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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 Monday, May 31, 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 Q4 FY '21 Earnings Conference Call hosted by Edelweiss Broking Limited"

May 31, 2021

MANAGEMENT:	**MR. SHREEVAR KHERUKA – MANAGING DIRECTOR AND CEO, BOROSIL LIMITED**
	MR. RAJESH KUMAR CHAUDHARY – WHOLE TIME DIRECTOR, BOROSIL LIMITED
	MR. ANAND SULTANIA – CHIEF FINANCIAL OFFICER, BOROSIL LIMITED
	MR. SWADHIN PADIA – GENERAL MANAGER, ACCOUNTS, BOROSIL LIMITED
MODERATOR:	**MR. PRAVEEN SAHAY – EDELWEISS BROKING LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q4 FY ’21 Earnings Conference Call of Borosil Limited hosted by Edelweiss Broking Limited. As a reminder, all participants’ 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 ‘*’ and 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 Limited. Thank you and over to you, Mr. Sahay.

Praveen Sahay: Thank you Rutiga. Hello everyone and Thank you for joining to the earning call of Borosil Limited. On behalf of Edelweiss, I would like to welcome the Management team of Borosil Limited to discuss the results and the outlook ahead. We have with us Mr. Shreevar Kheruka, Managing Director and CEO of the company, Mr. Rajesh. Kumar Chaudhary, Whole Time Director; Mr. Anand Sultania, Chief Financial Officer; and Mr. Swadhin Padia, General Manager, Accounts, so without taking much time, I will just request Mr. Kheruka for his opening remarks and then after that we will start the Q&A. Over to you, Sir.

Shreevar Kheruka: Thank you Praveen and thanks Edelweiss for hosting this call. Good Afternoon everyone, it is a pleasure to be interacting with you all again. Borosil Limited’s Board approved the company’s financial results for Q4 FY ’21 and the entire Financial Year ’21 on May 27th. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s website.

Let me start with providing an overview of our business performance for the past quarter of Q4. Revenue from operations during Q4 was INR 184.1 crores, which is a growth of approximately 30% over the corresponding quarter in the previous year. The scientific products business which comprises lab glassware, lab instrumentation, and pharma packaging grew by 19% over the same quarter and registered a revenue of INR 66 crores. On the other hand, our consumer products registered a growth of 37% over Q4 FY ’20 with a revenue of INR 118 crores during this quarter. The company (which is Borosil consolidated) recorded an EBITDA of approximately INR 38 crores during Q4 FY ’21 as against an EBITDA loss of INR 3.1 crores over Q4 FY ’20. Profit before tax during the quarter was approximately INR 28 crores as against a loss before tax of INR 13.7 crores over the corresponding period in the previous year. During the quarter, the company had to make a higher deferred tax provision. Consequently, the profit after tax was INR 18.4 crores as against a loss after tax of INR 10.6 crores in Q4 FY ’20.

Now, coming to the operating performance during the Financial Year ’21, revenue from operations was approximately INR 585 crores as against INR 636 crores in FY ’20. The decline of 8% as you know is on account of the impact of COVID-19 during FY ’21 and this was more particularly felt during the first half of the financial year when a hard lockdown was imposed across the nation for many months. Operations during Q3 and as I just outlined in Q4 have rebounded well. In fact, at the end of the first half of the year, if we had figured that we would have a sales decline of only 8% , I think we would have been surprised. So, we are quite happy with the performance at the second half of the year.

Consumer products achieved a revenue of INR 385 crores in FY ’21 which is a decline of 11.3% over FY ’20. Again, you may recall that during the first half of the year, the sales of consumer products were lower than the corresponding period of the previous year by as much as 45% and the second half in contrast did much better with a growth of about 19%.

As I mentioned in our previous calls, we would share breakup of our sales in defined segments. In line with this, I can share that our consumer products sales of INR 385 crores in FY ’21 comprises three segments, which is sales of our glassware, which was about INR 104 crores and non-glassware which includes things like appliances and hydra bottles was about INR 139 crores and opalware was INR 141 crores. Glassware comprises our microwaveable range, the vision glass range, and the more recent introductions of storage, lunch boxes, glass bottles. Non-glassware includes items already mentioned and opalware of course is serving range under the brand, Larah. During FY ’21, glassware suffered a decline of about 34% against an overall decline in the consumer division of about 8% and the main reason for this is that the pandemic had a significant impact on this performance of this product segment because many of our products were not classified as essentials in this segment. Even after gradual lifting of the lockdowns, schools remained shut, and offices opened only partially and items such as lunchboxes which had got very good traction in the previous year, could hardly see any demand. Moreover, consumer sentiment for items of discretionary consumption are expected to have a slower and more measured recovery. Similarly sales in Larah declined by about 8.5% to 9%. One of the sources of demand for Larah is gifting. With celebrations being curtailed during FY ’21 owing to COVID, occasions of gifting have reduced, and resulted in some decline in demand for Larah. However, again in the second half of the year, we saw a very good bounce back in the segment as well. As part of our strategy, to broad base the consumer occasions to purchase Larah, we have taken many marketing initiatives in order to bring down the dependence on gifting.

