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Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

We enclose transcript of conference call with Institutional Investors and Analysts which was held on Wednesday, February 9, 2022.

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

You are requested to take the same on records.

Thanking you.

Yours faithfully,
For **Borosil Limited**


Anshu Agarwal
Company Secretary & Compliance Officer
FCS - 9921



Encl: As above



“Borosil Limited Q3 FY22 Earnings Conference Call
hosted by Edelweiss Broking Limited”

February 09, 2022



**MANAGEMENT: MR. SHREEVAR KHERUKA – MANAGING DIRECTOR
AND CEO, BOROSIL LIMITED
MR. RAJESH CHAUDHARY – WHOLE TIME DIRECTOR,
BOROSIL LIMITED
MR. ANAND SULTANIA – CFO, BOROSIL LIMITED
MR. SWADHIN PADIA – GENERAL MANAGER
ACCOUNTS, BOROSIL LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Borosil Limited Q3 FY22 Earnings Conference Call hosted by Edelweiss Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss. Thank you and over to you, Sir.

Praveen Sahay: Thank you Yasika. Hello everyone and thank you for joining to the earnings call of Borosil Limited. On behalf of Edelweiss Wealth, I would like to welcome the management team of Borosil to discuss the Q3 result and the outlook and also some contours of the demerger. We have with us for discussion Mr. Shreevar Kheruka – Managing Director and CEO, Mr. Rajesh Chaudhary – Whole Time Director, Mr. Anand Sultania – CFO and Mr. Swadhin Padia – General Manager Accounts. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for a Q&A. Over to you, Sir.

Shreevar Kheruka: Thank you Praveen and thanks to Edelweiss for hosting this call. Good afternoon everyone. It is a pleasure to be interacting with you all again. I hope each one of you is doing well and staying safe. **Borosil Limited’s board approved** the Company’s financial results for the third quarter and YTD third quarter FY22 on February 7, 2022. Our results and an updated presentation has been sent to the stock exchanges and have also uploaded on the Company’s website.

Despite few variants of COVID emerging and there being a substantial rise in the number of cases the impact has not been as severe as earlier waves partly on account of the vaccination coverage. After decline of maybe 8% in FY21, GDP growth for the country is estimated at 11% during this financial year. This should move well for a recovery in demand. However, one would have to keep a close watch on inflation.

With that context, let me provide an overview of our business performance during the three quarters ended December 2021.

Borosil’s consol revenue from operations during Q3 FY22 was INR 260.1 crores which is a growth of 26.7% over the same quarter on the previous year. The consol revenue from operations during the 9-months ended December 2021 was INR 619.8 crores a growth of 54.7% over the same period the previous year. The higher growth should also be viewed in a context of the first half of the previous year that is FY21 being severely impacted by COVID related lockdowns. Borosil consumer ware business comprising glassware products, non-glassware products on the brand Borosil and its Opalware range under the brand Larah recorded net sales of INR 435.5 crores during the 9-months ended December 2021 as compared to INR 266.7 crores during the corresponding period of the previous year. that is a growth of 63.3%. This revenue is 25.3% higher than that of the pre COVID period YTD Q3 FY20 and interestingly is more than the entire FY21 sales for consumer division.

So, consumer division is we have always given a medium-to-long term growth 15% to 20% and I think despite COVID we would be achieving the compounded growth in this division. We have seen a good bounce back in sales across all our key product lines that is glassware and non-glassware as well as Larah and in each of these categories the sales during the 9-month period ended December 2021 exceeds the sales for entire 12 months of FY21.

Sales of glassware products under Borosil during 9-month period of this year were 108.8 crores a growth of about 50.4% over YTD Q3 FY21. Each of the three categories of storage, Microwavable and vision glasses recorded very healthy growth.

Borosil's non-glassware products comprising primarily domestic kitchen appliances, the hydra range of bottles and steel serve fresh products recorded sales of INR 157.5 crores during Q3 FY22 and that is a growth of approximately 50% over the same period last year.

Non-glassware products now comprise 59% of the Borosil branded consumer product sales (that is excluding Opalware sales). The bounce back in demand of Borosil products reinforces the equity that the brand enjoys with consumers. We are also very glad about how the brand has been able to stretch beyond glassware to encompass a wider range of everyday use Kitchen ware products, serving products and products for carrying food and drinks.

Borosil's Opalware brand Larah recorded net sales of INR 169.3 crores during the 9-month ended December 2021 that is a growth of 89.6% over the corresponding period in the previous year. Larah has established itself as a strong player in the Opalware segment and is playing a key role in expanding the market for this category. Opal is growing as a category of choice for daily use serving ware and the Larah business is likely to end this year at more than quadruple its size since we acquired it 6 years ago.

