BOROSIL®
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June 5, 2023

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

Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

Please find attached transcript of conference call with Institutional Investors and Analysts held on Tuesday, May 30, 2023.

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

You are requested to take the same on records.

Yours faithfully,

For Borosil Limited

ANSHU ARVIND AGARWAL
Digitally signed by ANSHU ARVIND AGARWAL
Date: 2023.06.05 14:05:38 +05'30'

Anshu Agarwal
Company Secretary & Compliance Officer
FCS – 9921

Encl: as above

"Borosil Limited Q4 FY23 Earnings Conference Call"

May 30, 2023

MANAGEMENT:	**MR. SHREEVAR KHERUKA – MANAGING DIRECTOR & CEO, BOROSIL LIMITED** **MR. RAJESH KUMAR CHAUDHARY – WHOLE TIME DIRECTOR, BOROSIL LIMITED** **MR. ANAND MAHENDRA SULTANIA – CHIEF FINANCIAL OFFICER, BOROSIL LIMITED**
MODERATOR:	**MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Borosil Limited Q4 FY23 Earnings Conference Call hosted by Monarch Networth Capital.

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. Rahul Dani from Monarch Networth Capital. Thank you and over to you, sir.

Rahul Dani: Thank you, Seema. Good afternoon, everyone. On behalf of Monarch Networth Capital, we welcome you to the Q4 FY23 Call of Borosil Limited.

We're delighted to have the Senior Management of Borosil represented by Mr. Shreevar Kheruka – Managing Director and CEO, Mr. Anand Sultania – CFO and Mr. Rajesh Kumar Chaudhary – Whole Time Director

I will hand over the call to the management for the opening remarks. Thank you and over to you, Shreevar.

Shreevar Kheruka: So, thanks, Rahul and Monarch team for hosting this call. Wish everyone a good afternoon. Borosil Limited's board approved the Company's financial results for Q4 and FY23 on May 22nd, 2023. Our "Results and an Updated Presentation" have been sent to the Stock Exchanges and have also been uploaded on the Company's website.

We are pleased that Borosil has achieved a milestone in its journey last year. Consolidated revenues from operations crossed INR 1000 crore mark for the very first time as we closed the year ended March 31st 2023 with consolidated revenue of INR 1027 crores. This represents a healthy growth of 22.3% over the previous year. I would like to recognize and thank the great work put in by all members of the Borosil team and of course all our stakeholders, including our customers and suppliers and our shareholders, not only for the last year but in the years prior to, that has enabled building of a very strong foundation and then execution of a robust strategy. That has brought us to this milestone. I'm proud of what the team has achieved and frankly, we have just begun. There is a lot that lies ahead, and we are very energized for that.

During FY23, consolidated EBITDA, that is before exceptional and one-time items including investment income was INR 138.3 crores as against INR 168.2 crores in the previous year. The EBITDA margin contracted from 20% in FY22 to 13.5% during FY23. The income from investments was INR 1.9 crores in FY23 as against INR of 13.7 crores during the previous year. I will elaborate on the reasons for the decline in operational margins as we discussed, and the performance of each business division. I can briefly mention now, however, that part of the decline is attributable specifically to the context of the Financial Year 23 and we expect to see a bounce back to healthier margins in the current year, that is FY24. Profit before tax again before exceptional and one-time items during FY23 was INR 96.7 crores as compared to INR 133.2 crores during FY22. Consolidated PAT during FY23 was INR 90.2 crores versus INR 85.2 crores in FY22.

As we have already discussed in the previous quarters, the exceptional and one-time items pertaining primarily to a provision for loss of property caused by fire and floods in the previous year and receipt of insurance claims and gains on sale of non-core real estate properties in FY23 are the main differences. Full details are available in the notes accompanying our accounts over the last few quarters.

Average operating capital employed in the business that is capital employed without capital work in progress and investments was INR 558.2 crores. During FY23, the Company earned an operating profit again before exceptional and one-time items and before income from investments of INR 97.1 crores translating into an annualized operating ROCE of 17.4%. The ROCE is expected to increase in FY24 and beyond with improved profitability as well as ramping up of sales from capacities added during the year, namely for the second furnace at Jaipur for Larah, which got commissioned during the first week of January 2023.

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 741.8 crores, a growth of 29.5% over FY22. Sales of glassware products grew by 21.9% recording sales of INR 178 crores during the year. Storage products, which had seen some decline during COVID, grew handsomely as workplaces and educational institutions opened up fully and non-glassware range turned in a second consecutive year of high growth. During FY23, it grew at 46.2% recording sales of INR 303.2 crores during this period. We saw good growth across all our ranges and all our channels.

