

**Borosil Limited**

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February 22, 2024

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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 Thursday, February 15, 2024.

The aforesaid transcript is also available on the Company's website at [www.borosil.com](http://www.borosil.com).

You are requested to take the same on records.

Yours faithfully,

**For Borosil Limited****Anshu Agarwal**  
**Company Secretary & Compliance Officer**  
**FCS – 9921**

Encl: as above



“Borosil Limited  
Q3 FY2024 Earnings Conference Call”

February 15, 2024



**ANALYST: MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

**MANAGEMENT: MR. SHREEVAR KHERUKA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - BOROSIL LIMITED**  
**MR. RAJESH KUMAR CHAUDHARY - WHOLE TIME DIRECTOR - BOROSIL LIMITED**  
**MR. ANAND SULTANIA - CHIEF FINANCIAL OFFICER - BOROSIL LIMITED**  
**MR. RITURAJ SHARMA – PRESIDENT CONSUMER PRODUCTS - BOROSIL LIMITED**  
**MR. BALESH TALAPADY - VICE PRESIDENT - INVESTOR RELATIONS & BUSINESS ANALYSIS - BOROSIL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY2024 Earnings Conference Call of Borosil Limited hosted by ICICI Securities. 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. Aniruddha Joshi from ICICI Securities. Thank you and over to you Sir!

**Aniruddha Joshi:** Thank Tushar. On behalf of ICICI Securities we welcome you all to Q3 FY2024 and nine months FY2024 results conference call of Borosil. We have with us senior management represented by Mr. Shreevar Kheruka, Managing Director & CEO, Mr. Rajesh Kumar Chaudhary, Whole Time Director, Mr. Anand Sultania, Chief Financial Officer, Mr. Rituraj Sharma President Consumer Products and Mr. Balesh Talapady, Vice President-Investor Relations & Business Analysis. Now I hand over the call to Mr. Sheevar for his initial comments on quarterly performance and then we will open the floor for question and answer session. Thanks and over to you Sir!

**Shreevar Kheruka:** Thank you Aniruddha and ICICI Securities for arranging this call. I wish everyone a very good afternoon. The Borosil team is delighted to be communicating with you once again. Borosil Limited’s board approved the company's financial results for Q3 FY2024 and nine months ended December FY2024 on February 13, 2024. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded to the company's website. In our previous communications, we had detailed our intention to reorganize the company's consumer and scientific business into two distinct publically listed entities through a composite arrangement scheme. The appointed date for the said scheme was 1<sup>st</sup> April 2022. We are pleased to inform you that the scheme has been made effective from 2<sup>nd</sup> December 2023 and pursuant to the scheme, the scientific and industrial products business of the company stands demerged into a company called Borosil Scientific Limited. At this point of time we await regulatory approvals for Borosil Scientific Limited listing on the stock exchange. Therefore in today's call we shall focus and discuss on the business of Borosil Limited which houses our consumer products businesses. Moreover for my opening remarks I will stick to talking about the period nine month ended December 2023 rather than quarterly numbers because of changes in the festival season in terms of the dates this year versus last year therefore the nine months makes it more comparable.

Our revenue from operations grew phenomenally well during the nine months ended December 2023 at Rs.713.4 Crores as against Rs.565 Crores for the same period last year that is a growth of 26.3%.

During the nine month period, the company achieved an EBITDA before exceptional and one time item including investment income of Rs.124.7 Crores as against Rs.57.5 Crores that is more than double of the previous period.

The EBITDA margin was 17.5% for this period as against 10.2% in the corresponding prior period. Profit before tax during YTD December FY2024 was Rs.81.2 Crores as against Rs.63.8 Crores in the same period last year. Last year the company had an exceptional item of Rs.9.3 Crores which was receipt toward insurance claim and also a onetime gain toward sale of a non-core asset of Rs.13.6 Crores. The income from investments for YTD December FY2024 is Rs.5.4 Crores as against Rs.0.5 Crores during the same period last year and the depreciation and finance costs this year are higher by about Rs.27 Crores primarily due to the commissioning of the new opal glass furnace during Q4 FY2023. During year to date December FY2024 Borosil recorded a profit after tax of Rs.60.8 Crores as compared to Rs.48.7 Crores during the same period last year.