While COVID impacted the performance of consumer glassware and Larah in our portfolio, the non-glassware segment achieved a healthy sales growth rate of 15%. Though the initial part of lockdown hampered sales, the increase in the trend of in-home cooking and dining increased the demand for kitchen appliances that delivered convenience, steel serve fresh as well as hydra bottles as consumers have become more conscious about carrying their own water or any other drink.

Notwithstanding the lockdown in India and restriction of movement of goods across international borders, our scientific products achieved sales of INR 200 crores, a slight degrowth of about 1% over FY ’20. However, this does include the impact of Ind-AS 115 and this was material this year because in the last year in March towards the end there was hardly any shipment. If it were not for this impact, sales would have shown growth of 13%. Our sales of lab glassware declined by 11%. Sales during the year for lab glassware was impacted largely due to budgetary constraints in Government laboratories and education institutions remaining shut through the year.

Our lab instrumentation business under LabQuest is getting traction and grew by about 8%. With over 60% of the market share in the lab glassware, Borosil has a wide customer base across industries and institutes where labs exist and this approximates about 8000 customers. This gives us very low customer concentration risk, as also a large network of customers for our LabQuest team to tap into. Our pharma packaging business of glass vials and ampules under Klasspack achieved robust growth of about 28% in this year. During the course of FY '21, we received limited orders for vials for the COVID-19 vaccine, however, our vials have been approved for use by a number of vaccine manufacturers and even though the orders so far have been pertaining to trial runs, as we see more COVID vaccine manufacturers going into larger commercial products, we expect to be called upon to service larger orders. The growth in pharma packaging has come from fulfilling other COVID related requirements such as Remdesivir and more recently amphotericin. However, we also look at other products such as Voveran, Betanesol, Dexona, neurobion and many more which have given us good demand in the past year and will continue to do so in the year ahead.

Net revenue of pharma packaging business during FY '21 was INR 57.5 crores and approximately 57% of our capacity was utilized.

Besides diversifying our product range beyond lab glassware and lab instrumentation and pharma packaging, the company has also added another vector of growth through geographic expansion. As I mentioned in the past, this requires a steady brick-by-brick building. During FY '21, exports of scientific products grew to comprise about 10% of the division sales.

Given the uncertainties during the year, the company took steps to manage its cash flows and expenses were scrutinized very closely. The opportunity to examine all lines of cost critically was taken and items of expenditure were curtailed or eliminated. Some of these will be of a permanent nature. So, in spite of a decline in sales by 8%, EBITDA for the year at INR 99.1 crores registered a growth of 13.4% over the previous year and EBITDA as a percentage of net sales was at 17%. Profit before tax during FY '21 grew by 40.5% while profit after tax grew by 19.9%. PAT as a percentage of total income was 7.2%.

The effective tax rate during the year was 30.8% owing to higher component of deferred tax. The tax expense for the company in FY '21 was INR 19.6 crores as compared to INR 9.3 crores for the previous year. The reason for higher tax expense for FY '21 is due to an increase in applicable tax rate for the company from 29.12% to 34.94%, and therefore, the company has computed its deferred tax for FY '21 using the rate of 34.94%. The tax expense is higher by INR 3.2 crores due to this. As also the tax expense for FY '20 conversely was lower by approximately INR 4 crores due to utilization of brought forward business losses.

As we have stated in our published results, there was a fire on April 1, 2021, in the warehouse situated at our Bharuch plant resulting in loss of property including inventories of finished goods, raw material etc. Fortunately, there were no human casualties or injuries. We are in the process of estimating the impact due to fire. However, the company has adequate insurance in place to cover the damages.

While managing the profitability of the enterprise, the company has also focused on improving its return on capital employed. The operating ROCE of the company during the year was 16.1%. During FY '21, the company earned an EBIT margin of 11.8% of revenue. With growth, the company expects operating leverage to kick in as overheads and advertising expenses get absorbed over a larger base. We will also try to improve EBIT margins, more particularly in segments such as Larah through improved product mix and rationalization of packaging cost.

The operating capital employed in the business at the year end was INR 327 crores. Roughly two-thirds of the capital employed, that is, INR 223 crores was engaged in the consumer business. This was brought down from a level of INR 311 crores in March 2020. The scientific business employed capital of about one-third of the total capital which is INR 103 crores. This too was brought down from a level of INR 142 crores in March 2020. The working capital deployed in the business during FY '21 was 71 days of sales as compared to 105 days in FY '20. At a scale of INR 1000 crores revenue, the company can expect to generate an operating ROCE between 20% to 24%.

Besides the operating capital employed in the business, the company has surplus funds of about INR 246 crores and also carried goodwill and strategic investments aggregating to INR 126 crores. The strategic investments relate mainly to our investment in Klasspack. The total optical ROCE inclusive of this was 8.9%.