Moving on the scientific products division:

Net sales during the 9-month period ended December 2021 INR 184.3 crores - that is a growth of 37.5% over the same period last year. During YTD Q3 FY22 the core lab glassware products registered sales of INR 103.7 crores, a growth of 26.2% over the corresponding period in FY21. The Company has embarked upon a strategy to add new avenues of growth to supplement its domestic lab glassware by foraying into the export markets for lab glassware and to introduce a range of lab instrumentation in India. Both these initiatives are beginning to contribute towards the healthier top line growth of the scientific business. They now contribute to over 20% of the sales of the scientific business (that is without Klasspack). During the 9-month period ended December 21 lab instrumentation grew by 30.6% and export grew by 28% over YTD Q3 FY21.

Borosil's vials and ampules brand of pharma packaging products, Klasspack registered sales of INR 67.3 crores - that is a growth of 61.7% over YTD Q3 FY21. Currently if you allocate year-to-date numbers we utilized just about more than 70% of our capacity, although in the last few months' capacity utilization has been more than 80%. We began to see demand from

overseas markets in Klasspack as well and export comprise a little over 10% of Klasspack revenue.

During YTD Q3 FY22 the operating EBITDA before exceptional items was INR 118.6 crores translating into an EBITDA margin of 19.1%. During the corresponding period in the previous year the Company has earned an operating EBITDA profit before exceptional items of INR 57.7 crores owing to the negative impact of COVID related lockdowns and customer cut back on discretionary expense.

The improved performance this year has gone closer to a normalized operating profitability and profit before tax and exceptional items during YTD Q3 FY22 stood at INR 97.4 crores - that is 15.7% of revenue.

The Company's Financial Results for the period includes an exceptional provision of INR 6.5 crores towards two exceptional items. Both of these happened in the earlier periods of this financial year. We have provided for losses incurred on account of a fire at a warehouse in Bharuch on April 1st, 2021, and water logging in the warehouse at Bhiwandi. These premises were fully insured and claims have been raised and substantial payouts have also been received by the organization. The provision made in the book is to the extent of the difference between the claims raised and those expected to be settled by the insurance Company which aggregate to INR 6.5 crores. We believe most of this will also be settled by the insurance Company upon completion of due process. The Company reported a profit after tax of INR 50.7 crores during the 9-months ended December 2021.

As of 31st December 2021, the Company has net cash of about INR 221.9 crores. In line with our treasury policy all incremental funds are invested in high credit, quality, secured debt instruments and this comprises about 80% of our cash surplus.

The Company has been liquidating legacy investment in real estates and this exposure to real estate funds now stands at about only 10% of the total investments. The surplus cash will be utilized for the ongoing expansion projects for the consumer and scientific business of the Company. The operating capital employed in the business at a consolidated base as on December 31st, 2021, was INR 501 crores. It earned an operating profit (EBIT) of INR 86 crores which translates into an annualized operating ROCE of 23% which I think is the highest so far by the Company in the recent past.

The Company had announced expansion projects for the consumer and scientific business during the first two quarters. The project towards capacity expansion for Opalware production in Jaipur which would take the capacity from 42 tons per day to 84 tons per day and the project for creating capacity for Borosilicate glass pressed products have taken on a good pace. This civil work for the production block has begun and all major equipment including the furnace have been ordered. We expect production of Opalware from the expanded capacity to commence sometime in the Quarter 2 of FY23 and production for Borosilicate glass press products to commence in Quarter 4 of FY23. The Company has also announced an upstream

project for the manufacture of glass tubing due to uncertainty in global supply chain as well as increased cost. The project has begun and we are in the process of ordering all equipment.

This Borosilicate 3.3 expansion tubing furnace with the capacity of 20 tons to 24 tons per day will be in Gujarat in Bharuch and is likely to be commissioned by the first quarter of the financial year 23-24. The expansion of our production capacity for vials and ampoules has also started and all orders to this extent have already been placed.

I would like to now touch upon a corporate development:

The board has proposed to restructure the business of the Company into two separate listed entities by a composite scheme of arrangement. As you are aware Borosil operates two distinct businesses. The consumer business comprises glassware, non-glassware and Opalware product ranges while the scientific business is made up of lab glassware, lab instrumentation and primary pharma packaging. Both the businesses have been functioning as separate profit centers with separate business heads and largely independent teams. Each is responsible for delivering on their own P&L and this has been the case for quite a few years now. Going forward each of these businesses have distinct capital and operating requirements. The growth path and organic and inorganic growth potential is different which entails different capital raising requirements.

