BOROSIL®
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November 21, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 543212**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: BOROLTD**

Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

Please find attached transcript of conference call with Institutional Investors and Analysts held on Tuesday, November 15, 2022.

The aforesaid transcript is also available on the Company's website at www.borosil.com.

You are requested to take the same on records.

Yours faithfully,

For Borosil Limited

ANSHU ARVIND AGARWAL
Digitally signed by ANSHU ARVIND AGARWAL
Date: 2022.11.21 15:00:20 +05'30'

Anshu Agarwal
Company Secretary & Compliance Officer
FCS – 9921

Encl: As above

"Borosil Limited
Q2 FY '23 Earnings Conference Call"
November 15, 2022

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

MODERATOR: **MR. PRAVEEN SAHAY – EDELWEISS WEALTH MANAGEMENT**

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY 23 earnings conference call of Borosil Limited hosted by Edelweiss Wealth Management. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. 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, Mr. Sahay.

Praveen Sahay: Thank you, Michelle. On behalf of Edelweiss Wealth Management, we welcome you all for Q2 FY '23 result conference call of Borosil Limited. We have with us senior management represented by Mr. Shreevar Kheruka Managing Director and CEO, Mr. Rajesh Kumar Chaudhary, Whole-Time Director, Mr. Anand Sultania, CFO, and Mr. Swadhin Padia, Senior General Manager, Accounts. Now I hand over the call to the management for initial comments. And then we will open the floor for a question-and-answer session. Thank you and over to you, Shreevar.

Shreevar Kheruka: Thanks, Praveen, and thanks for hosting this call. Good afternoon to everyone. Borosil Limited board approved the company's financial results for Q2 and the first half of FY '23 on November 11th. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website.

Borosil's consolidated revenue from operations during the first half of FY23, that is from April to September 22, was INR 487.7 crores. This is a growth of 35.6% over the same period last year. On a three-year CAGR basis, that is from pre-COVID period of April to September 2019 to April to September 2022, the CAGR growth of the company's revenue has been 17.1%.

During the half year, the company earned a consolidated EBITDA before exceptional items of INR 71.4 crores, which translates into an EBITDA margin of 14.7%. as compared to 21.4% in the corresponding period in the previous year.

Profit before tax during this period was INR 59.8 crores and this includes an insurance claim resulting in an exceptional gain of INR 5.1 crores. During the first half of the year, Borosil recorded a consolidated profit after tax of INR 44.7 crores as compared to a PAT of INR 25.4 crores during the same period last year.

Average operating capital employed in the business that is capital employed without CWIP and investments was INR 561.9 crores. During H1 FY23, the company earned an operating profit before exceptional items and before income from investments of INR 53.8 crores translating into an annualized operating ROCE of 19.2%. This is expected to be higher in the second half of the year which typically comprises a larger part of sales and would see depletion in inventories which were built during the first half.

Coming to our business-wise performance, Borosil's consumer business comprising glassware products, non-glassware products under the brand Borosil and its Opalware range under the brand Larah recorded sales of INR 358.1 crore, that is a growth of 48.6% over the first half of last year. Sales of glassware products were INR 87.6 crore, that's a growth of 38.8% over the corresponding period. Non-glassware products grew by 85% to reach a turnover of INR 145 crore. and Opal achieved sales of INR 125.5 crores, that is a growth of 26.3% over the same period in the previous year.

Those of you that have been tracking us for a while, know that we embarked upon a journey a few years ago to de-risk our consumer products business from being primarily in one category, that is microwavable glass, and provide the business with additional legs of growth with addition of new categories. We can confidently say that Borsil's consumer products division has nurtured three strong pillars. which provides a very solid platform for future growth.

Each of the three verticals of glassware, non-glassware, and opalware have achieved reasonable size and are poised to grow further as penetration and frequency of use in these categories grow. We're also supported by behavioral tailwinds, such as the shift away from plastics. We continue to introduce new products for everyday use in storing, preparing, cooking, heating, and serving, and some recent introductions include cooking gas stoves, chopping boards, and a whole range of chopping products.

