HSIL Limited

Q2 FY2022 Earnings Conference Call

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MR. RAJESH KHOSLA - PRESIDENT AND CEO, AGI GLASPAC AND GARDEN POLYMER
MR. SANDEEP SIKKA - GROUP CHIEF FINANCIAL OFFICER
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Moderator: Good day ladies and gentlemen and a very warm welcome to the HSIL Q2 FY2022 Results Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0'on your touchtone phone. I now hand the conference over to Mr. Umesh Raut from Dolat Capital. Thank you and over to you Umesh!

Umesh Raut: Good evening, everyone. On the behalf of Dolat Capital we welcome you all to HSIL Limited Q2 FY2022 post Results Conference call. We are pleased to have the senior management team from HSIL being represented by Mr. R.B. Kabra, President & CEO, Building Products, Mr. Rajesh Khosla, President & CEO-AGI Glaspac and Garden Polymers; Mr. Om Prakash Pandey, CFO HSIL and Mr. Sandeep Sikka, Group CFO. I would like to hand over the call to Mr. O.P. Pandey for his opening remarks. Over to you Sir!

O P Pandey: Good evening everyone and welcome to the Q2 FY2022 Earnings Call of HSIL Limited. I hope you and your family members are safe and healthy. We have already circulated our Earnings Presentation, which is available on our website as well as on the stock exchange website. I hope you have had the opportunity to go through the presentation and we would be happy to take any questions afterwards.

We will begin this call by providing you with the details of the company's financial performance and then I will hand over the call to Mr. Kabra and Mr. Khosla to share the details of the business division's performance.

During the quarter, the company delivered a Total Income of Rs. 566 crores a growth of 29% on a year-on-year basis and 35% on a sequential basis. Q2 saw an improvement on both sequential as well as YOY basis as the economy recovers from the adverse impact of the second wave of the pandemic. It will be a fair assessment to say that there is a broad based recovery with magnitude varying for different end users. As such, our Revenue growth was supported by increased sales volumes in both divisions i.e. packaging product division and the building product division.

We delivered EBITDA of Rs. 91 Crores registering a growth of 18% on a year-on-year basis with EBITDA margins of 16%. Strong margins can be attributed to higher revenue, optimized product mix and our higher operational efficiency across the plants.

It is worth appreciating that the company delivered healthy operating margins despite the fact that the fuel prices are on an increasing trend over the past few months. This is a result of our ability to use alternate fuel in the manufacturing processes.

EBIT for the period was Rs. 63 Crores with an EBIT margin of 11.2%. Profit after tax stood at Rs. 30 Crores, a growth of 40% from an adjusted profit of Rs. 22 Crores in Q2 FY2021. For your reference in Q2 of FY2021 the reported profit was Rs. 36 Crores and included one time income tax write back of Rs.14.7 Crores. PAT margin for the current period are 5.4%.

We continue to generate strong cash flows and in the first half of the fiscal year, Cash from operation stood at Rs.106 Crores. The company incurred capex of Rs.188 Crores during the same period which was primarily utilized for two upcoming Greenfield projects and relining of one of the furnaces. Now I would hand over the call to Mr. Kabra to discuss the building product division. Over to Mr. Kabra!

R B Kabra: Thank you Mr. Pandey. A very good afternoon to all of you once again. I will speak about the building products division, which includes sanitaryware, faucets and pipes.

In Q2 FY2022, revenue from this division was Rs. 237 Crores registering a growth of 72% on a year-on-year basis and 93% on a quarter-on-quarter basis. Revenue growth was primarily due to sharp recovery in the real estate sector as reopening of the economy post the second wave rejuvenated the demand momentum.

I would also like to update you on the initiatives we have undertaken and their progress. Last time we mentioned that Board has sanctioned capex for installing two shuttle kilns one at Bahadurgarh and one at Bibinagar and also enhancing the casting capacity. The work on these new shuttle kilns is progressing as per the schedule and both the shuttle kilns at Bahadurgarh and at Bibinagar plant will be commissioned before the end of this financial year. The work on the enhancement of casting capacity at Bahadurgarh is also progressing well now after initial hiccups due to the second wave of COVID-19. Both these projects will help us in increasing the production of large pieces, demand for which is growing more than that of normal pieces. Additionally work on the installation of robotic system for glazing is underway at the Bibinagar plant and we expect it to be commissioned before the end of this financial year. This has been done to reduce dependence on skilled glazers, the availability of which is becoming scarce. We expect that a favourable macroeconomic environment and the upcoming festive season will drive sales and we are well positioned to meet the pent up demand.

