BOROSIL®
Borosil Limited
CIN : L36100MH2010PLC292722
Registered & Corporate Office :
1101, Crescenzo, G-Block, Opp. MCA Club, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051, India.
T +91 22 6740 6300
F +91 22 6740 6514
E borosil@borosil.com
W www.borosil.com

November 23, 2021

The DCS - CRD **BSE Limited** Corporate Relationship Department 1st Floor, New Trading Ring, Rotunda Building, P. J. Towers, Dalal Street, Mumbai – 400 001	**National Stock Exchange of India Ltd** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Scrip Code: 543212 **Symbol: BOROLTD** **Series: EQ** **ISIN: INE02PY01013**

Sub: Transcript of Institutional Investors and Analysts Conference Call

Dear Sir / Madam,

We enclose transcript of conference call with Institutional Investors and Analysts which was held on Tuesday, November 16, 2021.

You are requested to take the same on your records.

Thanking you,

Yours faithfully,
For Borosil Limited

Anshu Agarwal
Company Secretary and Compliance Officer
Membership No. FCS9921

Encl: as above

"Borosil Limited
Q2 FY2022 Earnings Conference Call"

November 16, 2021

ANALYST: **MR. PRAVEEN SAHAY - EDELWEISS WEALTH MANAGEMENT**

MANAGEMENT: **MR. SHREEVAR KHERUKA - VICE CHAIRMAN - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER- BOROSIL LIMITED**
MR. ANAND SULTANIA – CHIEF FINANCIAL OFFICER - BOROSIL LIMITED
MR. SWADHIN PADIA - GENERAL MANAGER, ACCOUNTS - BOROSIL LIMITED
MR. RAJESH KUMAR CHAUDHARY, WHOLE TIME DIRECTOR - BOROSIL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Borosil Limited Q2 FY2022 Earnings Conference Call hosted by Edelweiss Wealth Management. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Wealth Management. Thank you and over to you, Sir!

Praveen Sahay: Thank you. Good morning everyone and thank you for joining the earnings call of Borosil Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of Borosil to discuss the results and the outlook. We have with us Mr. Shreevar Kheruka, Vice Chairman, Managing Director & CEO of the Company, Mr. Rajesh Kumar Chaudhary, Whole Time Director, and Mr. Anand Sultania, CFO, and Mr. Swadhin Padia, General Manager, Accounts. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q&A. Over to you Mr. Kheruka!

Shreevar Kheruka: Thanks Praveen and Edelweiss for hosting this call. Good afternoon everyone. It is a pleasure to be interacting with you again. Borosil Limited's board approved the company's financial results for quarter two and the first half of FY2022 on November 12, 2021.

Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website. Let me begin with an overview of our business performance during the first half of FY2022.

After a severe second wave of COVID-19 in some parts of the country during the first quarter, caseloads during the second quarter was significantly lower. The pace of vaccination has accelerated and over 75% of the population has received at least one dose of the COVID vaccine and the total number of doses administered has recently crossed 110 Crores. While it is obviously prudent to continue to exercise caution, lockdown restrictions have been eased and there is a rise in mobility and a return of a degree of confidence and demand.

Borosil's consolidated revenue from operations during the second quarter of this financial year was Rs.221.83 Crores which is a growth of 59% over Q2 FY2021. This is off a low base resulting from the disruption of the first lockdown last year. Q-o-Q growth rates need to be viewed in the context of the exceptional circumstances that prevailed during the same period last year.

While discussing other growth rates I would refer to the performance during the half year instead of the quarter. The consolidated revenue from operations during half year FY2022 was Rs.359.72 Crores a growth of 84% over the first half of FY2021.

For the convenience of investors we have also added the performance of Q2 of FY2020 as well as the first half of FY2020 in our presentation to show the comparison of this year's results with the non-COVID FY2020 period.

Borosil's consumer ware business comprising glassware products and non-glassware products under the brand Borosil and its Opalware range under the brand Larah recorded net sales of the Rs.240.9 Crores as compared to Rs.114.8 Crores during H1FY21. This revenue of Rs 240.9 Crores is higher than the pre-COVID period of H1 FY2020 by 16%.

Sales of glassware products under Borosil during H1 FY2022 were Rs.63.08 Crores a growth of 63% over H1 FY2021. The sales of consumer glassware products however have not yet caught up with pre-COVID levels. Educational institutions have remained closed with all classes moving online. Most workplaces are still operating at lower than normal capacities with companies adopting a hybrid model of work from home as well as the office. Consequently, some of our product lines such as glass lunch boxes are still facing subdued demand. However, as I mentioned during the last call we do not believe there are any long-term structural shifts and some categories of discretionary spend demand is taking a little longer to return to full swing.