The EBITDA margin in H1 FY '23 for consumer products was 13.8% as compared to 18.1% during H1 FY '22. The decline is partly on account of inflation in direct costs, particularly landed costs of materials consumed, power and fuel expenses, as well as procurement of products from other vendors. However, one of the reasons is, as I mentioned, the procurement of products from other vendors. We had to procure white-ware which we introduced into the market with Larah designs. When I say white-ware, I'm referring to Opal glassware. In order to keep our customers supplied during the festive season until such time that our new furnace came on stream. This has resulted in a reduction in the overall margins. Larah has been selling out its entire capacity and the new furnace which will expand our capacity from 42 tons per day to 84 tons per day is expected to be fired in the next few weeks.

The consumer division has dramatically improved its width and depth of distribution in general trade, and we have now expanded our reach to 23,000 outlets. This has been driven by IT initiatives and data analytics, as both these are helping the effectiveness of our sales force through upselling, cross-selling, and increased throughput.

We continue to invest in our brands with awareness creation activities through various OTT channels, and we have launched engaging influencer and social media campaigns that are delivering very healthy metrics.

Moving on to the scientific products division, net sales during the first half of the year of FY23 were INR 129.6 crores, which is a growth of 9.1% over H1FY '22. Our scientific product business comprises three ranges, lab glassware, lab instrumentation under the brand LabQuest, and primary glass packaging for pharma customers under the brand Klasspack. During the first half of FY23, Lab Glassware recorded sales of INR 83.3 crores at a growth of 27.7% over the same period in the previous year. LabQuest was at INR 10.9 crores at a growth of 18.4%.

However, in the context of COVID, the primary packaging business, which had two very strong years in FY21 and FY22, growing by 28% and 56% respectively in those years, has shown a decline owing to a much higher base and a reduction of COVID business. And therefore, Klasspack achieved sales of INR 35.4 crores, which is a decline of 20% compared to H1 FY '22. And this resulted in an overall growth of our scientific division in the first half of only 9.1%.

The decline in sales during the current period needs to be read in the context of the higher base effects of the previous year, as almost 20% of the sale of the last year was related to vials for COVID drugs, including Remdesivir and other drugs. Exports of vials were also impacted this year owing to the war in Ukraine.

EBITDA margins for scientific products during H1 FY '23 was 16% as compared to 23.6% in the first half of last year. Margins in the glassware business have been more or less in line with the previous period. However, the drop in the division's EBITDA was an account of lower margins in the Klasspack business specifically. And in LabQuest, we have been investing substantial amounts of resources in higher staff costs as we begin to scale the team and have fixed expenses which are related to a larger facility that we've just moved into. This also includes R&D expenses for new product development, which have been expensed out in this period. As the business scales, these costs will get normalized. And as you continue to prototype new equipment, we will also have some higher consumption of materials during this period. The cost of prototyping will also reduce as a percentage as we scale the business.

In Klasspack, EBITDA margins was in low double digits. The drop in margins is mainly attributable to lower sales during the first half of the year and somewhat attributable only to higher consumption materials and power. There's been an increase in cost of tubing input for both vials and ampoules and in the last few months, we have also had higher process rejections as we continue to raise the bar on specifications and now have installed automated camera-based quality control on almost all our lines which also initially increases the rejections in the process. Over and above this, we have also implemented other initiatives such as online printing, which will in the future increase the value of our product portfolio as well as reduce the throughput costs. But in the short run, increases the expenses owing to higher rejections. The company's also initiated conversations to take price increases in order to pass on more of the input cost inflation and restore margins.

The company is widening its range of offerings to create additional levers for long-term sustainable growth. We have recently entered the filter paper market, which was hitherto dominated by single player, and we should be able to service this market alongside Lab Glassware. Other new products have also been introduced in order to broaden our product offering contiguous to Lab Glassware.

Under Lab Instrumentation, the company has identified two new subsectors of nutritional environment and process systems to generate new business and it's seen strong demand from food and soil testing laboratories as well as pharmaceutical R&D laboratories. Klasspack is an INR 100 crores annual business and is expected to see healthy growth going forward, even though the first half of the year was not as good as we had hoped. We are focusing on onboarding new customers and also introducing new products to existing customers.

