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February 14, 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 Wednesday, February 08, 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: 2023.02.14 14:43:44 +05'30'

Anshu Agarwal
Company Secretary & Compliance Officer
FCS – 9921

Encl: as above

“Borosil Limited Q3 FY-23 Earnings Conference Call”

February 08, 2023

MANAGEMENT: **MR. SHREEVAR KHERUKA – MD & CEO, BOROSIL LIMITED**
MR. ANAND SULTANIA – CFO, BOROSIL LIMITED
MR. SWADHIN PADIA – SENIOR GENERAL MANAGER, ACCOUNTS, BOROSIL LIMITED

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY23 Earnings Conference Call of Borosil Limited 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 Mr. Dani.

Rahul Dani: Thank you Michelle. On behalf of Monarch Networth Capital, we welcome you to the Q3 FY 23 conference call of Borosil Limited. We have with us the senior management represented by Mr. Shreevar Kheruka – Managing Director and CEO, Mr. Anand Sultania – CFO and Mr. Swadhin Padia – Senior General Manager, Accounts. I will hand the call over to the senior management for the opening remarks. Thank you and over to you Shreevar.

Shreevar Kheruka: Thanks Rahul and Monarch for hosting this Call. Good afternoon, everyone. Borosil Limited Board approved the Company's financial results for Q3 FY23 on February 3rd, 2023.

Our Results and an Updated Presentation have been sent to the stock exchanges and have also been uploaded on the Company's website.

Borosil's consolidated revenue from operations for the nine months ended December '22 was INR 768.3 crores which is a growth of 24% over the corresponding period in the previous year.

During the nine-month period the Company earned a consolidated EBITDA before exceptional and one-time items of INR 92.7 crores, which translates into an EBITDA margin of 12.1% as compared to 20% in the corresponding period in the previous year. Profit before tax during the three quarters ended December '22 was INR 90.2 crores.

The Company received an insurance claim (net of WDV) of INR 9.3 crores as full settlement of the claim in respect of loss of property due to a fire at the Company's warehouse in Bharuch. During the corresponding period in the previous year, we had made a provision of INR 6.5 crores for loss of property at the Company's warehouse due to fire and flood. During the third quarter the Company has also disposed one of its non-core assets which was held for disposal and the gain on the same is INR 13.5 crores and the same is recognized under the head of other income.

Taking all this into consideration during the nine-month period ended December '22:

Borosil recorded a consolidated PAT of IR 67.9 crores as compared to a PAT of INR 50.6 crores during the same period in the previous year. Average operating capital employed in the business that is capital employed without CWIP and investments was INR 525.1 crores.

During the nine months ended December '22 the Company earned an operating profit before exceptional items and before equity investments of INR 67.9 crores. That translates into an annualized operating ROCE of 17.2%.

Coming to our businesswise performance:

Borosil's Consumer business comprising glassware products and non-glassware products under the brand Borosil and its Opalware range under the brand Lara recorded sales of INR 565.3 crores. That's the growth of 29.8% over the same period last year. Sales of glassware products were INR 137.8 crores which is a growth of 26.7% and non-glassware products grew by 49.2%. Non-glassware reached a turnover of 235 crores during a nine-month period. Our Opalware brand under Lara achieved sales of INR 192.4 crores which is a growth of 13.7% over the same period in the previous year.

The EBITDA margin during the nine months ended December '22 for consumer products was 10.5% as compared to 17.1% during the corresponding period in the previous year. The decline in EBITDA margin was due to a number of factors, including a change in our product mix and as you can see our non-glassware products have been expanding in sales and comprise of about 63% of sales of our Borosil brand, which excludes Lara. The Hydra range of steel bottles, steel serve fresh products, as well as domestic appliances have all been achieving very healthy growth. These ranges have a lower gross margin than the traditional glassware range of business resulting in some decline in the overall EBITDA margin.

However, as I mentioned before our focus is on return on capital while the gross and the EBITDA margins on 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 as well. The Company's spend on marketing expenses for the brand Borosil had been higher during the nine months ended December '22 as compared to the same period last year. The company has invested in major marketing costs to increase the consumer mindset and grow the brand digitally. The brand has been actively promoted through influencer marketing programs and celebrity chefs to improve customer engagement across categories. The Company is a partner to the Indian Olympic Association and The Haryana Steelers and both of these have given significant brand upliftment in the Hydra category for water bottles and flasks. These are some reasons for the reduction in margin. The first as I already mentioned was a change in the product mix, second is a higher marketing expenses and the third is the EBITDA margin on Lara which is our Opalware range of products was much lower than normal.