Coming to category wise performance, Borosil's consumer business comprises glassware products, non- glassware products both of which are under the brand Borosil and Opalware range under the brand Larah. Here we achieved as I already mentioned a strong sales performance of Rs.713.4 Crores as against Rs.565 Crores which is a growth of 26.3%. Drilling this down further sales of glassware products grew by 12.7% from Rs.137.8 Crores to Rs.155.3 Crores during this period and non glassware grew by 23.3% to reach a turnover of Rs.289.5 Crores during the nine month ended December 2023. We saw good growth across all our ranges as well as all our channels. Non glassware sales of the Borosil brand now comprise about 65% of the revenue of the Borosil brand. On the Larah side, our opalware brand Larah achieved sales of Rs.268.6 Crores during YTD December FY2024 that is a growth of 39.6% over the same period in the previous year.

The EBITDA margin during YTD December FY2024 was 17.5% for the overall business as against 10.2%. We have seen a softening of direct costs including fuel and raw material prices throughout the period and operating leverage has kicked-in in many areas post the doubling of our opalware production capacity. We continue to observe margin increases due to increase in sale as well as reduction in input costs. The company continues to invest in marketing for both Larah and Borosil to raise customer awareness and increase brand presence. Our current priority is to expand our marketing, sales, as well as brand across the length and breadth of the country. Our endeavor is for consumers to switch from plastic and melamine to glass storage and opalware, serving ware and to increase the use of glassware for microwavable as well as for oven proof applications. We constantly introduce new products to diversify our offerings such as portable high-grade steel products and home appliances. We aim to make Borosil and Larah the preferred brands in the modern Indian kitchen for daily storage, preparation, cooking, heating, and serving purposes.

In our previous communication we had also mentioned that the company is setting up a 25 tonnes per day production capacity for Borosilicate glass press ware at Jaipur, Rajasthan. I am very pleased to inform you that the furnace has been commissioned on January 31<sup>st</sup> 2024 for trial production. The company expects commercial production to be achieved sometime later this quarter. We will of course announce this to the stock exchanges as and when that happens. This will further help reduce our dependence on imports, improve our product offering, cater to the domestic as well as overseas demand for press products made of Borosilicate glass and will also improve margins as our cost of production will be lower than the cost of the imports. Exports as I already mentioned could also have a fillip owing to China Plus One being followed by many parts of the world today.

We continue to be optimistic about the consumer business' medium-term prospects. Even though occasionally there may be slow growth due to cautious consumer behavior we expect industry wide growth due to positive long-term trends. Our main priorities shall be to expand our consumer base launching new items, as well as streamlining our supply chain and marketing channels to bolster our brand visibility.

The company is seeking enabling resolution to potentially raise capital in any form during the year ahead. We will discuss internally with the board to see how and when to go about raising the capital. At this moment we seek an enabling resolution which will permit us to have funds for future growth.

With the brief opening remarks I would like to throw the floor open to questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

**Arpit Shah:** Congratulations on the demerger and super performance in this quarter. I had a couple of questions. I will just list on all my questions and then we can go ahead. I just wanted to understand what is a capital employed number for the quarter and how this numbers divided between working capital and fixed assets. What would the steady state of depreciation and finance cost when the capex has been commissioned and is there any capex which is still pending in the business which needs to be commissioned in the coming quarters and if you can help us with any guidance for FY2025 what kind of margins or what kind of revenues we could expect given that market has been soft, but your performance has actually been very very strong and my last question was there any one off number in sales this quarter in Q3 FY2024 because I do remember when Laopala commissioned up their plant, they have seen a very big pump up in sales in the subsequent quarter. Do we have something similar which is happening with us as well or is it something which is different that we have done or we have executed superbly.