Borosil's non-glassware products comprising primarily domestic kitchen appliances, the hydra range of bottles and steel serve fresh products recorded sales of Rs.78.4 Crores during the first half of FY2022. That is a growth of 78% over the first half of last year. Sales in this segment were higher than H1 FY2020 by 68%. This segment of our portfolio is benefiting from some certain long-term behavioral changes among consumers. A higher frequency of in-home cooking has facilitated a higher demand for kitchen appliances as the consumers look for greater convenience and aids to the process of preparing meals. Borosil has been prototyping and seeding the domestic kitchen small appliance market for few years ago. Our products including OTGs, blenders, juicers, mixer grinders, cookers, toasters, etc., have met with a very good customer response. More recently we have introduced our stainless cookware range including pressure cookers, casseroles, pans, Kadhais to expand a bouquet of offerings to the consumer.

During the half year ended September 2021 non-glassware products comprised 55.4% of consumer product sales. This is the Borosil Brand Sale and excludes Opalware sales. We are slowly but surely taking the Borosil brand beyond glassware products to a broader based brand which encompasses everyday cooking, storage, and serving.

Borosil's Opalware brand Larah, recorded net sales of Rs.99.4 Crores during the first half of this year FY22 more than tripling its sales from last year although last year again was not a very comparable period. Larah which drives a fair proportion of its sales through gifting was more severely impacted during FY2021 owing to the social distancing and restrictions on celebrity gatherings. The company has made a concerted effort to reduce Larah's dependence on gifting. Sales during H1 FY2022 exceeded that in the corresponding pre-COVID period of H1 FY2020 by about 34%. Once again increase in in-home dining including entertainment at home is likely to remain a long-term behavioral shift. Larah's Opalware products are ideally suited for frequent or daily usage while at the same time looking elegant for serving guests in. Moreover it compares favorably on price with substitute categories providing it with significant potential for penetration into Indian homes.

Coming to the scientific products division the net sales during H1 FY2022 were Rs.118.84 Crores which is a growth of 47% over H1 FY2021.

During H1 FY2022 the core laboratory glass products registered sales of Rs.65.2 Crores a growth of 35% over H1 FY2021. As I had indicated during the last quarter this vertical in our business was facing weak demand in the context of educational institutions, remaining shut and government funded labs continuing to face budgetary constraints. These challenges notwithstanding, the company has seen a steady demand from its clients in the pharmaceutical as well as other industries.

Borosil's lab instrumentation business under the brand LabQuest has been showing steady growth. Having introduced the initial products and gained customer confidence we have began to gradually expand our range of offerings. These are developed by a wholly owned subsidiary Borosil Technologies and sales whilst small during the first half of the year of Rs.9.2 Crores has registered a growth of 61% over the same period last year.

Borosil's vial and ampoule brand of pharma packaging products that is Klasspack registered sales of Rs.44.4 Crores a growth of 67% over H1 FY2021. Currently, we have utilized about 70% of our capacity and are well placed to service higher demand. We will also be doing more capex in this vertical.

During H1 FY2022 the operating EBITDA before exceptional items was Rs.71.6 Crores translating into an EBITDA margin of just about 20%. During the corresponding period in the previous year the company had incurred an operating EBITDA profit before exceptional items of only Rs.21.6 Crores owing to the negative impact of COVID related lockdowns and customer cutbacks on discretionary spend.

The improved performance sees Borosil closer to a normalized operating profitability and the profit before tax and exceptional items during the first half of this year of FY22 stood at Rs.59.4 Crores which is about 16.5% of revenue.

The company's financial results for the period include two exceptional items. We had provided for losses incurred on account of a fire at our warehouse in Bharuch on April 1, 2021 and we also had a water logging incident at a warehouse in Bhiwandi. These assets are insured and claims have been raised. The provisions made in the book is to the extent of the difference between the claims raised and those expected to be settled by the insurance company aggregating Rs.6.5 Crores. We believe most of this will also be settle by the insurance company upon completion of the due process.

Amendments in the provisions of the Finance Act 2021 related to depreciation on goodwill have resulted in a deferred tax expense of Rs.11.7 Crores during H1 FY2022. The company reported a profit after tax of Rs.25.4 Crores during H1 FY2022. Had it not been for the two exceptional items the profit after tax would have been more.

As of September 30, 2021 the company had net cash of about Rs.224 Crores. More than 80% of this, is invested in high credit quality secured debt instruments. The company has been liquidating the legacy investment in real estate. The overall real estate fund exposure now stands at only about 10% of the total investments. The company believes that it can deploy the cash in the business for efficient growth both organically as well as through strategic M&A.