As you are aware the Company is expanding its capacity from 42 to 84 tons per day by putting up an additional furnace. This furnace is going to stream on I think 2nd January of 2023 from a commercial production point of view. This was delayed owing to some implementation challenges owing to global supply chain issues. Consequently, the firing of the furnace and its commercial production took place only in the beginning of this quarter. At the same time the older furnace had to go in for its regularly scheduled rebuild in October '22. With this the

Company continue to incur fixed costs during the rebuild period and also had no production during the same period, which contributed to lower EBITDA. The net result of this was the Company could not service most of Lara's requirements during Q3 FY23 and a part of H1 FY23 through internal production. However, in order to ensure continued availability of brand Lara in the market the Company took a decision to procure whiteware and introduced these into the market with our own design and branding and the Company earned zero margin, in fact slightly negative margin on this activity. However, it was important that Lara did not lose any potential customers on account of availability. This was a short-term strategic decision and both our furnaces will be in production during Quarter 4 FY23 which would see normalized margins restored during this period. So, these three reasons higher procurement of large volumes of whiteware from outside, the change in product mix of the Borosil consumer sales as well as the higher marketing expenses have contributed to a decline in the EBITDA. Of these three reasons the production of Lara has already sold and Q4 we should go back to normalized margins. Marketing expenses have been slightly higher but we expect them also to as a percentage of sales rationalize as our revenues are growing higher than expected and with our new production the base will be higher. As far as the change in product mix is concerned that is something likely to continue for some period of time but the higher volume should end of day give us better margins because of our ability to negotiate on purchases on these accounts.

Moving on to the Scientific Products Division:

The net sales during the nine months ended December '22 were INR 203 crores which is a growth of 10.2% over the corresponding period in the previous year. Our scientific product business comprises three product ranges, lab glassware, lab instrumentation under the brand LabQuest and primary glass packaging for pharma customers under the brand Klasspack. During YTD Q3 FY23 lab glassware has recorded a sale of INR 131.8 crores which is a very nice growth of 27.1% over the same period last year. We continue to enjoy about 70% of the lab glass organized market and expect to get a fair share of any growth in demand from the pharma and the educational institution sectors.

The Company continues to get repeat business for existing products from existing customers. It has also introduced new products such as filter papers, QR coded glassware and multi-port caps which have got good traction. Apart from new customers with the existing and new range of products we're also developing an OEM business line for the supply of critical items to our customers. The instrumentation business under LabQuest achieved the sale of INR 16.5 crores that is a growth of 24.1% over the same period. We are still in the early stages of development of a range of offerings in this business vertical and we expect the addressable serviceable market to be about INR 225 crores and growing at 10% to 12% a year. Recent products developer introduced by the Borosil Technologies teams include pilot lab reactors, bottle top dispensers for hazardous acid, as well as products in the nutrition and environment's category.

In the context of Klasspack due to COVID Klasspack had two very strong years in FY21 and '22 registering growths of 28% and 56% respectively. During FY23 therefore, we are lapping a high base. During the nine-month period ended December '22 Klasspack achieved sales of 54.7 crores which is a decline of 18.7% compared to the corresponding period in the previous years. This decline in sales during the current period needs to be read in the context of the high base effect. In fact, last year almost 18% of the sales were related to sales of buyers of COVID drugs and exports of buyers were also impacted this year owing to various reasons owing to challenges in Europe. This was however more than made up by other geography and export sales have otherwise turned a very good performance comprising about 19% of revenue compared to 13% last year. Other challenges Klasspack has also been the input price have increased of over 25% and this necessitated in price increases which has also had a negative impact on sales. In the past I mentioned that we are focusing on developing deeper relationships with high quality customers and this process is ongoing and we expect to add new what we call as pharma plus customers, customers with the highest quality requirements in the next few months.

EBITDA margin for scientific products during the period April to December was 16.3% as compared to 20.4% during the corresponding period in the previous year. Margins in scientific last year have shown improvement in line with the growth of business. However, with the drop in the division's EBITDA is on account of lower margins in the Klasspack business that was owing to lower sales and higher cost of inputs as well as in LabQuest as we have decided to invest disproportionately higher in our R&D team which is higher staff cost. While the current productivity and output from LabQuest is lagging behind the cost input that we're putting in there. Borosill Technologies is still a nascent business and the subsidiary is an investment phase and therefore is currently incurring reasonable losses. As the business scales these costs will be normalized and the products may take 1 to 3 years to stabilize. In Klasspack EBITDA margin was in the low single digits, the drop in margin is attributable to the lower sales and gross profit has also been lower owing to higher consumption costs of material and power. There has been an increase in the cost of tubing input which has only been passed on to the customers towards the end of the period. We also took a decision at Klasspack to go for camera inspections for all our products which led to higher process rejections as we continue to raise the bar on specifications and the automated camera-based quality control will help us improve our customer outreach in the future. These initiatives are expected to improve productivity after these costs, initial costs and learning periods is through and after which the Company should have a better set of customers to address with the higher throughput.