Coming to the balance sheet., As of 30 September, the company had net cash of INR 56.5 crores. The surplus cash will be utilized primarily for ongoing expansion projects for both the consumer and the scientific business. The expansion in Larah capacity, as already mentioned, is expected to be commissioned in this month at a project cost of roughly INR 195 crores. The new borosilicate press-refractory facility of 25 tons per day with an estimated investment of INR 115 crores. is on track to be commissioned in Q1 FY '24.

In the Scientific Products Division, the company has planned to create a capacity in glass tubing due to uncertainty in global supply chain as well as increased costs. We have still not invested in this project as there are some other interesting opportunities available which we are evaluating and will come back to the subject with an update in the near future.

The expansion projects already undertaken indicate optimism about the long-term growth prospects of our business. The consumer business is supported by tailwinds and remains an under-penetrated market, providing Borosil a long runway of growth. The scientific business is expected to see steady growth in Lab Glassware and the lab instrumentation, pharma packaging, opportunities in export, as well as new areas such as filter paper, process systems are looking extremely exciting to help grow the business and improve margins.

Coming to ESG, Borosil has undertaken a structured program for implementing ESG initiatives. Last year we had identified material issues and we took stakeholder feedback and we have mapped a journey to address key ESG opportunities and identified priorities towards a greener manufacturing plant, social equity and robust governance. High priority areas include management of waste, water, greenhouse gas emissions and energy, recyclable materials for packaging, and data and consumer privacy. Over the next few quarters, we expect to be able to disclose quantifiable targets and transparently report performance against them.

We had earlier announced plans to restructure the business of the company into two separate listed entities via a composite scheme of arrangement. We continue to anticipate that the entire process should be concluded by March of 2023. However, as previously mentioned, the time for some of these steps involved are not in our control and we'll keep you informed of the progress in this regard.

So, with that, I would like to throw the floor open to questions. Thank you.

Moderator: We have the first question from the line of Jay Modi from EIML Paris.

Jay Modi: Couple of questions from my side for consumer business. So, my first question was over a period of three years in this segment, we have seen a growth of around 20% CAGR. Will it be possible for us to break it down between in volume and value terms what the growth has been for us?

Management: Yes. In principle most of it will be volume. We took major price increase only this last year owing to much higher cost inputs, which may have been in the range of 10-12% for this year, but that's not a CAGR. That's only for this year. So, I don't have the data off the top of my head, but I would assume that 75%, 80% is volume and 20% will be value in terms of pricing. That's my assumption and I have to check this.

Jay Modi: And second was around the RM inflation. So, we've seen a lot of headwinds. So how has the inflation been Y-o-Y for us, and which would be our biggest raw materials in consumer business?

Management: No, so when we talk about raw material inflation, in the consumer business, we have three businesses. We have glassware, non-glassware and opal. So, all three have different answers. As far as opal glassware is concerned, which we are manufacturing, the highest inflation has been in soda ash, although soda ash is a smaller percentage of our overall spend. But also equally, I would say, the electricity costs have gone up because electricity has some benchmark to crude oil.

And similarly, natural gas prices have gone up to some extent. And this has also impacted, for example, packaging materials expenses. So, there are knock-on effects on all of these areas. But as far as the other two, which the glassware and the non-glassware, as far as glassware is concerned, whatever we import, we saw substantial inflation in the transportation costs, that is the container freight expenses, which has of course cooled off substantially in the last month. But say for the last nine to twelve months, container freight went from a $1,000 to almost $6,000, $7,000. So, inflation was six, seven times, which has come back down to maybe $1,500. That was one major source of inflation, which is transportation.

And the other is since we import raw materials which are made from energy-intensive processes, the energy and the soda ash price which we face has also impacted that. The answers are different, but broadly I would say the overall inflation this year has been to the tune of 10%, 12%, 14%, depending on the category. We have broadly passed it on to the end customer because we had no other option.

Jay Modi: And incrementally are we seeing inflation cooling off?

Management: Inflation has substantially cooled off in the last a month or two in fact. So, we see that the transportation expenses have come down, the pressure on whether it's paper packaging, whether it's energy, I don't see any further increase in the last couple of months. But yeah, inflation has cooled down. On the flip side, there are certain contracts which we had entered into which are expiring at the end of the year and some contracts will have a higher price point from next year. We were protected because of those contracts. So, in some sense, in few areas we may see little higher inflation but I think that's marginal. The main bit of inflation I think has cooled off substantially.

