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Dear Sir / Madam,

Scrip Code: 543212**Symbol: BOROLTD****Series: EQ****ISIN: INE02PY01013****Sub: Transcript of Institutional Investors and Analysts Conference Call**

We enclose transcript of conference call with Institutional Investors and Analysts which was held on Tuesday, August 17, 2021.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,

For Borosil Limited

Manoj Dere

Company Secretary & Compliance Officer

Membership No. FCS 7652

Encl: as above



“Borosil Limited
Q1 FY2022 Earnings Conference Call”

August 17, 2021



ANALYST: MR. PRAVEEN SAHAY - EDELWEISS BROKING

**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, FINANCE -
BOROSIL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY2022 Earnings Conference Call of Borosil Limited organized by Edelweiss Broking. 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 call please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you Sir!

Praveen Sahay: Thank you. Hello everyone. Thank you for joining to the earnings call of Borosil Limited. On behalf of Edelweiss Wealth, I would like to welcome the management team of Borosil to discuss the results and outlook. We have with us Mr. Shreevar Kheruka, Vice Chairman, Managing Director and CEO of the company, Mr. Anand Sultania, CFO and Mr. Swadhin Padia, General Manager, Finance. I would now request Mr. Kheruka for his opening remark post which we can open the floor for Q&A. Over to you Mr. Kheruka!

Shreevar Kheruka: Thank you Praveen and thank you very much 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 Q1 FY2022 on August 13, 2021. Our results and an updated presentation have been sent to the stock exchange and have also been uploaded on the company's website. I will start with providing an overview of our business performance for the quarter.

As we all know, India underwent the impact of the second wave of COVID during the first quarter FY2022. There was a recovery during Q4 FY2021 but the first quarter of this financial year became challenging again. The human impact was unfortunately severe as our health infrastructure failed to cope with the onslaught of the second wave. Lockdowns had to be imposed again even though they were neither as harsh nor widespread as during the first wave in last year. Borosil's consolidated revenue from operations during this quarter was Rs.137.9 Crores a growth of 146% over Q1 FY2021. This is obviously of a low base resulting from the disruption and severe lockdowns last year. All the Q-o-Q growth rates need to be viewed in the context of the exceptional circumstances that prevailed during Q1 FY2021.

Borosil's consumer 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.83.7 Crores as compared to Rs.19.7 Crores during the corresponding period in the previous year. Sales of glassware products under Borosil during Q1 FY2022 were Rs.22.4 Crores a growth of 168% over Q1 FY2021.

However, offline channels were still not back to normal. Educational institutions remain closed with all classes moving online and most workplaces operating at much lower than normal capacities. Consequently, some of our product lines such as glass lunch boxes had substantially subdued demand. Sales of glass consumer ware remained well below the levels that were achieved in Q1 FY2020. However, we do not believe there any structural shifts and remain positive about demand bouncing back once things normalize.

Borosil non-glassware products comprising primarily domestic kitchen appliances, the hydra range and steel serve fresh products recorded sales of Rs.29 Crores during Q1 FY2022 a growth of 30% over Q1 FY2021. Sales in this segment were higher than in even Q1 FY2020 by 79%. We think this segment has benefited from 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.

Similarly, the hydra range has also seen good traction as consumers prefer to carry their own beverages with them. During this quarter, non-glassware products comprised 56% of consumer product sales. This is excluding Opalware sales under the Larah brand. Borosil's Opalware brand Larah, showed its resilience by bouncing back and recording net sales of Rs.32.4 Crores during Q1 FY2022. This is nearly eight times last year's revenue in the same quarter. Importantly, it also registered an increase of 18.4% over the sales in Q1 FY2020. A sizeable proportion of Larah sales used to come from gifting. COVID has necessitated social distancing leading to a drop in celebratory gatherings and occasions for gifting. The company has made a concerted effort to reduce Larah's dependence on gifting.

This strategy has been playing out well. Once again increase in in-home dining including entertaining at home is likely to remain a long-term behavioral shift due to COVID, Larah's Opalware products ideally suited for frequent or daily usage given its properties that it is break and chip resistant, light, easy to clean while at the same time looking very elegant for serving guests in.

Moving on to the scientific products division, net sales during Q1 FY2022 were Rs.54.2 Crores a growth of 48.7% over Q1 FY2021. During Q1 FY2022 the core laboratory glassware products grew to Rs.28.2 Crores which is above 39% over the same period last year. Sales were lower than in Q1 FY2020 by about 23%. This needs to be read in the context of educational institutions, schools and colleges remaining shut during this quarter and government funded labs continuing to face severe budgetary constraints.

Also, this category was impacted in Q1 FY2022 due to the fire at the company's Bharuch warehouse wherein significant inventory was lost. Performance in the company's core customer segment of pharmaceutical companies, R&D and QC labs continue to show growth. The company has begun seeding the export market a few years ago. This is being built up brick by brick through appointment of distribution partners in overseas markets. Export sales during the quarter about Rs.3.8 Crores. In the medium to long term we anticipate an increased demand for products as governments and companies dedicate more resources to research laboratories and health infrastructure in the aftermath of COVID.