During H1 FY2022 the company had generated a consolidated operating profit of Rs.70 Crores out of which Rs.21.5 Crores is invested in inventory, Rs.32 odd Crores in receivables and Rs.20 Crores is claims receivable from the insurance company against which Rs.14.5 Crores has already been received in the month of October 2021.

The increase in receivables is in line with higher sales. The increase in inventory was a conscious call taken by the company in view of the environment of uncertainty due to the global supply chain issues that everybody is facing. Lead time for deliveries has got elongated and it is considered prudent to increase the safety stock especially for the festive season. Moreover, once the company’s transitions to a higher proportion of domestic production and sourcing we expect to be able to function with leaner inventory levels.

The operating capital employed in the business was about Rs.499 Crores which includes the deferred tax liability of Rs.28 Crores. This comprises about 289 Crores in consumer products and 210 Crores in Scientific Products Division.

With an operational EBIT before investment income earning of Rs.54.5 Crores during H1 FY2022 it translates into an annualized operating ROCE of about 22%. We continue to be mindful of this and improving our return on capital employed through gaining operating leverage on the deployed capital as well as by improving our margins.

As we look into the future we see an opportunity to grow Borosil business at a CAGR of 15% to 20%. The consumer products business is expected to grow faster. Apart from continuing to build out the non-glassware product line we will also leverage our core strength in glassware and Opalware to make them daily use household essentials for serving and storage.

In the Scientific Product Business, we also expect to have a reasonable growth given the addition of new product lines for instrumentation under LabQuest as well as the vials and ampoules business under Klasspack.

These growth plans would require to be supported by investment in capital expenditure. During the previous quarter I had shared with you the decision of our board to sanction two expansion projects. The first is to expand capacity for Opalware production in Jaipur from 42 tons per day to 84 tons per day. This would entail an investment of about Rs.175 Crores. Production from the expanded capacity is expected to commence sometime in Q2 FY2023 and cater to Larah's requirements over the next three years or so. The second was to create a capacity for Borosilicate glass products in India entailing an investment of about Rs.75 Crores also in Jaipur. This project is expected to be completed by Q4 FY2023. It too can service the company's requirement for another three years.

Further in addition to these two investments the board has now approved an upstream project for the manufacturing of glass tubing. The company currently sources its tubing predominantly from overseas countries. Given the increased uncertainty in global supply chain as well as the increased costs the company has decided to reduce its dependence on imports by setting up a Borosilicate 3.3 expansion tubing furnace with a capacity of between 20 and 24 metric tons per day at its facility in Bharuch in Gujarat. The project is expected to cost about Rs.100 Crores and is likely to be commissioned by March 2023.

We will also be undertaking expansion of our capacity of vials and ampoules under Klasspack entailing a Capex of about Rs.75 Crores over the next three years.

At an aggregate level we expect to invest about Rs.600 Crores over the next three to four years towards building adequate capacity to support the company's growth, derisk its supply chain and upgrade the plant and IT infrastructure of the company. The anticipated capital expenditure is expected to be funded through a combination of internal accruals, debt and some liquidation of noncore assets. Once operations from these investments are fully on-stream the company expects to be able to generate a ROCE in the mid 20's by FY2025.

We are very optimistic about the future of the business. More recently of course all of us have been through challenging times since the Q4 of FY2020 owing to COVID. As of this moment the COVID threat in India has subsided to a fair extent and one hopes that we do not suffer another wave. With a return to normalcy, we expect to see strong demand in our business segments especially for the new items we have introduced in both consumer and scientific products where penetration is still low. Borosil can drive market expansion where it is the leader and participate in market growth in other categories.

So with that I conclude my opening remarks and I would like to throw open the floor to questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Hitesh from Aksa Capital Advisors. Please go ahead.

Hitesh: Thanks for the opportunity and congratulations for the good performance. Mr. Shreevar I just wanted to understand if we got the benefit of the festive season in Q2 and could we see some of it in Q3 as well.

Shreevar Kheruka: So as you know Diwali was in early November this year. 30 days before Diwali is typically the highest percentage of sales. So, I would say most of the festive buying would have happened in October and we would have something in September, but most of that benefit could come in Q3.

Hitesh: Would you mind telling what is the advertisement expense that incurred in this quarter Q2?

Shreevar Kheruka: Frankly I don’t have the exact number off hand. I can come back to you.

Hitesh: Just a last question from my side - this warehouse that we set up in Gujarat - I think we invested about 65 Crores, we were anticipating about 100 BPS to 150 BPS of cost saving from the consolidation of the warehouses and also on freight. . But when I look at your annual numbers the FY2020 and FY2021 the warehousing expenses is the same, just 4.5 Crores. Even the freight cost is not anything different despite having a lower sale. So, I wanted to understand if anything has changed and what could be the reason for this benefit not coming to us in FY2021?

