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August 16, 2022

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| **BSE Limited**<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai - 400 001<br>**Scrip Code: 543212** | **National Stock Exchange of India Limited**<br>Exchange Plaza, C-1, Block - G,<br>Bandra Kurla Complex,<br>Bandra (East), Mumbai - 400 051<br>**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, August 9, 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.

Thanking you.

Yours faithfully,
For **Borosil Limited**

**Anshu Agarwal**
**Company Secretary & Compliance Officer**
**FCS - 9921**

*Encl: As above*

"Borosil Limited Q1 FY23 Earnings Conference Call"

**August 09, 2022**

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| **MANAGEMENT:** | **MR. SHREEVAR KHERUKA - MANAGING DIRECTOR & CEO, BOROSIL LIMITED**<br>**MR. RAJESH CHAUDHARY – WHOLE-TIME DIRECTOR, BOROSIL LIMITED**<br>**MR. ANAND SULTANIA - CFO, BOROSIL LIMITED**<br>**MR. SWADHIN PADIA – GENERAL MANAGER ACCOUNTS, BOROSIL LIMITED** |
| **MODERATOR:** | **MR. PRAVEEN SAHAY - EDELWEISS BROKING** |

**Moderator:** Ladies and gentlemen, good day and welcome to Borosil Limited Q1 FY23 Earnings Conference Call hosted by Edelweiss Broking Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you, sir.

**Praveen Sahay:** Thank you, Ranju. Good afternoon, everyone and thank you for joining to the Earnings Call of Borosil Limited. On behalf of Edelweiss, I would like to welcome management team of Borosil to discuss the results and outlook. We have with us today Mr. Shreevar Kheruka – Managing Director and CEO, Mr. Rajesh Choudhary- Whole-Time Director, Mr. Anand Sultania – CFO and Mr. Swadhin Padia – General Manager Accounts. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q&A. Over to you, Mr. Kheruka.

**Shreevar Kheruka:** Thank you Praveen and Edelweiss for hosting this call. Good evening, everyone. It is a pleasure to be interacting with all you again. Borosil Limited's Board approved the company's financial results for Q1 FY23 on August 8th. Our results and an updated presentation have been sent to the Stock Exchanges and have also been uploaded on the company's website.

Borosil has made a very strong start to FY23. Our consolidated revenue from operations during the first quarter ending June 22 was INR 216.2 crores, which is a growth of 57% over the same quarter last year. Of course, you are aware that last year Q1 was adversely impacted owing to lockdown in response to the Delta wave of COVID. If we compare the revenues of this year to FY20, that would probably be a better like-to-like comparison because that was the year, there was no COVID that is April to June of 2019 and if we compare our April to June 2022 revenues to April to June 2019, we will see the revenue is Rs. 216 crores versus Rs. 129 crores, that is a 68% growth. If we were to compute the 3-year CAGR of revenue from the pre-COVID period, it is about 20%, which I would say, is an excellent performance - growing at 20% CAGR right through COVID. During the quarter, the company achieved a consolidated EBITDA before exceptional items of INR 29.2 crores which translated to an EBITDA margin of 13.5%. Profit before tax was INR 26.1 crores including an insurance claim resulting in an exceptional gain of INR 5.1 crores. During the quarter, Borosil recorded a consolidated PAT of INR 19.4 crores as compared to a loss of INR 1.9 crores during the same period last year.

As we grow our business, we also target to improve our capital efficiency. Operating capital employed in the business that is capital employed without investments was INR 594 crores. During the quarter, the company earned an operating profit before exceptional items and before income from investments of INR 21.1 crores. That translates into an annualized operating ROCE of 14.2%. This is expected to be higher in the subsequent quarters as we move into the festive months. It is important to know that we have a seasonal business and Y-O-Y comparisons are more reflective of performance than Q-O-Q.