Non-glassware sales of the Borosil brand now compromised about 62% of revenue. Our strategy to extend the Borosil brand beyond microwavable products to service various kitchen and serving needs of the Indian household has played out well. It's also a strong testament to the equity of the Borosil brand. Our Opalware brand, Larah achieved sales of INR 260.6 crores, a growth of. 18.7% over FY22. Although it's important to say here that the growth was constrained owing to non-availability of product during the peak season, that was going to the repair or the rebuild of the furnace as well as the delay in the startup of the new production line.

During the year, several new SKUs were introduced under Borosil. Many of these, such as cooktops, cookware accessories and storage jars have seen good traction. Our digital marketing initiatives have seen improved efficiency and effectiveness. Organic reach in FY23 was 76 million. And over 155 influencers uploaded content on Instagram and YouTube. Content is available across various buckets, such as how to tips, recipe hacks, healthy recipes, fitness tips, etc. On the field, our decision-making systems implementation has enabled database decisions resulting more cross selling and upselling across our channels. Improved productivity has also enabled the team to increase outlet reach and we now service well over 20,000 retailers in our network.

The EBITDA margin for consumer products was 11.4% as compared to 16.4% in FY22. The decline in EBITDA margin was driven in part by inflation in cost of materials as well as power and fuel expenses. We had already discussed this during the last call. I can quickly reiterate the reasons. Our product mix has been changing in favor of our non-glassware range of products. Non-glassware excluding Larah compromises 62% of sales and they have a slightly lower gross margin than the traditional glassware range. However, as I mentioned before, our focus is on return on capital employed while the growth in EBITDA margins of the non-glassware range is lower, we have not invested in manufacturing facilities for this range. We can therefore earn an acceptable ROCE from the non-glassware range and frankly I would say it's more than acceptable. It's a good ROCE and there are many other benefits which are not quantifiable by this range.

The Company increased marketing expenses behind both its brand Borosil and Larah to increase consumer mind share and grow the brand digitally. The brands have been actively promoted through influencer marketing campaigns to improve the customer engagement across all categories. Our brand partnerships with Indian Olympic Association and Haryana Steelers have given significant brand upliftment in the hydration category of bottles and flasks. The third point on the reason for the decrease in margin is that in Larah, as you're aware, we expanded capacity from 42 to 84 tons per day by putting up an additional furnace. There was some delay in implementing this expansion owing to global supply chain issues, which were beyond our control. At the same time, the older furnace had to go into rebuild in October 2022. Consequently, as a result, the Company could not service a lot of Larah's requirements until the end of quarter 3 FY23 through our internal production. In order to ensure continued availability of brand Larah in the market, the Company took a decision to procure white products and introduced these in the market with Larah designs and branding. The Company obviously suffered significantly on margin in this activity.

Moving onto the Scientific Products Division:

Net sales during FY23 were INR 285.3 crores, that is the growth of roughly 7% over FY22. Our scientific product business comprises 3 product ranges, lab glassware, lab instrumentation under the brand LabQuest and primary glass packaging for pharma customers under the brand Klasspack. During FY23, lab glassware recorded sales of. INR 187.2 crores, which is a very healthy growth of roughly 20% over the previous period. This sales growth was driven by pharmaceutical and institute-based sectors. Borosil maintained its market share of close to 65% in the organized lab glassware market in the country and is estimated to be number of times the size of the next largest player. We continue to add more customers and expand the range of solutions being offered to existing customers. We also are developing an OEM business line for supply of critical items to our customers while maintaining the margins in the business. We expect to retain our dominant position in the domestic market, and we also see a good traction in export sales of lab glass products and vials.

The instrumentation business under LabQuest grew by 20.3% in FY23 to achieve sales of INR 25.6 crores. We estimate the current addressable market for LabQuest to be about INR 270 crores and growing at 10% to 12%. The market is quite fragmented with no player enjoying dominance. We're still in the early stages of development of a range of offerings in the business vertical and therefore can expand the current addressable market much beyond INR 270 crores. We will focus on increasing the range of solutions that we offer and at the same time, expanding our customer base.

Recent products developed and introduced by the Borosil Technologies team includes pilot lab reactors, water top dispensers for hazardous acids and products in the nutrition and environment categories. We will leverage our existing customer relationships in the lab glassware business to increase the customer penetration for LabQuest.

In the context of COVID, Klasspack had two very strong years in FY21 and FY22, growing by 36% and 62% respectively. During FY23, therefore, we were against a very high base. Sales for Klasspack were impacted for the year as COVID demand dropped off substantially and were INR 72.5 crores that is a decline of 19% as compared to FY22. Almost 18% of the sales in FY22 were relating to vials for COVID drugs and obviously, as you all know, this has gone away completely. However, the silver lining for Klasspack is that export sales grew by about 36% and Klasspack continued to add new customers overseas.