Jay Modi: And how has the festive demand been for us? Have we seen any impact because of the price hike that we've taken, or it has been up to the market expectation?

Management: This year Diwali was early, and it was on October 24th. So, some part of the festive demand has already been captured in the growth of the first half of the year, which is already declared. And you can see the sales revenue growth has been quite exceptional. So festive demand was quite strong.

Jay Modi: And lastly, you mentioned that in Borosilicate, we've done a capex of INR 115 crores, so how much does this expand their capacity by?

Management: So that's press, you're talking about the press production. Press production is INR 115 crores. We have not done all of the capex; we are in the middle of doing it. The furnace will get fired in June or July of the coming year. So, some part of the capex is very much spending to be done. All orders have been placed. But we right now are importing that product which will then be import substitution. So, we don't have capacity in this area at the moment because we import it. So, I cannot tell you how much capacity we have expanded because right now it's zero. We don't have capacity except for imports.

Jay Modi: And lastly, as we grow our non-glassware business, since a large part of this would be trading for us, will this have an overall impact on our EBITDA margin?

Management: Yes, look, firstly, I don't accept the point that it's trading, okay. Because trading is buying and selling without adding value, okay. We are not doing that. We start with the product design. Apple doesn't trade its phones. Neither does Apple manufacture its phones. So as an example, obviously we're not Apple, but I'm just giving you an example of the fact that we design our products, we specify all the raw materials, all the components which go into the product. We do extensive quality checking. We put our own brand name on the product. We do the after-sales service. So, this is not a trading activity. Okay, that's the first point.

But yes, obviously, given that we don't manufacture them, we don't employ the capital for the entire building and the plant and so on and so on. So, the margins are definitely lower. But your capital employed is also much lower. So, the way I look at it, this part of the business which we don't manufacture is more on the ROCE basis rather than on EBITDA basis. Because if you're able to rotate your capital four times in a year, then you're able to generate even at 8% EBIT, you can generate 32% ROCE. So, I look at it more from a ROCE perspective, than from an EBITDA perspective.

Jay Modi: But even in near future, we plan to have our own manufacturing for non-glass works?

Management: I think this is seriously subscale. We need to grow the scale. Look, the way the world is going, that the geopolitical tensions between various countries, this whole model of importing products and reselling them, there's a threat to that particular model. So, I think as far as the electronic goods are concerned, you need to have a whole ecosystem, which of course the government has been developing. For example, you look at mobile phones, you see that now India is becoming a hub for manufacturing mobile phones.

And therefore, even all the components that go into the mobile phones will start being manufactured in India. Once that happens, that builds a beautiful ecosystem for electronics in the country. And therefore, all your appliances, your plastic housing, your electronic components, your display, your display systems, your display technology, your cabling, all of that will become a part of that ecosystem.

So, I do see in the next two, three years a lot of that going away from China into India, assuming we can sustain this space as a country. It's not just a question of assembly, it's a question of the entire back end, and starting from scratch, which of course we can't do all of it. So yes, I see in the next two, three years a substantial chunk of that will come to India. Now whether we do it or we outsource it to somebody else, that's a different story.

Jay Modi: Just one, book-keeping question. What would be our ad spend in continuing business for the first half?

Management: Same. We've been, now, see earlier we talked about 10%, although given that we've been able to scale up, that number may have gone down to 8%, but in that 7%, 8% range.

Moderator: We have the next question from the line of Pratik Dharamshi from Safe Enterprises.

Pratik Dharamshi: A couple of questions from my side. As you alluded, this time the margin pressure came from the raw materials, freight etcetera, utility, as well as if you look at the mix, this time around obviously the opalware capacity constraint were visible and that's why the appliances and others had a higher share in the mix. So as things start normalizing from maybe next quarter onwards, as the opalware capacity also comes back, do you reckon the margin band which we used to do before should recover from next quarter onwards?

Shreevar Kheruka: Yes, I think the recovery will happen Q4 onwards. Our production is still not up for both the furnaces. So, we continue to buy some products from outside. But I think our new production line will be commissioned by the end of this month and hopefully stabilizes sometime in mid-December. So probably from Jan quarter onwards, we should have a substantial recovery in the margins. And also, the other cost pressures which were mentioned, they also seem to have cooled off. The goal is not just to recover, but we want to improve our margins. And we are fully expecting that will happen.