EBIT for the period was Rs. 9 Crores with margins of 3.9% and profitability for the period improved primarily in light of the better revenues. We are optimistic for the near-term prospects and there will be a continuous increase in the demand for our products.

Now I would handover this call to Mr. Khosla to talk about the packaging product division. Over to you, Mr. Khosla!

Rajesh Khosla: Thank you Mr. Kabra and good afternoon everybody. The packaging product division saw healthy growth across all major key metrics in terms of Sales volume, Revenue and Profitability.

Revenue from operation was Rs. 308 Crores in Q2 FY2022 registering a growth of 6.7% on year-on-year basis and 4.9% on a quarter-on-quarter basis. Revenue growth for the period was driven by the beer, liquor and wine industry.

As one of the furnaces was shut down during a significant part of the quarter for maintenance, efficient and effective operational planning has helped us to continue the growth momentum. We proactively created inventories in the previous quarter and as such have been able to successfully meet the demand of the second quarter. The relining process started in the last week of July and was completed in the first week of October.

This segment contributed 56% of the total revenue, EBIT margin also improved t to 20.2% in Q2 FY2022 from 14.2% in Q2 FY2021. We continue to maintain the highest operating margin in glass container manufacturing underpinned by strong operational efficiencies in the manufacturing process and our capability to use alternate fuel.

In light of relining of the furnace, glass container capacity utilization during the quarter was 66% as compared to 72% in the same quarter last year and 89% in the previous quarter.

As the COVID-19 cases are receding, economic recovery is expected to be faster and a subsequent increase in consumption will support our growth momentum. Also evolving consumer behaviour with preference shifting towards quality, safety and premiumization of the products and these emerging trends are driving the glass industry growth. HSIL being the leading profitable player is well positioned to capitalize on the growing market opportunities and deliver sustainable growth in the coming quarters.

Thank you very much and we are now ready to take any questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question from the line of Aditya Dhaval, an individual investor. Please go ahead.

Aditya Dhaval: Thanks for the opportunity. I have a couple of questions, right now our specialty glass what we are doing we are majorly focusing on domestic or export market because I understand that right now our export contribution is less or how we are looking forward to?

Rajesh Khosla: If I understand your question properly you are asking that what is our export contribution, what is the profitability in the export, is that what the question is?

Aditya Dhaval: Yes and going forward also the specialty glass how we are going tocapture the export market?

Rajesh Khosla: Our export share is quite small. Right now our export volume is around 3% to 4% of our total sales and this has been done purposely two years back when the domestic market was growing very fast and there was a robust demand in the domestic market. We purposely ignored the export market and focused on the domestic market. This has been very fruitful in this year and the last year when the freight rates, particularly in the international market has skyrocketed, otherwise we would have been bleeding in this context, so this is the status as on today. Going forward in our specialty glass, our first concern will be, we will be stabilizing our operation with the domestic market where there is robust demand and once we stabilize in the domestic market we will start looking forward in export market, which is going to be very lucrative and we are going to cater the same. Going by the numbers, everything will depend upon how the freight rates and the relative profitability of domestic and export markets open up, but overall we will be open to both markets and we will be focusing more on sustainable and consistent profitability of the company.

Aditya Dhaval: My next question is regarding the debt, this year it will be around Rs. 1,200 Crores in that Rs. 200 Crores is for specialty glass and Rs. 100 Crores is for building product, for the other majority for can you give some sense on it because I am seeing only Rs. 300 Crores and some operational exclusions but other than that how it has moved on and where it is being used?

Sandeep Sikka: Today if you see on September 30, 2021 we have a total long term debt of around Rs. 850 crores to Rs. 900 crore and another Rs. 120 to Rs. 135 Crores of working capital limits being utilized so that makes the overall debt including the sales tax deferral loans at around Rs. 1025 - 1050 Crores. The specialty glass project is underway and the pipes expansion is underway, full level of expenses has not yet been done, so this is the status as such and other than that what we had done is because historically we have spent on building capacities a few years back, we have made some investments building our various fuel mix opportunities, like we set up our coal gasification plant and similarly all these investments have been made historically. Apart from it the other debt which has been here in the balance sheet is the debt, which is relating to the pipes division, which was set up in 2018 and then some expansion which happened on sanitaryware plant as well as the faucets plant.