Our conversations with various investors also suggest that the two businesses are suited to two different investor profiles. Consequently, the board has approved a scheme to segregate the two businesses with each business being listed independently on the stock exchanges. The scheme envisages demerging the scientific business of Borosil Limited into Klasspack Limited. In addition, Borosil Technologies Limited which is a 100% subsidiary of Borosil Ltd (the Company under which the LabQuest range of products are developed) will also get merged with Klasspack. Thus, Klasspack will house the entire scientific business including its existing pharma packaging business. It is proposed to rename this Company to Borosil Scientific Limited and list it on the BSE as well as the NSE. Upon the implementation of the scheme, Borosil Limited will house the consumer business of the Company, which is Glassware, non-glassware and Opalware and Borosil Scientific Ltd will house all the scientific business of the Company which is Lab glassware, Lab instrumentation and pharma packaging. There would be a few common services such as legal, secretarial and HR which will be shared services for both the companies.

Listing of Borosil Scientific Limited on the stock exchange will help to unlock value of the business for the investors and they can choose to be invested in one or the other or both the businesses. The implementation of the said scheme is subject to approval of various authorities including the stock exchanges, SEBI and NCLT and approval of stakeholders including shareholders and creditors. Many of the steps involved have to move in series and we anticipate that the entire process can be completed in 9 to 12 months. However, we are cognizant of the fact that some of the timelines are outside our control and hence this time estimates can only be indicative and the actual time taken could be longer.

We remain optimistic about continuing to achieve sales growth, healthier margins and improving ROCE in the medium-to-long term. The recent impact of COVID notwithstanding the consumer business is supported by tailwinds and Borosil will participate in a growing market. The scientific business is expected to see steady growth in Lab glass ware with Lab instrumentation and pharma packaging providing a substantial fillip to its growth trajectory. So, with that I would like to now throw the floor open to questions. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen we will now begin the question-and-answer session. We have the first question from the line of Vaibhav from Honesty and Integrity Investment. Please go ahead.

Vaibhav: Sir I have just two questions on the restructuring part. So first thing if you can just broadly provide the numbers in terms of ROCE for scientific division and consumer division separately, just wanted to get an idea that what would be a profile after these two companies are listed separately. Question two - we have gone through another restructuring couple of years back. So, why this is not done earlier and what change has led to this step now because it would have been convenient to do it earlier itself, so just wanted to get your thoughts on these two questions?

Shreevar Kheruka: As far as ROCE of the two businesses are concerned we can amend the presentation and share with you. I do not have the numbers of the top of my head, so apologies. I would not be able to share at the moment, but for sure this is an important question and I do believe we can answer that question and I will upload it like I said.

Rajesh Chaudhary: I have the number for the SIP. It is in the range of 20% and for CP it maybe in the range of 26%, 27% for the 9-month period.

Shreevar Kheruka: Frankly, the SIP business has traditionally had a much higher ROCE, but it was impacted substantially this year and especially in the last quarter because of very high inflation on the incoming raw materials as well as power and fuel. I expect SIP ROCE to be substantially higher than the 20% that we may have had this year.

Vaibhav: SIP ROCE is lower because of major sale 35% of the sales is happening in the last quarter of the year?

Shreevar Kheruka: So, we will see that bump up in the last quarter of FY 22. We have also taken a price increase.

Vaibhav: SIP ROCE might to some extent be offset by the pharma packaging business. So, I wanted on a blended basis what would be the number probably last year or FY19?

Shreevar Kheruka: We can share that separately over the last couple of years what would that be, but I think ROCE will be in the high 20s. It should be in that range on a normalized year basis. As far as the second question about why we did not do this earlier we have thought of it frankly, but the businesses were at a lower scale and we wanted to ensure that the benefit of the cash flows of the two joint businesses were available to both the businesses as the case may be. But now,

from this year with the kind of growth we have seen as you can see in the revenues and very steady cash flows for both consumer and scientific business I think this is the right time to do it. Whereas two years ago or three years ago when we launched the first restructuring exercise, both the consumer and scientific businesses were at much lower scale. So, I think it was a question of when and not if and now when has arrived. It's just as simple as that. There is no change per se in the operations of either business between then and now, except the size.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: So, my question is also on the proposed demerger and I believe that is one of the good moves the Company is going with. My question is because you have manufacturing from both segments and also the distribution and so when you are demerging you are demerging the entire manufacturing to distribution of both the businesses differently because Vylene was earlier a manufacturer?

Shreevar Kheruka: So, when we are demerging the two businesses the relevant teams as well as the relevant production units will be part of the relevant organization. So, for example, our Borosil Scientific will have its production units in Bharuch and in Nasik and in Pune which is for lab instrumentation whereas Borosil Limited will have its production unit in Jaipur and the relevant teams will belong to the relevant companies.

Praveen Sahay: Second of KPL, Borosil has an 82.5% stake. Who owns the rest?

Shreevar Kheruka: The original promoter of Klasspack was Amin family from Nasik and they have the remaining 17.5% stake. So, in the process of this amalgamation scheme, they will get some shares of Borosil Scientific Ltd. If you see, the promoter holding will reduce to some extent and that is in our presentation. You can clearly see that.