As of March 31, 2021, the company has as I already shared a cash chest of INR 246 crores. The company believes that it can deploy this cash in the business for efficient growth both organically and for strategic M&A. In fact, I would say this has been one of the success stories of the year where in spite of a very challenging year of operations, we have been able to substantially enhance the free cash flow from operation for the year and this reflects on a tight run operation. Our ability to collect our dues from the trade as well as from all the channels we sell through has been excellent and we do not expect any significant bad debts in the year.

Coming to a different topic, the year of COVID, the year '20-21 was extremely difficult and we all know that the economy came under the grips of COVID-19 as well as all the people came under the grip of COVID-19. The business environment was very stressed. In these trying circumstances, business models and robustness of strategy gets tested more acutely. Borosil's performance during this year in this context was more than satisfactory. The benefits of Borosil's strategy of creating multiple and diversified legs of growth have been more pronounced this year. We believe that each of the company's two divisions, scientific and consumer products, has a specific role to play. Scientific provides solidity built on long-standing customer relationships with repeat business, steady cash flows, and healthy return on capital employed. Consumer products propels growth by leveraging Borosil's brand and the ability to exploit an underpenetrated market opportunity.

The lockdowns induced by COVID resulted in significant disruption for several businesses across the country. Borosil scientific product division bounced back very quickly as it was categorized under essential goods. Consumer products was impacted by restrictions imposed and faced a challenge of lower consumer confidence and curtailed spends on items of discretionary consumption over an extended period. On the other hand, demand for scientific products particularly for pharmaceutical packaging saw a step jump. Borosil's two divisions complement each other and have derisked the growth aspirations of the company.

Within the scientific division, Borosil has built diversification into its customer base in addition to its large set of customers across education institutions and Government laboratories, its products are widely used for the pharmaceutical sector in India. Consequently, while the former two segments were constrained in their budgets during the year, the pharma segment for lab glassware and glass packaging supported overall growth. Besides the entry into pharma packaging in 2016, Borosil entered the lab instrument segment through LabQuest and is making inroads into the overseas market for lab glassware.

In consumer products, the company has diversified from a narrow range of microwavable dishes and vision glasses to Opal serving ware, non-glass serving, kitchen storage, on-the-go carrying and kitchen appliances. Once lockdown restrictions were lifted, parts of the portfolio have performed well. Though items such as lunchboxes are yet to see demand return while schools and offices remain shut, there is an increased interest in kitchen appliances as consumers are dining in and have taken to experimentation and hobby cooking. Borosil has also built a robust go-to-market strategy reaching its customers through multiple channels. Apart from traditional or general trade, large format stores and the canteen stores department, the e-commerce channel has also provided access to consumers through marketplaces as well as the brand's own website. While sales through offline channels suffered on account of lockdowns and social distancing requirements, e-commerce sales experienced very strong growth. Once again our go-to-market diversification has stood us in very good stead.

Our well-diversified strategy has helped to protect the business during the upheaval of the last year and we believe has made us well poised for multi-pronged growth as the business environment and consumer confidence improves.

We are strong believers in people and culture being our most valuable assets. I have often said that the biggest reason for our success so far has been the quality and the commitment of our talent. Strategy creation and operational execution happens through our teams, providing them with a conducive environment and opportunities to perform to the best of their abilities, learn and grow are critical to the company's success. A crisis such as that resulting from the pandemic, is a moment of truth.

Our teams and the company itself stepped up during the challenging times over 2020-21. It was a time to show care and concern. For the families impacted the most wherein an employee succumbs to COVID, the company decided it would continue to pay salary to the family members for another two years and also cover financial requirements of the member's children's education until graduation. A team has been formed to assist all members and their families from testing to post-hospitalization care wherever required. Emergency medical loans were approved and continue to be approved and disbursed online with minimum turnaround times. Team members also made financial contributions to help their colleagues get appropriate hospital care and recover. Our HR and administration teams ensured that they called and maintained one-on-one contact with all team members to check on their well being and assist in resolving operational hazards. Members could also speak with a psychologist and psychotherapist to manage anxiety, work-life balance, communication across team, and tips on parenting during lockdown. Regular communication to all team members was initiated, so that members were kept informed of the company's priorities, actions being taken and any concerns were allayed. For new employees, Borosil kept its commitments on offers made just prior to the break of the pandemic. Our team has shown a lot of resilience and all these measures helped us to continue to function under trying circumstances delivering results and keeping our customers satisfied. So, it has been a challenging year, but I think we have come through with flying colors. I am now happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Praveen Sahay from Edelweiss Broking Limited. Please go ahead.

Praveen Sahay: First of all many congratulations Sir for good set of numbers in the quarter and the year in this difficult scenario. Now my first question Sir is related to the opalware and this quarter you have done a very exceptional performance of nearly 52 crores of sales. Is there any pent-up demand also included in that or this quantum run rate can be carried forward in the coming years barring the normalization and also which channel has contributed largely like e-commerce or retail touch points, from where this sales has come in the fourth quarter?