Coming to the lab instrumentation business under the brand LabQuest - we offer high quality imports substitute products such as Vortex Mixers, Centrifuges, water baths and nitrogen estimation equipment. LabQuest recorded a sale of Rs.4.2 Crores during the quarter. Although it is still quite small the segment is promising with a growth of 72% over the same quarter in the previous year and 41% as compared to Q1 FY2020. LabQuest is experiencing growing acceptance amongst lab scientists and technicians. Our engineers in Borosil Technologies are working on increasing the range of products under the LabQuest brand. We believe this initiative to expand into an adjacency from lab glassware has been a good move and the base is now being created from which a meaningful portfolio products can be built.

Coming to Klasspack, Borosil's vial and ampoule brand or pharma packaging products, this registered sales of Rs.21.7 Crores a growth of 58.4% over Q1 FY2021. Sales were higher than Q1 FY2020 by 114%. A part of the growth has come through servicing the packaging needs of COVID treatment drugs as well as COVID therapeutics. Currently, we have utilized about 60% of our capacity and we are well placed to service higher demand. During Q1 FY2021 which was impacted by harsh lockdowns, the company had suffered and the EBITDA before one time items was only Rs.2.1 Crores. This performance has improved during Q1 FY2022 and the company has delivered an EBITDA of Rs.25.5 Crores translating into an EBITDA margin of 18.5%. The profit before tax and exceptional items during the quarter stood at Rs.16.7 Crores which is 12.1% of revenue. All these numbers are before the one-time item.

As I had mentioned during the last quarter and as we had also notified in the results declared then, there was a fire in our factory at Bharuch on April 1, 2021. There was a loss of fixed assets and inventories estimated to be about Rs.42.3 Crores. These assets were covered under appropriate insurance policies. Pending finalization of claims filed with the insurance company, we have recognized the loss of Rs.6 Crores in the books during this quarter. Amendment in the Provision of the Finance Act 2021 related to depreciation on goodwill has resulted in a deferred tax expense of Rs.11.7 Crores during Q1 FY2022. Giving effect to these two items has resulted in the company showing up post tax loss of

Rs.1.9 Crores during Q1 FY2022. Had it not been for these two items it would have posted a profit after tax of Rs.13.7 Crores.

As of June 30, 2021 the company has net cash of about Rs.246 Crores invested primarily in high credit quality secured debt instruments. The company liquidated about Rs.13.4 Crores of real estate funds during the quarter and the overall real estate fund exposure now stands at about only 10% of the total investment. The company believes that it can deploy the overall cash in the business for efficient growth both organically and for strategic M&A.

The operating capital employed in the business on a standalone basis was about Rs.337 Crores. This comprised about Rs.246 Crores in consumer products and Rs.91 Crores in scientific products. We continue to be mindful of improving our return on capital employed through gaining operating leverage on the deployed capital as well as by improving our margins.

I would now like to turn attention to some of the new initiatives we are undertaking. In previous conversations we have discussed the capacity utilization in our Opalware facility at Jaipur. We have been running at near full capacity since September 2020; however, we wanted to assess the developments in market conditions post COVID to take a decision on the timing for an expansion program. I am pleased to announce that the company's board has now approved an expansion of the capacity for Opalware in Jaipur from 42 tons per day to 84 tons per day. This would entail an investment of about Rs.175 Crores. Work on the new furnace and lines, is expected to begin within this month itself. It would take 12 to 14 months for project implementation. We can thus expect product from the expanded capacity in Q3 FY2023. The enhanced capacity is expected to cater to annualized sales of Larah of about Rs.380 Crores to Rs.400 Crores. We believe the brand can achieve these sales over the next three to four years.

Borosil is a market leader in Borosilicate products. The company has offered a wide range of products for cooking, reheating, serving and storage such as glass microwaveables, glass tumblers and glass storage solutions. Hitherto, the company has been importing a substantial proportion of its requirements primarily from Europe and China. Currently, there are no borosilicate pressware product manufacturers in India. As the business has grown there is a need to derisk our supply chain, in particular, from dependence on China. The increased volumes can also justify setting up our own manufacturing facilities. Besides saving on international freight, domestic manufacturing will reduce our carbon footprint as well be in line with consumer sentiment of make in India. Borosil's board has approved an investment of Rs.75 Crores towards setting up an in-house Borosilicate glass manufacturing facility at Jaipur.

This plant can cater to sales of about Rs.100 Crores. The project can be undertaken from Q3 FY2022 and is expected to be completed sometime around Q1 FY2024. The company expects to be able to generate annual sales of Rs.100 Crores from these products in three to four years. The company has to work out the financing modalities for both these projects. It would be a combination of internal accruals, debt and maybe even fresh equity. We will keep you informed once we have firmed up these plans.

As a responsible corporate citizen, Borosil has begun to increase its focus on ESG so that we grow in an ecofriendly manner. This will start with our own environmental footprint. We are starting in a good place because glass which is the primary material in several of our products can be recycled infinitely. However, its production is energy intensive. We are continuously evaluating initiatives to reduce our carbon footprint. For instance, we have set up a one megawatt rooftop solar photovoltaic plant that is equivalent to 6% of annual consumption. This is in Jaipur. We use natural gas which generates negligible SO₂, SO_x and NO_x that is sulfur and nitrous oxides as compared to coal. Similarly, carbon dioxide emissions are much lower and there is no particulate matter and fly ash from the use of natural gas.