Praveen Sahay: And all the expansion which you had already planned for that will get over prior to the demerger?

Shreevar Kheruka: No, that is not necessarily true because we do not know how long the demerger will take. We are doing four major expansions. One is Opal Glass Furnace-2, second is for the Borosilicate Glass Press the third is for the Borosilicate tubing and the fourth is for the expansion of our vials and ampules production. I would say three of these largely can happen by March of 23. The tubing furnace will likely come in the first quarter April, May, June of 23. So, it really depends on the timelines of when we get approval for the scheme, but the Appointed date of this scheme has been set as April 1st, 2022, which means that whenever we get the approval the books will be drawn as two separate companies from April 1st, 2022 itself.

Praveen Sahay: On the performance of this consumer business non-glass business as it grew very healthy and strongly and in the 9-month is 157 odd crore revenue from there, so was any target you have to achieve in these particular pie, how much you are expecting the way forward?

Shreevar Kheruka: Frankly in the non-glassware business our goal is only to provide a differentiated and high-quality offering to our consumer and we are not really chasing revenue in the sense that in the way of market share. We believe that first we should differentiate our product range and we should sell high quality products and we should do it in a profitable manner which is what we are attempting to do. That is the goal. So, I cannot say that there is a goal that should become Rs. 500 crores etcetera. The goal is to first establish ourselves as a high-quality player in the non-glassware range which I feel we are very much on the path towards. In our glassware range, on the flip side, we need to sell much higher volumes. The reason being that we are coming up with our own production and in a glass furnace once you start the production you cannot stop it. The complete utilization of the glass furnace plays a direct role in the profitability. So, if you are running the glass furnace at 50% capacity utilization then it is a very tough situation for the organization. For the same glass furnace if you run at 90% capacity utilization you make very reasonable return on capital and EBITDA percentages. So, our goal will be to sell more volumes in the glassware side of the business. In fact, with the change from plastic to glass which is a common trend today across the world as well as in India, we give our customers a differentiated and a very high variety of offerings enabling them to easily switch to glass. But for non-glassware the focus will be just to focus on the quality of the product, to expand the range and to give high level of after sale service. Then the sales will be a result of that, but we are not chasing a sales number there.

Moderator: Thank you. We have the next question from the line of Manav Vijay from Deep Financial. Please go ahead.

Manav Vijay: So, my first question is regarding the CAPEX that you have announced or I would say in Quarter 1 and then in Quarter 2 so total CAPEX of around 600 crores you have approximately 200 crores of cash on books plus whatever cash that you will generate in next 15 months or so. So, you will be taking some debt as well to fund this CAPEX and if yes what that could be maximum?

Shreevar Kheruka: For sure that we will require some debt and I think INR 200 crores is really what we expect the maximum level of debt should be. The Company, as you know, in the first 9-months has already an EBITDA of Rs. 120 odd crores and like Rajesh had mentioned earlier the fourth quarter is usually the best quarter for the scientific division. We do expect the EBITDA to substantially rise in the fourth quarter and therefore free cash flows. So, I would say we should be able to generate Rs 100 plus crores of free cash flow each year and maybe even more once the new production comes on stream. So, I do not think we should have more than Rs. 200 crores of debt at the peak and that should quickly be paid down once the cash flow has come in from the new expansions.

Manav Vijay: Sir as far as the first three expansions are concerned the Larah, the Borosilicate and the tubing one there you have solid ample I would say explanation if you can also specify what is the expansion that you will be doing on the vials side that will be helpful sir?

Shreevar Kheruka: So, look on the vials side there are two types of capex. One is capacity expansion second is quality improvement. So, in terms of capacity expansion, I plan is to close to double our capacity. So, if we had at the starting part of this period about 200 million per annum production capacity I think will be close to about 400 vials per annum at the end of the expansion. As far as ampoules are concerned, our capacity was roughly 450 million to 470 million ampoules per annum and I think we will be going to about 650 million ampoules per annum. So, we would be expanding the capacity by about 35 odd, 40% in that range. Coming to quality. We already have a camera inspection installed in all the new capacity. Now we are also going to be retrofitting all our old machines with camera inspection systems so that our customers get the best quality products, no human touch or very little human touch let us call it. So, that is also a type of expansion although not at the same capacity, but in value that we provide to end customers. So, these are the two things we are looking to do and these we expect to conclude again certainly by end of 2023.

Manav Vijay: And from your current capacity that you have you have called multiple times earlier that you can do around 90 crores to 100 crores kind of a sale. So, will those double this capacity, can we expect double sale? Would that be a safe assumption to make?

Shreevar Kheruka: That is the goal.