The Company is also initiated and finalized conversations to take price increases in order to pass on some of the input cost inflation and restore margins. As of December 31st,'22 the Company had a net cash of about INR 71.6 crores. The surplus cash will be utilized primarily for the ongoing expansion projects for the consumer and the scientific business. The expansion in Lara capacity at an estimated project cost of INR 195 crores was commissioned in December 22 and commercial production has started in January '23. The new Borosilicate Pressware facility of 25 tons per day at an estimated investment of INR 115 crores is estimated to be commissioned sometime in the second half of Q2 FY 24.

In the Scientific Product Division, the capital outlay is continuing as per plan and we expect these outlays also to be through by March of '24. These expansion projects indicate optimism about the long-term growth prospects of both our consumer and scientific businesses. Some of the margin pressures that we have experienced during the first nine months of the year are temporary in nature and for example I mentioned on the furnace challenge or the furnace rebuild as well as the delay in starting up of our OG 2 furnace and these are expected to be restored in the coming months.

Our focus remains on expanding our consumer franchise in the consumer division and growing the size of our opportunity set in the scientific business while expanding our current relationships with customers. The consumer business is supported by tailwinds and remains underpenetrated and we expect Borosil to have a long runway of growth. Scientific business is expected to see steady growth in lab glassware and faster growth in lab instrumentation as well as in Klasspack.

Moreover, there are other new categories that we are planning to enter or we have just entered including process systems. As we scale Borosil's business we expect to achieve healthier margins in both these business units. Borosil has undertaken a structured program for implementing ESG. Last year we had identified material issues and took stakeholder feedback. We have mapped a journey to address key ESG opportunities and identified priorities towards the greener plant, social equity and robust governance. High priority areas for Borosil include management of waste, water, greenhouse gas emissions and energy, recyclable materials for packaging and data and customer privacy. Over the next few quarters, we expect to disclose quantifiable targets and transparently report performance against them.

We had earlier announced plans to restructure the business of the Company into two separate listed entities via a composite scheme of arrangement. Post receipt of observation letters from stock exchanges and directions received from NCLT wide its order dated 25th November '22. Separate meetings of equity shareholders and unsecured creditors of the Company have been convened on 6th February for seeking the approval to the scheme. We anticipate that the entire process can be completed by June '23. However, the timelines for some of the steps involved are not in our control and we will keep you informed on the progress in this regard.

So, thank you for that. I conclude my opening remarks. Sorry they were a bit lengthy but I can now open the floor for questions. Before that I just like to add one broader point that while the operating results for Q3 and even YTD have not been very attractive, the real picture lies elsewhere. Our revenue growth has been extremely interesting and I would say industry leading revenue growth in both consumer and scientific businesses. That has given me a lot of confidence that whatever processes or whatever products we have established in the market are being appreciated by end customers. The margins have definitely been under pressure this year. But many of those reasons are specific to Borosil and not macro in nature which also means that we are able to reverse or change the inputs and therefore have a better margin in the coming months. We remain extremely confident about the growth of the business in terms of revenue and we expect the margins to also flow through in the next few periods. With that thank you and I open the floor for questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have the first question from the line of Rahul Dani from Monarch Capital.

Rahul Dani: Just wanted your outlook on the consumer division, we are seeing some divisions for slowdown, so how do you see with the new Opalware capacity coming up? Do you think it will get absorbed very easily with both our competitors also increasing capacity? And also in the scientific division how do you see the new product category like the filter paper performing and what's your outlook on Klasspack?

Shreevar Kheruka: So, thanks for that Rahul. As far as consumers concerned, we have quite a few categories. We do see some slowdown in some categories. For example, appliances COVID had a very big positive impact on appliances. While we do see continued healthy growth in that area, it's not as good as it was during COVID. But on the flip side the specific question you asked on Opal, I think Opal Glass continues to see a very healthy demand and we so far believe that we should be reasonably well placed to sell the production from both our furnaces even though as you mentioned there are various competition increasing capacity in this area. But we also see exports as an opportunity for us given the macroeconomic shocks in the world from an energy point of view, Indian production costs as well as Indian geopolitical relationships are very strong and therefore India is being looked upon as a preferred supplier and a safe supplier of products across the board. It's not just specific to consumer and this is giving us tremendous scope for growth in all export geographies for both consumer and scientific. So particularly I don't feel that there is any broader story of a demand slowdown. Yes, there may be one or two categories where demand is a bit slower. We are quite confident of the growth and even exceeding the growth that we were forecasting or that we have been kind of guiding for a while.