Aditya Dhaval: So, for maintaining working capital requirement and to maintain the operations, we have taken the debt, but when this Rs. 200 Crores of specialty project is in operations, debt will be reduced right, with the cash flows?

Sandeep Sikka : Yes, because if you see from next year onwards the repayment is also coming through, till now we had lesser repayments. So there will be one incremental EBITDA relating to all these investments. Secondly, the repayment factor will come into the picture. The quantum of total debt repayment in the next 3 years is around Rs. 350 to 400 Crores. We have given guidance that the debt level as on March 2022 may increase, but we will take taper down substantially over the next few years.

Aditya Dhaval: Last question I have is slightly on a long-term view. So, over the long term, we are focusing on this 150 tonnes specialty glass where we have a higher realization and higher margin apart from this where are we focusing on opportunities. Can you give some insights for the long term, like a three to five years perspective?

Sandeep Sikka: I think HSIL today is emerging as a clear leader in the glass business. We were already a leader on profitability and off late we have been utilizing our capacities very efficiently. We are making some investments to increase our throughput which means we can extract more production from our existing plants. We are also investing in debottlenecking of the plants and many opportunities may come in the market, like very recently there was a public news that one of the largest players in glass has been admitted into IBC where they may go under the IBC proceedings over a period of time. We see ample opportunities for many players in the market to further expand, grow the horizon. This is all subject to the proceedings under the IBC. But, other than that, the company has opportunities to expand capacity into newer segments. We are right now the only south based producer of glass and over a period of time we may make investments into east and north and further fortify our position in the market.

Aditya Dhaval: Thank you and all the best sir.

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

Himanshu Shah: Sir can you just provide some color on glass bottle prices on per metric ton basis, basically how has been the realization during the quarter, how much was it last year same quarter and where shall we see it in three to six months time. Basically we believe that gas prices have increased quite significantly by almost 60% and even the outlook on gas prices and global prices seems to be on a higher side and that too in India so how should we see the trend on glass bottle prices?

Rajesh Khosla: The prices of glass are different for the different customers because it depends upon so many various factors. It can be quantity, it can be the type of bottle, it can be the volume of the bottle and it can be so many more value additions. So, putting one particular price tag to anyone it will be very, very difficult because we have a different range. As far as range is concerned, our range starts from Rs. 23,000 per metric tonne to Rs. 50,000 per metric tonne. So this is the range in which we are operating and we are selling to different segments. Regarding the gas prices, yes the gas prices have gone up and in this half yearly, I mean to say up till September, so we have a system we had a tie up with the gas suppliers and because of that we had fixed pricing and we got the advantage of that. Going forward, we have the various type of mechanism by which we recover the increase in the cost from the customers, either it is in the form of a price variation formula or one to one negotiation or one to one understanding. So this price increase which is across the industry, across the globe, those price will be absorbed by the customer, but there will be certainly a time lag between one to one price negotiation and price increase.

Himanshu Shah: Can you just provide some color like for a particular range of product if the price is X, like what was it may be a year back and where should we see it in a three to six month's time post the kind of cost escalation?

Rajesh Khosla: As far as the price as compared to last year it has gone up by only Rs.500 per metric tonne up to September, but yes there will be a steep increase in the prices from the second quarter to third quarter or fourth quarter, so there will be a steep increase.

Himanshu Shah: Okay and how much should that increase be sir?

Rajesh Khosla: It can be close to 10% of the prices.

Himanshu Shah: We see since alcobev industry is one of the large customers but now may be with the reused bottles coming back or company utilizing more amount, can you throw some light on this aspect?

Rajesh Khosla: Used bottles are already there in alcobev segment, the beer segment consumes a lot of old bottles and they reuse the bottles and same with the alcohol segment. So it is not anything new that is going to be in the market, it is already there. Whatever best they can use it, they are already using so I do not think there is anymore very high potential of this shift of using the old bottle is there.

Himanshu Shah: So basically it is around 8% to 10%, is what kind of prices may go up and this would be largely to absorb the cost of this would also benefit us in terms of slightly some more flow through for us also?

Rajesh Khosla: As informed the gas prices are going up and due to the cost increase, these things can be passed on to the customer,

Himanshu Shah: As you highlighted one of the largest player they have gone to IBC, so do we foresee some kind of capacity reduction taking place in the industry, which should benefit us in terms of both higher volumes as well as may be more demand from the current consumers because one player going to IBC and therefore higher pricing benefit also to us?