Pratik Dharamshi: Okay. And the second question was on the competitive landscape. Are you seeing any major changes on that as one of the major competitors has come up with a new capacity on board? Have you seen any change in the market or things are as robust as they were before?

Shreevar Kheruka: We don't see anything like that. All the players in the market are quite mature and I think there are many export opportunities also come up now with the challenges in Europe. What we see is that there were many European Opal glass players who had to reduce or shut down capacity. So that market has entered the export opportunity at an attractive price has expanded. So at this moment I don't foresee a big challenge on selling prices and the fact is that all the players are quite mature, they are all organized, they have let's say reasonable reserves, so nobody is taking short term decisions here and I expect that to continue.

Pratik Dharamshi: Fair enough. And the last one on the break ups, obviously consumer ware is broken up into three sub segments, glassware, opalware and appliances. I understand you have been refraining from giving margins sub-segment wise, stuff like that. But ballpark spread wise, how meaningful will be the differential between an Opalware and say an Appliance? Will the spread be more north of 10% double digit or the direction?

Shreevar Kheruka: I won't get you into the percentage, but there is a meaningful difference and the reason again I am saying is Opalware has a lot of capital employed, which I answered to the gentleman before. And here there's very little capital employed in appliances. So, the manufacturing margin we don't accrue in the case of appliances. However, on the flip side, we don't have the capex or rather the capital also deployed for that.

So, it's both sides of the game. So, one, it's improper in my view to look at the margins of the non-glassware products on a standalone basis and compare it to the margins of the produced products because they are two different cups of tea. And we should look at the allocation of resources and whether both those resources are giving you the same return on your capital employed versus going into the detailing of the margins. That doesn't add any value frankly.

Moderator: We have the next question from the line of Aditi Bhatter from Niveshaay.

Aditi Bhatter: I wanted to understand the Klasspack division growth opportunities and growth prospects. The Klasspack division experienced a de-growth quarter on quarter also and now when we are expecting a growth in the coming year, do we have any specific plan or any specific opportunity that we are looking forward to like any growth in the export market or domestic market?

Shreevar Kheruka: Just to give you some context on this, in last two years, Klasspack has grown, as I said, 28% the year before and 56% last year, okay? So substantial growth numbers. This year we were down by 20% in the first half. So, one has to look at the context. The second point is that the pharma companies in the first half of the year all had challenges in filling their capacity. We are directly dependent on how many injectables the pharma companies are filling.

So, if you look at news reports, you may have read things like Serum Institute destroying many million vials of the COVID vaccine because there was no demand for it. Obviously, that means they didn't produce those vials either. I mean they didn't produce extra vials. So, the production of pharma injectables in the country was a challenge in the first half of the year across the board. I'm not just talking about COVID but even other products. Now from October we've seen a rebound in that because all the extra capacity that was built in the system, a lot of that has been eaten away. So, we expect a much more robust second half of the year because the demand has picked up.

The other point is our exports in Klasspack have also done very well and they continue to do well, but it got lost in the data because of the overall de-growth. We will not move away from the guidance of our Klasspack delivering fairly healthy double-digit growth in the coming three years in spite of the decline of this particular year. So, nothing changes the overall picture. Yes, every market goes through some short-term cycles. I think we've just seen the end of one short term cycle, and we'll go back into the upstream category going forward.

Aditi Bhatter: Yes, thank you. And I have one more question. As you mentioned that we have already entered into a few contracts that might affect the margin for the year. So, could you differentiate how many long-term contracts or short-term contracts we enter into on the year-to-year basis?

Shreevar Kheruka: Frankly, this is very small. Maybe like soda ash, for example, is something we do on a yearly basis. So, it may be hardly 5% of a cost, even less probably than that. So that could be an example of a longer-term contracts, but mostly it's short-term stuff.

Moderator: We have the next question from the line of Manav Vijay from Deep Financial Consultants.

Manav Vijay: Yes, thank you very much, sir. Sir, first of all, my first question is on the capex that you are doing. So now two is what you have outlined, Larah and the Borosilicate Pressware close to 300 crores become operational by quarter one of next year. Now in total, I think we were doing capex of around 625 crores, and you had mentioned that everything will become operational by FY '24 end. So, does that still stands true?