As part of our strategy to provide a wider range of solutions to our lab glassware customers and to consolidate upon our leadership position in the industry, we have acquired 90.17% of Goel Scientific Glass Works Limited from the majority shareholder of the Company. This Company has expertise in design, fabrication and installation of industrial glass process systems and laboratory glassware at its two manufacturing facilities at Vadodara and is one of the leading exporters of process system components to various countries in the world.

The Company has a team of expert glass blowers that are skilled at manufacturing borosilicate glass vessels up to a capacity of 500 liters. These products find wide use in the R&D and production departments of pharmaceutical, defense, agricultural research and chemical industries. It has built strong relationships with key domestic as well as international OEMs. During the year ended March 23, it had a turnover of about 66 crores. However, to be clear, this acquisition happened post April 1st and therefore the accounts do not reflect any revenue or profit from this acquisition.

Borosil's SIP business will derive several synergies with this acquisition. It will add a complementary product portfolio to Borosil's existing range that can leverage Borosil's brand and strong sales and distribution networks. Borosil's R&D capabilities together with Goel Scientific's specialized glass blowing skills will enable the Company to provide its customers with world class products that are made in India. The combined operations are expected to provide deeper market penetration, entry into new markets, enhance product offering as well as a larger and innovative range of products.

Overall, the EBITDA margin for scientific products during FY23 was 18.1% as compared to 22.6% in FY22. Margins in scientific glassware has shown some improvement in line with growth of the business. The drop in EBITDA is on account of two reasons. One is the lower margins; I would say the higher product development costs in the LabQuest business and the lower margins in the Klasspack business. In LabQuest, more than proportionate cost increases have been attributed to owing to higher staff cost for research and development as we've been scaling dramatically the technical team. The main reason we're investing in the future to develop new products to ensure that we can address a larger market that's currently addressed. Borosil Technologies is still a nascent business and the subsidiary is in the investment phase and therefore is currently incurring losses as a result of all these investments in R&D. As this business scale, these costs will get normalized, and we expect that this may take somewhere in the range of 1 to 3 years. The cost of prototyping will also reduce as a percentage as we scale the business. So, while the business is suffering losses, we believe it's very good investments for future growth and profit.

In Klasspack, EBITDA margins declined as compared to last year owing to lower sales during the period and additionally, gross profit was lower owing to steep increase in cost of materials and power that could not be passed on to customers. We also had higher process rejection as we continue to raise the bar on specifications and automated camera-based quality control and implement further automation such as development on off online printing. These initiatives are expected to improve productivity after the initial cost during trials and stabilization of the system.

Coming to the Balance Sheet:

As of 31st March, the Company had a net cash reserve of about INR 90.4 crores. During Q4, the Company commissioned its new furnace for opal ware production under Larah. We have an operating capacity of 84 tons per day which at full capacity utilization could service an annual turnover of about INR 440 crores for the Larah brand. The new Borosilicate Pressware facility of 25 tons per day in Jaipur is estimated to be commissioned as planned in Q2 of FY24. Over the last year or so, we have shared plans for CAPEX investments for announcement of production capacity to reduce reliance on unpredictable supply chains in a changing geopolitical environment. Some of the projects have been implemented and others are on the way. We anticipate that FY24 may entail an overall outlay of INR 200 crores. This is a part of the total CAPEX which has already been shared with you. The key projects include the new Pressware furnace, the solar power to reduce our electricity costs in the consumer division, as well as capacity enhancement for the scientific business and investments to make new products in LabQuest.

Coming to our Business Outlook:

We continue to remain very optimistic about the medium-term opportunity in the consumer business. There may be intermittent periods of modest growth with some conservatism by consumers. However, longer-term tailwinds are expected to support strong growth in our categories. We will focus on innovating new product offerings, customer experiences and efficiency across our go to market channels as well as in our supply chain and investing in reinforcing our brand equity. In the scientific business, we will leverage our leadership position in lab glassware to deliver steady growth and at the same time provide platform for growth of the instrumentation business under LabQuest and pharma packaging on the Klasspack. The acquisition of Goel Scientific not only adds about INR 66 crores to the revenue base, but also brings with the new customer relationships in India and overseas. In the midterm for this business, we expect revenue to grow in the double digits, although it's early to share the CAGR growth at least until we see, let's say, some action on the ground and maybe in the second half of this year, we can share our projections of growth of CAGR for Goel Scientific as well as ROCE for Goel Scientific in a more defined manner.