Rajesh Khosla: One of the big companies has gone to IBC, which means they still will be running their operations, but those operations may be available for the other companies to be taken over, so we see an opportunity from the market point of view. As far as capacity is concerned, yes there can be possibly reduction in the capacity, if the capacities are not being used in an economical manner. So yes there is a possibility but then there are small increases in the various segments also by the other manufacturers on a pan India basis. Regarding the pricing, yes there can be a benefit in the price but I think looking at the consistent and long-term policy of our company, we would like to integrate ourselves with our buyers and our market, so probably exploitation things will not be there but it will be more of the opportunities.

Himanshu Shah: Last question sir, two years back when there was a healthy price increase which was provided to the glass industry, after that lot of capacity had come up especially from the unorganized sector or from players in the northern market like Firozabad, are we still seeing that continuing in the sense new capacities coming up from unorganized players and they do benefit to some extent on few of the things so are we seeing competitive intensity from them?

Rajesh Khosla: Glass is a very high capex industry so people are going to put the capex only when there is a demand available in the market. It all depends upon the demand and supply gap. Regarding Firozabad, Firozabad has been banking majority on the APM gas which is a cheap gas available to them, that gas is already finished, It has limitations and it cannot go beyond some capacity, so all the further gas will be at the market prices so things will become uncompetitive if the capacities are added without any backup on the demand part.

Himanshu Shah: Fair enough sir, I think this was very, very helpful. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Management. Please go ahead.

Nikhil Gada: Sir, the first question is regarding the margins on the packaging business. So we have seen EBIT margins grew upwards of 20% and when we look at past historical quarters, this has been one of the best margins. Is there any benefit, we have taken some price increase and we have got some low cost inventory which has helped this margin or this is purely operational benefits which are there?

Rajesh Khosla: Regarding the inventory advantage, we have not decreased our inventory substantially, so there is not much benefit on the inventory part. Regarding the performance part, it is basically because of very strong planning and commitment to the customers adding value, having a multiple fuel system and furnaces which are running quite efficiently and our commitment and our capex and investment we have put in to upgrade our system has yielded such results to us and in the times to come you will see these results will further become strong because of these commitments. So we continuously upgrade our technology and reduce the fuel dependency.

Nikhil Gada: Understood sir, have we taken any price increase in the current quarter?

Rajesh Khosla: Not really, it is only the product-mix where we have gone more towards the value added products in that quarter.

Nikhil Gada: Understood sir, second question is pertaining to our fuel cost while we have a lot of alternate fuels as you have mentioned in the past as well, just want to understand on a raw material cost perspective, how would the gas cost be overall as a percentage if I am saying 100 is my raw material, how much would gas contribute to that in terms of usage?

So when we look at the other expenses or the power and fuel cost that give separately as a line item, if you see the current quarter it has gone down and it has been something which we have worked on very efficiently but the question more is from the perspective that we are seeing the sharp run up in gas prices and a lot of the other let us say glass manufacturing companies are seeing an impact of that, so just on that perspective wanted to understand what kind of impact would be there because of this?

Rajesh Khosla: Regarding the increase in gas prices. Increase and decrease in fuel is a part of the business and it happens very regularly. Earlier also it happened and this time it is also happening. This time things have been a little sharp and the prices of the gas and other fuel material have not stabilized. Every day, every week and every month things are changing because of the demand and supply on a global level, not only in India but on a global level. This has certainly distorted and disturbed the total equilibrium of size and cost. Now this equilibrium of cost and price will certainly be coming up, but it is going to take some time for such equilibrium to come up. So that time whatever you call it, time lag between the cost increase and the price settlement in the market, so given that time lag things will be back to normal and everything will be as we had planned. So regarding your second question, what percentage of the fuel is part of the total cost? I think Mr. Pandey you can answer this question.

Om Prakash Pandey: Approximately the power and fuel cost constitutes about in the range of 24% to 28% depending upon the price fluctuations and we are able to control this because of the various fuels available with us and we have made our plants flexible to take the fuel, whichever is very cost efficient for us.

Rajesh Khosla: We are one of the few glass container factory, in the world, which are using many type of multiple fuels and that too we can switch over very, very fast. So that is the advantage we are getting now.

Nikhil Gada: While you mentioned the inflation in gas prices and how it can impact us, any ball point estimate how much price hike we will have to take so that our margins are in same order?

Rajesh Khosla: It is all one to one with the customers. We are into the B2B business and we negotiate with each customer separately. So, the final price with any of the customers or any increase depends on so many factors. So, it is very difficult to say any particular amount on the price increase.