Shreevar Kheruka: See firstly just to correct you the warehouse was set up in Jaipur and not in Gujarat. This is for Larah and the margin improvement was always in connection with Larah. Larah margins they have increased over the last two years and warehousing has had a role to play in that improvement. Earlier we had many external warehouses where we would have to shuttle our trucks between the warehouses to service customers. Different products were stored in different warehouses and we typically have orders for a mix of products. So, we have seen improvements in Larah margins. Some of it is obviously coming from the operational leverage and some of it is coming from savings via the centralized warehouse. The second point is that the expense of the warehouse was not 65 Crores at all it was somewhere in the Rs 30 Crores to 35 Crores range. This warehouse will also suffice to a large extent for our Opal Glass 2 OG2 furnace of the 175 Crores Capex. We had built it already factoring the new capacity coming in. Therefore for the OG2 furnace we do not need a separate warehouse it will be utilizing the same space in the existing location. So there have been many benefits of that particular project and those are reflecting more in the Larah numbers than in Borosil numbers. Moreover, another point is that if you look at warehousing and freight in general FY2021 was a very challenging year to compare any number because of the low sales. So, many components of warehousing cost tend to be fixed. If your sales are low then of course costs go up as a percentage. That is another aspect one must consider. Finally, coming to freight, everybody has read the news of about the diesel prices increasing. While there have been improvement in freight efficiency, the issue is that the underlying fuel costs themselves have gone up because of the increase of diesel prices. That price inflation has impacted all companies including us. I would still say that we have made pretty good savings on the supply chain points both warehousing and freights and they will reflect when their sales get normalized over the next few periods.

Hitesh: Okay sure thanks.

Moderator: Thank you. Our next question is from the line of Manav Vijay from Deep Financial. Please go ahead.

Manav Vijay: Thank you very much Sir for the opportunity. Sir regarding the expansion that you have announced of the Borosilicate glass. Last quarter also you had announced one expansion of Borosilicate and you had mentioned that this product will basically be a backward integration for your consumer ware glass division. Can you please explain the difference between that and the new expansion you have now announced? Is this a forward integration?

Shreevar Kheruka: Firstly, both are backward integrations. In the case of the one which we are doing in Jaipur the 75 Crores capex for Borosilicate – that is for press Borosilicate. Press includes items like mixing bowls or lunch boxes which we make and supply under the Borosil brand for the consumer. What we have just announced in this particular board meeting is Rs 100 Crores capex which is for Borosilicate tubing. The tubing is used for both scientific and consumer but the main use in terms of the 3.3 expansion is for the scientific products. Therefore, this is also a backward integration only in the sense that we are buying these products today. We are importing and now we are going to Make in India. This will be the glass tubes and the first one we had announced was glass press items. So, they are different products all together.

Manav Vijay: This is helpful Sir. Sir my second question is that of all the work that you did in last two three years regarding putting up that warehouse in Jaipur then also that changing the furnace for Larah and then also changing the packaging for Larah. So, now the benefit or the synergies of all those efforts are now getting reflected in the margins that you have delivered in this quarter. Do you believe that you still have further scope to improve margins considering that in H2 you will have higher sales because of festivity? You will have operating leverage and on top of that the efforts made by the company in the last two years should actually give you much better margins than what you have done in Q2?

Shreevar Kheruka: Yes, so look frankly this year H1 April and May were quite tough months because of COVID and we were right in the middle of the worst of COVID in India. There were many lockdowns again. So. I cannot say that even the first half of the year from a sales point of view has been at a normalized level. That is on the consumer side. Even on the scientific side, as I have already mentioned in the opening remarks schools, colleges still remain broadly closed and even for government institutes the funding taps are not yet open. So, on both our consumer and scientific divisions we do not believe that H1 was a normalized level. Like you rightly pointed, H2 is something which will get more festive impact and to answer your original question about the operating leverage we still believe we can get some more operating leverage than what is there today. That will come on the back of higher sales when things come back to normal and I think I have also indicated in the opening remarks that our target for the ROCE is higher than what we have at the moment. We hope to get to the mid 20's ROCE. That is really something that we would strive for. Right now we are slightly lower than that.

Manav Vijay: Now Sir apart from which the expansions you have also now talked about in our opening remark about the expansion even in the Klasspack of around 70 Crores over next two to three years if you can expand on that as well?