Manav Vijay: Now my second question is regarding I would say one of the competition that you have Tarsons. So now, Tarsons has been targeting the scientific lab ware market very aggressively and I would say globally plastic makes a larger proportion compared to glass in India it is reverse, so if you can elaborate as to what is the thought process that you have regarding plastic and glass as a product per se in that specific customer segment?

Shreevar Kheruka: See the application of plastic and glass are totally separate. There were some overlap orders, some substitution happening 20 years ago, but now we see that whatever substitution had to happen has happened. We do not see much substitution happening on either side. Plastic is used a lot for use and throw applications in biotech for example it is used in blood collection. For these RTPCR tests, there has been an explosion in the use of plastics because of centrifuge tube with the RTPCR test itself requires a lot of plastic. I am sure all of us have done these tests and they come with that one conical type tube with the plastic screw on. We have to give a sample in that. So, plastic requirements are lot in pathology labs, they are lot in biotech. They are used for use and throw applications where people do not want to risk contamination that could be like I said in blood and genomics. As far as glass is concerned, we have it used a lot in quality control labs in pharma, in R&D labs and for storage of various reagents which would not respond well to be stored in plastic bottles. We provide glass vials and ampoules for pharma primary packaging itself. In fact, that is one area where we are seeing a switch from plastic to glass because again the injectable has to be stable for a long period of time and then it is injected into the human body. So, therefore you need to make sure that there is no leaching from the container into the injectable. So, in general I would not agree that there is a substitution. Yes, the different segments where plastics are used are growing at different paces for sure. In the last 15 months or 24 months with COVID there certainly has been a large

requirement of plastic and that is the case in point which we are all aware is RTPCR for testing. That depends on how long of course this will continue and may continue and maybe there will be another pandemic in the future. But I do not see any decline in lab requirements. Yes, growth wise plastics have a growth path in genomics which is quite attractive. We have decided to focus our efforts on instrumentation which we believe is a high-growth area as well and pharma packaging which we have shown has very high growth. We hope to continue showing high growth in the future. So, that is what I would like to comment.

Manav Vijay: My next question is regarding the cash that you have on books of around 220 crores, can you also help us to understand as to when you demerge the Company or let us say revenue will have two companies how much cash will move to each Company because both these businesses have almost equal requirement I think close to 300 crores each?

Shreevar Kheruka: So, roughly half the cash 110 crores will be moving to the scientific division.

Manav Vijay: And you had a 67 crores of a goodwill outstanding on your book so which came because of the earlier corporate action that you guys had undertaken couple of years back, now because of this corporate action that goodwill will continue to remain the way it is although I believe if we get broken down between two companies or they will be a markup or a mark down on this number?

Rajesh Chaudhary: Basically this goodwill pertains to the scientific division. So, the goodwill will go along with the scientific division to the resulting Company and going forward we will do impairment testing and based on that we will take a call for writing off this goodwill.

Manav Vijay: Because Rajesh if I am correct from the annual report one can see that roughly 50 or 51 crores belong to scientific and roughly 16 crores; 17 crores belongs to the consumer ware. So, I was of the opinion that it will get broken down in that same fashion?

Rajesh Chaudhary: See this goodwill pertains to the manufacturing activities at Bharuch. In the Bharuch operation we produce the scientific products. This entire amount in the consolidated numbers pertains to the scientific division.

Moderator: Thank you. The next question is from the line of Rahul from Monarch. Please go ahead.

Manav Vijay: So, just had a couple of questions on how you are seeing the raw material scenario. I believe our gross margins this quarter was severely impacted. While we have taken a price hike, but how do you see this going forward?

Shreevar Kheruka: I think the gross margins will rebound maybe even better than what we had in the past with the price hike and we are confident of that. Again this is short term scenario because a lot of increase of cost has been because of the cost of the tubing and like already discussed one of the reasons we have gone for such aggressive expansion as we saw this coming 8 months, 9-months, 10 months ago - the cost increases. So, we announced our CAPEX to substitute those imports which have been the key drivers of increase in cost. . So, in the short run what the best

we can do is take a price rise, but in the longer run having control on the production in India would be the right way to go. This would lead to a large chunk of correction on the cost hikes that we have had. So, the goal is eventually with our own production and the increase in price, our margin should actually expand going forward once our own production comes into play.

Manav Vijay:

And just wanted to check sir how you are seeing the Opalware growth because you and your competitor got a very strong growth and channel checks has also suggested that Opalware growth is here to stay so just want to see is do you see a large reduction in Bone China and Melamine or do you see the pricing is becoming more of an attractive play for Opalware right now?