On the scientific side while Klasspack has been a bit of a challenge this year I think Klasspack, the focus on COVID for the last couple of years has gone away and therefore we have to get back to let's say the basics of adding customers in other product categories which we have been doing. I think we will go back to a growth path in the next few quarters. The guidance which we have always given for Klasspack that 15% to 20%, I think revenue growth should be there. I think we should be able to match that guidance in that particular division. But broader scientific I'm seeing really tremendous opportunities in new products including filter paper. Filter paper we have very good traction. Our next step will be to set up some degree of manufacturing of filter paper once we hit a certain volume. That should further improve margins in that area and under 'Make in India' today we can play in many of the tenders which we will then get be able to play in once we have the production in India which will further improve the market size for us or the market opportunity for us. There are other areas like exports already spoke about in scientific as well as new other new product developments. In LabQuest we are seeing a lot of traction in specifically process systems. The orders are good and there's a new category with a complete import substitution over there. Even we see opportunities in health and environment for testing, for protein testing, fat testing, fiber testing. Frankly, we are very bullish and we're very excited about both our companies and both our product portfolios. While the great thing about being diversified is when you do see demand slowdowns in one typically you are able to make up somewhere else. Overall, we have a good franchise I believe.

Moderator: The next question is from the line of Pratik Dharamshi from Safe Enterprises.

Pratik Dharamshi: A few from my side on the margin for the consumer business. You highlighted three main pain points for us. One was the mix; the other was outsourcing and the third was higher marketing spends. If I recollect correctly in the past, I think past few quarters you have been highlighting the raw material pressures, paid costs etc. Have we seen the worst of it? You will reckon that we have bottomed out in terms of those costs and they are not getting us much going forward, one. Second, a few of the things which you mentioned outsourcing which is generating 0% margins. The second was as the new volumes come through from the expanded capacity marketing spends will rationalize. Should we expect you guys to revert back to your EBITDA margin which was like 17%-18% last year nine months? That would be to start with from my side.

Shreevar Kheruka: Thanks for that. The first question yes, I think the cost pressures I think we've seen the worst of it behind us. I think raw material prices if not having corrected them they're not going up, they're not moving anymore in the upper direction. While they have not yet come back down to let's say pre-COVID levels things like soda ash as an example or even packing material but the price increases have stopped and they are stable, which is great. We have seen some downward momentum as well on prices. But like I said they're not anywhere close back to being to pre-COVID levels. Energy continues to be a challenge because the energy costs are kind of determined over the last 6 months the fuel surcharges and all our averages of 6 months. If you see every time the last 6 months the averages are still going up, they'll probably start coming down 6 months later because energy prices have corrected just recently. In general, I see no further cost increases, substantial cost increases in the future and maybe slight cost decreases.

The next point is on the overall margin; frankly, I would be disappointed if we just achieve the 17%-18% margin before. With the economics of scale, we should definitely surpass that. There will be some period of I think this year is a period of high CAPEX. Once the utilization comes through, once the capacity utilization comes through then I think your operating leverage will be substantial. Till that happens there may be some quarters of a little bit of a depressed margin because more stuff is going into inventory for example. When you go into inventory there's also the cost of holding that inventory warehousing and so on and so on. But the key question is how quickly with our large CAPEX that we are doing we are able to achieve 80%-90% capacity utilization. If this happens, which we expect to happen in a shorter period, then margins should bounce back much more than they were before.

Pratik Dharamshi: The second was you mentioned, outsourcing because of the new capacity is not there and furnace wasn't there, our existing furnace was out of work for technical reasons. How much did you give for outsourcing? Can you quantify the number like out of the 70 odd crores of Opalware sales was that like…?

Shreevar Kheruka: I would not like to say the exact number that we bought and get into that. What I can tell you is that owing to these two reasons, the furnace being shot and the fixed cost being there and as well as the higher cost of outsourcing compared to our own production, I think our EBITDA loss would have been in the range of between 16 and 20 crores in the nine-month period. I can't put it every quarter because each quarter there would be some impact of it on at least Q2 and Q3 put together would somewhere be closer to the 20 crores number.

Pratik Dharamshi: Just the last one let me try. I tried it before as well. Now the business mixes with appliances really growing fast. The non-glassware is like 40% of your business, Opalware is around close to 40 and rest is your glassware some sort of a thing. In terms of I understand you won't be able to quote the numbers in terms of gross margin but in terms of at least the differential, is it possible to quantify the differential in terms of gross margins?

Shreevar Kheruka: Frankly, of course we quantify on a regular basis but that's not something I would like to share. What I can tell you is you looking at it just from a gross margin point of view is probably in my view I mean it's one the way to look at it. But that's not the only way because when you have a higher gross margin as we do say in the case of Opal, Lara and we will have this in glassware also when our new production line starts up in June-July of this year, the gross margin comes at a cost of capital employed. One must look at a return on capital employed metric which in my view would be much it's a more risk adjusted way of looking at the business versus looking at only gross margin because we give up gross margins on one side but what we get is much lower capital employed on the other side. If you look at it from both perspectives, I will say both businesses would be comparable. They're not the same. They are comparable within plus minus few percentage points of each other on a ROCE basis. That's what I can share with you and that's how we look at the business not simply from a gross margin perspective.

Moderator: The next question is from the line of Saurabh Savla from Multi- Act.