**Shreevar Kheruka:** Okay so that is a lot of questions. I will take a couple and then I am going to ask my finance team to answer the few others. As far as sales are concerned I can tell you that we do have institutional sales which happen during Diwali quarter every year and these are let us say routine sales meaning it is not every year to the same party it is different parties for different years and that does play a role in improving sales during the Diwali period so as such there have been one offs but it is like this every year so it is hard to say whether the one off will not be repeated or will be repeated it just depends on the traction for Diwali, but at this moment I would say we are quite comfortable that we expect to improve upon our performance in the years ahead. As far as the bump up of anyone else's sales are concerned it is hard for me to comment that you would have to ask them but we have five strong channels and we have teams managing each of those channels and each team has their own targets which grow year on year and therefore they are incentivized and motivated to keep doing better than the year before because the last year becomes the base for them to further move ahead. Coming to the question of FY2025, I would stay away from giving you any guidance on FY2025 specifically except as to say that we have given guidance in the past on a medium-term CAGR which has been in the range of 15 to 20% and this of course encompasses period of low growth as well as high growth and if you look at our past performance if that is at all any indicator of future which probably is not but we have been kind of on the higher end of that spectrum, but whether it happens in any one particular year it is hard to kind of comment on so I would not like to comment on FY2025 numbers per se but to say that we look over a 3 to 5 year period and we hope that we can do 15 to 20% CAGR in that period and this is nothing new. I have been sharing this for a long time now. I would request my finance team to talk about capital employed if they have the numbers ready or maybe we can up upload this on the online at some later stage but Rajesh if you would like to take this question.

**Rajesh Chaudhary:** So regarding this capital employed and all these things I think we will upload this number separately. On the depreciation side the depreciation number around Rs.52 Crores and since our another furnace borosilicate furnace which is at Jaipur basically is going to capitalize in this current quarter Q4 so after having this furnace capitalized the depreciation amount may range to Rs.80 Crores per annum.

**Arpit Shah:** Got it and the debt sits in our business of Rs.200 Crores plus debt.

**Shreevar Kheruka:** Yes that is in Borosil Limited that is right.

**Arpit Shah:** But if you see our finance cost were on the lower end and was around 2 Crores per quarter so how is that number range.

**Rajesh Chaudhary:** So basically most of the loans we have drawn in the last month of Q3 so that is why the finance cost is lower.

- Arpit Shah:** No given that our debt Rs.215 Crores was for the combined business which was there since a long time so do we have investments also in this business or that is for scientific.
- Anand Sultania:** There are investments in this business also so there is about Rs.180 Crores of debt basically which is in the form of project loans and working capital loans and then there is a cash of about Rs.90 Crores or investment in the book so the net cash position is about Rs.90 Crores negative.
- Arpit Shah:** Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.
- Pranay R Chatterjee:** Hi good evening to all. So my first question actually builds upon a question that has already been asked so if I look at the overall market and especially the results of consumer companies, consumer durables, kitchen appliances, other glassware players all of them and I am adding up Q2 and Q3 and looking at it from a Y-o-Y perspective so the timing of Diwali does not really matter everyone has either remained flat or actually shown a decline and Borosil has shown mid 20s to 30% growth right, number one what would be the volume growth portion here I am just trying to strip out the commodity price deflation that might have happened and what has driven the strong growth right because it cannot be that the sales team is working right because sales team is working every quarter but till the last quarter we were seeing single digit Y-o-Y growth especially in consumer glassware and that has turned into 35% this quarter so if you just throw some more color on some of the aspects.
- Shreevar Kheruka:** Look as far as we are concerned I can tell you that we have huge diversity in product categories as well as in channels and that has led us to perform quite well compared maybe to others and I do not have an answer other than that really because when we look at glassware since you raised that point, we knew we have this furnace coming so we had to innovate on products, we had to innovate on various let us call it new shapes, new sizes and many of those new SKUs did quite well for us and as far as the like I said competition is concerned, hard to comment there, but we do believe that the product innovation and the varied range of products plus the number of channels we have each of which have dedicated teams, I think that could be maybe one of the reasons we have been able to grow not to say that the market has been very good, it has been very tough and it has been very challenging and this is something we are discussing really on a daily basis so we have grown well in a tough situation and I hope and pray that this can continue for us, but I am afraid I do not have much different answer for you than that.