We have chosen efficient production lines and made modifications leading to lower energy consumption. Local servicing has also helped us to reduce emissions related to excess transportation. We have also adopted a policy of zero discharge of toxic water into the environment at all our plants. Treatment plants also ensure that we reduce our fresh water consumption. We have eliminated printing on manuals by introducing QR coded volumetric glassware. About 60% of our packaging is in corrugated boxes which can be recycled. Our glass and stainless steel consumer products ensure no leaching in food making it safe for human consumption as opposed to plastics or melamine.

We have gone beyond caring for our own employees and given back to society. We extended some of our COVID related benefits to contract workers as well as of course our employees. We have contributed towards relief in the form of PPE kits, food packets and donated our products such as hydra flask and vision glasses to quarantine facilities, hospitals, police stations, frontline workers etc. We are also proud that Borosil has partnered with the JSW Foundation at Inspire Institute of Sports which is to help train and mentor India's Olympic aspirants. I am happy to also inform you that our gold medalist, Mr. Neeraj Chopra has trained extensively at the Inspire Institute of Sports. We are building Borosil into a purpose driven organization that caters to the various needs of all its stakeholders, customers, business associates, employees, environments and society and of course shareholders.

I am really proud of it. I was just saying that we have had a challenging last year-and-a-half; however, our team has shown resilience and has managed this well. I am really proud of

them. As I shared before, we believe that our businesses have a long runway of growth. This has not changed and we remain positive and confident about growing the company sustainably in the years ahead.

With that I would like to end my introduction and throw the floor open to question. 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 Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Thank you for the detailed explanation. So my question is related to the expansion plan in the Opalware segment in the next 12 to 15 months. You also highlighted that can deliver around Rs.380 Crores to Rs.400 Crores odd of sales. So, you can one can assume from after expansion and if I look at in the presentation, the market size is almost a Rs.500 Crores odd growing at a 20%. Do you believe this Rs.500 Crores odd of a market to grow 20% for the next three four years and will be the capex be sufficient to capture the market?

Shreevar Kheruka: That is a good question. In general, I think the market - well these are internal estimates - the market could be slightly larger than Rs.500 Crores already. In general yes, we expect the growth to be 20% plus over the next few years and if it grows for example at 25% it will double in three years. We should have capacity to deal with that expansion of the market. We also have seen a lot of substitution of melamine and steel into Opal. That is why we believe that the market has a big room for growth. So, in my view there may be lower utilization of capacity in the first year or two but let us say over three to four years I think we will have fully utilized the capacity.

Praveen Sahay: Related to that do you see or do you want to expand your SKUs in this particular segment with this expansion?

Shreevar Kheruka: Yes, that is likely to happen because the new technologies we are getting, will allow us to make slightly bigger products and possibly will allow us to give a wider product range. So, for sure in order to grow the market, we will have to expand some SKUs and that is also something we cannot do at the moment because, like I already mentioned my opening remarks, we have been kind of sold out. So, it is hard to come up with new products with the existing capacity.

Praveen Sahay: Is it possible like this improvement or increase in the SKUs will finally end to higher realization?

Shreevar Kheruka: Yes, that would be eventually the goal, although when we do an expansion which is basically doubling of capacity, I think it would be prudent to assume that in the first year or

two there would be no higher realization. But as we start utilizing that or more than say 70%, 80% of the capacity then the higher realization will come up. The focus will be to try and utilize as much capacity and not as much on pricing for the first year or two.

Praveen Sahay: Thank you and I will come in back in the queue.

Moderator: Thank you. The next question is in line of Kewal Asher from DSP Investments. Please go ahead.

Kewal Asher: Congratulations for strong performance in Q1, Sir I wanted to have your view on that we are market leaders in microwave glass, lab glasses and also we are in top three Opalware glasses whereas in kitchen appliances and cookware, we have some players having significant market share. So, what is our strategy with this segment and at what rate do we plan to grow, given our lower base?

Shreevar Kheruka: As far as kitchenware and appliances is concerned where you rightly mentioned we are far away from being market leaders and there are many larger players, the strategy is very simple. We have high quality products which we put at the top end of the market in terms of our competitors. We do not want to discount our product to sell it. We'd rather focus on the high quality where the customer comes asking for the product. Therefore you need to spend money on marketing, advertising. Like I already mentioned many times before, we are spending about 10% of our consumer revenues on advertising which includes advertising for appliances. The second part of the strategy is we have a large field force which goes and appoints new retailers, distributors and we have very good relationships. So, advertising is one leg of the strategy, the second is expanding distribution and we believe that with the quality and aftersales service that we offer, many customers are coming to us, resulting in higher growth. If you see our non-glassware sales today is growing more rapidly than our glassware sales. That may be in some part due to COVID, but it is also reflecting that your customers are happy to keep buying our products time and time again.

Kewal Asher: The second thing is coming to our distribution plan, so do we plan to launch franchisee stores like completely of Borosil brand?