Rahul Picha: This is Rahul Picha from Multi-Act. Thanks for the opportunity. So wanted to understand firstly on the Opalware trading side, so you say that the traded portion you call them as whiteware. Are they comparable in quality to the Opalware that you manufacture or it's some other material?

Shreevar Kheruka: Just be clear, firstly it's not traded. We bought raw material which is whiteware and we decorate it we temper it and we do all the quality checks on it and the decorations are decorations. This is a full-blown production. The only thing we don't, we are buying the plates the white plates which aren't tempered white plates or the bowls or whatever it is. So, the quality is Borosil quality. There's no difference in the quality metrics between what we have sold this quarter from that versus what we make ourselves. It's 100% goes through the same quality control processes. Like I said it's not traded it's fully produced. Manufactured by us.

Rahul Picha: After the capacity expansion that you are doing in that segment, the current capacity plus the new capacity both combined on a combined basis what kind of annual revenues could that support?

Shreevar Kheruka: If we are achieving 100% capacity utilization then I think the number would be closer to 400 crores, 420 crores.

Rahul Picha: Okay got it. On the marketing spend, so for the consumer division what were the marketing spends for this quarter and the nine months in percentage terms?

Shreevar Kheruka: This quarter roughly 7%.

Rahul Picha: 7% for the quarter?

Shreevar Kheruka: Yes, that's right.

Rahul Picha: For the nine-month period more similar.

Shreevar Kheruka: More or less similar.

Moderator: The next question is from the line of Manav Vijay from Deep Financial Consultants.

Manav Vijay: My first question is regarding the expansion that the Company is doing. First is the Lara which you said is done. Second you mentioned is the Borosilicate which will complete by Quarter 2. If you can also enumerate what is left which will become operational in next two more quarters that will be really helpful.

Shreevar Kheruka: As far as the consumer I guess your question is for consumer, right?

Manav Vijay: I'm looking at I would say the entire expansion that the Company is doing.

Shreevar Kheruka: So, look there is Borosilicate the press production, we've already investing roughly 115 crores. This will be concluded by June-July-August in this time frame. Again, the reason I'm not able to give a very specific date is because of again supply chain challenges from some machine suppliers that we have. But its broadly in that phase. We have an injection molding unit which is supposed to make plastic lids for these products that should start somewhere in April of this year. These are two CAPEXs both in Jaipur that we're doing. On the scientific side we have CAPEX done in Klasspack which is to increase our production of vials as well as ampoules. This was I think broadly put 65 crores which we had discussed about 2 years ago. I think all of this should be through by July-August as well as of this particular year maybe by September. Again, some delays on machine supplies. As far as we had announced a tubing project as well. The tubing project has been on hold for a certain period of time but probably in this quarter we will finally go ahead with that as well. That would take depending on the way it works; it would take anywhere from 12 months to 18 months for it to fructify. For that the land is already available and all the infrastructure is broadly available, so it will be a faster one to implement. These are the main CAPEXs. On the front end we had done a bunch of CAPEX on the IT side, for example we're upgrading to SAP to S/4HANA. We are upgrading our front-end data management systems. So, all of that is in process. That also will be through. The entire CAPEX which we have I think highlighted many times in the calls, in the previous quarter's calls would be through by December of this year or let us say by March of ‘24.

Manav Vijay: The total CAPEX amount stands at what?

Shreevar Kheruka: I think it was roughly 600 crores, including the tubing plant. 600-625 crores somewhere in that range.

Manav Vijay: My next question is on the PPT that you have issued. On page #8, slide #8 of this PPT when you provide the consol numbers so you provide one number of EBITDA as 39.1 crores and then exceptional items, so EBITDA before exceptional item of 21.3. This leaves around 18 crores of difference as the exceptional item. Now is this the exceptional item which you called out in the consumer whereas three items of the Lara buying from outside the ANP and also the product mix.

Shreevar Kheruka: That's very much a part of normal business. So that's hardly an exceptional item. The exceptional item is owing to sale of land at Tarapur which was about 13 crores profit, 13.5 crores of profit booked in that and some insurance refund we’ve got of roughly 4 crores. These are exceptional items which are one off in nature. Those three things which I mentioned on Lara and all that's a part of normal business and is accounted as such.

Manav Vijay: But the 13 crores of profit that you have booked by selling the land in Tarapur is actually forms part of the other income, am I right?

Shreevar Kheruka: Yes, that's right.

Manav Vijay: I'm talking about what you disclose is an EBITDA of 21.3 crores and then in the PPT you mentioned EBITDA before exceptional items of 39 crores. I'm trying to understand this. I would say this 18 crores of exceptional. So, what this number is all about. This 13 crores of profit that you have made from the sale of landforms part of other income.