**Pranay R Chatterjee:** Secondly you have commissioned the Borosilicate facility and just in case you have some more clarity incrementally over previous quarters, could you give us a sense on how much increase in fixed costs we can expect and by fixed cost I mean simply the incremental employee cost and incremental other expenses, we can expect in the next couple of quarters because of this furnace because that would slightly dent your EBITDA temporarily so just wanted to get ahead on that.

**Shreevar Kheruka:** I am afraid I cannot share that information with you at this stage frankly for two reasons one is I cannot and the second is that we do not even know it yet fully because it is just few days since the furnace has started so any number I give you maybe erroneous but you are right directionally yes it will impact going forward for a short period of time until the production stabilizes this is the first furnace of this type in India so there is no other specialist available let us say in India who can help us. We are learning by doing. Of course we have great team on the technology side doing this, but still whenever we do something new it is bound to have its own sort of challenges so there will be some impact on this and I think it will be short term frankly because the benefit of the furnace, the lower cost of production and then the higher revenue coming from higher tonnage sales will more than offset it. We always do business for the long term we do not really think of the short term while doing business so we will absorb that impact if it is there for one or two quarters.

**Pranay R Chatterjee:** Great that makes sense on the opalware division you saw quite a good growth number about 60% I just want to understand in this quarter should we assume that your capacities were fully utilized and along with that did you also see some benefit on the realization side just trying to understand basically the price.

**Shreevar Kheruka:** So I answered this question before, this year we have not taken any price increases really so all the growth has really come from two areas one is volume and second could be product mix so that is hard to quantify product mix, but I would say across the categories we have not really taken any price increase so all growth is basically volume growth, but opalware has not been operating at 100%. We have been somewhere about 85% I would say capacity utilization so we still have a scope to further improve this should we be able to sell the entire production.

**Pranay R Chatterjee:** This 85% is blended or only for the new products.

**Shreevar Kheruka:** Blended.

**Pranay R Chatterjee:** What would be the peak revenue potential in that case from your existing capacity 100%.



**Shreevar Kheruka:** Opalware I think we also shared this in the past somewhere with the two furnaces in operation I think somewhere Rs.400 plus Crores for the year should be the possibility, 400 to 420 in that range.

**Pranay R Chatterjee:** Lastly if you could also cover because Borosil Scientific is getting demerged any thoughts on the management on how you will allocate the bandwidth.

**Shreevar Kheruka:** I will talk about Borosil Scientific when that comes up maybe I will talk about it separately of course it has already happened so yes we have a separate team all together just a short point is we have two separate teams which had run these two separate businesses and there is a CEO there and there is a board of directors and there is a non-promoter chairman who runs the board of directors so it is quite professional in that business.

**Pranay R Chatterjee:** Got it. Thanks.

**Moderator:** Thank you. The next question is from the line of Jadeep Walia from Clockvine. Please go ahead.

**Jadeep Walia:** Hello thanks for taking my question. Shreevar what are your plans for capacity expansion on the opalware side given the strong growth in sales this year it seems like by the end of this year or by next year your opalware plant will be fully utilized so how are you thinking about expanding capacity there.

**Shreevar Kheruka:** Jadeep frankly at this stage we are not thinking of any further expansion. We would like to conclude the entire utilization of the capacity and as I mentioned before, the borosilicate plant there is a big capacity addition compared to our current sales and there are many products probably which are similar let us say for example you have a lunch box which is a glass lunch box plus you have an opal lunch box so we may then choose to focus on one versus the other depending on our capacity and see how we can sell more of one versus the other I mean I do not know, the point is we would like to stabilize the borosilicate operation as well as improve the capacity utilization there before we decide now what next to do so I think for the next 12 or 15 months let us say till at least March of 2025 we are not looking at any further capex in the production because we just want to focus on what we have.