Borosil is committed to implementing structured program for ESG, high priority areas include management of waste, water, greenhouse gas emissions and energy as well as recyclable materials for packaging and data and customer privacy. Over the next few quarters, we will disclose quantifiable targets and transparently report our performance.

We had earlier announced plans to restructure the business of the Company into 2 separate listed entities via a composite scheme of arrangement. The scheme has received approvals for the equity shareholders and creditors and has filed an appeal that was processed with the NCLT for approval of the scheme. The petition has been admitted for a final hearing. The appointed date for the scheme is 1st April 2022 and we anticipate at this moment that the entire process should be completed by August 2023. We will keep you informed of the progress in this regard.

Sorry for the lengthy remarks, but with that, I would like to throw the floor open to questions.

Moderator: Thank you very much sir. We will now begin with the question-and-answer session. We take our first question from the line of Mr. Rahul Dani. Please go-ahead sir.

Rahul Dani: Shreevar, if you could throw some light on the Goel acquisition, what would be the addressable market size it would cater to and how quickly can we integrate this to Borosil standard?

Shreevar Kheruka: Rahul, that's a good question. As far as the addressable market, our initial estimates is that it's about 1500 crores globally as our market size and I would say in India, this market is growing disproportionately because of higher R&D spends in India across pharmaceutical and defense and so pharmaceutical include the APIs in those sectors. So, I think we acquired this business with the anticipation that we should be able to double the revenues. The question is in what period, could it be 4 years, I think 4 years we should be able to double. Can we do it in 3 years? That would be probably better, let's say stretch target but maybe we could manage that.

As far as Goel is a smaller Company, so it does not have many of the systems and processes as Borosil does. And in order to manage the business, we have to put in a lot of those systems and processes and you know that also includes upgrading or training of talent which are already residing within the organization. And that's something that we've already started. For example, we have implemented SAP there within a couple of months of acquisition, it's in early stages, but I think that gives more transparent access to data. So, then all the sales team integration, the sourcing integration, all of this is likely to take 6 months at least. But the benefit is it's very close. You know in Baroda, it's very close to our plant. In Bharuch, the customers are very common, so people know us. The team is very good. The Goel brand has a wide acceptance of us that we can add value to that organization. So, as with any acquisition, it will take some time for integration, but I believe there's a very strong chance of success for us.

Rahul Dani: On the consumer division, you know we've performed exceedingly well in terms of our topline growth. How do you see the growth going forward with the new furnace also coming on stream and also you know once we backward integrate into the glass, So, what kind of growth do you envisage in this division?

Shreevar Kheruka: So, look, frankly as already shared earlier that typically when you start a new furnace, it's like a step, today we just double our capacity, but it's not possible to double the sales on day one. So, we had given general target that in 2 to 3 years, we should be able to sell the production of the furnace. Obviously, our internal target is to sell it faster. As I see it while the market has shown some signs of slowdown in the last few months, I think with inflation having dramatically gone away across the board, I do believe that this year we should end up selling at least 60%-70%-80% of that new production line and by next year, we should sell the entire amount and that we would therefore be able to justify the capital that we have invested there. And there are many channels that we have not been able to service. Another point is you know in the past with just one furnace, we could not have a premiumization play. Now in Larah, we have added new product ranges at a premium price. You know 15%-20% more premium. Of course, they have high quality. So, those are things we can do. And we can build that part of the business out. So, there will be many synergies with the second furnace. Obviously, like I said before, with any high CAPEX, the first year is always a bit painful because you've spent the CAPEX, your ROCEs dropped and till you achieve a high degree of capacity utilization, but we are well aware of that and we're in that period now, so we have to grind through it.

Moderator: Thank you, sir. We take the next question from the line of Aditi Bhattar from Niveshaay. Please go ahead.

Aditi Bhattar: Sir, I wanted to have clarity on the CAPEX thing. So, you already mentioned that one of the consumer ware facility, the Pressware facility will be operational by quarter 2, right? So, could you please specify for the backward integration of the tubing furnace also which was kept on hold till the last quarter?

Shreevar Kheruka: Yes, I know. Frankly, I'm not at liberty to disclose all the activities happening there, but there are some other developments which I could share maybe by next quarter. There's an unfortunate delay there, but we are very much committed on having the tubing production and I'm sure that that will happen, although that's not factored in the 200 crores of CAPEX that I shared that will happen this year.

Aditi Bhattar: Next thing sir regarding the vials and ampules CAPEX, is it in line with our plan?

Shreevar Kheruka: Frankly, it's absolutely in line. I think we have already committed the CAPEX. We are waiting for deliveries of the equipment and whatever is getting delivered will be installed by the end of this year and which is as per the earlier projected numbers.

