we can get a lot more juice out of the assets that we already have in China. Yes, there is a decline, but for us, there is also a possibility of gaining shares given how small we are in those markets.

So, that is where the effort is. You would also appreciate that the whole management team is working towards recognizing where our global assets are, and monetizing those assets to their full extent, rather than moving them to languish and not get the right returns behind that.

Keshav Garg:

So, Akshat, this entity Parador, when we acquired it, it was making money and under our management it started making losses from around over Rs. 1,500 crore topline and Rs. 100 crore PBIT. Now it has gone into, let's say, losses and Rs. 1,100 crore topline. So, the company has actually declined from what it used to do few years earlier.

So, it's not as though it's a startup and in the initial phases any startup while in the growth phase it makes a loss. It was a profit-making company, which is now making a loss, and there is no road map for profitability as far as the shareholders are concerned, right? So, it is a little bit disingenuous for you to say that it's in a growth phase, and that's why there are losses, we are investing in manpower.

So, what has changed since the company was already making money when we paid top dollars to acquire this company? And I don't understand, when whole growth is in India, what are we doing over there? In our core market we are making loss, okay, where we have brand, where we have the distribution and now you are telling us that you are taking it to some other market where nobody knows Parador. So, it's like Tata Steel saying that we are taking Corus to other continents. First you make money in your core market.

Akshat Seth:

Keshav, can I request because this is something that I have answered in great detail in our previous calls as well, maybe we set up a one-on-one conversation separately. Let me not take the time of the larger group. And that will also give us an opportunity to trace the history of Parador for you, and also explain in greater detail why the performance has dropped. It has less to do with the management. But if you are tracking the Flooring industry globally, there has been a 30% to 40% meltdown in the Flooring industry. We have an asset which we feel confident

about. How are we turning that around and making sure that in future we are not in a similar situation is the story that we would like to tell. So, I would request that we take this offline, and we talk in greater detail about it. Is that okay?

Moderator: The next question is from the line of Sanjay Kumar from iThoughtpms. Please go ahead.

Sanjay Kumar: First on Roofing, is 12%-13% PBT margin the new normal in roofing because these are supposed to be our best quarter and if you are doing only 16%-17%, that will bring down the year-end PBT to around 12%-13%?

Akshat Seth: The expectation is that on margins this year will be better than last year. So, there is a slight improvement. My sense is that, if this is not the new normal, we are maybe about 100 basis points away from what should be a steady-state number.

Sanjay Kumar: And in the previous earnings call, you did mention about value mining and cost diagnostics to focus on two areas, logistics and power and fuel. So, how much will this contribute to margins in Polymer and Building Solutions, both these segments? And what is your target PBT margin in both these segments? Not in the next quarter maybe or let's say at a good capacity utilization maybe at FY26-27, what kind of margins are you targeting in these two segments?

Akshat Seth: I think given how we are sort of structured, I would answer this question at an overall HIL level. These two initiatives are expected to create an impact of nearly 1.5% to 2% at an EBITDA level for HIL as a whole. You would appreciate many of our plants are sort of co-located across product segments. So, it is hard to sort of segregate the impact out. But anywhere between 150 to 200 basis points would be a good one over the next couple of years to come out of only these two pockets.

Sanjay Kumar: That is good to hear. And HDPE is a new addition, and you said this gives you access to B2G projects. So, can you talk about the market size of HDPE and how much do you want to address within that? Will we be participating in Jal Jeevan Mission, AMRUT 2.0 and so on?

Akshat Seth: Yes, overall, I think more than HDPE, the channel or the segment that you are talking about is of greater relevance or the whole B2G segment in Pipes and Fittings by some estimate of the total market of about Rs. 45,000 to 50,000 crore will usually be in the range of about 25% to 30%.

Now that was a segment you are aware we were not playing in before this acquisition. And with this acquisition, that segment opens up, and we have also put, apart from what we have acquired, more bandwidth to drive our business in that segment. HDPE will be one important product, but HDPE pipes, oriented fittings and other things in that segment will also come into play.