Shreevar Kheruka: That is not something that we are looking at currently. We have quite a few other things to do and right now. We do not have any expertise in managing stores, retail outlets and we believe there is enough distribution availability to increase our sales without getting into that.

Kewal Asher: Thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of Arun Maroti an Individual Investor. Please go ahead.

Arun Maroti: Thank you Sir for the opportunity. I would like to ask that what are the major tailwinds and headwinds we feel for the Borosil in the near future.

Shreevar Kheruka: Tailwinds I think are very clear. COVID work from home, entertain at home. Home has become the center of activity and people in general are not going to restaurants as much. In fact, because they are closed but also because of fear and we do not expect this to go away. So, I do expect that a work from home is likely to continue to some extent and entertain at home. This will definitely increase the requirement for our kitchen products serving ware products and is a tailwind. Second is this whole area of plastics, anti-plastic sentiment because of the environment and also because of the health issues that come with eating out of plastic. I believe that this is a very large tailwind which will help us grow. I would say these are the two main areas where we believe that this will give us substantial runway of growth. Third thing of course is our own ability to launch new products. I think we have been quite successful at getting into new product categories and we have been able to expand our brand beyond glassware as is evident by the numbers. So two of the things are external tailwinds and the third is our own internal setup of the team and our distribution.

Arun Maroti: About the headwind Sir?

Shreevar Kheruka: Headwinds look lockdowns really hurt us and this is something that I would say would be very tough for us to manage going forward especially as we increase our local production and then if you have lockdowns and the production capacity under utilization really hurts the company. Secondly, I would say, technology is moving very fast and if we do not keep up with the pace of technology and technologies in all aspects whether it is in products, it is in distribution, it is a production. It is not really a headwind, it is something that we need to really be cognizant of and we need to really work hard to get technology in all our businesses. If we do not do that it can be a major headwind, but we are trying to keep pace. I cannot think of anything else really that could dramatically hurt us in the future.

Arun Maroti: That is helpful. My second question is about our non-glassware products, I did share my own research and are some of the market person so they kept Borosil near to the Phillips about the quality and all the things, but when we see the numbers we are not so strong in the number in non-glassware products, so what is your view about that Sir?

Shreevar Kheruka: We cannot compare ourselves to Phillips in terms of numbers given the fact that we have launched these products five years ago and Phillips has been around for 100 years plus. It is hard for us to compete with Phillips on numbers in such short time, but if you see the

growth of non-glassware over the past few quarters - even in COVID - it has been quite phenomenal. So, I am not sure exactly what you are referring to when you say numbers.

Arun Maroti: No I am just talking about the quality that we also have the good quality but still we could not reach the audience in that numbers.

Shreevar Kheruka: We are patient. It will take some time but we are quite patient and we are working. Every quarter will be better than the previous quarter, but it will take us time.

Arun Maroti: Thank you very much. I will be in queue.

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

Manav Vijay: Thank you for the opportunity. Thank you very much. So, my first question is regarding Klasspack. The number that we have done in Q1 of around Rs.22 Crores in your previous calls you had mentioned that from the current capacity that you have on a full utilization you can do Rs.90 Crores kind of an annual number. You are running at almost full capacity and one of your customers I believe is about to get the global approval and for the second one, even the approvals is just around the corner. So, what is that you are holding back because of which you are not announcing an expansion on a product, the demand of which you believe or I would say the word believes will continue to be there for next at least a couple of years?

Shreevar Kheruka: Firstly, you are right. I had earlier said that about Rs.100 Crores would be our capacity utilization revenue at about 80%, 85% we will be at Rs.100 Crores and we did almost Rs.20 Crores odd in the first quarter. So there are two let us say amendments to that statement. One is, the products we have been selling in the first few quarters have been higher, larger diameter or let us say higher capacity products which gives us higher realization. So, obviously that changes from quarter to quarter and when I spoke of this initially earlier we had a certain mix of products and the mix has changed towards higher capacity products which also gives us a higher realization. Therefore, at this moment in the last quarter even with this Rs.22 Crores odd number which you speak of our capacity utilization was only 60%. We could probably reach about 80% very shortly. We have already added capacity in the second quarter, although this is modular capacity, it is not a very large capex, and so it does not require any formal approval per se from the board. It is well within our limits so we are expanding capacity although we have not announced it. We are in enhancing capacity as we speak and we will have a three-year vision that we should at least double the revenue from this company. That hopefully answers your question, but you are right the scope of growth is very high in that business and we are achieving it. This year will probably be a breakthrough here for us.