Shreevar Kheruka: Thanks for the question, as far as the run rate is concerned, I think INR 51 or 52 crores which we did in Q4, I believe we can be close to that in a normalized situation because in Q4 we operated at 100% capacity utilization. In fact we may have sold some products from inventory too, but we could probably be within 10% of that as annual run rate of sales, that was till Q4. Of course, unfortunately in Q1FY22 again we have had lockdowns. Many shops are closed so that may again get impacted in Q1, but we are quite confident that whenever these lockdowns do finish, I do believe that we can hit that run rate. If we see this, we may have to expand our production, which we are monitoring very closely .

Praveen Sahay: Secondly, from which channels from the retail outlets?

Shreevar Kheruka: It is very broad based. It has been across general trade, large format stores as well as e-commerce.. I would not say that any one channel has given us some exceptional sale which has allowed us to deliver that number. As I have mentioned in the past, we will not be sharing a channel wise breakup of sales revenue, but I can say that all the channels have been doing well.

Praveen Sahay: Secondly, on your pharma packaging, we have seen good improvement in the quarter as well as for a year. So, what is your target for this pharma packaging, how big you can make it in the next couple of years?

Shreevar Kheruka: Pharma packaging it is a very large business opportunity. To my understanding, if I just look at ampules and vials in India, it is a INR 700-800 crore market and that is growing. Especially with COVID that opportunity has increased in size. We are today only at about 57% odd percent capacity utilization, so I believe that without much CAPEX, we can still hit about INR 100 crores and if we get substantial orders of the vials for vaccine then probably we could be very high capacity utilization this year itself. We will be investing in that business and we will be growing our capacity. We were waiting to hit about 80% capacity utilization before we invested more, but I think we are almost there now, so we will be investing in that business and not just in increasing the capacity for ampules and vials but also probably maybe in new product categories in pharma packaging. So, those things are in discussion and maybe in the next quarter or two, we can throw further light of what is the quantum of CAPEX required and over what time period.

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

Ca Arun Maroti: Thanks for the opportunity Sir. Sir in your opening remark you told about the cash balances of around 246 crores, so I would like to know Sir that what kind of organic or inorganic opportunity we are looking for, it will be helpful for us if you can tell?

Shreevar Kheruka: On the organic front as I mentioned, I think we would be investing in our pharma packaging business on the scientific side of the business. I do not have any numbers right now to share with you, but there could be some CAPEX there over the next couple of years. On the consumer side of the business I think we may need to expand our opal glass production that will also require some CAPEX. We share this with our Board and then with our investors maybe in the next quarter. So, these are two larger opportunities which we see which are immediate and that would require CAPEX of reasonable size. Inorganic there are always opportunities that we are continuously evaluating. It is very hard to predict when anything clicks. We are continuously looking out to see which companies could be attractive in these two segments and would be happy to consider any opportunities there, but there is nothing right now to talk about, but anything could come up at any time.

Ca Arun Maroti: One thing about Sir our operating margins, what extra efforts you are planning to do for improving that because when I compare with our competitor still it is at the lower side?

Shreevar Kheruka: Yes, we have discussed this a few times. I guess you are talking about opal glass because that is the one where we have a direct competitor. Our operating margins there have been around

25% to 28% in terms of EBITDA margins. And there are two gaps, one is the advertising and sales promotional expenses which I have been saying for a while that we are spending more and that is likely to be continued. The second is some packaging expenses which we are working as I also covered in my opening remarks, which will hopefully help us bridge that gap. These are the only two areas frankly which are the main gaps between ourselves and our competitor. One may not go away and the second one hopefully we can reduce the gap over the next 12 to 18 months.

Ca Arun Maroti: One more question Sir, most of the good companies which are tech enabled probably their result within 30 days, but we take some more time, so this is a suggestion that if we can publish earlier then it will be helpful for us?

Shreevar Kheruka: I appreciate that. Firstly, we are very tech enabled. We run SAP and we have real-time data, so it is not a question of the results being ready. We wanted to do a full proper audit and because of COVID it may have taken a bit longer, but I will take your input and we will consider that for the future. Thank you.

Moderator: Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.

Manish Poddar: Sir, I have two questions, one is on the ad spend, so can you give me a breakup of the ad spend done for Larah brand in specific and I believe the remaining ad spend would be for Borosil as a company brand right, so can you give me a rough breakup and what is the outlook because this year we are let us say a percent correction up there largely given the same calibrated spends given the lockdown, so what is our outlook?