Shreevar Kheruka: Broadly yes, it still stands true. I also mentioned that there was just one of these capex which is the capex for tubing production. This has been held for various reasons but even I think that will be done by FY '24. So yes, broadly I think we'll be okay. Meaning we'll be deploying all this money by that period. If not more.

Manav Vijay: My second question is on basically your Klasspack. So now, so whatever decline that we have seen in sales, whether on a Y-o-Y or let's say on a quarter-on-quarter basis. So basically, all the positive tailwinds that you had of COVID are now done as far as this 15 crores quarterly sales is concerned. From here on it will be business as usual. Is that correct to assume?

Shreevar Kheruka: Broadly I would say yes, directionally yes, I would agree with you that that's correct to assume and we should expect a bounce back from Q3 onwards.

Aditi Bhatter: Next question is -- so two quarters back, you had classified three assets for sale. Any progress that you have made on that?

Shreevar Kheruka: Yes. Out of that, one has been sold, but I said after the quarter ended, so it could not be recorded in this particular quarter it will come in the Q3 numbers. For the other two, we're still hoping to find buyers. We've given the job out to various people. But so far, we've not found anything interesting for us to take out of the remaining two. One is, in some advanced stages of discussion, the other one isn't. So, we are still hoping that we can conclude this by this year-end?

Aditi Bhatter And how much you have realized from the one asset that has been sold sir?

Shreevar Kheruka: I think it was about INR 24 crores or INR 25 crores, somewhere in this range.

Aditi Bhatter: My last question is, so we had some fire and then we had some floods. We received, I think, some INR 5.6 crores in quarter one. Sir, what is the total claim that you have filed with the insurance companies? And how much have you received so far?

Rajesh Chaudhary So basically, the total loss was around INR 50 crores. And out of this, we are likely to realize claims of around INR 45 crores or INR 46 crores. So out of this INR 45 to 46 crores, we have already received INR 40 crores. We are likely to receive the balance in a couple of weeks.

Aditi Bhatter: So basically, not more than four, five actually is what is the...

Rajesh Chaudhary: Out of these total claims, we are normally supposed to get 95% based on the insurance policy. So, 5% is the deductibles. So out of INR 50 crores INR 2.5 crores is the deductibles and around 45, 46 they have assessed that claim.

Aditi Bhatter: And Sheervar like you mentioned that your -- that you will fire your furnace in the next couple of weeks from now. Now -- so in terms of the starting cost of that furnace, is that cost very high because I think that -- because once you will fire the furnace, you will have I mean some -- I would say some extra cost before it starts to provide you with your desired quality?

Shreevar Kheruka: Typically, these costs are part of the capitalization, and therefore, they are included in the INR 195 crores estimate. However, just to give you some colour. In firing a Glass furnace, -- it's not always that it goes exactly as per plan. So sometimes the costs are higher than the estimate. In which case, you have to even if they are more than the anticipation. You capitalize those expenses until you declare that your production has commenced.. So, I don't think that it should impact your P&L for the quarter.

Aditi Bhatter: And maybe the last question, last quarter con call, you mentioned that even after doing all the capex, the worst case in terms of debt will be around INR 200 crores. Now does that number still, let's say, stands true, maybe a few crores here and there, that doesn't make much of a difference. But I think it...

Shreevar Kheruka: Broadly, I think that's more or less the case

Moderator: We have the next question from the line of Ankit Minocha from MRLR Capital.

Ankit Minocha: I wanted to gain an understanding of how profitable is it for a retailer to sell Borosil products versus the competition? I mean, in terms of incentivized ratios or in terms of the generated retailer versus the competition, are we -- how do our margins look like? And how do we expect this to pan out over the next one year?

Shreevar Kheruka: There's two ways to look at profit. Again, one is to look at an absolute value profit and one is to look at a rotational value of profit. As far as margins themselves are concerned, we give probably amongst the lowest margins in the industry. However, the retailer, I would argue, makes more profit from Borosil than it does from other products. And the reason is because we are able to rotate his inventory multiple times. So, it sits on a shelf for a shorter period of time than other products would. And I think there's much more emphasis on that than there is on the absolute level of margin that we give.