So yes, Jal Jeevan Mission, AMRUT 2.0, all of those are areas of play for us. Equally, there are emerging segments that we need to keep a watch out for. For instance, the government has been talking about creating high-speed bandwidth connectivity to every gram panchayat. That also will have pipes that will need to

be laid. Again, we can have a play in a segment like that, and we are closely watching that development.

Similarly, on the gas infrastructure as the government is talking about taking piped gas to a larger swath of households, again, that's an area that we will have a play. So, as the whole government spending increases, we would like to have relevant products which can allow us to play in that. Of course, the rules of that game are slightly different. We need to be very sharp on our cost management there to ensure that healthy margins are being made. But what it does is offer skill, it offers greater utilization of the assets we have and the teams we have. Does that answer your question, Sanjay?

Sanjay Kumar: Definitely. So, do we have to add more capacities for HDPE going forward given CCD demand can start coming in and AMRUT 2 will start soon?

Akshat Seth: See, we have shared that the aspiration for us is, first milestone on the Pipes and Fitting segment is to get near the Rs. 1,500 crore mark. At the moment, we feel we have the capacity which will take us to 800 to 1,000 with small incremental, but after that we need to put capacity. We are already on the drawing board to plan for those capacity expansion.

So, yes, getting to our final eventual goal, we will need to invest more on capacity. Now, it will also, how much of it is HDPE and how much of it is other product segment, that I think will need to play out as we go along. But capacity expansion and investments there will definitely be required.

Sanjay Kumar: And on Building segment, I am seeing the peers are entering ALC panels. Renacon has launched it. BigBloc is planning to offer steel reinforced panels at a lower cost. How are these products different from our cement or fiber boards or panels? Do we have any plans to get into these ALC panels?

Akshat Seth: So, we are closely evaluating that space. In fact, the introduction is not a new introduction. ALC panels were introduced, have been tried for the market by various players over the last 4-5 years with limited or no success. The fresh wave of investments that are coming in appear interesting. These products are not exactly substitutes to the panels that we sell. They are at a lower weight, etc. So, we are evaluating that space. Whether we will get into exactly that same product or we will try and tackle some of the product attributes through variants of our existing products, that is something that we are working on, but we are closely watching that space.

Sanjay Kumar: And even in our existing blocks business, Renacon is already aggressive in Tamil Nadu and now BigBloc is setting up a huge facility, almost 5 Lakh CBM. We are only adding 2 lakhs, and now they are coming to our territory. Why are we not attacking BigBloc's territory of Western India?

Akshat Seth: So, I think, see, every player will make their calculated bets. One of the bets that we have shared with this group in the past is that we are investing in the South.

The Chennai plant that will get commissioned in the second half of this year, we are adding 2 lakh tons in the first wave of that expansion, and we have capacity for another 2 lakh tons after that, which can be quickly switched on. That site is being prepared with the view that it will be India's largest single location AAC block plant anywhere in the country by any player. So, we are placing our bet on that market, and we are growing aggressively.

There will be similar bets in other locations, which appear attractive to us. The West at this moment is quite saturated. It has also led to price erosion and margin erosion for players. So, whether we want to jump into that bandwagon or be in a slightly more attractive market are calls that we continue to make. So, now the Chennai one is a big bet that we are making, and we are quite excited and hopeful on the prospects of that one.

Sanjay Kumar:

And are you considering launching Flooring in India by any chance in near future or do you think it will take time?

Akshat Seth:

We are, in fact, there is a team that's being built. We are looking for a very conscious and well-thought-out introduction of the Parador brand in India. We feel it's an exciting opportunity, and it's an opportunity where we can play the market formation role. There are a few players, but the market is still in a fairly nascent stage. We have already drawn our game plan around it. We have also hired and recruited a few team members to drive that.

Our initial focus will be to crack the commercial segment in India which is estimated at anywhere between Rs. 1,500 crore in that vicinity for our relevant product, and we will be going aggressively in that direction. It's also an opportunity for us apart from the volumes and the revenue number for us to build a more consumer facing brand within the HIL portfolio and positioned slightly at a premium end of the market.