Aditi Bhattar: And the new capacity of Opalware, could you specify the percentage of the capacity utilization for this month for the last quarter? Because I believe it was operational for only a month or so during the last quarter, right?

Shreevar Kheruka: No. We started in Jan, it was almost three entire months, first week of Jan it started. I'll just come back to you. If you have any other question, I'll answer that and let me I'll come back.

Aditi Bhattar: No, I just wanted to see like if we can achieve around 80% to 90% utilization in the current year?

Shreevar Kheruka: So, look, as far as the sales are concerned, I just checked, we would have achieved about 30%-35% capacity utilization in the last quarter of the new furnace. But obviously keep in mind, Jan to March is always the lowest month, Jan to April I would say lowest and when we started production in first week of January, it also takes a little bit of time to stabilize. So, there are some operating losses. So, I think 80% maybe stretched, but I already indicated that 60%-70%, I think we should achieve that kind of capacity utilization that's our initial estimate understanding current orders and current ….

Moderator: Thank you. We take the next question from the line of Jasdeep Walia from Clock Vine. Please go-ahead sir.

Jasdeep Walia: Shreevar, the consumer glassware business has been reporting lackluster numbers in the last few quarters wherein this quarter also the Y-o-Y growth in sales is only some 8%. I believe you took some price cuts in December, but still the growth doesn't seem to have come back to, let's say 15%-20% kind of number which you always aim for. So, what is the reason for that?

Shreevar Kheruka: Yes, Jasdeep, you're right. Actually, we did take some price cuts. The issue is frankly that the price increase there has been significant over the last 2 years and very frankly the product is outpriced in many areas. And I believe that with our own production coming, we will be able to offer a significant price advantage to customers and we will definitely get that market back to enable switching from plastic to glass, which is really the main challenge. And if I had to outline a challenge for the organization in our consumer division, this is specifically the number one challenge we have and how we perform on this when our new production comes will really drive a lot of our let's say profitability. So, this is a key space to watch out for. And you're right, it's a concern point at the moment for us also.

Jasdeep Walia: So, with your manufacturing facility coming online in third quarter, how much for the price cut can you take?

Shreevar Kheruka: Another 15%-20% is something we can reduce without compromising our ROCE target of 24%.

Jasdeep Walia: On the manufacturing investment?

Shreevar Kheruka: Yes.

Jasdeep Walia: Got it. And also, how have the exports grown in the scientific division in FY23?

Shreevar Kheruka: Yes, that actually I didn't mention the percentage, but I think the growth was more than 40%, almost 50% growth in exports in scientific division. So, very good growth.

Jasdeep Walia: Is it because of the low base or even if you adjust the rate?

Shreevar Kheruka: I mean, frankly, it was a low base, but I think our scientific division out of 285 crores, 50 crores is exports including Klasspack.

Jasdeep Walia: What was the export number in FY20?

Shreevar Kheruka: I believe it was 32-33 crores if I'm not mistaken. And you mean FY22, right? FY22 or FY20?

Jasdeep Walia: FY20. I thought FY20 would be, you know...

Shreevar Kheruka: FY20, it would be maybe 10-12-15 crores, I don't say anything which is wrong. So, I'll come back to you on that, but I know FY22 was 32 cores and FY23 was 50.

Jasdeep Walia: Got it. And what's the prognosis for exports in FY24?

Shreevar Kheruka: I don't think we go 50% as we did last year, but I think high double digits, high teens is something we should aim for.

Jasdeep Walia: And what's the outlook for Klasspack? In the opening remarks, you mentioned you are making further quality investments to manufacturing. I believe this was done earlier as well where you improved the quality systems of the Company. So, why this second round of investments for quality?

Shreevar Kheruka: So, we have two plants in Klasspack; plant one, plant two. So, plant two, we had done it earlier and now we have done in plant one also. So, that that was the main reason, and the clear thing is that earlier there were customers who were able to accept a certain level of quality. I'm not saying the quality is bad, I'm just saying earlier we should call it pharma, Pharma Plus, okay and now everybody wants Pharma Plus. So, in order to give Pharma Plus to everybody, we have to upgrade quality specs which we have not done in both the plants, but frankly the entire pharma market, I'm sure you've seen this in the various reports of pharma companies, whether it's Sun Pharma or any other large player are struggling with their export sales to the US with various issues because we supply to them, we are directly impacted. So, I think Klasspack is likely to still see a tough period till those issues are sorted and from our discussions with pharma companies, they expect things to improve towards the end of this calendar year. But these are all hypotheses like I said, because of the quality improvements we have been able to dramatically increase exports in Klasspack as well and that comes at much better margins. So, we're really focusing on how to ramp up sales there in that business and we're getting good results. Klasspack will be a drag, I think on our side of the division in this year as well.