- Manav Vijay:** So the expansion that you have done will basically help you to double the sales in three years to around 200 Crores kind of a number or you still need to add? That is what I am asking you.
- Shreevar Kheruka:** No, the expansion done is only about 10% but we have to probably do another 50%, 60% capacity expansion which will take more time to do. We will start doing so over the next few quarters. We have already ordered the machines, will take time for them to come.
- Manav Vijay:** Okay and since you have already ordered the machines and you want to increase the capacity would it be possible for you to also detail us in terms of the capex and also the timeline?
- Shreevar Kheruka:** It is a bit early maybe I can talk about this in the next quarter discussion.
- Manav Vijay:** Sir, my second question is on the Borosilicate, so I was just actually going through your latest general report and you mentioned that since you import that and while doing some basic research on Google I could figure out and you have to correct me if I am wrong - the Borosilicate glass is basically I believe that you use on the Klasspack side, am I right in my understanding or am I wrong in my understanding first of all Sir?
- Shreevar Kheruka:** Yes, Klasspack does use a type of Borosilicate, there are different types of Borosilicate glass. There is something called 33 expansion, there is something called 51 expansion so Klasspack uses 51 expansion glass. What we are going to expand now over the Rs.75 Crores capex, this is for 33 expansion glass mainly for consumer items. So, that Rs.75 Crores expansion has nothing to do with Klasspack per se.
- Manav Vijay:** Okay and for that you will continue to import the required Borosilicate?
- Shreevar Kheruka:** For Klasspack we are not importing, we buy it locally from the 51 expansions. There are two companies in India that already manufacture it. We buy locally from them. We do import a little bit but mainly we buy from local sources.
- Manav Vijay:** Okay, now regarding the insurance, I would say loss that you have booked till the time your claim gets approved of Rs.6 Crores, any timeline that you can share as to by when are you expecting the closure of that case to happen?
- Shreevar Kheruka:** I think it should be probably the next couple of months. But it is not in my control frankly. We have submitted all the documents and everything from our end. There is a process and it takes its time to do it but my sense is by say September-October we should be having clarity on that subject.

Manav Vijay: You have submitted all the bills and as per your understanding you raised a claim so now what was the reason to book this loss? Do you expect the insurance companies to pay you lower than what you have asked for that is then why you have booked this loss?

Shreevar Kheruka: See every insurance claim has a deductible so part of the loss booked is due to deductible. Second part of the loss could be due to small differences in inventory which the insurance company may have a view on. This is a part of the process so with our abundant caution we have booked this loss and we will see how it goes. These are the two main aspects of the disconnect between what has been lost and what has been claimed or what we actually get.

Manav Vijay: So the probability of reversal of this loss is low?

Shreevar Kheruka: It is not my place to comment on that. We have booked what we think is the highest possible loss that may be suffered and I would hope that some of it can get reversed but it is hard to comment.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir few clarifications so when you mention about Rs.175 Crores capex which would double your capacity in Opalware at one-time asset turn. There was one more capex where you mentioned of about Rs.100 Crores what is that capex for?

Shreevar Kheruka: This makes transparent borosilicate pressed products, this is used for example if you know the lunch box - the glass that goes inside the lunch box that is one example of the product that will be produced in this furnace. There are mixing bowls, there are casseroles, there are baking dishes. These are the types of products which would be made in that particular production center.

Pritesh Chheda: There also the asset turn will be 1x right you said Rs.100 Crores capex and Rs.100 Crores sales?

Shreevar Kheruka: No I said Rs.75 Crores capex and it could be about Rs.100 Crores sales so maybe a little bit more than 1x.

Pritesh Chheda: Okay my second question is on the Opalware side based on the capacity expansion that you talked about it seems that your current capacity should do at about Rs.170 Crores-Rs.180 Crores business. It has been about a couple of years obviously due to tough times that things have gone off track but do you see surpassing your peak sales this year itself and hitting peak capacity utilization? If so, why are we still behind in terms of the margin curve

in the current capacity because current capacity as per your conference calls and past calls that you did or should have gone to a much higher margin number?

Shreevar Kheruka: Well, we will be running at peak capacity this year. Keep in mind the first quarter again is impacted by COVID. But coming to specifically answering your question I think our EBITDA margin in that business is almost 28% to 30% if I am not mistaken. I had never said anything about going beyond that. Yes, our competitors may do more than that but many times I have said this that we spend more money on advertising and sales promotion than our competitors do and we also incur one or two percent higher costs specific to our manufacturing location. So, that will keep our margin slightly lower but the main issue is the advertising and sales promotion expenses which are higher for us than our competitor. We choose for that to be so.

Pritesh Chheda: So it will make 30% at peak or because in the past when you were doing at about Rs.140 Crores-Rs.150 Crores of runrate those kinds of margins never came?

Shreevar Kheruka: I think it would be in the let us say in the 28% to 30% range.

Pritesh Chheda: Slightly longer term question on the consumer ware side so now we have three sub branches there we have the glassware, we have the Opalware and we have the appliances on the non-glassware side of the business. The combined three at over the next three years what is the scale or the size of the business that you see in this peak and within scientificware is it that the Klasspack side of the business will be the fastest growing business?

Shreevar Kheruka: Again in the past we have said 15% to 20% CAGR for consumer business I see some scope that we could go probably slightly more than that so if we come closer Rs.1000 Crores by 2025 that will be an exceptional performance but you can assume Rs.850 Crores to Rs.1000 crores in that range we could be in 2025 in the financial year if you just multiply the current revenue runrate with the CAGR that I mentioned. Coming to your scientific question – yes, you are right in terms of growth on the scientific side Klasspack would be the grow driver at least over the next couple of years.

Pritesh Chheda: Okay and one clarification is the Vylene merger complete or is it yet to be merged?

Shreevar Kheruka: No that happened already right with the merger scheme some time ago.