So, if you recall last year when we spelled out our strategic priorities, one of them was to premiumize our product portfolio. With flooring and with Parador flooring, there is an opportunity for us to do that apart from what we do with our existing product. So, yes, we are doing it and yes, we are doing it in a conscious well-thought-out manner. And yes, this is not just at a drawing board level, but execution has started happening.

Sanjay Kumar:

That's great to hear, Akshat. Final question from my side. You said you are adding manpower at Parador, and you have a new head for construction chemicals. You have added Pranav. Mudit has joined recently. Piyush has joined recently. Why not we delay or defer these investments into the business when our margins are stable and good, we are in a good cycle? Does it make sense to defer it given the margin profile is currently low, subdued in all the segments? How do you look at these investments? Just wanted to get your thoughts on your, not just yours, at the company level, what is the thought process behind these investments?

- Akshat Seth:** See, let me ask you this. If you want to enjoy the fruits of a tree, what will come first?
- Sanjay Kumar:** Yes, I think that answers my question.
- Moderator:** Thank you. The next question is from Vinith Jain from Siddh Capital. Please go ahead.
- Vinith Jain:** Sir, you had mentioned that you had a revenue impact in the B2G segment of the pipe business due to the elections. Can you quantify what was the impact in the revenue or the volume?
- Akshat Seth:** So, the impact is actually you are aware that due to the model code of conduct in the pre-election phase or in the election phase and post the government formation, till the final budget was announced, there were fund related, so no new projects were being sanctioned and work on existing one was also stalled.
- Overall, what we estimate is, and Ajay, you can help me, I think from steady state, the revenue was only about 30% of normal. So, the erosion was to the extent of 70%. It is something that we are reliably told that was experienced by other players also in the industry. The positive silver lining that I see, sorry, Vineet.
- Vinith Jain:** So, are you expecting this revenue to catch up during the rest of the year?
- Akshat Seth:** We are certainly hopeful, and I was about to allude to that. If you recall, in this year's budget, the allocation, budgetary allocation for Jal Jeevan Mission has been hiked up by nearly 50%. So, last year, the government spent about Rs. 50,000 crore. The allocation this year is about Rs. 75,000 crore. Given where we stand, much of that is spent, so, first there is a big increase in the spend amount, and all of that has to be spent over the next 7 to 8 months. So, we expect a fairly fast clip of investments to happen and we should be benefiting from that.
- The teams and the production capacity are geared up. The first signs are also visible in the market that the order inquiries, the validation has suddenly gained speed in the last couple of weeks. My own expectation is that the right timeframe to look at that number will be the September month given rains, et cetera. So, from September onwards, we expect normal service to resume on that front.
- Vinith Jain:** So, on the Parador side, it's been 6 years since we have been owning the company, and the EU zone has gone through a couple of years of high inflation and a year of moderate inflation. The INR has depreciated by 10% to 12% since 4, 5 years or something. So, I want to know, the revenue is still the same. Like if I compared to the Q1 FY2019-20 to Q1 FY '25, the revenue is still same. So, can you throw some light on how being the volumes, and what has been your product mix change in these years and how do you see it ahead? How do you see the volumes coming back? How much have you lost, the volumes?
- Akshat Seth:** So, I think it's important, and there were some earlier questions also, it's also important to see the context. If you are drawing the line between 2019 to now,

especially in the last 12 to 18 months, there has been, the market itself across various product segment has shrunk by anywhere between 20% to 30%. And that's all of Europe. So, in that context to have stayed at a similar level is also somewhat creditable. Point number one. Steadily in terms of our own volumes, Ajay, do you recall what exactly would be the difference?

Ajay Kapadia: So, we did around 10.8 million square meter in FY '22. Last year we did 6.8 million square meter. Right now, we are at the top 7.6 million square meter.