Coming to our business wise performance, Borosil's consumer business comprising glassware products and non-glassware products under the brand Borosil and its Opalware range under the brand Larah recorded sales of INR 148.7 crores that is the growth of 77.6% over Q1 FY22. Sales of glassware products were INR 40.7 crores that is the growth of 82% over the corresponding period. Non-glassware grew by 106% over the same period to reach a turnover of INR 59.5 crores and Opal glassware under the brand Larah achieved sales of INR 48.6 crores, a growth of 50% over the same period in the previous year. Of course, like I said growth over the same period in the previous year is not strictly comparable given the environment at that time. It is also important to know that probably, our brand Larah sales could have been higher had it not been for constraints in our capacity of production. Our new furnace is likely to be commissioned in November this year.

We continued to face inflation in direct cost particularly in landed cost of materials consumed as well as power and fuel expenses. Consequently, there is some decline in the gross profit margins. However, with increase in sales, operating leverage has started to kick in and the EBITDA margins for the consumer products division during this quarter Q1 FY23 was 12.7%. We believe that once the inflationary pressure eases, our brands can hold or even increase pricing to expand margins.

At this juncture, the focus on the company is to expand the franchise of our brands. It is bringing more users into the category of glassware and upgrading and converting users from plastic and Melamine into glass storage and Opalware. We continue to introduce new products to expand our range of offerings such as in high-grade steel on-the-go products or even in domestic appliances. With Borosil and Larah, we aim to become the brand of choice of the modern Indian kitchen for everyday use in storing, preparing, cooking, heating and serving.

Moving onto the scientific products business, net sales during the quarter Q1 FY23 was INR 67.5 crores, a growth of approximately 25% over the same period last year. Here, it must be noted that last year itself was a reasonable period of performance and we don’t need to relook at pre-COVID timelines for this. Our scientific products business comprises 3 product ranges, lab glassware, lab instrumentation which is under the brand LabQuest and primary glass packaging under the brand Klasspack. During Q1 FY23, lab glassware sales were INR 41.5 crores, that is a very good growth of 48% over the same period last year. LabQuest was Rs. 5.4 crores which is a growth of 20.7% and Klasspack was INR 20.7 crores which is a decline of about 5%. During Q1 FY22, conversely Klasspack had actually experienced one-time bump up in sales owing to a spike in demand for packaging related to COVID related drugs. EBITDA margins for the scientific products division during this quarter was 15.2%. One must also know that this is also a seasonal business, and the first quarter is the slowest quarter for the business historically.

The company has identified a number of levers to ensure a long-term sustainable growth in the scientific division. In the lab glass consumables segment, there is an increase in demand post pandemic. There is improved funding to government run labs and institutes which had seen cut back in budgets over the last couple of years. The governments push towards procuring on the government e-market place that is GeM is seeing traction. This channel reduces the risk of receivables and could potentially improve order flow from the government directly to Borosil. Borosil has also entered into the filter paper market, which was so far dominated by a single player and this market can be easily serviced alongside lab glassware. The approximate market size in India as per our estimates is Rs. 110 crores.

Under lab instrumentation, the company has identified 2 new subsectors of nutrition & environment and process systems to generate new businesses. There is an increase in food testing and food testing laboratories partly owing to change in food laws. Several developments in the context of environment such as more stringent ETP norms, groundwater, river rejuvenation and soil testing, provide the company opportunities to introduce new products to service evolving testing needs in the country. This will all be serviced by the LabQuest brand and we are quite bullish on the future demand in these areas.

As of the quarter end, the company had net cash of about INR 165 crores. The surplus cash would be utilized primarily for the ongoing expansion projects for the consumer and the scientific business. Work is well underway in most of the projects. However, owing to disruptions in international supply chains largely on account of China Zero-COVID policy as well as now the Russia-Ukraine conflict, there is some delay in the implementation of the projects resulting in delay in receipt of critical items. Moreover, inflation in fuel and a number of inputs such as steel has led to increased freight and also landed cost of input materials. Also, the company has chosen German technology for better quality of products which implies higher project cost on the Borosilicate glass furnace. The expansion in Larah's capacity in its Jaipur plant from 42 tons per day to 84 tons per day is now expected to be commissioned in Q3 FY23, instead of Q2. The estimated project cost owing to aforementioned reasons has increased from INR 175 crores to INR 195 crores. The new Borosilicate Pressware facility of 25 tons per day in Jaipur, which was expected to be commissioned by the end of the Financial Year 2022-2023, that is by say March of 2023 is now likely to commissioned by June of 2023. Here again, owing to aforementioned reasons, the project cost has escalated from INR 75 crores to INR 115 crores. This, however, includes some additional scope of work like the German technology to incorporate superior capability in the factory. We are also enhancing the production infrastructure to handle 40 tons per day furnace. We will be starting the 25 ton per day furnace, but this will allow us to quickly upgrade from 25 to 40 tons per day at a much lower CAPEX in the future.

