

BOROSIL®

Gujarat Borosil Limited

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Sub: Transcript of Institutional Investors and Analysts Conference Call

Dear Sirs,

We enclose transcript of conference call with Institutional Investors and Analysts which was held on June 19, 2018.

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For Gujarat Borosil Limited



Kishor Talreja
Company Secretary

Encl: As above

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GUJARAT BOROSIL LIMITED

“Gujarat Borosil Investor Conference Call”

June 19, 2018

GUJARAT BOROSIL LIMITED



MANAGEMENT: MR. SHREEVAR KHERUKA – MD AND CEO, BOROSIL
GLASS WORKS LIMITED
MR. ASHOK JAIN – DIRECTOR, GUJARAT BOROSIL
LIMITED
MR. RAJESH CHAUDHARY – GROUP CFO
MODERATOR: MR. PUNEET GARG - AXIS CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Borosil Investor Conference Call hosted by Axis Capital Limited. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Puneet Garg from Axis Capital. Thank you and over to you, Mr. Garg.

Puneet Garg: Thank you Karuna. Good evening, everyone. On behalf of Axis Capital, I would like to welcome you for this investor call of Gujarat Borosil. Today we have with us, the senior management of Gujarat Borosil represented by Mr. Ashok Jain – Director, Mr. Rajesh Chaudhary – Group CFO and Mr. Shreevar Kheruka – MD and CEO, Borosil. So, without much ado I would like to handover the call to Mr. Kheruka for his opening comments post which we can open the floor for Q&A. Over to you, sir.

Shreevar Kheruka: Thank you. Good evening everyone. As you may be aware we had a board meeting of Gujarat Borosil Limited as well as Borosil Glass Works Limited yesterday, where the Borosil Board has approved the withdrawing its previous scheme of restructuring and both boards have approved a new scheme of restructuring. This will involve the merger of 3 companies into Borosil Glass Works Limited followed by demerger of the consumer and scientific businesses of Borosil Glass Works into Hopewell Tableware Pvt. Limited. A note has already been attached and sent to everybody including to the stock exchange earlier this day and I hope you have had a chance to review it. I’ll take a couple of minutes on why we have done this scheme and then I would like to open it up for questions.

As some of you may be aware, in Borosil we already had proposed a scheme for merger of Vylene Glass Works, Fennel and Hopewell Tableware into Borosil. After talking to various investors over the past few months we have received lot of feedback that investors would like to see the businesses of Gujarat Borosil a B2B business and that of Borosil Glass Works a B2C business being separated. This would enable them to invest directly in each of these businesses. So, in order to make it more investor friendly and in order to separate the two B2B and B2C businesses we decided it was best to withdraw the earlier scheme of amalgamation and replace it with the new scheme. And this will allow the same benefits as the previous scheme, namely elimination of cross holdings and achieving a simplified structure as well as reduction of related party transactions.

But in addition, in this new scheme we get the added benefit of ensuring that the 2 companies themselves are independently held and investors may choose to invest in either the consumer business or the solar business or both as they deem fit - entirely up to them. So, we felt that this scheme was superior to the previous scheme. In our estimate, the scheme will take 10 to 12 months for implementation and approval from various authorities. Obviously, we will try and speed it up and complete it as quickly as possible. That being said I would now take any questions that you may have, thank you.

- Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Smith Panchal, an individual investor. Please go ahead.
- Smith Panchal:** I want to ask one question. As a Borosil Glass Works investor I have 100 shares. So, what will be the swap ratio according to which I will be allotted Gujarat Borosil Shares?
- Shreevar Kheruka:** Sure., Firstly the board of Borosil Glass Works has recommended issue of 3:1 bonus shares. So, pursuant to that bonus you will get another 300 shares of Borosil. If you had 100 shares, you will get another 300 which becomes 400 shares. Then as part of the scheme where Gujarat Borosil and other companies are being merged into Borosil followed by the demerger of the consumer business and scientific business from Borosil Glass Works into Hopewell the demerged entity also you will get 400 shares. We are proposing to change the names of the entities. So, Borosil Glass Works Limited would become Borosil Renewables Limited and this will house the solar business, meaning the current business of Gujarat Borosil will be at Borosil Renewables. The current business of Borosil Glass Works Limited which is consumer and scientific will go into Hopewell Tableware, which will be renamed as Borosil Limited. If you have 100 shares of Borosil Glass Work Limited today, you will own 400 shares each of Borosil Renewables and Borosil Limited..
- Smith Panchal:** So, for Borosil Renewables when it will be listed in my Demat account it will be 400 odd shares?
- Shreevar Kheruka:** Borosil Glass Works Limited is already listed. Its name will be changed to Borosil Renewables. So, once the bonus happens within the next two months or so and you get another 300 shares in your Demat account you will have 400 shares automatically. Now, whenever the ...
- Smith Panchal:** So, my basic doubt is that I am just, a Borosil Glass Works holder, so with respect to Gujarat Borosil I get another 1:1 right and with each share of Borosil Glass Works and get another the demerged share of Gujarat Borosil.
- Shreevar Kheruka:** Practically speaking, yes, the end result will be what you saying . The language you have used is not exactly right. Technically speaking you have 400 shares of Borosil Glass Works Limited and you get another 400 shares of the demerged entity which is actually the consumer and scientific business of Borosil Limited. But effectively your understanding is correct, you will have 400 shares in each of the 2 businesses. **Smith Panchal:** The solar business that will be demerged that will also be held.
- Shreevar Kheruka:** Sorry, just to correct you, the solar business is not getting demerged. The consumer and scientific businesses are getting demerged and yes if you have 100 shares of Borosil Glass

Works today you will have 400 shares in both the businesses post the completion of the entire scheme.

Moderator: Thank you. The next question is from the line of Pratik Giri from Vallum Capital. Please go ahead.

Pratik Giri: Sir, my question is regarding the solar business. So, if you look at the solar capacity in India over the last 5 years it has gone nearly 5 times but our sales have grown only by 10% and 12% on a CAGR basis. So, would you like to throw some light on that? What was the major reason behind this?

Shreevar Kheruka: There is a lot of dumping happening from China for solar modules. So, while you are right that solar capacity in terms of solar project installations has increased substantially, the benefit has not entirely accrued to Indian industry. It has mostly gone to Chinese industry and that is the reason we had represented a case of anti-dumping to the government and eventually the government has seen our point of view and put antidumping duty on Chinese glass. Also, the point that we have grown 10%-12% is not entirely accurate because earlier the business was a mixture of solar and patterned glass. If you look at the ratios, the solar business is almost 90% of the total turnover now and about 10% is the patterned glass business. So, the solar CAGR has been very aggressive but it still could have been much more aggressive had it not been for the dumping from China. We have got some measure of support from the Indian government now. So, that is why we are bullish and that is why we are putting up new capacity. We are currently at full capacity utilization already, so unless we produce more we cannot sell more.

Pratik Giri: I am sorry, I did not notice this patterned glass sales going down and solar glass sales going up. Sir, my second question is regarding the 2 mm glass you will be manufacturing. So, what is the cost of this glass I mean is it significantly higher than the conventional glass?

Shreevar Kheruka: The selling price is about 40% higher, the cost of production maybe about 15% higher.

Pratik Giri: So, sir, are we making some handsome gross margins in this?

Shreevar Kheruka: The volumes are still very small but we expect the volumes to pick up.

Pratik Giri: Sir, my next question is regarding whether we have any IPR in this 2-mm glass segment? If it is made by a machine and some other guy also buys that machine he will also be able to manufacture the 2 mm glass? I mean, what is the difference, I am trying to find out.

Shreevar Kheruka: Yes, in essence you are right. There is no technology which somebody else cannot get. The fact on the ground is that we have bought one machine from a company and the same company has sold 10 machines to other producers but they have not been able to successfully make the product and we have been able to do it. So, there is some team capability involved. Everybody can have a Ferrari but a few people know how to drive a Ferrari properly. That is an analogy that I can use. So, we have been able to use that machine and deliver a product that nobody else has been able to do. Is it something that only we have the right to do for the rest of

history? No, I do not think so. Others will definitely come into this and we have to be ready for the competition when it comes.

Pratik Giri: So, then in spite of the machine being there we need some kind of expertise to manufacture this 2 mm glass?

Shreevar Kheruka: That is right.

Pratik Giri: And right now, no one else is manufacturing this glass expect us in India?

Shreevar Kheruka: Yes, that is right.

Pratik Giri: Sir, my next question is regarding a large Chinese player is entering Indian market to manufacture solar panels. Recently it was in news. Chinese capacity is now moving towards over capacity. Do you see any huge business opportunity from them?