Akshat Seth: So, that's the kind of volume. Of course, part of this volume erosion has been offset by price increase. So, from the timeframe that you are talking about, Vineet, to now, I think the prices would have increased by about 20%-25%. Correct.

Vinith Jain: So, is that a 30% to 35% of volume erosion?

Ajay Kapadia: Yes.

Akshat Seth: Correct.

Vinith Jain: Sir, my final question is on the Putty segment with more and more paint companies getting involved in it. How do you see the competition, and how do you plan to take the competition because they have a higher reach and all that?

Akshat Seth: So, I think competition is probably the most heated it has been since we have been doing this business over the last 4-5 years. The price has been brought down. Margins are narrower and so on and so forth. So, for us the benefit and the way that it makes sense in our portfolio is there is a lot of synergies between construction chemicals and putty, and that's the synergy that we want to build. It allows us greater heft when we approach the channel, and we build out our whole distribution model. We are also conscious that we cannot play the price game at the scale which some of our larger competitors do.

So, we also need to do a careful balancing between volume and margins. And that's why if you notice in the last 12 months there has been a lot of focus on getting our cost structure right as far as that business is concerned, working on our recipe and our cost of material and also on our sourcing to remain competitive. We are not looking to play a very low margin, highest volume type of business here. But again the synergies on the construction chemical side is what is attractive, and we will sort of continue with that one.

Vinith Jain: So, one question on roofing, if I can just squeeze in. How much do you see the market going towards steel roofing, metal roofing compared to the fiber roofing right now? How much of the market is migrating there?

Akshat Seth: So, I don't, at least what we witness is there is no sort of migration as such. There are, not seasonal, but there are cycles that come where the steel prices come down, and we are probably entering one such phase where the price difference is less, and on margins there might be some migration. But overall, for the segments

that we are playing, we are not witnessing migration because the price difference often is between 25% to 50%. Ajay?

Ajay Kapadia: Vineet, even I have data for last 10-12 years where the market size of fiber cement roof is in the range of 3.6 million metric ton to 4.2 million metric ton. It depends on the range. It goes up, comes down, but it is ranging between these two numbers.

Akshat Seth: And I think the other cut here is that fiber cement sheets which go in residential applications largely, that migration has not happened. Where steel becomes a preferred option is more on the institutional side, where that migration got completed several years ago. So, at the moment we are not seeing that migration happen.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Just now wanted to get your view on this year's growth guidance in terms of revenue and margins as well. I believe in the last call; you had given segment-wise growth outlooks. So, if you can reiterate on the same and give a fresh outlook for this year or maybe even overall for the company that will be helpful.

Akshat Seth: I think we will stay with the guidance we provided last time. There is nothing that requires a review at this stage. Q1, we have largely stayed on track with that projection, and we expect with some, and there is strong confidence that there will be market-related tailwinds to help in achieving whatever minor deficit that might be there. So, overall, we will stay with the guidance that we presented last time.

Rahil Shah: And just on the margins, overall, for the year, are we inching towards the double digit?

Akshat Seth: No, I think the guidance I have been presenting, the double digit is about a two-year journey. And so, it was not for this year. Bear in mind, again, I am saying that there are, the reason why it's a two-year journey because in these two years, we are also investing on brands and promotions and advertisement. We are investing in people ahead of the curve. So, the double digit eventually in our books is a two-year journey, and I request the right level of calibration and patience around it, because this will not, so for us to move from a 7%, 7.5% to a 10% plus, it requires the right level of investment now, but there is a clear guide path or a glide path to achieving that, and we have seen evidence of that showing up in this quarter as well. So, we are confident of getting there, but it won't happen this year.

Moderator: Thank you. The next question is from Aditya who is from Securities Investment Management. Please go ahead.

Aditya: Sir, if you could just provide the breakup of our Polymer division between pipes, fitting and construction chemicals?