Shreevar Kheruka:

So, yes there is a substantial increase in demand for Opalware and we have been running more or less sold out for some time now. We would have sold much more had we had more capacity. It is time to add that capacity. I think there are two or three reasons. One is obviously the larger theme of people upgrading the lifestyles from steel and Melamine has continued and especially with COVID lots of entertaining has been at home. Friends get together etcetera has been at home versus going to restaurants and that has definitely increased or made people improve their lifestyle at home. The second factor has been a switch from other materials to Opal because of the way it looks, attractive pricing on the product and functionality you can microwave it. Washing does not chip and crack it easily and it looks brand use even years after using. The last point I would like to say is that we have clearly seen reduction in imports from China and that is owing to high levels of freight. So, owing to all these three factors we certainly see that there is a good domestic demand which has become stronger and therefore we see a lot of the players growing in the space who have the domestic products.

Moderator:

Thank you. The next question is from the line of Akhil from Centrum. Please go ahead.

Akhil:

On the Borosilicate glass categories what are key reasons we have moved for in house manufacturing given that we were already a large player and kind of have been doing by importing the goods. Apart from the high ocean freight cost any specific reason why we have decided to go for it?

Shreevar Kheruka:

I mean obviously the cost increase inflation has been one of the key reasons. The other thing is you see when you have control and we have seen this with Lurah when we have control of our own production the ability to increase the shape and sizes, the flexibility to kind of make new products introduction for different channels is much higher than when we have to depend on import sources. We see the market growing substantially and that is a secular trend which will continue. So, in a growing market where we have market leadership and where cost inflation becomes a constraint on our ability to grow the market by let us say the variety of products available it makes sense that we should manufacture and introduce our own new products. That is what it is. We have a very strong team both on the front end and on the back end as far as sales, marketing and innovation is concerned which we should back. That is what we are doing.

- Akhil:** Are there any import duty from the finished goods of Borosilicate glass category?
- Shreevar Kheruka:** They are import duties but that is the standard import duty of 20% which is therefore in every product in the country.
- Akhil:** There is no increase basically?
- Shreevar Kheruka:** No there is no increase at the moment. It is the same.
- Akhil:** And we are saying we are doing 75 crore of CAPEX. This will be mainly used in the backward integration so we kind of producing our own, so what could be a peak utilization?
- Shreevar Kheruka:** So, the CAPEX will be increasing because we have made a small change which we will communicate at the appropriate time to the investors. But I think the peak sales from that production unit could be closer to 200 crores.
- Participant:** So, roughly three times the asset turn?
- Shreevar Kheruka:** Well it would not be three because like I said the CAPEX will increase. That I will communicate at the appropriate time.
- Participant:** Last question in Opalware in the past we had reached the margin profile of 27% and as we have stopped giving that it is fairly understandable, but is it fair to assume that we are somewhere near the past margin profile in Opalware strategy?
- Shreevar Kheruka:** We are slightly better than that.
- Moderator:** Thank you. The next question is from the line of Binoy Jariwala of Sunidhi Securities and Finance Limited. Please go ahead.
- Binoy Jariwala:** Just wanted to check few points from Klasspack on sequential basis the EBITDA margin has come off slightly, so what could be the reason for the same?
- Shreevar Kheruka:** Substantial increase in gas prices. There also we have taken a price increase although the price increase will be effective from 1st April. Gas is used for conversion. Frankly, I have not seen this in the past where some the price of inputs triples in like two months. So, it's hard to operate in an environment like that and that is what we have seen. So, there has been a small reduction in the margin, but that will correct itself. I would say it is a short term impact.
- Binoy Jariwala:** So, earlier we have maintained long ago we have maintained that our steady state EBITDA margin here is 12%, 13% what would you call out now?
- Shreevar Kheruka:** It is in high teens now 18%, 19% and probably we hope to cross 20.
- Binoy Jariwala:** On a steady state basis 18% to 20%?

- Shreevar Kheruka:** Yes, I think that would be certainly achievable.
- Binoy Jariwala:** In the presentation the scientific ware side we mentioned that we have done about 4 crore of sales in lab instrumentation during the quarter, just wanted to check just lab instrumentation sales was a part of Borosil technologies which is subsidiary?
- Shreevar Kheruka:** Borosil technologies sells to Borosil Limited and does not sell to third parties. Borosil Limited is a sale engine for the Company. Borosil Technologies has no third-party sales so we never account to sale of Borosil Technologies. These are eliminated when you consolidate the numbers.
- Binoy Jariwala:** On a steady state basis if you look at the standalone EBIT margin of SIP business what could that be because that also has come off on a YoY basis roughly about 25% to 13% and sequentially from almost 30% to 13%?
- Shreevar Kheruka:** That is a short-term phenomenon. Like I said before, the YoY number is impacted for two reasons. Last year there was virtually no cost on travel, no trade show cost etcetera. So, marketing expenses and the travel expenses were basically zero. We as a Company started travelling basically after second wave since May, June. So, there has been some increase in cost on that front. On the other side, as I have already mentioned, number of times there has been a sharp rise in the cost of the inputs so that has been the reason for the decrease. Again I want to repeat, that we have already taken a price increase and that will correct back to north of 25% margins in the very near-term.
- Binoy Jariwala:** Do you plan to raise any capital in any of the businesses once the demerger is done?
- Shreevar Kheruka:** At the moment we do not see any need for it, but situations keep changing. At the moment nothing.
- Moderator:** Thank you. The next question is from the line of Jasdeep Walia from New Mark Capital. Please go ahead.
- Jasdeep Walia:** I just need a clarification sometime back there was a discussion on margins you are saying that margins have already reached 17%, 18% kind of level was that for Klasspack only or what is it for scientific instruments on the whole?
- Shreevar Kheruka:** No that was for Klasspack only. Scientific is much higher than that. In the last quarter it may be fairly lower, but in principle the margin in Klasspack has moved up to 17%, 18%.
- Jasdeep Walia:** And you are saying that there is potential to move the margins upwards of 20% without the new CAPEX commissioning?
- Shreevar Kheruka:** Yes, that is correct.