Shreevar Kheruka: You see, when we took over Klasspack, the revenues of that business was roughly 30 Crores. I am talking about the year 2016-2017. During this year, in the first half itself, we are closer to 50 Crores and we will soon be running out of capacity. Typically the operating capacity utilization in that kind of business peaks once you hit 80%. You cannot really hit 100% of capacity utilization because you have to keep changing your products. Your product mix is always evolving so now since we are operating at 70% plus and we expect that once we hit 80% then it becomes challenging to increase sales, we have to put up more lines to cater to the market. We going to add more lines of the same products, that is both ampoules and vials in order to cater to the expanding needs of that market. We have added quite a few top class pharma customers over the last six months to a year and in general our market share or our share of their wallet is increasing. We are quite bullish on that business and the growth prospects in that business. So, that is the background on which we are trying to grow. This is not any new product it is basically expanding capacity of the existing products.

Manav Vijay: Sir one last question from me. Normally so you used to talk about a growth of around 10% to 12% in your Scientific Ware Division now for the first time we have increased that guidance on 15% so this is majorly due to the Klasspack or you believe that even in the scientific lab ware you will have a higher growth rate of high single digit then what you are earlier anticipating?

Shreevar Kheruka: Yes, the scientific business is definitely driven a lot by Klasspack. As far as the growth rates are concerned, even the instrumentation business is picking up. There were new products developed. Again it is on a low base surely and will take time for the growth to reflect in the absolute growth rate of the division but I do very much anticipate that in the next two, three years with higher spends in pharma drug discovery on the back of COVID, higher production of various vaccines and various other drugs, I do believe that there is an upside possible on that the earlier guidance of 10%, 12%.

Manav Vijay: Thank you and all the best Sir.

Moderator: Thank you. We will take our next question from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: Congratulations Shreevar Sir and team for good set of numbers so I had a few questions so first is how do you see the Opalware industry is getting out in coming years since our competitor is also expanding the capacities and how much revenues can we do take that post expansion.

Shreevar Kheruka: So you are right our competitors also expanding in Opal. The industry is taking away or rather is growing on the back of two large trends. One trend is the growth in in-home dining which already was discussed and that itself is giving people the reason to buy better dinnerware. The second is it is also capturing share of competitive market segments like melamine or Bone China or plastic or steel. So, Opalware is not only growing organically because of the growth of the market. It is also growing as a product category because of a shift in consumer preferences towards this particular material. I see that the market should be able to absorb this extra capacity coming in and that is the reason we are putting it up otherwise we will not do it. That is the base case thesis. We are just doing simple math. We did about 100 Crores in the first half of the year if you double it we can do 200 Crores. that is from one furnace and we are doubling our capacity from 42 to 84 tons per day. Therefore, the 200 Crores could become 400 Crores that is basic math. Obviously, it depends on capacity utilization of the second furnace how quickly we can ramp up to utilizing the full capacity. Frankly I do not know the answer to that but directionally say in the next three years can we become 400 Crores Opal glass business? I do believe that is possible and that is the reason we are putting in the capex.

Keval Ashar: One more question is that can you please throw some light on Klasspack in terms of revenues that we can do in peak utilization what would be the margins that we can clock in and what is the size of opportunity for us in this pharma packaging segment?

Shreevar Kheruka: Yes. I think there is one of the slides we have put up in pharma packaging what is the market size. We believe it is north of a 1000 Crores based on our internal estimate and the market is growing also at 10% to 12%. We expect that we should at least have double digit market share, maybe a market share in the teens in this business over the next couple of years. So, this business can grow at least 15%, 20% compounded. That should be our goal over the next few years. Maybe slightly better than that even but that is really the expectation. As far as the margin profile is concerned I would just say that we do not share the breakup of the margin within product categories. It is a policy but going forward we have already seen our improvement in glassware margins because of the operating leverage we have got this year and that is likely to continue. We could probably even improve it by few percentage points over and above the current performance.

Keval Ashar: Last question is that we are setting up our borosilicate glass facility of 75 Crores so other than securing a sustainable supply how much will it improve our operating margins if you can give us the number?

Shreevar Kheruka: It is hard to predict the margins at the moment. The reason is that our main goal as we have again stated is to make glass everyday use product and Borosil everyday use brand. In order to do that you have to give some benefit to the customer, to use glass. So, in the short-run that may cost in terms of giving a beneficial pricing to the end customer. In Opal also the pricing was very attractive to make people switch. In the same way, for the borosilicate products, once we have a production in order to sell the volumes we may need to do a price point which makes it very attractive for the average end customer to try out glass. Once that happens, then glass we believe it is such a better product to serve and to store in and people will get hooked onto that particular product. So, in the short run I would not say that we can improve our margins but we can definitely improve our revenues because we will be selling much more quantity than what we have. We have a long-term view. We are not in this for a year or two. We are looking at the next ten years and if I look at the next ten year horizon I believe that India will require not one but maybe three or four furnaces of Borosilicate production. So, the short run is not so important. The margin profile whether it is remains the same or is up or down little bit does not really bother me. The main thing is can I get my consumer hooked onto using glass which we believe is a much better product.