Pritesh Chheda: Thank you very much and all the best to you.

Moderator: Thank you. The next question is in the line of Sumith from S&S Foundation. Please go ahead.

- Sumith:** So two questions here one you mentioned that there is an EBITDA margin on Opalware of about 30%, what is the EBITDA margin on the non-glassware?
- Shreevar Kheruka:** EBITDA margin does not make sense to discuss on non-glassware because that is something that there are hardly any fixed assets for depreciation so the EBIT margin is more meaningful, but we do not share that information yet and maybe that is something that we can reconsider in the future but right now we do not share that information. The reason we shared is opal margins earlier was because it was a separate company – a 100 subsidiary which is now merged. But the EBIT margins are quite good and the return on capital is in the high teens mighty for the non-Opal business. So, hopefully in the future it can be 20% plus. That is what I can share at the moment.
- Sumith:** Just a suggestion in the presentation you have given the segmentation of consumer ware by glassware not last Opalware by revenues now you see that kind of distorts it because the non-glassware with appliances have a higher ticket size so your revenue seems a lot higher well traditionally we have been Borosil is not right so if I just look at Q1 FY2022 and I almost think that glassware is the lowest revenue segment so maybe you may want to put some volume numbers there or market share numbers because this really does not help us too much because it just says that we are very good in Opalware we are somewhat good in non-glassware and glassware is the smallest division well actually the reality is different just the function of the pricing so maybe have a look at that the volume.
- Shreevar Kheruka:** The volume is hard to put. The reason is that there are so many different products and there are combinations of products also. Anyway, I can think about this how to better represent it. We will try and see if there is something for some better representation.
- Sumith:** I appreciate that and one small question since recent we bought shares only last year we are not very familiar with this real estate fund that you mentioned. If you are getting a redemption Rs.10 Crores is that basically an investment you guys did which is locked in for a period, it is not a loss, it is just the capital is locked is that how I should basically look at?
- Shreevar Kheruka:** Back in the day, before 2016 I think, we were investing in various assets and then we changed the approach in the treasury. Now as a part of those earlier investments we had investment in some real estate funds which we have been liquidating and converting to liquid funds as and when they will get liquidated. There is no loss it is just those funds have matured over a period of time and now I think only couple are left and they will also mature hopefully over the next couple years. Then that is done. So, there is no loss. In fact it has worked out well for us but that is not really what we want to do in the future. We want to invest all our surplus assets in high secured debts.

- Sumith:** Actually one small additional question pharma packaging you said there is one dominant player in the market. Now we understand in Opal that LaOpala is the main competitor but who is this player which we are trying to grab share from?
- Shreevar Kheruka:** **Schott Kaisha** is the dominant player in the market. As far as grabbing shares concerned we want to get the customer and so who we grab share from is not that critical. The point is we need to get share.
- Sumith:** Excellent. Thank you so much appreciate your time.
- Moderator:** Thank you. The next question is in the line of Hitesh from Aksa Capital Advisors LLP. Please go ahead.
- Hitesh:** Shreevar could you just explain what were the new product categories that Borosil had worked upon in the last six months and which are the categories that you intend to launch in the next 12 months in the consumer segment?
- Shreevar Kheruka:** Frankly, we are working on categories all the time both new categories extensions in existing categories. It would be improper for me to give any projection about which we are going to launch and which we are not going to launch. It is a question that I guess will get answered closer to the time of launch because we work through many, many different aspects pros and cons of each category. So, I would not like to make a statement of what we are going to launch unless we are just about to launch it. I do not think there is anything in the next few days that is coming up so maybe if there is something big that we are going to launch then we will talk about it.
- Hitesh:** I am just looking for direction in terms of categories that you are probably looking to get into?
- Shreevar Kheruka:** Look I mean in terms of kitchen appliances there is only that many that are interesting. Like we got into pressure cookers and cooking utensils which have done very well so far although the base is low. Things like gas stoves would be an interesting category for us, things like water purifiers could be an interesting category for us. These are things that we are watching and seeing whether it makes sense or not. Induction cooktops which are inbuilt hobs - those could be something interesting for us. So, that is more or less what we are looking at.
- Hitesh:** I just wanted to understand the non-glassware products which are the categories where we would be below the pre-COVID levels and which are the categories that will be much above the pre-COVID level?

Shreevar Kheruka: Good question. I do not have precise numbers offhand. In general, I know that we are about pre-COVID pretty much in every non-glassware product, but specifically it is hard to answer the question. I do not have the data off the top of my head right now.

Hitesh: From what I broadly understand I think your hydration flasks and the lunch boxes are two big categories and these are largely used when out of home so are these categories?

Shreevar Kheruka: Hydration flasks **are** above pre-COVID levels but lunch boxes are definitely much below pre-COVID levels. That is the main negative category for us across our range whether in glass or non-glassware.

Hitesh: Any percentage would you like to give over here what percentage of pre-COVID levels you would be in this segment?

Shreevar Kheruka: I do have that information right now, so it is hard for me to say.

Hitesh: Just a last thing on this expansion in borosilicate that you are planning now, what percentage of your imports is this currently and how will the import mix change once this expansion is complete?