Jasdeep Walia: So, what kind of growth rate do you think is possible at Klasspack for FY24?

Shreevar Kheruka: I think maybe 10%-12%. FY20, our export sales for SIP was 17, which is now 50.

Jasdeep Walia: And the export number includes Klasspack as well?

Shreevar Kheruka: Yes, that's right.

Moderator: Thank you, sir. The next question is from the line of Disha Sheth from Anvil Shares & Stocks. Please go ahead, sir.

Disha Sheth: Sir, wanted to check that how we are expanding our retail network. Currently we are at around 20,000, so where are we going more into tier 1 or we are expanding more into tier 2, 3, if you can throw some light?

Shreevar Kheruka: Frankly, wherever there is, let's call it holes or gaps in the market, there of course we're adding retailers, but our main strategy is more cross selling and upselling, which means that 20,000 retail counters that we have, 20 or 22, whatever the number is, the goal here is to selling more of our product. We have 6 separate product ranges. And these 20,000 retail outlets do not all of them stock all our product ranges. So, our first goal is to increase the penetration of more product ranges across these existing outlets. And second is that within each product range, they should have more SKUs. So, frankly that's more the focus rather than increasing the number. Obviously, the number will increase that's organically, but we are not having some very aggressive scheme to increase the absolute number of retail outlets.

Disha Sheth: So, more plan to increase the depth of the retailer rather than.

Shreevar Kheruka: Exactly.

Disha Sheth: And in non-glassware, which are the top selling products because they are growing at a very high growth rate?

Shreevar Kheruka: So, look, our general range of flasks, I don't want to specifically call out any specific SKU, but I can tell you our flasks have done very well, our OTGs, sandwich makers, then our steel serving items. So, frankly it's been a very, I would say widespread growth. It's not that any one item has contributed disproportionately large absolute numbers to growth. And that's what gives you a lot of confidence. It's not like a one hit wonder. It's a very broad-based growth and it's not just growth in one channel. It's also growth across channels. So, not only is the non-glassware products doing well across the board in terms of the SKUs but also across the channel. So, it shows sustainable growth.

Disha Sheth: And sir this 750 turnover, which we achieved this year, what can we expect in coming 2 years considering our new Larah capacity and the new furnace capacity which will help in our pricing difference?

Shreevar Kheruka: See, frankly, that's a good question. We have always projected 20% kind of growth number year on year for consumer. I guess your question is for consumer. So, I'm just referring to that. So, the 20% growth is something that we have projected. Would we like it to be 25, would we like it to be 30? Yes, absolutely. So, we would like to hit in the 30s for the next couple of years, but for the sake of your projections, I think to be on the safe side because you know anything that goes wrong in one month also dramatically impacts the growth.

Disha Sheth: No, I was just thinking we would reduce prices of our glassware products. So, that would not impact the estimated growth rate that way I was just...

Shreevar Kheruka: No, I don't think because our volume growth has to be much more than the reduction number. So, for example, if you reduce price of 15%, volume growth has to be at least 35%-45% in terms of quantity, then only it makes sense to reduce the price by 15%, so I would still stick to that number between 20% and 30%.

Disha Sheth: And sir one more question on, this is a little long term. So, once we are done with our CAPEX for FY24 and we believe there will be no major CAPEX going forward, what do you plan with the cash flow? Will you plan to reward the shareholders or any other plans in that regard?

Shreevar Kheruka: Right now we are in T20 mode, so I can't plan for test right now, so I frankly don't have an answer to that question. I want to focus on executing for this year and the team is totally focused on that. This year and next year are very critical for us that we absorb all this large CAPEX we have done and we have not thought of what happens year after. So, I'm not going to be able to answer your question at this stage. It depends on the opportunities. It depends on how we do in the next couple of years, only then can I...

Disha Sheth: So, you're open to inorganic acquisition too.

Shreevar Kheruka: Absolutely. In general, I believe if our profits go up, then automatically shareholders get rewarded in one way or the other. So, that's the way we can reward them. And if we just focus on that, we have seen in the last 10 years as we have grown, more and more opportunities have just popped up, which you could never anticipate. So, I expect the same thing will happen. So, I don't want to get defocused. Let's just focus on the next 2 years on implementation of the CAPEX and then achieving full capacity utilization.

Disha Sheth: And sir just the last one and few years back we had this AIF of real estate which is I think sold now. So, any other non-core assets left to sold or we are clear with that?

Shreevar Kheruka: Yes, about 20 crores is there which frankly, you know these are legacy investments and will be sold in the next year or two, I think we should be able to liquidate all of it. There's nothing stressed. I don't think there's any trouble that we should recover everything.