So, if this was not the case, we would not be able to expand our retailer base to the 23,000 that we have. And in the last couple of years, I think we have been targeting expanding 1,000 retailers per year, but actually, we expanded more like 5,000, 6,000 retailers in the last two years. So obviously, the fact that we're adding new retailers, retaining our old ones, increasing the throughput means that they are very happy to work with us. So, the proof of the pudding is always in the eating. So, there you go.

Ankit Minocha: And you spoke about distribution expansion. So, are there any numbers that you're looking at for the next one, two years in terms of outlets or distributors and in the same?

Shreevar Kheruka: Look, I think the universe for us would be somewhere around 30,000 to 35,000 retailers -- like I said, we are at about 23,000. I think for us, more important at this stage is to sell more through these retailers through these relationships. We have multiple product categories and many of them don't hold all our product categories.

So, there's much more value to sell more and increase our wallet share in these 23,000 than looking to expand from 20,000 to 30,000. Of course, we'll keep working on those. But the thrust of the organization at the moment is to increase the throughput rather than add new retailers.

Moderator: We have the next question from the line of Sharan Mandipoor an Individual Investor.

Sharan Mandipoor: My first question is, was the demerger process is completed? And what will be the size of Borosil Scientific? And for the next three years from -- after demerger, what's your target for that? Like you used to give targets for Borosil Limited of INR 1,000 crore revenue and something like that, right?

Shreevar Kheruka: So, look, Borosil Scientific will be nothing but the current scientific division of Borosil. And I think the turnover will be somewhere in the INR 300-odd crore range, maybe slightly more than that. That is for this year. If I look at the next say, three to five years, probably that company -- like I said, we added some new categories, which are quite exciting, which are quite interesting. And we should think about doubling that revenue in the next three to four years. Both the organic as well as inorganic opportunities. And all of this put together should help us substantially grow the revenues of Borosil Scientific. And the consumer division, I think already, we'll be approaching the INR 1,000 crores mark. That's even in shorter period of time, probably in the next couple of years, we should I believe hit that number.

Sharan Mandipoor: And the laboratory equipment, actually, if I remember surety, you mentioned that that's going to be import substitution and over period of couple of years, do you see any competition within India or still like it is completely import substitution and your kind of monopoly there?

Shreevar Kheruka: I would not say monopoly because monopoly is then you only one player. There are many players in the market, but all of them are imported players. So, at the moment we are still seeing import substitution as the key, I mean imports as the key incumbent and we are the challenger.

Sharan Mandipoor: You mentioned about the new product of paper filter, right? Can you give some more details on that? Like what exactly? Is it a packaging product? Is it going to be an existing plant with new machineries or how you are going to set up then? And what is the size for that?

Shreevar Kheruka: The market size is about INR 100 crores. See all these markets for lab products, they are small markets. But all put together, they become attractive. So, any one market is not so attractive. So, it's about an INR 100 crores market in India and this is paper used for filtration. Filtration is a method to separate two materials, one from the other. So, in the lab you need to separate, so it's a separation technology and here filter paper is used. Imagine like how when you have coffee, you put coffee, you use filter paper also for keeping the coffee beans out of the coffee or the ground powder out of the coffee. So that's the basic thought process, but obviously this is not for coffee, but this is for lab stuff.

Sharan Mandipoor: Thanks for explaining that. So, it is going to be, you are going to produce that filter paper?

Shreevar Kheruka: Right now, we are not producing, it's OEM that produces for us, but eventually once we hit some scale, I think we will start producing also.

Sharan Mandipoor: Thanks for the opportunity and explaining all the details. I really appreciate Borosil management. always being transparent and sharing all the details. And all the best for future.

Moderator: We have the next question from the line of Amrish Kacker, an individual investor.

Amrish Kacker: Yes. So just to get some additional color on the non-glassware, trying to understand if you're able to share at this stage, I know you're planning to split it out a bit more in the future, as to what probably are the higher categories and whether we are doing as well in each of these or we have some slightly better than the others. So, when I mean categories, we're doing drink-ware, we're doing appliances, and then we're doing the cooking support products.