In the scientific products division, the company has plans to create capacity in glass tubing due to uncertainty in global supply chain as well as increased cost. In addition to this, it also plans to increase its capacity in pharma packaging under Klasspack to 500 million vials and 700 million ampoules per annum. The capital outlay for these two projects combined is estimated to be about INR 170 crores.

We have earlier announced plans to restructure the business of the company into 2 separate listed entities via composite scheme of arrangement. I am happy to say that company has received observation letters from BSE and NSE conveying no adverse observations or no objections on the scheme. The company is in the process of filing the scheme with the NCLT Mumbai branch. We anticipate that the entire process can be completed by March 2023. However, the time for some of the steps involved are not in our control and we will keep you informed on the progress in this regard.

Overall, we remain very optimistic about continuing to achieve sales growth and we expect to improve margins and ROCE in the medium to long term. The consumer business is supported by tailwinds and remains an underpenetrated market providing Borosil a long runway of growth. The scientific business expects a steady growth in lab glassware, and we are quite excited about the opportunities we are now seeing in lab instrumentation, in pharma packaging as well as in the new categories of process systems. This will provide a fill-up to the scientific division's growth trajectory.

I would like to conclude my opening remarks by saying that we feel that India is well placed in the global context as a bright spot with relatively lower inflation as well as very resilient demand. This is likely to stay strong in second half of the year even in a difficult global environment. So, with that I like to throw the floor open to question.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Rahul Dani from Monarch Network Capital Limited. Please go ahead.

**Rahul Dani:** Congratulations on good set of numbers, just wanted to check sir in Opalware, is there a possibility for outsource manufacturing to bridge the current gap in production?

**Shreevar Kheruka:** Yes, there is a possibility Rahul, and we are evaluating it. We expect to bridge the next quarter with some outsourced stock.

**Rahul Dani:** Just want to check sir, how do you see commodity pricing now, we haven't taken further pricing action?

**Shreevar Kheruka:** The commodity prices across metals have definitely reduced. The inflation cost on non-glass product - we don't see that increasing. The challenge is on our own production with power and fuel costs. Unfortunately, gas is the only price which is continuing to remain elevated, and gas is an important contributor of our costs. I expect that other costs are on the way down.

**Rahul Dani:** Have we taken any pricing option further?

**Shreevar Kheruka:** Yes, we took some price increase during the quarter as well, but I think that covers every other increased cost so far. So, I don't see any further price increasing in the short run.

**Moderator:** Thank you. Next question comes from the line of Manav Vijay from Deep Financial Consultant Private Limited. Please go ahead.

**Manav Vijay:** Sir, one question regarding the CAPEX that you guys are doing so, actually some slight confusion, so quarter 4 you had mentioned that the total CAPEX between both the division is close to Rs. 450 crores so, there was an article in which you mentioned that as your total CAPEX is now increased to actually 625 crores, you mentioned the same figure even in your AGM. Now in the today's press release you have given some flavour regarding the increased cost on the Larah side as well as on the Borosilicate side of close to Rs. 60 crores or so. So, we move from 450 to 500, again Rs. 125 crores gap I have been, let us say struggling to fill the gap, can you please help with that?

**Shreevar Kheruka:** I am sorry, I don't know where you got the Rs. 450 crores number from. I don't think I had ever mentioned that number. So, if you could just forward where you got that from that will be helpful, but I think the number was always higher than Rs. 450 because in Klasspack we had always mentioned we are going to do something like Rs. 65 crores if I am not mistaken. Our tubing furnace was going to be Rs. 100 plus crores. We had also indicated the investment in Jaipur. The original number was more than INR 500 crore. But certainly, inflation some changes in the scope have also increased this cost by about Rs. 60 crores. Moreover, there are IT initiatives which we have taken, which would contribute about Rs. 25 crores to CAPEX which was also in my view announced before, so I am not sure where that 450 number is coming from. It was closer to 550, but yes there is roughly a Rs. 60 odd crores increase and that Rs. 625 crores number is approximately correct. This includes everything not just the furnaces but also includes some infrastructure, routine maintenance CAPEX and Capex for our technology and information technologies too.