Nikhil Gada: Understood. Secondly on the building manufacturing division, first question is that while the growth has been very, very strong wanted to understand is there also an impact that because our other company SHIL where we supply our products, might have had some impact of sourcing issue and that is the reason a lot of more manufacturing was done in - house by us? Was there such kind of a situation in this particular quarter?

Sandeep Sikka: As per the contract with them, we cannot comment on SHIL. We can answer your question from HSIL and not from SHIL's perspective.

Nikhil Gada: Understand Sir, but then was that there was more requirement by SHIL than what it would have been in normal terms? Because what we are hearing from industry is that there has been an impact because of imports going down and more of domestic requirement and procurement. So, just from that perspective, I wanted to understand.

Sandeep Sikka: From HSIL your question remains the same, and the answer also remains the same. We are bound by the confidentiality that we cannot talk about how much they source from us and how much they source from others. What we can talk about is that on sanitaryware faucets, we had around 67% growth and in pipes we had around 82%. That is the broader guidance we can give on a quarter-to-quarter basis.

Nikhil Gada: Sir, just in terms of the capacity utilization if you could also help with those numbers as in what was the capacity utilization in building products division?

RB Kabra: For the Sanitaryware, it was around 90% and for the faucets, which is the chrome plated faucets which is around 65% - 67% and for the pipe it is around 89%.

Nikhil Gada: Last question from my end, this expansion in building products that we are doing for the kilns and also for the glazers, this will help us in developing more complex or more value - added products?

R.B Kabra: Yes, you are Correct. It will be more value added products.

Nikhil Gada: It would not be like that there would not be any capacity expansion?

R.B Kabra: No, the capacity we are expanding is for the more value added products. This will certainly add to the capacity, but largely this capacity is being added for the high-end value-added products.

Nikhil Gada: How much would that be, any number?

R.B Kabra: Around 10%. As I just mentioned some time back.

Nikhil Gada: Thank you so much for answering all the questions.

Moderator: Thank you. The next question is from the line of Zakir Naser, an individual investor. Please go ahead.

Zakir Naser: Good afternoon. Congrats on a great set of numbers. Sir, there are two parts of my question is number one, with the growth in your building products, do you think it is 4% margin would be the peak margin we can reach on this? That is my question number one. The figures, the sales and the PAT for three months ended September, do you think that would be a precursor for how the third and the fourth quarter would be in terms of sales output? Thank you.

Sandeep Sikka: Of two questions; the first one is relating to the margins. The transactions between HSIL and the Brilloca, which is the wholly owned subsidiary of SHIL, are related party transactions. We hire one of the big four's on an annual basis to set how much would be the EBIT margins. Based on the report of one of the big four's, margins are set. Based on these reports, we feel that these margins will remain in this range only, 4% - 4.5%. Secondly, your question on whether the Q2 was precursor, I think, we have given the guidance to the market that the recovery on the building products is good, people are looking for newer houses, better houses, people are renovating their houses, we feel that this demand trend should continue until and unless there is another disruption of a new variant or something like this. Based on the current market situation, we feel the markets are strong.

Zakir Naser: Thank you Sir. One last bit, how is our foray into branding bottles doing? I mean, how is that outlook for the company?

Rajesh Khosla: We are quite upbeat on the retail sale of the bottles because this segment is growing, very, very fast. We are just at a nascent stage and our base numbers are very low, but in the times to come, these numbers would certainly grow and the demand from the market is quite healthy and we expect better growth in the times to come.

Zakir Naser: Thank you Sir. Best of luck for the balance of the year. Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Gada from Abakkus Asset Manager. Please go ahead.

Nikhil Gada: Thanks for the follow-up. Sir, I was looking at our gross margins on a year- over-year basis and we have seen a decline of close to around 800-bps, is it purely because of the mix change or because the building materials mix has increased from 32% odd to 42% - 43% odd in particular quarter. Is that the reason there is such a sharp fall in gross margins or is there something else to it as well?

Sandeep Sikka: I think that your broad perception is okay, but EBIT margins when you see on a one-on-one basis on the segmental range, gives good guidance. But, the margins in the packaging products and the building products are very differentiated as you would know. Your assessment is broadly correct.

Nikhil Gada: Could you help with what kind of gross margins we are making in building and manufacturing, product manufacturing?

Sandeep Sikka: That we do not disclose separately because of the segmental report, we give at the EBIT margins.

Nikhil Gada: Understood. Our pipes manufacturing expansion is completely done? The expansion of the pipes manufacturing, is it complete?