Jasdeep Walia: And as far as the CAPEX for Klasspack is concerned is there CAPEX for manufacturing tubing as well?

Shreevar Kheruka: The CAPEX that we announced in Quarter 2 which is about a Rs 100 crore for manufacturing tubes will be for Scientific business at Bharuch facility which will merge with Klasspack post the implementation of the Scheme.

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

Mohit Jangir: So, my first question is regarding the pharma packaging division which is classic, so the market size which you had shown in the last year numbers was 235 crores for your pharma packaging business, but in the Q3 presentation the market size for Klasspack is around 1100 so what it stands in last one year as the opportunity size has become 5x of what it was in the last year?

Shreevar Kheruka: Maybe that was a mistake. In principle the market size has increased I would not say it has increased 5 times but it has for sure in the last two years and that is in partly due to COVID. If you see all of us have got vaccination and all of that vaccination comes in glass packaging. So, that has been the biggest driver of increase in the market, but I would be comfortable with the number which is in the 1,000 odd crore range at the moment. Now this is pharma packaging, glass packaging which includes ampoules, vials and syringes. We do not have syringes in our range at all at the moment, but we have ampoules and vials.

Mohit Jangir: Sir the second question is regarding the Lab division so what is the potential we see in the lab instruments business. I was reading in an interview that with Mr. Vinayak Patankar who is the Chief Operating Officer of SIP division of Borosil Limited. He said that we are moving to the lab chemicals which is 6x of the current chemicals which is there in Borosil Technologies, so what is the potential in that business?

Shreevar Kheruka: See instrumentation business is an ocean and you know there is a large requirement of instrumentation in the country and most of it is being imported. So, frankly the potential I would say is more than a 1,000 crores is the total value of the instrumentation market. Now question is and obviously we cannot play in the whole market because there are really so many different varieties of instruments and it is a very conservative market. It takes a long time to be established and to be accepted by the customers. This is not like a consumer business where we launch a product and customer will try it out. The pharma companies or the R&D labs spend a lot of money on the experiments and for them saving money on instrumentation is not really their priority. So, while the market size is large the ability to penetrate that market is slow and steady and that is what we are planning to do and obviously we also need to build our own capabilities to drive or to make sure that we have the capabilities to develop new instrumentation in every quarter. We are working on that. I would say that our view on the

instrumentation business should contribute 50 crore in the coming three to five years. That we should drive in that direction and that would be the first level goal that we set ourselves. Beyond that it is hard to predict but I would if we can achieve between 50 and 100 crores in the next three to four years, that would be a very good achievement.

Moderator: Thank you. The next question is from the line of Piyush Khandelwal from BOI AXA Mutual Fund. Please go ahead.

Piyush Khandelwal: Two questions from my side one is on the gross margin side sequentially we are seeing a decline in the gross margin, so was that largely a function of the scientific division?

Shreevar Kheruka: No there was an impact on the consumer side as well for sure, but yes scientific business was disproportionately impacted. The reason is, again just to repeat, it is just substantially higher input cost which we had to absorb which were already beyond our control. I have also outlined what action we are taking to rectify this in the coming quarters.

Piyush Khandelwal: Could you quantify I mean the kind of prices increases that we took because you mentioned that you have taken the price rise?

Shreevar Kheruka: Yes, between 8% and 16% is what we already announce from 1st February. Sometimes it takes a month, month and half to get established in the market, but we see that will happen.

Piyush Khandelwal: Sir next two quarters we will be getting back to the normalized trajectory?

Shreevar Kheruka: For sure, we are very confident about that.

Piyush Khandelwal: Second is on the segmental margin on the consumer business if you can also speak. I mean what could be the steady state margin in this consumer business because we are seeing the segmental drop of around 400 basis points in the consumer business as well?