**Manav Vijay:** And all this CAPEX gets done by quarter 2 or maximum quarter 3 next year, 24?

**Shreevar Kheruka:** By Q4 24, I think by March 24.

**Manav Vijay:** And second question is regarding the assets you had identified last year for the sale, any update on that?

**Shreevar Kheruka:** Yes, real estate is something that you put it in the market and then it is a little bit of luck also. So, I think one of the 3 assets which put up is hopefully on the last legs of the transaction and may be completed in Q2 or early Q3. For the other two we are still hoping to find something. We have already given the mandate to companies to liquidate these assets, but we are still waiting to get offers which are acceptable.

**Manav Vijay:** My next question is regarding your other income, so last year you booked in total Rs. 24.5 crores of other income of which roughly Rs. 14 crores was actually gained on fair value. Now in quarter 1, since the interest rates have moved on the reverse side so, I believe that you have booked some losses. Is it possible for you to actually mention that number how much losses were booked in that liquid portfolio?

**Shreevar Kheruka:** Anand, can you answer this question please?

**Anand Sultania:** So, we do not hold instruments which have a longer duration in significant measure. So, there are about only Rs. 50 crores of investments which have a longer duration and where have a mark-to-market impact. That impact is about INR 20 lakhs. There are certain other instruments that we hold which is in the form of alternates as well as the real estate funds. The liquid fund returns have been lower. We are also using these liquid fund returns as and when needed, so that is the reason why the income is lower in this quarter.

**Manav Vijay:** But last year, I think you spoke about Fireside also.

**Anand Sultania:** The last quarter, the income on investment was higher because of the onetime income that was given. There was an unusual income which was distribution received from Fireside Ventures, an alternate fund which we hold. That income was approximately Rs. 4.5 crores in quarter 1.

**Manav Vijay:** And the probability of loss any kind of an M-to-M coming and this is considering the environment, or the interest rate is low?

**Shreevar Kheruka:** So, we can hold these instruments to maturity. It is not that we have to liquidate these instruments today.

**Manav Vijay:** My last question would be sir, for your 3 costs, power, packaging and freight, these 3 costs put together forms roughly 16% of your sales. Now, you have given some flavour regarding the power cost where you are still facing higher cost due to the gas prices. If you can elaborate more on packaging and on freight, are you seeing any kind of respite on that?

**Shreevar Kheruka:** Packaging costs have come down in the last 3 months. Let me rephrase that, they started coming down in April, May June and they started increasing again in the last couple of weeks. However, these are not dramatic increases or reductions. These are normal, and I would say routine. There was a sustained dramatic increase in the last year which has stopped happening. There is some level of stability there and I would say that the general cost of packaging is on a downward trend if I have to look at it holistically from the beginning of the year till now. On the freight also, import freights, containers were at a very high level till July, but in August I am seeing a reduction in import freight. At least these are the initial signs. Whether that sustains or not, only God can answer. I don't know because this freight market is so volatile. It was actually very stable for years on end. Suddenly the volatility is very high. But what I can tell you is freights have started coming down at least on the container side. Domestic freight has not changed much because fuel prices are constant or they are changing very little, so domestic freight which we use from our warehouse to the end customer that has not changed much. However, the main impact of freight was the import freight and there we are seeing some relief.

**Moderator:** Thank you. Next question comes from the line of Aditi Bhatted from Niveshaay. Please go ahead.

**Aditi Bhatted:** Sir, I have three questions. So, first my question is pertaining to the scientific division, I wanted to understand the competition that we are facing from the plastic instruments in the scientific ware, so do we have any particular threat from the plastic instruments or any of the instruments are able to replace our glass products? And then my second question is regarding to the Opalware segment, I wanted to understand that because of the melamine price and the Opalware price difference, Opalware was demanded till now, but because melamine prices are coming in competition with the Opalware segment, so do we expect that melamine will again take over the market? Sir, if you can elaborate and then I will be asking the third question.