Sandeep Sikka: No, it is still underway and we feel that in Q1 of next financial year we should be able to start the production.

Nikhil Gada: This would expand the capacity to, how much?

Sandeep Sikka: Around 48,000 tons.

Nikhil Gada: Thank you so much.

Moderator: Thank you. The next question is from the line of Amit Kochhar, an individual investor. Please go ahead.

Amit Kochhar: Can you please provide volume and price mix for the growth in packaging products division? Secondly, what would be the reason for increase in margins on year-on-year basis despite the rise in fuel cost?

Sandeep Sikka: Broadly, if you see on the glass side, I can give you broader guidance here it is around 2% to 3% growth in the volume on the glass and the balance is on the price or the product mix, there are elements of product mix and volume. Volume growth is around 2% to 2.5% and the rest is attributable to product mix and the price.

Amit Kochhar: Thank you. My second question was to what would be the reason you can attribute towards the increase in margins amidst the rising fuel cost, within the industry?

Rajesh Khosla: This is basically there are few factors which have contributed in all. Number one is our capacity utilization, which we are trying to increase year-by- year and the plan is to reach the maximum level. So, this is one. Second is within the volumes, we go on adding more of the higher revenue or higher EBITDA level products in our kitty. So that is two. Third is we are keeping aery close contact with the cost and the price, like we are entering with the price variation formula with our customers, so that the impact on the rising fuel becomes nullified with these understandings with the customers. So, when you add value added products, price variation formula, and multiple fuel efficiency, operational efficiencies and perhaps utilization, so these are the things, which are driving our growth story in packaging products.

Amit Kochhar: Sir, in terms of our building products division we saw an improvement in our margins, is there any further scope of improvement from the current levels?

Sandeep Sikka: If you see the margin improvement on building products, it is primarily that during the Q1 of this financial year, we had COVID wherein the demand almost went away for a few of the days or few of the weeks and during those weeks the factory production was very low and the fixed cost was very high, which cannot be loaded on to the production cost. There were some costs which was associated to very low production utilization of the plants, which actually resulted in low margin in Q1. Q2 the margins have almost normalized now.

Amit Kochhar: Sir, in terms of as COVID has normalized what kind of revenue and profitability growth do you see in the coming quarters or in the next year?

Sandeep Sikka: On a holistic basis, we have some capacity constraints now especially we talked about the glass project which is coming up next year, pipes the new project is coming up next year. We have an opportunity on the faucets, sanitaryware production expansion we are doing, so we should be able to maintain our growth in a range of 15% to 18% because there will be some price inflation also. With exceptional price inflation, the growth can be still higher, but in the current market condition, we feel 15% to 18% growth will be feasible, but again, we will have again a fresh look and it will be contingent on and how fast we can unlock the capacity or we can utilize the opportunities which are available in the market for further increase of our footprints across the country.

Amit Kochhar: Sir last question by when are new projects, the specialty division that we have already announced would be operational?

Rajesh Khosla: Q1 of next financial year. For both pipes as well as specialty glass, we are expecting Q1 of the next financial year to be operational.

Amit Kochhar: Thank you so much.

Umesh Raut: On behalf of Dolat Capital, I would like to thank the team of HSIL Limited for providing us the opportunity to host the call. Thank you so much for all the participants for joining in. For closing remarks, I will now hand over the call to Mr. Sandeep Sikka.

Sandeep Sikka: Thank you. If you see the quarter has been pretty good. There are very clear signals for economic growth recovery including major macroeconomic indicators are there and now glass is emerging as one of the most preferred materials in packaging products. Because of the new ESG things that are there, single use plastics, is being replaced by glass and many companies we feel that over a period of time, will have to look at a sustainable material in terms of packaging. There is a definitive shift happening towards sustainable packaging resulting in a growing demand for glass packaging. Apart from it, there is evolving consumer behavior post COVID wherein people are buying more products online and brands are also preferring to package their products in a much better way. Many young companies who had good products to sell to the consumers, are packaging them well, and glass is again a preferable product to sell to the market. The market is emerging and we feel that HSIL has an opportunity in the next few years to emerge as a leader in the market. We are very strong on the margins which are very evident from the historical performance of the company. We feel that going forward the other opportunities are also available in the market which we can encash. With this, I would like to thank everybody who joined us on the call. We are always there to answer your questions, any queries, just get back to us. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Dolat Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Notes:
1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.
2. Figures have been rounded off for convenience and ease of reference.
3.