Shreevar Kheruka: That's right. We are trying to explain what is the EBITDA from operations. So, the EBITDA from operations is 21.3 crores. With exceptional items EBITDA goes up to 39.1 crores. Those exceptional items are the sale of land which is the Tarapur property which is roughly 13 crores of profit booked there and another 4 odd crores from insurance. That's the difference 17.8 crores which you see between 21.3 and 39.1. The difference is coming from there. This EBITDA which you see is the reported EBITDA. This includes those exceptional items. We are trying to call it out. Last year as you can see the EBITDA and the EBITDA before exceptional items on the same slide is the exact same number. But this year we try to in order to show our operating performance because neither the insurance nor the sale of Tarapur is a part of operating performance. Our EBITDA was actually 21.3 crores and not 39.1 crores, which is reported because when you do other income, you're right its coming in other income, when you look at the results the other income is already coming as a part of the EBITDA. But we are trying to show you that the EBITDA is not actually 39, its lower than that. The EBITDA from operations that I'm saying is lower than 39.

Manav Vijay: My next question is now on Lara. A couple of quarters you had mentioned that now in the anticipation of this new furnace becoming operational you have put up a sales team so that as and when this furnace becomes operational, you will start to hit the ground running in terms of sales from very early. Now if you can help us to explain in terms of efforts that team would have made by when can we expect 40%-50%-60% kind of utilization from the new furnace including the old one, including I believe the old one would be running at full but the new one?

Shreevar Kheruka: 40%-50% should start immediately. The question is how to get 100%. That's really the focus.

Manav Vijay: So, since that sales team is now there for the last few quarters with you, how soon can we expect this thing to happen?

Shreevar Kheruka: Look it's hard to give an exact timeline but in general the reason we put up a furnace is because our sales requirements I'm not sure exactly what you are referring to about sales team because our sales teams have been growing for many years now. In general, the point here is that we expect 30%-40%-50% capacity utilization from the starting point itself from day one itself and that should happen immediately. The key challenge is not that. The key challenge is how do I get to 100%, how do we get to 100% which is our projections will happen next year and we would like to say next year I mean in '24-25. We would really like it to happen at '23-24. That's really the difference and we are trying to achieve that. We are trying to achieve our goal would be to achieve 100% capacity utilization in '23-24 itself. That may not be a realistic stretched goal but by '24-25 I'm reasonably confident we can achieve that 100% number. As far as 30%-40%-50% that should happen straight away from this quarter itself.

Moderator: We have the next question from the line of Vaibhav Gogate from Ashmore Group.

Vaibhav Gogate: I joined the call a bit late. I just wanted to know the reasons that led to a low EBITDA margin this quarter and how do we look at margins in the upcoming quarter? What are the key headwinds that you expect will go away?

Shreevar Kheruka: So, Vaibhav I already explained this in detail during the call. Rather than repeat what I would urge you to do is I'll ask my IR team to send you the call transcript because otherwise just repeat it. It's a very long explanation.

Vaibhav Gogate: Yes sure.

Shreevar Kheruka: I hope that works for you.

Moderator: The next question is from the line of Aditi Bhatted from Niveshaay.

Aditi Bhatted: My first question is from the glass tubing CAPEX that was kept on hold. You just mentioned that you will be carrying it on from this quarter. To my understanding this CAPEX you are not looking for any other alternatives now and till the time it is operational our requirement will be imported, so what was happening till now, is it right?

Shreevar Kheruka: Yes, I mean we are working on what are the exact options available to us. We are evaluating all options but I think we will take a final call on which option to pursue before the quarter ends.

Aditi Bhatted: The glass tubing cost which we see an increase in prices since the last quarter, do you see that to normalize in the coming quarters?

Shreevar Kheruka: Yes, in general the main reason for the increase in pricing was the freight costs which had skyrocketed. Those freight costs have since gone back down to more or less before COVID and therefore our tubing costs have corrected substantially.

Aditi Bhatted: My next question is on the pressware facility. We see the pressware facility being operational from the Quarter 1 or Quarter 2 of financial year '24. How much percentage do we see the offset and imports that we are currently doing from China, outsourcing it from China?

Shreevar Kheruka: As far as all the pressware we are buying today from China, not just China we buy from Europe also. We will be able to substitute 100% of that with our own production.

Aditi Bhatted: What is the quantum of revenue that you see from the pressware facility?

Shreevar Kheruka: Look here there's a big gap between what we currently sell and what pressware production we'll have. I think we will have somewhere close to 6000 tons per annum but our sales may only be 2500 tons per annum at the moment. Currently we see 40% capacity utilization. The biggest challenge going forward is how do we go again from 40% to 100% capacity utilization. That's what we are working on in terms of new product development, in terms of distribution enhancement, in terms of export sales. This will not happen in year one for sure. Like in the case of Opal we have a chance that a second furnace we can sell within a year. But the pressware will take at least a couple of years for us to come to 80%-90%-100% capacity utilization. Even if you achieve that will be a very good achievement for us. But the margins are worth it because the return on capital will be extremely attractive if we're able to do that.