Keval Ashar: Thank you so much I will get back in the queue.

Moderator: Thank you. Our next question is from the line of Dhruv Kashyap, an individual investor. Please go ahead.

Dhruv Kashyap: Good afternoon Shreevar and first of all many thanks and congratulations to both you and chairman Mr. Keruka for the excellent leadership that you have been providing over the last few years and decades to both the Borosil Group companies. I had two questions Shreevar the first one is on the SIP division given that over the years you added so many product categories and sort of subcategories within that in terms of LabQuest and Precision Lab equipment and vials and ampoules and tubes etc. My understanding is that we are broadly heading towards about a 200 Crores, 250 Crores kind of annual turnover in this segment would it be fair to say that this is the segment that could really lead the export growth for the overall company.

Shreevar Kheruka: Yes, in a sense export growth of scientific products will be larger than the export growth of the consumer products. The reason is that there is a fairly large arbitrage between our cost of production and the cost production on the same products in the western world. We are much, much cheaper and our quality is absolutely identical or comparable to the quality or what is there for all these products in the western world. So this could lead to a large export growth and a large absolute value in export business. I think your kind of estimation is correct. On the consumer side, many companies make whatever products we do. There is a lot of automation in that as well. Many companies across the world already have the strong brand and local presence of this production. So, while exports can happen, the margins of exports are lower than selling domestically and therefore it make sense to focus more on the domestic market. Our export is traditionally used as a filler on the consumer side to fill capacity wherever there is a shortage in demand. That is really the way that we have been approaching the business. In the future as a brand grows we could maybe look at brand building on the consumer side in exports in adjacent geographies, in South East Asia for example but that is a very long-term story. Just one thing I would like to correct you on. If you look at the scientific sales of the company in the first half of the year itself, we have done about 120 Crores so at the end of the year it should definitely be more than Rs 240 crores. Since you mentioned 200 Crores at the beginning I just thought I will clarify that point.

Dhruv Kashyap: So I would actually say 250 but you are right I mean if you look at a very sort of big, hairy, audacious goal it would not be out of line to say that we could look at 500 Crores in the next three, four, five, years between both domestic and international exports in this division.

Shreevar Kheruka: Yes, Rs 400 Crores to 500 Crores I think we should look at, at least especially with this tubing furnace coming. We should have more benefits from that as well. Yes, I do believe 15% CAGR is something we should strive to achieve.

Dhruv Kashyap: My second and last question Shreevar is on the consumer part of the business help me understand your vision and your team's vision on this particular part of the business. What I see when I see Borosil is in the market place both sort of online and offline is that now you have kind of you participating in almost all of the major product segments or category with let us say kitchen appliances or consumer small ticket appliances so are you looking at strengthening your play across or are you for example let us say a TTK Prestige will built a 12000 Crores market cap company is predominantly on the back of pressure cookers cookware and stovetops or Hawkins which has built it predominantly on pressure cookers and cookware how are you seeing it play out I mean are you going to put your sort of mind and advertising dollar behind all these 100s of category with kitchen appliances or are you really looking at taking two three big battles and adding all your alpha or delta from there? Thanks.

Shreevar Kheruka: Okay so see the proof of the pudding is always in eating. At the moment whenever we are putting our capex it is for the glassware. We are adding our second Opal glass furnace like I already said is 175 Crores and then the first borosilicate pressing furnace which is 75 odd Crores. So, a lot of our capex is going towards growing the glassware business because that is where we feel we have a substantial differentiation in the market and that is where we will also see lot of growth coming. So that is where the capital is going and in line with what we announced as well. As far as the revenue on the sales is concerned the way we have set up is we have product management teams which have responsibility for different products that we sell. So all the product ranges do something for us which and all put together gives us a very strong market presence. So, it is improper to think that because we are doing glassware we will not focus on others because the others do not require much capital. It is more a branding marketing kind of initiatives as well as the design initiative. We are very strong with design and we have strong product designers in-house but we do not manufacture them at all. I think these products work more in conjunction with each other and I would not say that it is the right way to think is that we are going to do one at the expense of the other. Definitely capex will be on the glassware side but the operations are run fairly independent. The product manager is totally separate the entire front end when you go to the end customer with retailer you have to push what is needed for the retailer and the other stuff gets sold alongside. I will give you an example even during COVID glassware was not selling much because people were not moving out of home but appliances sold a lot. Having that appliances in the range help us even sell glassware. So, the market keeps evolving and changing and I think all of our product categories are important. We are not going to give separate treatment to anyone but yes capital expenditure will be more on the glassware side.