**Jadeep Walia:** Got it so what are the broad objectives of the capital raise which has been proposed.

**Shreevar Kheruka:** Well the capital raise is proposed, obviously there is debt on the books also there is capex to be done in the future so I mean this is something that we will have to discuss at the board level exactly how the proceeds will be utilized, but it will naturally broadly be used for one of the two purposes.

- Jadeep Walia:** Got it. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.
- Gaurav Gandhi:** Thanks for the opportunity. Congratulations on the great set of numbers and overall development of business. My question is more related to our domestic appliances business like mixer, grinders, cook wares or storage range looking at so many brands and competition in the space so in what terms our products different or better in terms of quality design and how should you look at attracting consumers to our towards our brand.
- Shreevar Kheruka:** Okay in terms of the quality, look we have a product management team. This quality is determined by many factors for example understanding what is available in the market, understanding what customers need, what customers have a view. We do lot of focus group studies with customers to understand what they like, what they do not like and we also look at what is available from our suppliers because we do not manufacture these products so we have a fairly intensive understanding of when we want to launch a product, where we want to place it, pricing also matters. There is a price and value kind of crossover point where you need to decide where you want to place the product. This is all done at the starting point itself and I would say we are placed in the let us say in the premium range of appliances and therefore we do not wish to play in the mass market of appliances so the brand Borosil means quality, it means trust, it means reliability, performance and so on so therefore any product we launch should adhere to those guidelines so I know it is a bit touchy feeling, but that is really what it is then the product management team decides how to do this and you are right there are many competitors but frankly end of the day it is a huge market there is space for many players to play and we are also one of the players and the fact is that our appliances business has grown substantially. If you look at our non glassware sales that is testament to the fact that we have been able to grow or stretch our brand from being a glassware brand to including products like steel and home appliances and every year we see growth there so we feel very comfortable placed. We have not deployed any capital in the business in terms of manufacturing assets, it is working capital and it is of course a team and we generate reasonable return on capital so the business continues so we are happy to be a part of it.
- Gaurav Gandhi:** Okay. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.
- Dhaval Shah:** Hello congratulations to the entire team for great execution. My question is on the ramp up of the new borosilicate furnace how do you see the ramp up happening there given it is a

premium offering to the market and all of new products are going to be introduced and in order to prepare the market for accepting such large volumes coming in did we take any price cut over the last one year in the borosilicate range so these are my two questions.

**Shreevar Kheruka:** So look as far as the product offering yes right now we have 30, 40, 50 SKUs in borosilicate we will be doubling that in order to have a bigger range and by having our manufacturing that allows us so the bigger range itself should expand the market at least that is the thesis. Coming to pricing yes it is a premium product and that is also one of the reasons why the revenues rather the tonnages sold are slightly on the lower side now having our own manufacturing does give us the leverage to reduce or to make the pricing more compelling so that more users get to interactive with the product and our clear feeling is that once people start using the product they will always go back to buying it. Right now when the product itself starts at a high price then people are afraid to enter it but once you launch it at a price which is attractive then you will find that there is a lot of repeat purchase so we will definitely play on the pricing which is afforded to us by the fact that we are producing it from a cost perspective. As far as exact percentages, I would not like to comment on but our immediate focus would be to expand the market and that is two ways one is to give some attractive entry level products at attractive pricing plus also expand the product range so that customers have more choice to do so.

**Dhaval Shah:** Got it and on the appliances side I understand that we are currently outsourcing the entire manufacturing to mainly from China now what would be the strategy going forward is it going to be the same Chinese model or are we also planning to find some vendors here given overall government focus is also to have more domestic sourcing across all the industries what is your thought process, maybe some policies might come which could be negative for us in terms of importing the appliances in the completely finished form some thoughts on that side.