Moderator: The next question is from the line of Jay Modi from EIML.

Jay Modi: I had a couple of questions around consumer business. One was when we look at our nine months three years CAGR for this division that glassware as a business has been growing only in mid-single digits. Now is this how we should look at the growth for this category and incrementally all the growth will be driven by non-glassware and Opalware or for multiple of other regions, the glassware currently would be showing subdued growth and this would likely pickup going forward.

Shreevar Kheruka: No, frankly the whole reason to put up the production here is to grow this business aggressively, the glassware and we believe we can. The challenge in the business has been a substantial increase of procurement costs which we have been passing on to the end customer. At some point the end customer is not wanting to pay for it. When we have our own production here, we should be able to give the customer a value proposition that makes it an everyday use product. Why is Opal grown so much and why has the non-glassware like say appliances or Hydra grown so much, is because as customers are using these products families on a day-to-day basis whereas the glassware people are using only on occasions. And that is because of the pricing. We would have to give an attractive offering to the end customer and say, 'okay glass hai tuut jayega, abhi to problem nahi hai, utna mehenga nahi hai, you can replace it.' That is really the key driver for us to give an attractive price offer to the end customer and make them more accustomed to using, to serving, eating, storing in glassware. If that happens then we are through and unfortunately in the last 3-years because of the tremendous price pressures of imports from both Europe and China both in terms of material costs, energy costs as well as the freight costs we have to take a lot of price increases which we can reverse once this is made in India.

Jay Modi: So, the borosilicate press line is predominantly to backward integrate for these glassware products that we are currently selling?

Shreevar Kheruka: Exactly right.

Jay Modi: Earlier you mentioned that 40% of the capacity will be utilized for captive consumption. So, this 40% essentially substitutes are import by 100%. Is that how it goes?

Shreevar Kheruka: That's right.

Jay Modi: What would be the cost savings that we would have on this backward integration?

Shreevar Kheruka: I think it's more than 30%.

Jay Modi: Secondly it was around the marketing expenses. You mentioned one of the reasons being higher marketing spends for subdued EBITDA margin in consumer business. But when we look at your historical range it has been in the range of 7% to 8%, right? The spending in consumer business?

Shreevar Kheruka: I think the last 2 years, COVID years have been lower than that. But yes, before COVID it was higher again you're right.

Jay Modi: So, 7% to 8% has been the normalized range, pre-COVID as well?

Shreevar Kheruka: Yes, pre-COVID it was. Then during COVID of course we reduced the spends but now they've gone back to pre-COVID levels.

Jay Modi: These would largely the advertisement spends or even promotional activities would form part of this?

Shreevar Kheruka: There is many ways of, the definition of promotional activities needs to be clearly understood. But effectively this is mostly advertising spends. Promotions so any kind of price promotion is added in sales only so meaning that's not a part of this. But sometimes there are promotions which are linked to a price strip for a distributor which is on achievement of a certain or even for a retailer for that matter, for achievement of a certain volume of sales at the end of the year, that would classify as a sales promotion expense. And that is a part of this advertisement and sales promotion. But any price discounts or customer offers which are anything related to pricing gets netted off from the sales.

Jay Modi: Then I had a question on the margin. Earlier you alluded to the question that you would likely reach back or exceed your 17%-18% margin that you've historically done. But until we have our utilization on Press line and 100% utilization in Opalware so for FY24 these margins would likely be tending towards the lower range and it was only by FY25 that we'll see a pickup?

Shreevar Kheruka: Frankly FY24 also I think we should come back at least to this range because I gave a number earlier in the call about the difference of this quarter and last year, last 4-5 months on the difference of whether if we had manufactured the same product which we acquired as well as the shutdown costs. My sense is that we should be able to come back to the original margin level in the coming periods themselves and higher yes, to get a higher margin than before, I think we would probably look at the period where our utilization is better and which case, I think it's safe to say that it could happen post April '24.

Jay Modi: How has the demand scenario been for the month of January? And also have we seen any competitive pressures with respect to pricing or import products when it comes to Opalware specifically?

Shreevar Kheruka: I don't want to talk about quarter-on-quarter in general. I can't speak of January specifically but I would say that in general and this question was asked in a different way earlier also that different categories we see some months higher demand and the other months lower demand. But overall, I don't see much challenge from a market-demand angle and pricing pressure I think all the players are quite mature in the market. There's enough demand whether in domestic or export markets and I don't see that high level of pricing pressure on the market, frankly.

Jay Modi: This last question from my side was on the CAPEX. You said around 600 crores of total CAPEX is what we are doing?

Shreevar Kheruka: That's right.

Jay Modi: Can you break this down? We have the breakup for consumer business and what is the amount which is going in scientific business? I mean between Klasspack and other segments?

Shreevar Kheruka: I can come back to you on this. This number was shared before but I don't have it right now, exact numbers. I can come back to you on this.