Shreevar Kheruka: Look firstly I will give you the ad spend two divisions, consumer and scientific. What you see on the presentation is the overall consolidated percentage of net revenue which is spent, but ideally that should be divided only by the consumer division because the ad spend on the scientific side is very, very low. Most of the ad spend I would say 90% of the ad spend would be on the consumer side of the business. Now, within consumer it is challenging to break up between Larah and Borosil. In any case that will be challenging for me to share with you, but I can tell you that it is basically more or less in proportion with the revenues of the Borosil brand as well as Larah brand. There would not be a very big gap between what we spend as a percentage of revenues on the consumer side for Borosil and for Larah. Coming for the current year, yes normally we benchmark about 10% advertising and sales promotion of our consumer sales. With the lockdown having been implemented again, obviously we have had to pause the ad spend for April and May, but we are still budgeting the entire amount assuming that in the next couple of months things will improve. We have not reduced it. Obviously, we will take it as it comes. If we see that the lockdowns are not going away as anticipated then we will not be spending that much money. These are costs which are spent on a month-on-month basis. You do not make any large commitment right at the beginning of the year, so we can also tweak it depending on market situation. In a business as usual scenario, I would say 10% of our consumer business is what ad spend is likely to be and roughly the same in proportion for Borosil brand and Larah brand.

Manish Poddar: Okay, and the second one is let us say could you probably help me understand how much of the sourcing is from China now and have we taken any commensurate price increases for let us say all the supply disruption which have happened or cost inflation?

Shreevar Kheruka: Yes, we have some sourcing from China, the percentage I do not have on the top of my head but it is reasonable. I would say 20%-25% maybe and according to me we have increased our pricing across the board wherever we have seen price inflation. So, I do not see that impacting our gross margins in a material way yet, although it is funny how prices are increasing literally every week as far as the commodity prices are concerned. So far we are okay, but going forward if there are further price increases, then we will have to take a call whether to pass it on or to absorb some impact. That is a call we will have to take as we go forward. On the glass side of the business, we do not see too much in terms of inflation, though certainly freight rates have gone up. On the non-glassware part of the business or the consumer business, there is inflation because it could be steel or it could be copper pricing.

Manish Poddar: Just on this consumer care, let us say this 200 crores order sales, any idea how much would be now online sales, would it be let us say three digit number now?

Shreevar Kheruka: It will not be that high yet, but it may get there soon.

Manish Poddar: Sir, I just wanted to understand a lot of these players across I would say brown goods and all these five or six listed players have got massive on online, this is the channel going on right now during the scheme of things, so who in your view has the right to win in this channel, because a lot of this pricing is still dictated by the channel?

Shreevar Kheruka: I think the right to win is the guy who has the best backend in terms of the technology or the data analysis and the ability to get customer data, market to them, and deliver within 24 hours or 48 hours which is expectation of the customer and solve customer’s complaints. So, to me it is not a product, it is a service that we need to offer and the person who offers the best service will win. It is as simple as that.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Sir, congratulations for a good set of numbers, can you break up the EBITDA margin for the two divisions separately if it is possible?

Shreevar Kheruka: We do not share that data. You can get a general idea if you look at the segment wise analysis which is published, but we do not share a detailed break up yet. We have just started sharing little bit more information including the breakup of sales within our division. We will take a call on sharing that in the future if we believe that is the right step, but directionally I can tell you that the scientific division has a higher margin than the consumer business as a percentage.

Vipul Shah: Okay, regarding this vials and ampules business what is our annual capacity and what was the capacity utilization in that division as of March 31, 2021?

Shreevar Kheruka: I shared that in the opening remarks. Our capacity utilization was about 57%. You can assume that the annual capacity is about 100 crores of revenue. That is the weighted average because it is hard to define capacity because there are so many different sizes of product, so the capacity differs from size to size.

Vipul Shah: So can we expect much higher capacity utilization in the current financial year in view of this vaccination programs?

Shreevar Kheruka: That is what I alluded again in the opening marks that we are likely to achieve that higher capacity utilization in this year. That business seems to be on a growth path now, much more aggressive growth path.

Vipul Shah: It should be in upwards of 90% or so can we assume?

Shreevar Kheruka: I do not want to give any numbers because it is too early to say, but obviously our goal will be to achieve 100% for capacity utilization.

Vipul Shah: Lastly, Sir you alluded that you source substantially some 20%-22% from China. What exactly do you source from China? Do you just source the entire consumer ware and sell it under our brand or what is this?

Shreevar Kheruka: Some consumer appliances we source from China and some of the steel products that we sell we source from China. That is the bulk of the sourcing.

Vipul Shah: These two items we simply import and sell it under our name?

Shreevar Kheruka: It is not so simple. We do not simply just import. We have a full design and development team in our company and we design and develop the products with our bill of materials, with our specifications, what steel to use, in case of appliances whether to use copper for our motors, what is the quality of the motors, the rating of the motor, the electronic chips every single thing which goes into the product is specified by us. We do the product testing and we do it at the vendor, the vendor is only an assembler. The vendor assembles the product as per our specifications, our product design and we do the testing at the vendor's location, we do the testing after it arrives here, and we have the full after sales support, after sales service network. So, it is not a trading business per se. Trading is when you just buy and sell something, but here we do the whole designing and all of the things that I mentioned.