Shreevar Kheruka: See, I cannot specifically answer any specific question on customers at this moment. But anyone who is setting up a module production in India definitely has a potential to be our customer, whether it translates into business or not, is very hard for me to predict.

Pratik Giri: Sir secondly, what is the competitive scenario in this solar glass segment? Are there too many players in India or are they shutting down because last 5 years where not that good?

Shreevar Kheruka: There is no other producer in India for solar glass. We are the only producer of solar glass in India. A lot of the other parts are imported. The competitive scenario is such that most of the glass and in fact the finished products comes in from China and now some from Malaysia too. So, we are competing with the Chinese and our technology and our innovation has been very strong over the past few years. We have been able to cut cost from all aspects raw materials, packing materials, conversion cost and at the same time we have been able to innovate on new products like 2 mm. We have also developed other forms of thinner glass and with this we have been able to successfully grow the revenues and the profitability of the business over the past few years. That is why we are bullish about expanding our capacity. At the moment there is no other player in India and I am not aware of anybody else trying to enter in either.

Pratik Giri: My last question will be regarding, sir, what is the export opportunity in this segment?

Shreevar Kheruka: We are exporting over 20% of our production mainly to Europe and we see a good traction over there. We have strong customers who are continuously ordering from us and the price points are a bit better. This gives us confidence in our quality and we think can grow exports further.

Pratik Giri: Sir, Indian Solar capacities going to be nearly 5x from here from 20 gigawatts to nearly 100 gigawatt-120 gigawatts in next, 3 to 4 years. So, how do you see the business opportunity, going forward? Any growth guidance?

- Shreevar Kheruka:** Like I already mentioned we are at full capacity at the moment doing about INR 200 crores revenue. We are setting up a new plant which is 210 tonnes per day. Right now our plant is 180 tonnes per day. So, we should be able to do 2.2x our current turnover. In the future if that plant is insufficient then we can always increase further. We have space available for Brownfield expansion. We can further double the capacity taking us to 5 gigawatts. So, there is a very strong runway ahead but obviously we'll take one step at a time. Let us get this capacity done and utilize it and then we look at the next one..
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.
- Jigar Shroff:** Sir, I just wanted to understand, I as a Gujarat Borosil shareholder, am I correct in understanding if I hold 100 shares of Gujarat Borosil, I would have eventually 100 shares of Borosil Renewable and how much in the HTPL?
- Shreevar Kheruka:** No, you will have 50 shares of Borosil Renewable and 50 shares of HTPL which should be Borosil Limited.
- Jigar Shroff:** Yes, if I have 100 shares they will give me 50 in each company, right?
- Shreevar Kheruka:** Yes, right.
- Jigar Shroff:** And then what will be the final equity of Gujarat Borosil or Borosil Renewable after this?
- Shreevar Kheruka:** Both companies Borosil Limited as well as Borosil Renewables will have 11.4 crores shares of Rs. 1 each.
- Jigar Shroff:** So, the final equity of Gujarat Borosil would be 11.4 crores?
- Shreevar Kheruka:** That is right.
- Jigar Shroff:** Secondly sir, that 125 crores that Borosil, the current Borosil Glass is going to leave for Borosil Renewable that would be in the form of a loan, right?
- Shreevar Kheruka:** No, that is as the equity and it is already valued in the valuation. That is towards the project..
- Jigar Shroff:** But that would form part of equity?
- Shreevar Kheruka:** Yes, that is right. On the day that the merger and demerger happen and the scheme is fully implemented, there will be no cross-holding between the 2 companies.
- Jigar Shroff:** So, for current Gujarat Borosil equity would be 11.4 crores face value of Rs. 1?
- Shreevar Kheruka:** That is right.
- Jigar Shroff:** And these 125 crores would be part of equity only not loan?