Shreevar Kheruka: What we plan to manufacture through the expansion will only substitute imports. Once we do this, then from a glassware point of view I think will be 92% made in India, 8% imported. That is specifically to answer your question.

Hitesh: Will this change your margin profile?

Shreevar Kheruka: Yes, should substantially increase it.

Hitesh: Thank Sir.

Moderator: Thank you. The next question is from the line of Amit Agrawal from Burman Capital. Please go ahead.

Amit Agrawal: Thanks for taking my questions. The first is around the capex plan so in your opening remarks you mentioned that while the plan for funding is finalized but then there is a possibility of equity including if you think he is clarified because in our understanding we have enough cash to support Rs.250 Crores capex?

Shreevar Kheruka: I think yes you are right and I doubt there will be equity. This was just an open-ended kind of point that we have not finalized what the capex is going to be funded by and there may be some other capex required for Klasspack and for others. When we look at the overall

funding plan for the for the next two to three years - we are working on a vision 2025 for the organization which has been amended substantially due to COVID - so we may need more funding which we will work out and come back to the investors at the appropriate time. But likely is to be going be a mixture of mainly debt and internal accruals unless something dramatically changes.

Amit Agarwal: Do we have an internal view on return on capital employed? For example, if you are putting up capex of 250 crores, what kind of returns can we expect out of this capex?

Shreevar Kheruka: See the returns on capital as per the projected case will be in the high teens. This is because we are building capacity in advance and may run at lower capacities initially. If I take a three-year horizon including the first couple of years where you have lower capacity utilization the returns look like the high teens. When the capacities are running say at 80% to 100% capacity then the return on capital will cross 20% and probably be closer to 24%-25%.

Amit Agarwal: On the non-glassware consumer products if you can help us what is our current distribution outreach and do we have a plan let us say what are the number of products in terms of distributor's retail offline also how big in the e-commerce for us currently?

Shreevar Kheruka: As far as the distribution is concerned we are at about 18000 retail outlets currently and for non-glassware is a bit lower. Non-glassware if I am not mistaken is in the 8 to 9000 range. So we are trying to expand that to cover some of those outlets which are covered by glassware but not all outlets will stock appliances and other products. So, we are trying to increase the non-glassware outlets. While there is no end goal in mind I think we are looking at 1500 to 2000 outlets addition per year for the non-glassware range. We did very well even last year on that account. Coming to e-commerce we have stopped sharing data on the exact percentage of e-commerce sales so I am afraid I cannot share that with you, but e-commerce is one of the leading channels for us - let us put it this way.

Amit Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from New Mark Capital. Please go ahead.

Jasdeep Walia: Sir with regard to your borosilicate capacity where you are backward integrating how would you be placed in terms of cost of production once this capacity comes online does it give you a meaningful advantage there?

Shreevar Kheruka: Yes, that is the only reason we are doing it. What we have seen over the last eight to ten years as we have been importing the product is that year-on-year, there are two

disadvantages which are accruing which in any one year do not hurt but over a period of time they suddenly start adding up. One is the import prices in dollars or Euros okay and every year we are seeing our vendors increase their selling prices and the second is exchange rate as we see the rupee depreciating. So, if I look at rupee landed price of the product over the last seven to eight years for these items they have increased substantially. The third thing which is maybe specific to this year and I do not know how long will continue is container freight rates have skyrocketed globally. For example, a container which would cost \$500 from China to India today costs \$4200. I am talking about a 40-foot high cube container and similarly from Europe also the container freights have doubled or tripled in the last few months. Now that may be a scenario which goes away in the short-term but it is hurting us now for sure. So, even assuming that that goes away and you go back to let us say long-term historical averages of freights we still feel that we will be substantially lower with our cost of production here in India than import landed prices. We have plenty of experience in production as you would be aware so we are reasonably confident that we can achieve a higher market penetration by passing on some of the saving to the end customer and getting higher volumes in exchange.

Jasdeep Walia:

Got it and Sir and this plant would be built in a modular fashion let us say if you in future if you think that this project worked as well as your thought would you be able to put up additional line at a short notice?

Shreevar Kheruka:

This plant will be in Jaipur where we already have the opal glass plant. In at that location we are expanding into a second opal glass plant as well as this borosilicate plant. With these two new furnaces coming up there we will be kind of sold out I mean it is not sold out but should be tapped out from a space point of view. Then we would have to buy some more land and create some more infrastructure but that is probably available. So, we will have to buy that in due course but if assuming that we are able to buy land contiguous to our plant then I believe it will take about 12 months to put up new capacity.

Jasdeep Walia:

With regard to this factory fire or warehouse fire which you reported in your exchange release which happened in April 2021 does it in any way impact sales target for this year because the extent of damage that you have mentioned is pretty high?