Vipul Shah: Lastly, what is our R&D budget, what was our R&D spend last year Sir?

Shreevar Kheruka: I think if I look at Borosil Technologies we must have spent about INR 6 to 7 crores in Borosil Technologies last year. So, that would be our main R&D. We also do some other R&D which is not classified as such but maybe altogether would be probably spending INR 8 to 10 crores is my sense, including Borosil Technologies.

Moderator: Thank you. The next question is from the line of Mohit Jangir from Investing Hut. Please go ahead.

Mohit Jangir: Sir, first of all congratulations for the steady set of numbers, so my question was about the working capital employed in Klasspack and Larah, and what is their ROC in these businesses, so if I can get the data separately for those businesses?

Shreevar Kheruka: I do not have it offhand, but I will check with my team whether we can share that or not. In both the businesses, I think there has been substantial improvement in the last year compared to the year before, but I do not have the numbers off hand.

Mohit Jangir: My second question was about LabQuest. In the investor presentation you mentioned that the current market size of lab instruments is around 150 crores, so as of now Borosil is doing revenues of 16 crores, so we are having close to 10% market share, so how are these going to include this because in Borosil Technologies, we manufactured home appliances well, so how are we going to improve this business in LabQuest and what are the margins in this?

Shreevar Kheruka: Firstly when you said INR 150 crores, this is for the products that we currently manufacture., The overall lab instruments is a bigger category. The market size would be north of INR 500 crores maybe even a 1000 crores. It depends on what other instruments we have the capability to manufacture in our company. This itself will be expanding not just the market share. We will be expanding the market coverage by getting into newer and newer instruments as we get more and more credible in our production capabilities. So, that answers the first question. As far as LabQuest is concerned, today it is a mini-lab instrumentation business. We have not yet extended this budget to consumer division although we are figuring out the right approach to that and that may happen soon, but right now we are not doing that. So, whatever research we are doing on lab instrument and consumer business is separate. Coming to margins, we do not share that for the lab equipment although I can say that the gross margins on a weighted average basis could be better than for glassware business.

Mohit Jangir: Sir, my final question was about Larah in the annual report of FY '20 you mentioned that Larah can do 200 crores of revenues on full utilization, but in last quarter Larah did 58 crores and now 51 crores, so are we outsourcing these products and then selling to market so what is?

Shreevar Kheruka: We do not outsource anything. That was all from inventory because the first half of the year was very low. So, that has just come in from inventory. We manufacture 100% of the opal products in-house.

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 Sir. Sir my first question is on your lab ware business, now last year in H1 since the schools and colleges were basically shutdown, so we could not do much in terms of sales to those two institutions and they I believe form a large part of your sales. Now, this year again due to the lockdown, the situation is I would say more or less similar, now the sales that you have done in Quarter-4 of this year of around 50 crores. So, do you believe that this is a doable number let us say multiplied by four for the full year or again you will do somewhere closer to what you did in FY '21?

Shreevar Kheruka: I will just correct one thing you mentioned, the schools and colleges are not a large proportion of our sales, it is about 10% of our sales. The other area which is research and development like Government funded labs, they were also closed for a large percentage of the time last year and that maybe another 15 odd percent of our business. A vast majority of our business is in pharma and we see that pharma business will continue growing. Schools, colleges we do not expect to open through this year, so it is unlikely that there will be much of a change in the schools and colleges businesses, but in research institutes which are Government linked which were closed for a large percentage of last year will in my opinion open up and already we are seeing them open. But there it depends on Government funding, so Government has many priorities right now to fund COVID vaccine and many other let us say core projects. What impact it will have on the funding for research institute is yet to be seen, but I think they will get some funding. So, we should see an improvement this year compared to the last year in that segment and pharma as you know should continue growing. Also in lab products, the last quarter (Jan to March) is a higher quarter for sales, so it maybe 35% of the annual sales in that one quarter and not 25%. Multiplying what we did in Q4 in the lab glassware business by four times may not be the appropriate way to look at it, but certainly I feel that we will do better than last year in that business because last year the Q1 was very low and Q2 was low as well. I think we will do better. Question is this is not going to grow at 25%. The lab glassware itself may grow in the single digit percentages only.

Manav Vijay: Sir, my second question is on the Klasspack. Now FY '21 utilization was 57% and you said that year '22 looks good because of the demand and everything, and I believe that it is a business where you have decent operating leverage as well. So, now since you do not share breakdown the margins I would say the margin trajectory between the lab ware and Klasspack so you ended FY '21 with around 16% kind of a segmental margin and you had 19% for Quarter-4. Now for this year FY '22 with I would say scientific lab ware business growing let us say 10% or 15% and the Klasspack almost doubling in sales, can we expect the margins of this full segment to be closer to Quarter-4 number for the entire year?