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

Manav Vijay: So, now considering the fact that this year our Larah becomes operational, the second furnace and you have mentioned it multiple times in the earlier calls that the operating leverage from that furnace is very high. If you run that furnace at around 70% capacity, let's say 100% utilization. Now this year you are saying that you will run that for another around 70%, so if you happen to do that, in that case, the margins for this year FY24, would be, let's say what you have done in this year of around 14% to 15% or you'll be close to FY22 margins of around 17%?

Shreevar Kheruka: I think we should cross FY22.

Manav Vijay: Okay, fair enough. This is helpful. So, regarding the acquisition that you have done of Goel Scientific, I just wanted to understand the synergy of this business, it is actually a BTL. Now considering the fact that you are developing equipment and actually instruments in that part of the business and Goel Scientific actually provides solution rather than products, so if you can just talk about the synergy because I believe that you have been talking about expanding BTL for quite some time and considering that Goel requires a lot of equipment as well apart from the blown glass that those guys make. So, what is this synergy between these two parts of the business?

Shreevar Kheruka: So, that's a good question. Look, as far as Goel is concerned, they have traditionally been supplying products and actually they've been trying to do solutions. They've done some solutions, but mostly products. Now just to explain it for in layman's language, imagine you have a reactor in which you're having a chemical reaction of say 20 liters or 50 liters. You need to see the reaction. Therefore, it's a glass vessel. And there are many different glass components. Now the particular scientist or the production guy who's overseeing this is also monitoring the pressure, is monitoring temperature, is monitoring the flow. So, there are various things they are monitoring of that reaction. What Goel has been doing is supplying the glassware. BTL is very good at automation and of the whole process control, PLC, the Process Logic Control system. So, by marrying the two, the PLC and the glass, then you provide a solution okay where you can go to the end customer and say look you want to do this particular reaction, you want to purify nitric acid or the bromine recovery and there's many other processes that you want to do this, we have a full solution for you where not only will you get the components, you will also get the control systems to control this whole process and that is the big synergy and then you play alongside the global players because no one in India is doing this. There are few global majors such as QVF and Radley's is another Company. These two companies do this and there are a couple of others also, but there are maybe 3 or 4 guys globally and they sell their products at very nice premiums because they give the whole solution. No one in India does it, and we'll be the first. So, that's really the main synergy, if we can achieve it.

Manav Vijay: So, sir, in that case, so the 270 crore addressable market that you talked about in BTL and the 1500 crores market that you talked about in Goel, how these 2 markets expand for you?

Shreevar Kheruka: So, frankly, the 270 crores is different, they are going to include the process system part of it, 1500 crores processed globally. Today, Goel has a turnover of 66 crores. I believe we can address it if we are able to marry these 2, then the entire 1500 crore global market becomes accessible to us and given the cost of production of these products, especially the blownware, 50-liter flask, 500-liter flask and so on is highly manual in nature. Our costs are definitely better or lower than what anyone else in the globe can do, including in China. So, therefore we should be able to then grab a disproportionate share of that market. Obviously, it's also easy. It's not a cost driven market. The market is driven more from your credibility and from customer references, all of which take a long time. So, it is not like that by putting this together in next 3 months, then that 1500 crore market will get 50% market share and we can go from 66 crores to 700 crores. That is not going to happen, but I'm saying in principle that entire market gets addressable globally. But it will take time to actually address it, because like I said, people have to be confident and typically they have to be dependent on an Indian supplier. If something breaks, we have to make sure the supply chain is able to service that and the whole equipment is not shut down because of some small breakage in some corner of the unit. So, we have to solve all those problems, but in principle that becomes addressable for us.

Moderator: We take the next question from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead, sir.

Lokesh Maru: My question is more around the fastest moving category within our segment that we work in, that is Larah. So, two questions on that side. Number one, what kind of on the new furnace that we have just started to work on? What kind of sustainable or steady state ROCE do we envisage and at what margin would that be? That is first question, and second question is we have seen quite some bit of moderation when we talk about the kitchenware categories, there are no parallels. Just when we talk about kitchenware, the leader within space would have degrown by 12% or so in last quarter. So, what is the kind of demand momentum that you envisaged or that you are seeing on ground not just last month of April and May.