- Ajay Kapadia:** Aditya, so, in our opening remarks, we mentioned Pipe business, we did Rs. 150 revenue in this quarter. Putty and Construction Chemical put together is around Rs. 45 crore.
- Aditya:** Rs. 45 crore. And what was it last year?
- Ajay Kapadia:** Last year was, Pipe business was Rs. 35 crore. The balance was Putty and Construction Chemical.
- Aditya:** How much was Pipes?
- Akshat Seth:** Rs. 85 crore.
- Ajay Kapadia:** Rs. 85 crore last year.
- Aditya:** And out of this Rs. 150 crore in pipes, what was the contribution of Topline?
- Ajay Kapadia:** About Rs. 45 crore.
- Akshat Seth:** Rs. 45 crore.
- Aditya:** Rs. 45 crore?
- Aditya:** And sir, now if I look at your standalone pipes business, we have grown at 24%, and you mentioned in your opening remarks that we have seen a volume growth of around 40% to 45%. So, this means that a price decline is around 20% for us in the standalone type business which is huge means if we compare it to the other players. So, this price decline of around 20% to 25% is I think among the highest if we compare it to the other piping peers, we have seen a price decline of around only 5% to 7%. If you could just elaborate, what has led to such steep price decline?
- Akshat Seth:** So, I think, there are two factors that contribute to this. One is the general price level, especially at the input level of resin etc. So, that led to the overall market going up and down.
- Second is the product mix. You would in this, and that product mix is on the CPVC, PVC and pressure pipes, SWR. So, this quarter, typically given the agri demand, the product mix is slightly adverse. Given we are now aggressively playing in those segments, it is also getting amplified for us. So, there is a base effect there.
- As we enter Quarter 2, and now that we are sitting at 45-day mark, as far as the 2nd Quarter is concerned, it is now moving in the right direction. So, overall, at the annual level, I don't think there will be too much of a difference, but there is a quarter-on-quarter gap.
- Aditya:** So, are we trying to gain more and more market share by selling at a lower price? Is that one of the strategies of the company? Because now when I look at other segments as well, if we look at Parador as well, where the market has degrown and we have grown, there also our revenues have grown, but the profitability of the company has come down. A similar thing has happened in our polymer

segment as well. So, is it the strategy of the company to gain more volume and market share at the expense of profitability?

Ajay Kapadia: Aditya, this Quarter 1 is more agri demand. If I give you the split between pressure pipe, CPVC growth, the pressure pipe growth we have achieved in this quarter is 65%, whereas CPVC growth is in the range of 20%. And the price point of CPVC or pressure pipes are different, and that is where the impact is coming.

Akshat Seth: Sorry, can I also add one more flavor to the answer Ajay mentioned? I want to clarify this too, for the larger group as well, there is no attempt to sell products at lower margins. And that story again, I will urge you to go back to the whole contribution margin trend that is playing out. In pipes, our contribution margin, keeping aside one-off items, is largely stable as it was last year. In blocks, we have improved by 220 basis point, which is the bulk of our building solution business. In putty, despite the price erosion in the market, we have increased the contribution margin by 90 basis point. And there is a similar story on Parador.

So, please keep track of how we are doing on this parameter as well, because this is a real indicator that whether we are eroding the price equation or not and so on and so forth, or whether we are not making below contribution, there will be some. So, for instance, in pipes, we will add people, and the impact of those people will show up in coming quarters. So, that is where the EBITDA story might look slightly different. But overall, it is as per planned trajectory, and we are not making any compromise on that. Sorry, you had a second part to the question.

Aditya: So, just one suggestion now. It would be helpful if you could just provide some of these contribution margin figures in a presentation to help us better understand the numbers.

Akshat Seth: Okay. Given, I mean, just the sensitivity and confidentiality, whatever we can share, we will try and provide it in the presentation, but the idea is also to talk through it in these conversations.

Aditya: And sir, now, earlier in this consolidated minus standalone, this used to represent the Parador figure. Now from this quarter onwards, this includes the Topline figure as well.

Ajay Kapadia: Yes.