Shreevar Kheruka: It is hard for me to predict what the margins will be. I want to again correct one thing that you mentioned. In Klasspack you mentioned doubling of sales. We do not have the capacity today to go from 57 odd crores to 115 Crores. , I already mentioned that our total capacity maybe of 100 crores, so at best we could go up by roughly 60%. Even that will be a challenge, but that is what we would like to see as a number. Whether it happens this year or the next year we expect to see that as a number. Operating leverage is certainly there and yes you are right, I think overall as Klasspack grows which is today a little bit of drag on the scientific margins overall, I do believe that whatever we see in Q4, we should be able to achieve that as we go forward for the whole year. I also believe that for last year looking at margins is a bit of a challenge because the first half was just so bad, the blended margins for the create a little bit of a confusing picture. The first quarter was deeply into a loss and normally we do not see that in our business. I do expect that whenever we have normalcy and again this year are having a tough on-going first quarter. but whenever we see some normalcy, we should see far improved margin on the overall business and the ROCE target I have already shared during the call between 20% to 24%. I believe we can do it if we have one good normal year. Then from there we will see what next targets to take.

Manav Vijay: Sir, my third question is actually on Larah, so I believe in FY '20 and FY '21, you were running two projects, one was to have the warehouse and the second was the furnace. Now, if you and I believe that both these things were supposed to help you to have a better margin profile, if you can help us to understand whether both the projects are now over and if let us say in FY '22, you do have a sales growth then this 28% to 30% kind of an operating margin that you shared I believe to the last participant, that number is possible?

Shreevar Kheruka: Yes, both the projects are over and that number of about 25% to 28% is absolutely possible. If we do INR 200 crores of revenue then for sure we will hit that number.

Manav Vijay: Sir, my last question would be on basically the cash that you have, so you have now 250 crores of cash on books, I believe that you still have some roughly 40 to 50 crores of investments in real estate funds, so all that cash has come back or that is still to come back to you because I believe that you have some lock-in on those funds?

Shreevar Kheruka: We have about INR 40 crores if I am not mistaken as of March 31st out of the INR 250 crore. That number itself is down from the year before, I think we got back about INR 10 crores last year. I expect further roughly INR 20 crores should be redeemed in the next say 12 to 18 months and the balance INR 20 crores that is locked in for little bit longer. It may take two to three years for it to come back. You know the last commitment we have made in that kind of category was back in 2015-2016 or thereabouts. Now it is only the commitments we have to draw down, which were drawn down over maybe '18-19. So we have to wait for the four-five years since the last commitments have been drawn down to get the money back. All the fresh cash which came in this current year from the operating cash flows have all been invested in liquid funds and other AAA kind of instruments.

Manav Vijay: So you mentioned that around this 40 crores of real estate funds forms part of 250 crores or it is outside?

Shreevar Kheruka: It is part of the INR 250 crores.

Manav Vijay: Sir, the last question from my side, is that in Quarter-3 call it was mentioned that for FY '21 we will have a tax rate of around 19% whereas we actually have ended around 30%-31% kind of a number. You explained that is because of the DTA, if you can guide us for FY '22 as well that would be helpful?

Anand Sultania: For '21-22 our tax rate will be in the range of 35%. The base tax rate will be 30% and after adding the surcharge and education cess, it will be in the range of 35%.

Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities And Finance Limited. Please go ahead.

Binoy Jariwala: Hi Shreevar and congratulations on the fantastic improvement in the balance sheet and lower working capital. I have got two questions here, assuming that you hit your peak sales of about 100 crores in the coming year in Klasspack, would you still hold that our margins historically you maintained that Klasspack has margins of about 13%-14%. So, would you still hold that the margins will be this range, just trying to understand how much gains could come from operating leverage in this business, what kind of margins can we look at this business at full capacity?

Shreevar Kheruka: My best guess it will be around 22%, my best guess at INR 100 crore revenue.

Binoy Jariwala: The second point was on working capital, you have done some very solid improvements on working capital, how much would you say of this is sustainable or all of this is sustainable?

Shreevar Kheruka: There are two major functions of working capital, one is inventory and second is receivables. The receivables I believe is sustainable whatever we have done I think we are likely to see it continue. Inventory depends on the ability to grow and obviously given the current scenario, we have been a bit conservative in our inventory planning. In a scenario where things get reversed and whenever some level of normalcy comes and our sales system is in a big growth mode then I think inventory will go back to some level. It may not go back to the original amount because our inventory turns have improved, but will we be able to manage with the current inventory levels for a higher growth number, I think that is a bit more challenging. The more also we look at local sourcing, which is another theme that would make the inventory more sustainable is a two-three year journey. I believe managing with the same inventory together with growth would probably take us three years as we move from China sourcing to India. That is part of many projects already. So, I would not say the current inventory number is immediately sustainable, but over three years it could be.

Binoy Jariwala: I understand you know that it depends on growth and absolute inventory level definitely depends on the level of sales and our future prospects, but in terms of days that we have done the reduction in the number of days, would that be sustainable more or less?

Shreevar Kheruka: Yes, I think so. It could be +/- 10%, I do believe we should be in that range. I do not think we will see a big change there.