Dhruv Kashyap: Thanks Shreevar and lastly I have always maintained that the design ethos of Borosil is as comparable to Apple which I consider the best design company in the world and our design team is really doing a fantabulous job in the kind of design ethos that you create for Borosil. So, keep it up and all the very best.

Shreevar Kheruka: Thank you.

Moderator: Thank you. W will take our next question from the line of Akhil Parekh from Elara Capital. Please go ahead.

Akhil Parekh: Thanks for the opportunity. Shreevar my first question is on the Opalware category. If I look at the presentation of last quarter it says the category size of 500 Crores and that is broadly the size which our competition has also been alluding to. In current presentation of second quarter we see that the category size is 900 Crores. So, where the further expansion in the category what happened on a quarter on quarter basis and is this mainly because we are seeing a significant structural changes in categories like melamine and bone china which to a large extent were import dependent from China?

Shreevar Kheruka: That is good. I think you have pointed out important point. You see firstly these category sizes are internal estimates and they are our own assumption of what is happening. So, while last quarter it was indicated as Rs 500 we have not suddenly got Rs 400 Crores growth in one quarter. When new information comes to light, then we have to adapt our own understanding and change the numbers. So, I cannot say that it is doubled in the last three months but if we look at what the current situation is, our estimate of Rs 900 Crores is we believe fairly accurate. Now coming to what is the reason for this shift. Yes I do believe that there is, as I mentioned earlier as well, the fact that Opal is taking share away from other categories such as melamine and bone china and that is because of the inherent features of a product. It is microwavable, is light, it looks good, it is vegetarian. These are all very value added features of the product which other categories may or may not have and therefore from a consumer point of view also it is a good switch or it will be a good switch to make. That is why we believe the category has expanded and we believe we will continue to expand and that is the reason we are putting the second furnace there.

Akhil Parekh: But it has an opportunity with the other categories which are facing might be facing challenges in the supply constraint world right now?

Shreevar Kheruka: I think even Opalware is facing supply chain issues frankly, meaning to say that if we have more product we could definitely sell more. So, yes I think virtually all products are facing supply chain issue and it is not exclusive to melamine or Bone China. It is across the range today. I do not see it as a one off because the supply chain suddenly Opal has gone up and then again next quarter would be down to 500 Crores. I do not see that as the correct way to look at it.

Akhil Parekh: Sir second question is on the distribution side within retail reach in Opalware category if you can please highlight how we are growing where do we find of this cost and how do we see in next two three years?

Shreevar Kheruka: Yes, so as far as distribution is concerned we have a reach of about 15000 retail outlets that we are selling through. We map our retailers with different product categories also and if I remember right almost 2/3rds of them are stocking and selling our Opal selling products. That is something that keeps changing month on month but our focus of course is to keep growing the retail outlets.

Akhil Parekh: A contribution from LFS like the normal retail modern trade even look for us and do we have any outstanding in Future Group?

Shreevar Kheruka: No, we had outstanding of Future Group but we had insurance cover on the same and I think largely the insurance has paid us out of the Future Group. There may be an immaterial amount we have to write off like few lakhs maybe which is not material at all to the overall size of outstanding. Our risk assessment team was quite proactive in taking an insurance cover for them and that helped us substantially. Coming to the breakup I mean sorry I cannot share the data with you. That is in my view competition sensitive.. It is important information from a competition point of view so we do not like to share that.

Akhil Parekh: Sure and last question the borosilicate glass category how big is the market size and how large is the unorganized sector because our competitor is also entering into the segments and assuming the market share is huge and in terms of presentation does it include the hydra range storage tumblers and glass metals and we have to sum it up to get the category hit?

Shreevar Kheruka: No, so for borosilicate glass, the way to look at it is of course microwave is a part of it. Storage is in various forms right and it comes in plastic, in steel and in glass and glass also there is soda lime glass and there is borosilicate glass. So the numbers we have mentioned are organized and in glass. So the way we look at it and as I said we are looking to substitute steel and plastic for storage by glass which we believe is a trend. So, the potential addressable market would be in my view at least 10 times the microwavable plus storage put together if we factor things like plastic and steel. This is our understanding of the customer. We have a reasonable shot at addressing the larger market and therefore we are putting up this capacity. I guess we are putting our money where our mouth is.

Akhil Parekh: But the market which you have put it now in presentation is basically ex of the steel and the plastic?

Shreevar Kheruka: Yes so ex-steel, ex-plastic and ex-unorganized.

Akhil Parekh: Roughly that would be around this anywhere from 1000 Crores and 1200 Crores at this vertical.

Shreevar Kheruka: Yes, probably yes at least.

Akhil Parekh: Thanks a lot and best of luck.

Moderator: Thank you. W will take our next question from the line of Mohit Jangir from Investing Hut. Please go ahead.