Shreevar Kheruka: So, look as far as giving you April and May, I think it's not correct for me to give you any current numbers. I can tell you that kitchenware, one of our strengths of Borosil is the fact that we have highly diversified in our product range. So, yes, there is some slackness of demand in general, we have seen this in the last quarter also in some categories, but other categories are more than enough for it. So, our diversity of product allows us to kind of hedge even in any one category is low. So, I'm not too worried. So, I'm saying that I don't expect there should be much change in our projected growth numbers in spite of any one part of the market being a little bit weaker than anticipated. And coming to the first question on Larah, we've always indicated that our ROCE, our target is between 18% to 24%. We would like to hit the 24% ROCE number and that I think our expansion should allow us to do that once we hit a certain level of capacity utilization, while we are sure of doing it next year, we hope that we can do it in this year itself. So, operating leverage has already been discussed. And the second furnace will give us at least 3% to 4% operating leverage. So, that's the answer to that.

Lokesh Maru: For Larah per se, what is our salience of e-com versus GT as such?

Shreevar Kheruka: I'm sorry I don't share that number. We don't share our channel numbers.

Moderator: The next question is from the line of Mr. Pranay Roop from BCMPL. Please go ahead, sir.

Pranay Roop: My question is regarding the consumer glassware division and this is in context with the impending backward integration facility that will come in, in Q2. So, currently we are at around 40-45 Cr quarterly sales run rate. If we remain at the same run rate, theoretically, let's say we clock 45 to 50 Cr for the next 4 quarters even after the furnace comes in, what sort of margins can we clock in this segment then versus the current steady state level pre-furnace?

Shreevar Kheruka: You talking about glassware, I guess.

Pranay Roop: Yes. So, just to give you some context, if we assume 28% as Larah margins and 5% to 7% has non-glass margins, we get to around 12% to 15% as consumer glass steady state margins. Is this a fair estimate and where can this 12% to 15% grow at the same topline after the furnace?

Shreevar Kheruka: Look, the glassware margins should be similar to Larah margins, so in that range, I mean maybe plus minus 5% of that, it's early days and a lot of it will depend. And again, I've repeatedly said this, and I think some others question before that our glassware production capacity is going to be almost 3 to 4 times of our current sales in terms of tonnage. Therefore, in order to have a healthy margin, the capacity utilization is the key driver. If I were to project 100%, just for theoretically 100% capacity utilization, then the margin would at least be same as Larah if not better even. And the key challenge for us is can we increase that particular glassware sale by 3 to 4X, if we achieve that then that would mean a dramatic improvement in our blended margins of the consumer division and that's really the bet we are thinking that we can do it, but whether we can do it or not is this question will only be answered over the next, I would say 18 months.

Pranay Roop: So, I'm just trying to understand, have you done any internal math, or have you done any calculations around? Basically, do you have a breakeven capacity basically what it has to utilize to breakeven for that furnace?

Shreevar Kheruka: Breakeven, we would definitely achieve. The breakeven will not be an issue. We will achieve breakeven virtually from day one itself, that is not a concern for us.

Pranay Roop: So, basically, inventory losses is not a concern affecting gross margins?

Shreevar Kheruka: Yes, I don't think that should.

Pranay Roop: And my next question is and again it's linked to the same thing. In FY24 and 25 in your consumer glass segment, what sort of utilizations are you building in? And again, this is linked to the pace at which you can reach 100% utilization like what drives these and where are you at?

Shreevar Kheruka: Impossible to answer this question because we are building our teams and obviously, we would like to achieve that 100% utilization in 2 to 3 years. So, if you assume for September 23 as we start our production, I think if we can achieve full utilization in the year 25-26, that would be a very good achievement. So, first year 40%, second year 70% and third year 100%, this is just one way to, but it's very theoretical this point and it depends on the NPD that we do, it depends on how we improve our export sales. That would play a big role in this initially, at least how we improve our channel coverage, what pricing we can offer our customers to switch from plastic to glass. So, these are big questions which are unanswered, and this is like I said, the number one challenge for our consumer division.

Pranay Roop: Got it, sir. And one last data related question. In the last quarter, what was the incremental sales and the incremental operating cost from the new Larah furnace? I'm just trying to understand how much that would be?

Shreevar Kheruka: It is hard to answer this question right off the bat. We can discuss it offline separately.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Shreevar Kheruka: Great. Thanks all for your healthy participation during this call. And just to wind up or to round up, I'm very excited about what has happened in the last year while margins have fallen, I think the long-term story is very much intact. There are clear attributable reasons for the decrease in margins, both on consumer and scientific side. We are building a business for decades and not for quarters and not even for years. So, I'm not so worried about that and I expect that with our team, we are on the right path. That's my personal assessment and we would continue doing what we do. I'm sure we'll make lots of mistakes along the way, so please bear with us. But overall, I think we will achieve our objectives, that is ROCE, which is in excess of 20%, you know somewhere on 24% and scientific division growth of 10% to 12%

and consumer division growth of about 20% over the medium to long term. So, thank you for all your support and I'll see you next quarter.

Moderator: Thank you. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.