- Shreevar Kheruka:** Part of reserves.
- Jigar Shroff:** And sir, the time period for the completion of this scheme is said about 12 months to 15 months, is it for this whole thing?
- Shreevar Kheruka:** 10 months to 12 months is our target. Some of the steps are not in our control. We will try to push it as fast as possible. But we have to interact with many nodal agencies, government authorities. So, it also depends on their ability to deal with the proposals. We expect it to be 10 months to 12 months but that is our expectation only.
- Jigar Shroff:** And sir, the CAPEX completion of doubling of this capacity in Gujarat Borosil would be by when sir?
- Shreevar Kheruka:** We are targeting to start production by July of next year.
- Jigar Shroff:** So, in effect sir, does it have work out that way sir, I as a Gujarat Borosil shareholder I am only, as of today I have an exposure only in the solar business but one this thing is implemented I would be participating in the B2C business, so to speak?
- Shreevar Kheruka:** That is right. You will be participating but the option will rest with you. Both businesses will be listed separately . So, you can continue to hold or you may wish to increase your stake in either business or you may wish sell your stake. That is entirely up to you. You have the option to do whatever you like in both the businesses.
- Jigar Shroff:** And the shares swap ratio would be worked out after the bonus issue?
- Shreevar Kheruka:** That is right.
- Moderator:** Thank you. The next question is from the line of Rashesh Shah, an individual investor. Please go ahead.
- Rashesh Shah:** I have a simple doubt. I have a clarification to make. I own 1000 shares of Gujarat Borosil right now. And you explained it in the last call itself, but I still want to get a further explanation on how my holding will get restructured? Can you do that for me again sir, please?
- Shreevar Kheruka:** Yes, if you have 1000 shares of Gujarat Borosil currently you will end up having 500 shares of Borosil Renewables which is effectively the current Gujarat Borosil business and you will have 500 shares of Borosil Limited which is effectively the current consumer and scientific products business of Borosil Glass Works Limited.
- Rashesh Shah:** So, I do not have any direct holding in Hopewell Tableware, right?
- Shreevar Kheruka:** Yes, Hopewell Tableware will be renamed Borosil Limited. So, that you will have 500 shares of that and it will also become a listed entity.

- Moderator:** Thank you. The next question is from the line of Gaurav Singla, an individual investor. Please go ahead.
- Gaurav Singla:** Sir, I am a Gujarat Borosil shareholder. Now, after amalgamation or demerger how many companies of Borosil will be listed?
- Shreevar Kheruka:** Right now also they are two listed companies. After this scheme is implemented also there will be two listed companies. The first will be Borosil Renewables Limited which is basically today's solar business of Gujarat Borosil. And the second business which will be listed will be called Borosil Limited which is today's Borosil Glass Works Limited Consumer and Scientific business.
- Gaurav Singla:** So, after amalgamation or demerger I will participate in both the companies?
- Shreevar Kheruka:** That is right.
- Moderator:** Thank you. We take the last question from the line of Puneet Garg from Axis Capital. Please go ahead.
- Puneet Garg:** Sir, how will the balance sheet look like after this scheme of restructuring. What will the shareholder equity be after this scheme of arrangement?
- Shreevar Kheruka:** So, both companies will have 11.4 crores shares of Rs. 1 each after the scheme is completed.
- Puneet Garg:** And the overall I was asking from the amount perspective the shareholder equity as it would include in the balance sheet?
- Shreevar Kheruka:** That we still have to come up with, so I will come back to you. We do not have the exact number with us. But as far as the shareholding is concerned it is 11.4 crores shares of face value Rupee 1 each. For the rest I can give you more detail closer to the time.
- Ashok Jain:** So, in the current balance sheet that 125 crores will get added for the Gujarat Borosil balance sheet.
- Puneet Garg:** Yes, you mean to say that about preference share, right?
- Ashok Jain:** No, 125 crores which will be left for Gujarat Borosil.
- Puneet Garg:** And secondly sir, this preference shares, which was reflecting as borrowing as per the accounting standards. So, that will go away, right the 120 odd ...
- Ashok Jain:** Yes, it will get cancelled.
- Puneet Garg:** Yes, so those were my question. So, as there are no further questions, so on behalf of Axis Capital, I would like to thank the management for giving us this opportunity to host the call

and also thank all the participants who joined in. Before we close I would like to hand over the call to Mr. Kheruka for any closing comments. Over to you, sir.

Shreevar Kheruka:

Thanks. So just to summarize, we as the management team of Borosil as well as Gujarat Borosil believe very strongly in all the businesses, all three businesses namely solar, scientific and consumer businesses. And with this scheme of restructuring, I think we have moved in the right direction of giving investors the opportunity to invest individually in the consumer or the solar business or both as they like. I think it is exceedingly positive for all stakeholders of the business. We are very aggressive in our goals and our growth strategy. And we backed that by allocating capital in the right ratios. I believe that if we are able to execute these plans the companies will show substantially improved performance going forward. So, I thank you all for your support and I hope that we will be able to show you the results of that support in the next few quarters and years to come. Thank you.

Moderator:

Thank you, members of the management. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your line.