Shreevar Kheruka: I would wait for little bit to discuss that number because now with the large CAPEX coming online, the segmental margin of consumer may be a little bit volatile. From Q2 of next year, there will be an impact because of new capacities coming on stream. I think I have spoken more about EBITDA margins on the consumer side and I think if we can hit 20% EBITDA margins on a consol basis on the consumer division then I think that will be good. Obviously once the capacity additions come in, then that margin will move up close to 25 odd percent. That is more or less the short term answer for you.

Moderator: Thank you. The next question is from the line of Amrish Kakkar who is an Individual Investor. Please go ahead.

Amrish Kakkar: I just have one question on the scheme of arrangement to the extent that you could comment where would you be going yourself in terms of management role and what will the management shape in the other organization?

- Shreevar Kheruka:** We have not finalized on the shared services. I just want to say that both are my babies and both will continue to be my babies going forward. I do not see any change, but obviously for the sake of definition to be in one or the other organization it is hard for me to comment at the stage. We will discuss the specificities of various points probably in the next board meeting. But like I said before, they have been run as independent entities and I think they will be continuing to run like that. Both will continue in some sense to report to me, but these are early days. So, let us wait and watch and we will make the appropriate announcement in due course.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** I missed your comments regarding four ongoing expansions, so can you give the detailed numbers for each expansion and what will be the asset turns for each one?
- Shreevar Kheruka:** I am sorry I cannot do that at the moment just because you can probably pick it up in a couple of days from the printouts or other transcripts, but I only mentioned the expansion quantum which are all a matter of record. We did not do any new announcement at this quarter, but the asset turns have not been announced and that is to be seen. But in each case the asset turn is likely more than one for sure. Between 1 and 2 is probably the answer to that.
- Moderator:** Thank you. The next question is from the line of Binoy Jariwala of Sunidhi Securities and Finance Limited. Please go ahead.
- Binoy Jariwala:** In Larah business we are doing run rate of roughly 65 crores a quarter, so what would be the peak potential now?
- Shreevar Kheruka:** You mean from the existing capacity.
- Binoy Jariwala:** Yes from the existing capacity?
- Shreevar Kheruka:** So, Rs 65 crores may not be because there will be some inventory at the beginning of the quarter and some inventory at the end of the quarter, but I sense Rs 220 - 230 crore would come from the existing capacity.
- Binoy Jariwala:** And once the entire capacity expansion is on stream I believe the total peak sales potential is about 380 crores or 400 crores right?
- Shreevar Kheruka:** Just slightly less than double because every 20 months or so you have to refurbish the furnace so it will be slightly under double that. So, maybe around Rs 400 to 410 crores - in that range.
- Binoy Jariwala:** And what would be the CAPEX for Klasspack capacity expansion?
- Shreevar Kheruka:** As I mentioned to the previous participant, we have announced this all before so I do not want to give a wrong number. I do not have that in front of me at the moment.,

- Moderator:** Thank you. The next question is from the line of Manav Vijay from Deep Financial. Please go ahead.
- Manav Vijay:** So, just one question if you can spell out how much CAPEX you will do in FY22 how much will happen in FY23 and then FY24?
- Shreevar Kheruka:** So, the total CAPEX already announced is you want to split by year is that what you are asking.
- Manav Vijay:** Correct.
- Shreevar Kheruka:** So, this I will come back maybe I will upload it in the coming days because I do not have this numbers of the top of my head and we like to make sure that we give the right picture. I would do that business wise because now there will be two separate businesses. I think the requirement is for ROCE numbers and CAPEX numbers so I will try and do business wise and year wise so that will give people a better idea of what is likely to happen. So, you can watch the space for a better idea for some kind of future projections.
- Manav Vijay:** And sir can I give one suggestion to you is that possible?
- Shreevar Kheruka:** Please.
- Manav Vijay:** Sir the amount of time that you take between the time you release your result and the time you give out as a presentation in some time more than 24 hours, so if somehow Company can reduce that would be helpful?
- Shreevar Kheruka:** Point noted. We will certainly try and do that next time.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for their closing comments.
- Shreevar Kheruka:** I would like to thank everyone for participating with lots of questions which I am happy to have answered. I truly believe in the future of the business in both the businesses and as you can see with the revenue growth it has been substantial even the ROCE for the joint business moved up. Obviously, there has been a little negative impact owing to inflation which is in my opinion once in a decade kind of things that happen with such high numbers inflation happening in such a short period of time. But we are well positioned to pass the price increases on. That is the strength of our brand. So, I think this is a short-term blip which we will correct and the goal is to correct it without impacting revenue growth which I am sure we will do. So, I am very optimistic about both the businesses and I look forward to the continued confidence of all our investors. So, thank you for your time and look forward to the next quarter results.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of Edelweiss that concludes this conference call. Thank you for joining us and you may now disconnect your lines.