**Shreevar Kheruka:** There is no switch, again I am repeating, there is no switch from glass to plastic. The switch that had to happen in healthcare and biotech happened 20 years ago. At the moment, we don't see in pharmaceutical industry any switch happening from glass to plastic. The current use cases can only be done in glass because of certain properties. You can heat glass, you can cool glass, glass is very neutral, it doesn't leach and so on and so forth. Whatever experiments can be done in plastic which are for use and throw which require any touch of human blood or where you are very fearful of cross contamination, that will not be done in glass, that will be done in plastics. So, there is no switch per se. Yes, there is a situation when biotech industry and healthcare is increasing in leaps and bounds because of COVID and so on. So, growth of plastic may be higher than growth of glass, that I think is a very reasonable statement to make. But to say there is a dramatic shift happening from glassware to plastic at least we have not experienced it in any of our customers. It would be great if people who are saying this back it up with data.

So, that is the first point. As far as the second point is concerned, the question on melamine, no we don't see this as competition. There is a clear understanding that eating out of plastic is not good for you, it is not good for health. Melamine is not the right material at all to eat out of. So, we don't see melamine as competition to Opal. It has very few use cases. It could be used for children if some fear that the opalware glass will break. So, it will not be used for children for their food, but not widely as a substitute for Opalglass. I hope that I have answered your second question.

**Aditi Bhatted:** And sir, for the Opalware, if I see the margins, if I compare it with the competitors, our margin is a little lower for the same products at the same price. So, could you elaborate on that?

**Shreevar Kheruka:** The only difference between our margins and competitor's margins would be the advertising and sales promotion expenses. We spend about 8% of our turnover on advertising and sales promotion which may be our competitor because they have been around for much longer and they are much more established brand in Opalware category don't need to spend that much. Their spend may be less than 1%, so, it is about 7 odd % gap as per my calculation. There is a further 2-3% gap which could be because of economies of scale. But the bulk of gap is coming from marketing spends.

**Moderator:** Thank you. Next question comes from the line of Amit Agarwal from Burman Capital Management. Please go ahead.

**Amit Agarwal:** As we were on the Opalware, would we have some inventory to address our Q2 demand, which is seasonally high?

**Shreevar Kheruka:** Sadly, no. We are very low on inventories so, as Rahul asked earlier in the call, we are looking to may be buy some inventory third parties and sell it. That is the best we can do.

**AmitAgarwal:** And would that be import dependent? Or is there any domestic manufacturing for Opalware?

**Shreevar Kheruka:** That is confidential so, I am sorry, I can't answer that question.

**AmitAgarwal:** Next the scientific glassware margin seems to decline, any specific reasons other than the cost inflation to highlight?

**Shreevar Kheruka:** The cost inflation is one aspect of it. We have started spending more money on research and development. As we are getting a sense of growth, we have hired a lot of people which has led to higher design expenses. So, for growth we need new products, for new products we need people to design and develop those products. In Borosil Technologies, for example we have invested a fair bit of money in recruitment of talent, and this is one of the main reasons our cost has increased. The second of course we discussed was the power and fuel prices which are more inflated. We have taken some price increases after the higher costs have sustained. It takes some time to pass these on to the customers. These should become fully effective by Q2, Q3. So, these are the reasons. I would just like to highlight that my goal has never been short-term margins. It has been long-term growth and I will be happy to sacrifice short-term margins to get those long-term growth and at the moment that sacrifice is coming by way of higher people cost and higher development cost in the scientific business.

**Amit Agarwal:** In the scientific what is our long-term margin outlook, what kind of margins we can potentially meet here?

**Shreevar Kheruka:** See, I think potentially EBITDA margins north of 25% should be achievable in the long term.

**Amit Agarwal:** And one final question in terms of our power and fuel, what would be the gas related cost?

**Shreevar Kheruka:** I will have to come back to you on that.

**Amit Agarwal:** And just last, is there any CAPEX related costs which are reflected in our P&L because of additional employees, because of the maintenance?