Shreevar Kheruka:

No. Fortunately April is a low. Firstly, most of the goods damage was in scientific products and not consumer and April, May, June are the lowest quarter for scientific products. Plus we have very well risk diversified mechanisms to hedge. We have five locations where we store our inventory and although the main one was impacted but it is only one of them so over this quarter we did lose maybe Rs.2 Crores, Rs.3 Crores of sales on the scientific side but that is not material where we can make that up in the rest of the year. Consumer goods were not at that location at all or very small amount of consumer go throughout that location so it did not impact the consumer sales. Going forward also we have learned from

the fire in terms of further protocols to follow and hopefully this is bad incident is behind us. We are very fortunate that our safety protocols are very strong. There were almost 40-50 people working in the warehouse at that time and all could escape. No one even had a burn there was no injury zero and the communication system worked very well. All the fire systems worked so all of that was good. But obviously we lost this inventory but yes there will be no change in sales targets over here for either division.

Jasdeep Walia:

Thank you. That is all from my side.

Moderator:

Thank you. The next question is from the line of Amrish Kacker from HNI. Please go ahead.

Amrish Kacker:

Thanks for taking my call. My question was regarding e-commerce for the scientificware business. I think you have talked a lot about the consumer business the context of this is relating to and of course e-commerce for B2B product is quite different. I understand the context is we seem to have a lot of interest from companies like IndiaMART, who were trying to do B2B kind of sales and in fact scientific measuring laboratory instruments and supplies seems to be one of the top 15 listed items. So, it would be very good to get some views from you on is this a likely e-commerce channel that will evolve and are we participating in any shape or form in this?

Shreevar Kheruka:

That is a good question. We are already listed on IndiaMART as of a few weeks ago and we are evaluating whether we actually get any benefit from that and you could expand that to other B2B marketplaces. So, yes there is the potential of increasing our distribution through B2B online sales. So far when we have spoken to the end users, which is the pharma companies, there is a certain reluctance for them to buy online through these sites but I am sure that if the behavior changes then there could be a bigger opportunity in e-commerce. So far we have not seen that at a mass scale but I mean disruption is always part and parcel of life and we are well tuned to the possibility of it happening. Like I said we already started our trials with IndiaMART and Justdial may be starting now and we will evaluate how it goes.

Amrish Kacker:

Thank you. That is all from my side.

Moderator:

Thank you. The next question is a follow-up from the line of Manav Vijay from Deep Financial. Please go ahead.

Manav Vijay:

Thank you Sir. I have a couple of questions from the annual report so you have shown an investment property worth Rs.9.35 Crores which in FY2020 annual report was Rs.2.74 Crores if you could explain what is this investment property for Sir?

- Shreevar Kheruka:** Anand, are you are you aware of this what are we talking about here?
- Anand Sultania:** That was basically an asset held for disposal so the value of that which was 9 lakhs that was reinstated.
- Manav Vijay:** 9 lakhs is now reinstated at actually Rs.9 Crores.
- Anand Sultania:** I do not think it is Rs.9 Crores and I am sure, can you tell us which page you are referring to.
- Manav Vijay:** Sir actually I do not have the annual report, actually it was shown as 9.36 Crores like 2.7 Crores that is I thought I should ask you. Maybe I will connect with you on this separately. Second question is Sir again so subsidiaries and your associates there is a real estate company called Acalypha which as of now I mean has no business but you mentioned that you intend to develop some slum land parcel in Mumbai so you intend to work on this project or just I mean the company has a company has been created and it is there only?
- Shreevar Kheruka:** Let me explain this to you again. This is something that has been stated in the past but I will repeat it. The company historically from many decades ago has a property near Andheri and this property is an encroached property and dwellers are living on that particular property. As per the regulations for encroached properties, we have to get approvals for them to redevelop that property. We do not want to do any developments, we want to sell that property because we are not in the real estate business; however, because we are the landlord per se and this is for many decades, it is us who have to get the approvals. Now we cannot if we get the approvals in the name of Borosil Limited then Borosil Limited will have to develop the property. So, therefore it was decided that we will get the approvals in this 100% subsidiary and then at the appropriate time when the approvals are got we can then find the appropriate buyer for this asset and sell assets for development to a third party. So, we are not intending to get into any kind of real estate development either now or anything in the foreseeable future but this is the only way to liquidate what could be a valuable asset for the organization.
- Manav Vijay:** Sure my last question would be Sir so this Rs.11.6 Crores of deferred tax expense that you have created because of the disallowance of depreciation on goodwill now this does not impact in any fashion the tax rate for this year which you had mentioned last quarter would be around 33% for the year so 33% and on top of that we will have this expense?
- Shreevar Kheruka:** This is a non-cash item this deferred tax. It is a benefit which we would have gotten in the future which we do not get. That is as per the finance act. We will re-evaluate the tax rate

every year end whether we should move to the new tax regime or stay with the old one and whatever makes sense we will do that, but right now whatever you said it is correct.

Manav Vijay: Thank you and all the best.

Moderator: Thank you. Sir there was no further questions, so I hand over to you for closing comments.

Shreevar Kheruka: Thank you all for your questions and any questions that may have remained unanswered maybe you could write to us and we can see if we can answer them but outside of that thank you. It was a challenging quarter. We did have these two exceptional items in this quarter which I hope do not repeat going forward but operational performance in spite of the challenging quarter was strong. I am quite bullish for the rest of the year. I believe that the demand is looking quite good and I just hope that there are no further lockdowns if that is the case then I think we are likely to have a pretty good year going forward. Thank you all and I will see you in three months.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Edelweiss Broking that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.