Aditya: And sir, this unallocable expenses, now if I look on a yearly basis, this used to trend around Rs. 50-55 crore. So, last year it jumped to around Rs. 85 crore, and now if I look at your quarterly run rate, it should be around Rs. 100 to 105 crore. So, if you could just elaborate what is leading to such an increase in unallocable expenses?

Ajay Kapadia: So, if you see, if you compare Quarter 4 versus Quarter 1, it is more or less same unallocated expenses. If you compare last year Quarter 1 versus this year Quarter 1, last year, if I take out exceptional items, the unallocated expenses is in the range

of around 17 crore, which is now 24 crore. The main reason is increasing the people cost, which is what Akshat has mentioned in his opening remarks.

Aditya: Last quarter only, there was a one-off unallocable expense for our acquisition cost also. If I remember correctly, for the Topline acquisition, there was a one-off acquisition cost of around Rs. 5 to 6 crore, last quarter.

Ajay Kapadia: Yes, that was spread across two quarters, Q3 and Q4.

Akshat Seth: Let me also clarify this for you, Aditya, and for the larger group. The manpower cost has not sort of spiked up suddenly in quarter, and you should not carry the impression that there is a fresh wave of people who have joined. We have been building this team steadily over the last three or four quarters. The full impact of that is now sort of visible, and which is what is showing up.

Moderator: Thank you. The next question is from the line of Sanjay Kumar with ithoughtpms. Please go ahead.

Sanjay Kumar: On the Pipes division, the other larger players are getting into a new segment called OPVC, which for now is being used in water, but going forward, I am told that it will also be used for sewage applications, and they are all committing CAPEX. Have we evaluated the space? Where are we in OPVC journey?

Akshat Seth: So, you are right, the opportunity is promising. In fact, the hypothesis is that a lot of the migration from ductile iron-based applications will happen to OPVC, and that's a fairly big market and an interesting opportunity. So, we are closely following it.

You are aware that the technology for that is a restricted technology in the hands of only a few players. So, we are evaluating the options for us to get that technology and being a relevant player in that segment. So, we apprise the group of the development when we are at a logical milestone on this one. But I also want to assure the group that we are actively pursuing this opportunity and considering how we can be a player of relevance here.

Sanjay Kumar: And second, also a strategic long-term question. Given our experience working with asbestos, fibers and also resins, polymers, are there any adjacent product categories that you are looking at, say, composites for construction or something like that?

Akshat Seth: Composites for construction. So, see, there are two ways. One, I don't think we claim capability or capacity in working with asbestos. That's not our core competence. We are a roofing player. And to that extent, we also have a strong brand and strong channel presence in roofing.

As I discussed in my opening remarks, we are now introducing adjacent products which can allow us to leverage that channel presence. So, we have introduced a whole set of roofing accessories. It's not being produced by us. We have

outsourced production, but it can give us extra margins on an absolute basis from that channel.

Similarly, we are making a play on the CC sheet, color coated sheet side, which again is a roofing-based application. All of it is with the view that how can we leverage and sweat the channel and the brand that we have created better and more. So, that's as far as roofing is concerned.

Across building products, the other aspect that we are going towards is more designer and aesthetic-based applications, which are not behind the walls but are more visible. So, again, it gets sold through the similar influencer channel. So, that is work that is currently going on as part of our whole innovation and new product development team. In pipes, the quest for increasing the range of products that we play in, including applications like gas, telecom, etc., is again an ongoing exercise.

So, the short answer to your question is that yes, we are constantly in the mode for evaluating adjacent opportunities where either our capability in terms of product or in terms of channel or in terms of brand can be better monetized.

Moderator: Thank you. Ladies and gentlemen, that concludes the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Akshat Seth: Great. Thank you. It's been a pleasure interacting with all of you over this call. We thank you for taking the time out and for your continued interest and support. I know that there will be a lot more follow-up conversations and questions that you may have, including, I think, Keshav has a bunch of questions around Parador. We are happy to take them offline. We are happy to engage in a one-on-one setting to get into more details of the thought process behind the assets that we are managing. Thank you so much.

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

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