**Shreevar Kheruka:** For example, in Larah, we have started hiring people already for the new furnace and obviously the project people costs are capitalized. But many of the operations people costs are already reflected there. I gave the example of scientific, we have all the research and development team, they are already a part of the cost structure, but we are not able to get any as much revenue as possibly we should from them as yet.

**Moderator:** Thank you. Next question comes from the line Keval Ashar from DSP Investment Manager. Please go ahead.

**Keval Ashar:** Shreevar, you mentioned that you guys are entering into filter paper market which is a Rs. 100 crores annual market, so just wanted to understand at what rate is this market growing?

**Shreevar Kheruka:** 6 to 8%.

**Keval Ashar:** So, do you have an export opportunity in this market as well?

**Shreevar Kheruka:** No, right now it is domestic. Right now, we are not manufacturing this filter paper, we are importing it in fact, but our agreement involves ability to get into manufacturing, should sales pick up. Then once we have that then we could export it, but right now we are not looking mostly at the domestic market.

**KevalAshar:** And last thing as you mentioned there is only a single player dominating this market, so what could be organized versus un-organized share in this filter paper market?

**Shreevar Kheruka:** Un-organized may be 25-30% only.

**Moderator:** Thank you. Next question comes from the line Amrish Thakkar an individual investor. Please go ahead.

**Amrish Thakkar:** Congratulations on a good quarter. My question is relating to the evolution of the fixed physical distribution, offline distribution network, so we have done a lot of work on the e-commerce side especially with the product innovation and we can see products trending. On the physical side, I am just trying to understand a little better. You have explained a little in the annual report on DMS Investment and so on but, if you could just provide some sort of update on say current glassware, non-glassware distribution, any planned targets and anything qualitative on whether our product range is now so large that we might think of own stores or anything you could share on this?

**Shreevar Kheruka:** Our business has 5 channels, and each channel has its own strengths and its own team that look after the channel. It is not that we are favouring or spending more of our resources on one channel versus the other. We are doing what is right for that channel. So, specifically, to answer the question in offline we have about 17,000 retailer outlets. We are weaker in South and in West. Our goal is to add about 1,000 to 1,500 retail outlets specifically in those two geographies on a yearly basis. The second thing is while we believe the universe may be somewhere in the 25,000 to 30,000 outlets kind of range, it is not that by adding another 13,000 outlets, we will have proportionately higher because we already cover a large portion of the A class outlets. The goal is definitely to sell most of our ranges through all our outlets. So, upselling and cross selling is also what we are focusing on. That is only possible with the use of technology. You mentioned DMS. We have software called Field Assist which allows us to understand the daily sales of products from our distributors to retailers product category wise. So, we know which retailer is selling what product on a day-to-day basis and we can compare it with what is happening in that territory for other retailers. So, we can give inputs to retailers on what products specifically they should be carrying, what categories are doing well. With our consultation the retailer is able to make more throughput per square foot of his shop. This will make them more loyal to us. Data analytics is something that we are looking to develop and drive and already in the first quarter we had some reasonable success. Retailers said that this is helping, and we have been monitoring how much more we are cross selling and up selling from the existing retailers. This is also a very big step for us to be more data oriented as an organization and use that data for better decision making and better advice to our channel partners. I think that has been a very good start. We are not planning at the moment to open any physical stores. We believe myborosil.com is the best store in the world and everyone has access to it. It is not at one physical location; it is online, and we have our entire product category over there. So, we would encourage anyone who wants to see the whole range, just go to myborosil.com and shop there and see the experience on it. We believe it is a pretty good experience.

**Amrish Thakkar:** Just a kind of follow on, we talked about, for example myborosil or the e-commerce channel being a very good way for us to get to Tier-2, Tier-3 and I was just trying to understand, you talked about geographic expansion to the South, but whether the smaller towns also become more relevant for our target segment as time goes by? And so only raising this question because a lot of the other larger appliance players are now talking about even Tier-4 and Tier-5 towns, is there any thought on this?

**Shreevar Kheruka:** No, we are far away from that. Tier-2 and 3 would be good for us and we are not that large yet. Our consumer revenues were less than INR 600 crores last year, so we have a long way to go. We will go a step by step. There is no rush to do something and then falling, so rather do things sustainably. So first let us get into Tier-2 and 3 and then we can take the next step after that, but I think we are putting the right building blocks in place.