Moderator: The next question is from the line of from Priyank Chheda from Vallum Capital.

Priyank Chheda: I just wanted; I heard you that you said that there are chances of a new capacity in the Opalware getting sold within a year. So, just wanted to understand what are the demand drivers for this category? While the other kitchen appliances are witnessing a slowdown from the COVID pent ups that we have seen. Specifically looking for the steps that the players like you or the market leaders are undertaking to convert this category into a strong demand.

Shreevar Kheruka: I think there's a lot of replacement happening here. Look, there's no formal research so anything is basis just the ideas we get from the market and they are not validated by third parties. My sense is in principle that there is a lot of replacement demand which is happening, change from steel and plastic to melamine. People in general want to upgrade their lifestyles and Opal is very price attractive from end usage point of view. It's very attractive from the design perspective, you can microwave it and so on. Even if the market overall maybe having a slower growth but because of the replacement from one product category to the other, I think Opal is a little bit insulated. Plus, like I said HoReCa, hotels, restaurants, catering is opening up again after COVID and that is also a demand driver and finally exports. Our competitors for Opal which were in Europe are in severe financial distress and therefore they have shut down some production and therefore export opportunities are also open for all the players here. These are the three probably reasons why we see that Opal glass is still growing.

Priyank Chheda: I'll try my luck once again. I know you do not disclose the margins with the categories within the consumer. Just wanted to have a sense around the indicative margins on the steady state level; what would be the margins for the Opalware? And in case post capacity addition, would the margin profile change significantly or would it remain same?

Shreevar Kheruka: Sorry, I'm sorry I can't share that data with you but I can tell you that operating leverage, which is the second part of the question yes, there will be some level of operating leverage and that could increase our margins by 3%-4% compared to what it was before. I think the Larah EBITDA margins we have shared, EBITDA, not gross margins in the past were around 27%-28% so in that range and the EBITDA margins could improve once we have the full capacity utilization by 3% to 4% basis operating leverage.

Moderator: The next question is from the line of Amrish Kacker, an individual investor.

Amrish Kacker: Thank you for the opportunity and congratulations on a very good set of revenue numbers. Shame we just missed the 1,000 crores mark by a little bit over 12-months. So, two questions.

First one on operating capital. Is there something we should read into the decline we're having quarter-on-quarter or are there too many moving parts in this quarter to really think about that seriously?

Shreevar Kheruka: No nothing, it's all business as usual. There's nothing really going on over there. There's a lot of moving parts.

Amrish Kacker: Yes, lower inventory because we didn't have own production etc.?

Shreevar Kheruka: I mean there was slightly lower inventory no doubt about that but it was made up from other areas where we had more inventory. I don't think that is I mean we are not controlling for that number frankly; we are controlling for sales and profitability. The operating, the capital employed, that the inventory obviously we try and optimize it but that's not a strict let's say the inventory is not the goal. The goal is to sell more.

Amrish Kacker: The second question is on the scheme of arrangement, restructuring. Is there anything you can share at this stage where you see your role? And as a request would it be possible also to introduce us to the Presidents of the two divisions perhaps from the next call just so we can get more familiar with them?

Shreevar Kheruka: Yes. So, the idea is that as soon as the scheme of arrangement is done, the heads of the business units will start taking these calls. As far as my role is concerned frankly the businesses are anyway operated as separate units. So, frankly the scheme of arrangement only captures in a legal format what has been happening in the last many years so I don't anticipate any change per se in my role. Obviously because of legal reasons I have to be MD of one Company. I don't think I can do both. I have to figure that bit out but in principle the business operations will, this business as usual from our perspective because that's how the business has been run and will continue to be run.

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

Shreevar Kheruka: Thanks Michelle. Well thank you all for the lively set of questions. I really appreciate it. Like I said before we are very bullish and excited about not just what's happened in the past but what's going to happen in the future. The margins definitely have been under pressure in this period but again the good thing is that most of these problems are or these challenges are related specifically to Borosil and therefore in our control and not macro challenges. Therefore, we feel reasonably confident that we should be able to get back to the levels before and even exceed them. Our main challenge here is really capacity utilization of the Borosilicate furnace and how quickly we can achieve that. Of course, the Opal glass furnace we have more reasons to believe that we should be able to achieve a higher level faster than we had originally anticipated. But the borosilicate glass furnace we need to spend a lot of thought on how do we make that product category everyday use and if we are able to successfully do that, I think we would solve that capacity utilization problem also. On the scientific side things are broadly on track. Klasspack and Borosil Technology has been in a drag on margins and Klasspack on revenue growth also, at least for this year but if we look at the larger themes there are many green shoots in Borosil Technologies which we are seeing develop and Klasspack should come up, come back to a level of growth and therefore better operating margins. Both of these divisions will do well I think in the periods ahead. We should be able to be market leading in terms of growth and profitability in both of these areas. So, with that I thank you all and look forward to interacting in the next quarter.

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