Mohit Jangir: First of all, congrats Sir great set of numbers. I have only one question about Klasspack so what is the approval process in Klasspack if you obtain, certificate any approval from FDA then you can supply to our clients or we have to obtain some approvals from the client sales. I want to just know what the approval process is for Klasspack where we supply the vials and ampoules?

Shreevar Kheruka: There is both. First you have to get ISO certification and of course this differs from client to client but it requires you to have ISO including GMP which is ISO 15378 certification. Then for exports you sometimes we do have a DMF Drug Master File which is required for US or Canada or for China. To export these are broader level certifications that are required which we already have. That is like stable stakes. Once you have those certifications, then each customer will also have to certify you or will certify you and that process can take anywhere from six months to three years depending on the scrutiny that they want to undergo. So it is a painful business to get certified by end customers but once you have certified then it becomes easier to expand your portfolio within each of these customers.

Mohit Jangir: Thank you.

Moderator: Thank you. Our next question is from the line of Resha Mehta from GreenEdge Wealth Service. Please go ahead.

Resha Mehta: Thanks for the opportunity. My question was basically on the export opportunity so if you could talk a little bit more about the export opportunity both for the lab glassware division and one is the Opalware segment and in terms of where are we in terms of gaining traction in exports about these segments little bit on the competitive landscape, the entry barriers, key players, key countries etc?

Shreevar Kheruka: I can tell you broadly that of our scientific products division, which includes lab glassware, instrumentation, pharma packaging roughly 10% of our sales or slightly more than 10% will be export. This is across the board. We are selling to a well- diversified mix of countries.. In terms of competition, I would say the largest exporter in this range from India will be Kaisha, Schott Kaisha. I think they would have more than 200 odd Crores of exports, if I am not mistaken but I am sure you can do some homework and figure out the numbers. The other players from Ambala also export these products. So there is a big opportunity in this space to grow exports because like I said India enjoys a significant labor arbitrage and the cost of manufacturing these products is much lower. Our exports have grown manifold over the last three, four years and although on a low base. We expect that to continue. The best part is that the margins for exports are more or less similar compared to domestic margins. So, there is no downside to export.

Resha Mehta: Then here would China we will see competitor?

Shreevar Kheruka: For markets which are certified the previous gentlemen had asked about certified sales there no China is not a big competitor in general. I would say it is very low competitive intensity from China in the markets which we really want to be in.

Resha Mehta: And how about Opalware?

Shreevar Kheruka: For Opalware the situation is a bit different. The markets such as Europe and the US already have local production in those markets and those producers are quite strong and have strong brands. So, there you have to sell the product more as a commoditized product and therefore while the volumes could be interesting the sale pricing is not attractive frankly. It is like I said as a filler. We use it use to fill your capacity. You get some incremental profit. It is okay to do it but you would not set up production on the basis of exports. That would not be the main goal.

Resha Mehta: How big the margin differential be now for instance let us say in your Opalware you would be doing around 30% EBITDA margins if I am correct so in exports what would be the margin differential?

Shreevar Kheruka: I am sorry I have to come back to you on that. I mean in general we do not share the margin but it would be substantial a substantial difference. It is not like 5% point it would be in double digit percentage points.

Resha Mehta: So for these reasons obviously we would not be focusing on exports for Opalware right?

Shreevar Kheruka: Yes, I mean we have to tactically sell more to meet our short-term requirements of capacity fulfilling but long-term our focus will be domestic.

Resha Mehta: And also if you could comment on the universe of retailers for Opalware.

Shreevar Kheruka: Universe meaning is the numbers yes I think…

Resha Mehta: Yes, it is the numbers, so we are at around 10000 outlets right for Opalware that is what you mentioned.

Shreevar Kheruka: Yes, look these are rough numbers because it is hard to say. Some outlets only sell during the festive season and then they do not sell it. So, it is hard to really put a number but I have to say 15000 to 20000 outlets would be the universe which are selling Opalware at all currently. I am talking about domestic. Also, frankly with online sales you almost have an infinite opportunity right? So, every customers is an end customer for us.

Resha Mehta: That is it from my side. Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question I would now like to hand the conference over to the management of Borosil Limited for closing comments. Over to you Sir!

Shreevar Kheruka: Thanks everyone for participating in the call. I really appreciate it. I hope I could answer questions asked. I am very proud of our team for continuously delivering numbers which are improving on year-on-year basis. My team are the guys who actually did all the work so I would like to put on record my appreciation for all of the members of our team across various departments and I believe that we are well set up for a long-term growth story here in Borosil. We feel very passionate about that and I do hope that we can deliver on the expectations that all of you have. Thank you and have a safe and good quarter ahead.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Wealth Management that concludes this conference. Thank you all for joining us and you may now disconnect your lines.