Shreevar Kheruka: Yes, so look, we have appliances. We have Hydra and we have cooking utensils broadly. And I think all are doing very well. Obviously, some we started before so that they have the advantage of a longer runtime with us. But I would say all three are doing extremely well. We are very happy with the progress. I'm not able to share more data, more information on that. But I can say that we have excellent traction across the board on all three categories and we will continue building these categories and we see tremendous market potential.

Amrish Kacker: The second question is relating to the lab glassware business. I think you've already talked about export opportunities for potentially opal ware as well as Klasspack anyway. Are there opportunities for lab glassware in Europe?

Shreevar Kheruka: Yes. In the case of Opal as well as in Klasspack, the advantage is that when there's been a major disruption in the European ecosystem for production, and for us when the customer was suffering so much, they fast forward all their onboarding processes. In which case, we have the benefit of being able to start up the business quite quickly from the time we get the inquiry, which only happens in some situations, otherwise they take a long time. But in the case of lab glassware, typically it's a higher margin business, so it takes longer for the production to be disrupted because people can absorb a margin hit for a longer period of time as they're higher margins. So here, we have not seen the same level of disruption yet, but I do anticipate that will happen in the future. And we have been positioning ourselves to sell into the European and to the American markets. And of course, sales have increased. But the opportunities on vials and Opal have been coming faster to us. But the broader theme is true for lab glassware also.

Moderator: We have a follow-up question from the line of Pratik Dharamshi from Safe Enterprises.

Pratik Dharamshi: Just a couple of follow-ups. One on the breakdown by channel. So, compared to the COVID period, how has the trend evolved online, offline, modern trade, etcetera? Has there been a major change in it, or the mix continues?

Shreevar Kheruka: So again, we don't share the percentage split across the categories, across the channels, but I can tell you the trend broadly continues. The one thing we have seen is that large format stores have been hit post-COVID. I mean, even during COVID and post-COVID. I'm saying from the pre-COVID period till now, the major change in my opinion is that large format stores have been very badly impacted, and this is across all categories.

So, there are very few large format stores which have really thrived or survived even and like say, D-Mart or Reliance Retail, these guys have done well but most of them have suffered, starting from the bankruptcy of Big Bazaar, Future Group to many people wanting to exit the country and so on. So organized retail has suffered from the COVID times and continues to suffer.

Pratik Dharamshi: And as you said on the non-glassware appliances side, you are doing pretty well across the board, Hydra or other ranges. But just wanted to have your thoughts around, do you reckon, do we need any new products in this range, or we are comfortable having a very-very well diversified portfolio? And trying to grow across. What can be the success mantra? So, we have our mode in glass-based stuff because of the pedigree we have. Do you reckon like gas or glass-based gas towers or some products which we have an edge and that can be our hero products or what are your thoughts on those kinds?

Shreevar Kheruka: Frankly, India is such a diverse country and what's the hero product in North India doesn't necessarily translate into South India or East or West. So, every region is different. So, frankly, product strategy is something that I think changes very frequently. And what the market demands change very rapidly. So, this is all tactical stuff, frankly. We have a pretty interesting setup below us in our product management team, which allows us to try and get into products which are say the need of the hour and this is very tactical and not strategic per se.

Our strategy is to be in different product categories but within that, which product should be the hero, which product we need to introduce, I frankly don't even get into those decisions because we have very strong teams to do that. So, I can't comment too much on this subject.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Shreevar Kheruka: So, thank you all for listening patiently and also asking questions. Just to summarize, I think we've had a very good growth in the first half of the year. Unfortunately, owing to various reasons, the growth may not have translated to higher profitability or substantially higher profitability.

But I think that's short term. The main and most important thing is we see substantial growth going forward as well. And in both our divisions, scientific and consumer, we've only added to the base case of a growing market, of growing product segments, and the Borosil brand, say, being more and more recognized. And I would say the quality of the products, the quality of our distribution, the quality of our people have been improving. So, the broader trends seem to be accelerating.

And notwithstanding short-term margin pressure, I think by the end of this year, with the new capex being mostly through with the new capacities coming online, margins will bounce back. And I think the next two, three, five years should be very interesting for both our scientific and consumer divisions. So, thank you for your support and look forward to speaking with you in the next quarter.

Moderator: Thank you, sir. On behalf of Edelweiss Wealth Management, that concludes this conference. Thank you for joining us and you may now disconnect your lines.