**Amrish Thakkar:** Second question is just on the CAPEX and the planned debt if you have any further visibility, you have mentioned you might need to take some debt for a short period, is there any visibility you have now to complete this CAPEX by March 2024?

**Shreevar Kheruka:** I think the total debt we may need at peak is about Rs. 200 crores, in that ballpark. So, far we have not needed it because whatever CAPEX we have done so far is within our opening cash balances plus the operational cash flow which we are getting on a monthly basis. But yes, going forward up to Rs.200 crores of debt is probably what we will require for the short run. I think our operating cash flow should take care of that within a year or year and a half. So, that is all I have for you at the moment.

**Moderator:** Thank you. Next question comes from the line Mohit Jangir from IH Consultancy. Please go ahead.

**Participant:** I have 3 questions. First question is on the SIP business, so what are the normalized EBITDA margins which we are expecting in the SIP business post demerger and once the tubing plant is also operational, then what kind of expansion can we see in the EBITDA margins of SIP business?

**Shreevar Kheruka:** The SIP business, as I said earlier in this call, 25% EBITDA margins we should be able to achieve in general in the SIP business that is, post the demerger. As far as the tubing operations are concerned, the main reason to do tubing is for surety of supply. The EBITDA expansion may happen as a result of it, but that is not the main reason to do it. The main reason is that we are today dependent on imports of tubing from China. We believe there is a good substitute here, but I don't necessarily think it may expand the margins beyond the other 25% as we are talking. Of course, we will be able to sustain that margin, may be grow it by a couple of percentage points, but I don't see a major expansion in the margin as a result of the tubing plant. Yes, the revenues will go up because we can sell tubing for other applications, so revenues will definitely go up, but percentage margins may not expand.

**Participant:** Sir, the second question is on the consumer business. So, what was the percentage cost of advertising and on sales promotion in our Q1 results?

**Shreevar Kheruka:** It is a good question, I think it should be about 7-8%, but Rajesh can you confirm this?

**Rajesh Choudhary:** Yes, it will be in the range of 5% to 6%.

**Participant:** Is it 5% of consumer product business or overall sales?

**Rajesh Choudhary:** This is for the consumer products.

**Participant:** Only consumer products, okay.

**Shreevar Kheruka:** Because we don't need to advertise for our scientific.

**Participant:** No, it is on overall sales or only consumer product sales, the number?

**Shreevar Kheruka:** Consumer sales.

**Participant:** So, my last question is on the Borosilicate glass plant which we are setting up in Jaipur, so while we have our consumer glassware units in Bharuch or Ankleshwar I think, we will be manufacturing the Borosilicate glass in Jaipur and supplying it to Bharuch, so is my understanding correct?

**Shreevar Kheruka:** No, whatever is made in Jaipur will be shipped directly from Jaipur to our customers.

**Participant:** And will it be an electric furnace or?

**Shreevar Kheruka:** Yes, all is electric, 100% electric furnace.

**Participant:** So, are we looking to sign any private PPAs to mitigate that higher electricity cost?

**Shreevar Kheruka:** Yes, there is a very new interesting law come out which allows us to buy power across state lines without too much billing charges. So, we just started to understand this new law. If feasible we can probably set up a solar wind hybrid project and buy all our power from that and that will dramatically reduce the cost of power and have a very good payback for us.

**Moderator:** Thank you. Next question is from the line Vipul Anopchand Shah from Sumangal Investment. Please go ahead.

**Vipul Anopchand Shah:** My question is regarding pharma packaging business, it has shown a decline year-over-year, so can you attribute any reason for that?

**Shreevar Kheruka:** Last year, we had a very large increase in demand for vials, specifically for Remdesivir, which was the COVID drug and obviously this year is zero demand for that. So, a large chunk of our sale was like one-time sale last year. But actually, in spite of that decline, if you look at the trend you will find that in Q1FY22 we grew by 70% over Q1FY21 and then there was a 5% decline in Q1FY23 over Q1FY22. So, we still have a very healthy CAGR. In other SIP business segments, we were able to grow. So, actually it was not a bad performance at all. For the pharma packaging business last year, the overall growth of that business was more than 60%, so I think even if we grow 10, 15, 20% this year, that would be kind of a consolidation of the non-COVID business going away and some new customer being added. So, net-net if we can sustain that big jump and go a little bit more on top of that, I think it would be a good outcome.