Moderator: Thank you. The next question is from the line of Amrish Kacker, Individual Investor. Please go ahead.

Amrish Kacker: Many thanks for the opportunity and full respect to the Management team for your very responsible actions on COVID-19. I think you have made the shareholder proud, thank you for that. My main question is on consumer non-glassware. I am trying to get my head around the evolution of that business and specifically around the appliances and it is difficult to understand. Of course in the current context with all the disturbance in the market, but is there something you could help guide like you explained in the opalware side as to how we should think about this because obviously the largest addressable market in what we have, so that is one part of the question? The other part of the question again relating to appliances and relating to the non-glassware parts appliances is from the consumer perspective, so I understand the journey that you have described for the consumer as to how we would like the consumer to think about us, I am trying to understand if we have any research to show whether the consumer understands Borosil as an appliance company or we still very much a glass company in their mind?

Shreevar Kheruka: Thanks Amrish. Both are good questions and I also appreciate your input on the COVID initiatives we have taken. I appreciate that very much. Coming to your questions, the way to look at the appliances business is that it is like you rightly mentioned the largest addressable market in India from a kitchen point of view. What we also see and what has evolved as a trend during COVID, has been that more and more people have become home chefs, not cooks. Cooking is something you do to just fill your stomach, but people have become chefs in the sense they are trying to cook something exotic or something interesting and that is where appliances come in. There are many standard appliances in all households which have been there for many years like the mixer grinder. Now, that is let us call it a traditional appliance, but if you look at the new types of appliances out there, whether it is an OTG, an oven-toaster-grill, so baking, whether it is waffle maker or whether it is a sandwich maker, these are appliances which have got a lot of traction in the market and the main reason is again people want to eat something perceived to be nicer or more exotic or restaurant-like in their own house. They cannot to go to a restaurant, so our participation in appliances has to be seen from this perspective that it is a change in the approach of eating food at home and whether Borosil can be one of the brands that customers rely on to deliver that change.

This obviously leads to the next question is that is Borosil seen as just a glassware brand. Look, whatever I say is obviously biased, but if we look at the numbers themselves over the last four-five years, we have built an INR 140 crore odd non-glassware business, which shows to me that we have a reasonable stretch across categories outside of glass. In fact, even in a year where our glassware sales have reduced, our appliances sales have increased and again, the proof of pudding is always on Amazon. If you go to Amazon.in, you will find many of our appliances listed there with reasonable number of reviews and also high ratings. So, obviously Borosil is not an appliance brand for everybody who we would like it to be, but have we moved the needle, I think we have. It will take time; building any brand takes years if not decades and we are happy to put in the miles or put on our shoes and make that happen. It is a part of the journey. We are still very nascent. I cannot say we have succeeded, but we have had a good start let us say and that is likely to continue. I would say the real game changer or something that could really drive growth and profitability for appliances in the future will have to be technology and what can we do at our backend to give customer delight from using our product. That is something which Borosil Technologies can probably help with because we are doing something similar on the lab side of the business. That is still a very much work in progress and if we can do that, I think we really can capture large opportunities in the area of appliances, which is the goal for the future. Not just selling variants of products already available in the market. I hope this answers your question. It is a bit touchy feely frankly and it is hard to give hard numbers on any of the things that I have mentioned, but that is where we are going and if you look at our appliances sale, I think we have made a good start.

Moderator: Thank you. The next question is from the line of Mohit Jangir from Investing Hut. Please go ahead.

Mohit Jangir: Sir, I have one follow-up question about glassware, so in January Mr. Prashant Amin said that Klasspack has capacities of 280 million vials per annum, so what are the current capacities because Klasspack, there is regular CAPEX of around 15% to 20% of the capacities every year, so what is the current capacity and have we done that 15% to 20% CAPEX?

Shreevar Kheruka: That refers to the added capacity already for this year and the current capacities is that same number. In fact, some capacities were just getting added when you were speaking, so that includes that number. As far as expanding capacity, we have placed some orders but right now as you can imagine, there are long delivery times for almost all our machines, so I am hoping that we can get some capacity addition to the range of 10%-15% in the next six to nine months. Things are a bit challenging right now from adding capacity point of view in the short run. It will correct itself certainly by the end of this year, but right now things are challenging.

Mohit Jangir: Second question was about this 100 crore target, so is it only for the vials division or is it the combined target for vials and ampules given in glassware?

Shreevar Kheruka: That is the total for Klasspack.

Moderator: Thank you. Ladies and Gentlemen, as this was the last question for today, I would now like to hand the conference over to the Management for closing comments.

Shreevar Kheruka: Thank you everyone for asking many questions and I hope I was able to give you the answers in a clear manner. I look forward to interacting again in the next quarter. It is a pretty challenging time frankly from an operational point of view for everybody in my team and I just wanted to thank everybody, all the team members for having been able to really deliver good numbers in a challenging time. Thanks to all the shareholders for supporting us through this, so thank you all and speak to you I guess in a couple of 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.