**Vipul Anopchand Shah:** And within the scientific business pharma packaging will have higher EBITDA as compared to laboratory glassware and instrumentation?

**Shreevar Kheruka:** No, it is much lower.

**Vipul Anopchand Shah:** And sir, lastly regarding this proposed duty on the Opalware, what will be the implication for the company?

**Shreevar Kheruka:** Well, I think it is actioned now, so there is no propose anymore, it is done. There is no real implication except that whatever duty was currently there it continues for the next 5 years, so there is no change, its status quo, frankly.

**Vipul Anopchand Shah:** Ok, it was already existing?

**Shreevar Kheruka:** Yes, it was existing for last 5 years.

**Moderator:** The next person to ask question is Mr. Praveen. Please go ahead.

**Praveen:** So, I have 2 questions Shreevar, one related to the pharma packaging as you are doing some CAPEX as well, so what is the revenue opportunity out of that CAPEX and what is your annual target for the pharma packaging division?

**Shreevar Kheruka:** I think internally we believe that we can double the business in the next 4 years in pharma packaging and if last year we did roughly Rs. 100 crores, can we do Rs. 200 crores by 2026.

Yes, I think it is very possible to achieve that and that is something we would be driving towards. As far as the CAPEX, for that doubling, we probably need about Rs. 65 crores which we already mentioned. The other opportunities beyond this in pharma packaging which are quite attractive, we are evaluating that as we speak and if something comes about there, then we will have to spend more CAPEX to make that happen. But that is still on the drawing board, so we will come to it when the time is right.

**Praveen:** Now, the next question is related to the non-glass consumer division where we had seen a very good strong growth for a quarter and that is almost of 40% contribution to your consumer division right now, so can you elaborate on that which product is getting more traction and do you believe this contribution numbers to continue in the similar run rate in the rest of the years?

**Shreevar Kheruka:** Look I think our team has done a fantastic job in stretching the brand beyond the glass. So, Borosil was a transparent glassware brand, then we added Larah and now we added steel and other appliances, Hydra appliances and stainless-steel cookware. So, the traction has been beyond our own expectations, and I think this traction is very much likely to continue. In fact, the demand for those products is increasing a lot especially, for example, Hydra bottles because people don't want to drink in plastic bottles anymore. These steel bottles are incredibly cost effective, value for money and also, they keep your water hot or cold as you like for 24 hours, so it is a really high value product and there is a lot of utility for customers. Therefore, we think these bottles are here to stay and with bottles you have designs, you have so many things you can play with. We are the sponsors of the Indian Olympic Association, so the whole sporty association, it goes into the gyms, it goes into the schools for kids, obviously for work for both men and women who are going to work carrying their own water. It is a very large market opportunity and we have captured it reasonably well, I would say. So, that has done very well for us and appliances across the board have done very well for us. Both those are major contributors to the non-glassware.

**Praveen:** And these have a similar margin to your consumer division or?

**Shreevar Kheruka:** No, margin is a bit lower, but frankly monitoring margin is one thing. On this front, monitoring return on capital is much more interesting because there is no CAPEX here. It is only working capital that is deployed here. So, if I am able to rotate my inventory and my receivables, 4 times I generate 24% ROCE on my business, I am very happy here.

**Moderator:** Thank you. As there are no further questions, we have reached the end of question-and-answer session, I would now like to hand the conference over to the management for closing comments.

**Shreevar Kheruka:** Thanks everyone for your questions. I hope I was able to answer them to your satisfaction. It was a very good quarter and I think the best is definitely yet to come. We are very bullish on the future and with our new production capacities coming in later this year for Opal and next year for the Borosilicate press items plus new categories and scientific products kicking in, I think we are really well placed for the long run. So, that is our vision, not to look at every quarter, but look at how we can achieve market leadership in 3 years, 5 years, 10 years and that is what we will be gunning for. So, thank you for your support and see you in a few months.

**Moderator:** Thank you. On behalf of Edelweiss Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.