**Shreevar Kheruka:** This was known to us some time ago and probably the whole industry is aware of it and we have been on onshoring a lot of sourcing so it is not the fact that everything comes from China. We have increased our percentage quite substantially of Made in India appliances and I see this increasing further and further. The manufacturing ecosystem for many of our appliances has been developed in India with high quality and with attractive pricing and many of those therefore we have already moved to India. Of course we are working with vendors to further enhance this and I would say that in the next let us say three years vast majority of our appliances would be Made in India and not imported at all so we are on that path. The Chinese took 20-25 years to build their manufacturing ecosystem so India may do it faster but it will take some time so let us assume that in the next three to five years the scenario will have allowed us to onshore most of our products not just appliances, but across the categories.

**Dhaval Shah:** Got it and last question is on the opalware industry how do you see the competitive intensity, I understand it has increased and is it really difficult in terms of managing the margins and how do you see going forward and also what new capacities are going to come on the opalware side in India and what is the existing installed capacity in India and over next two year period how do you see that installed capacity going to in opalware.

**Shreevar Kheruka:** See both our competitors who manufacture opalware in India both are absolutely fantastic players. They have great products and they are very mature players and we have the utmost respect for them. They have done a great job in expanding the market as have we and I think as an industry we have been able to successfully grow this. We have successfully turned to change the way Indians eat in more stylish plates and in better looking product which is also more utilitarian because let us say microwave you can, it is toughened so it does not chip or break easily, stylish so I think all three of us have done good jobs over here. So these are all mature players, I do not see competitive intensity in a sense where margins, these are high capex businesses. You need to have enough EBITDA to keep funding the business both from a maintenance capex perspective as well as from growth perspective so when you have a high capex business you need to have reasonable margins and I think all the players are mature enough to understand that and new capacities at the moment there has been a slowdown in the market in general so I do not think anyone would really add much new capacity today, but what happens two years down the line is hard to predict, but as of today I do not hear that anyone is adding capacity, but again my information may not entirely be accurate.

**Dhaval Shah:** Okay at an industry level the opalware industry must be operating at nearly full 85-90% capacity would that be.

**Shreevar Kheruka:** I can only comment about myself which I already shared the number with someone earlier. I do not know what others are operating at so hard for me to make a guess there.

**Dhaval Shah:** No problem. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

**Priyank Chheda:** Sir what would be our institutional sales in opalware was it only in opalware or was it into other categories also I wanted to confirm this, would you be able to quantify that so that it becomes very easy for us to have a comparable figure down the line in next 12 months, if we have this figure in the hand.

**Shreevar Kheruka:** I am sorry I do not share the data by channel, so I am sorry I cannot share that information with you but institutional sales are across all products so we do not drive what our

customers buy when they are gifting. We show up at the customers and with our catalogues and they decide basis budget, basis so many factors what they want to buy and we want sales so we will not say that you only buy opal from us and do not buy something else so we are open. We have a big range of products and the customers buy from us, opal also is a successful one because the price points are very attractive for opal you can give a gift of two cups or two mugs anything from that to you can give a dinner set as a gift, it is a very wide range of pricing so there is something for each let us say budget so it is an attractive area but I apologize I cannot share with you the numbers.

**Priyank Chheda:** If I have to reinstate this question on other lens what would be our consumer or tertiary sales maybe if you can help us on a YTD number that would be also great.

**Shreevar Kheruka:** Tertiary sales you are saying from our customers to their customers. Well frankly we know this number for general trade and I mean for large number of the stores we do not get the data so the large number of my stores will not give us the data for canteen stores we do not get the data so we will not have that information. Of course from the Amazon perspective we know the tertiary sales and for a trade perspective we know the tertiary sales but if your question is how much stocking has happened in the system which I guess is where you are kind of leading to, I do not believe there has been overstocking in the system of any great amount and this is basis inputs from my sales team because we track our secondary and tertiary sale data quite closely and we do not think that there has been let us say dumping from our side to the system. I do not have hard data which I can share with you.

**Priyank Chheda:** Got it so can we can we get a sense on a qualitative aspect on what would have been a channel growth we have present onto our five channels, which channels would have given us higher growth.

**Shreevar Kheruka:** Whatever growth numbers you see they have been fairly consistent across our channels so I would not say something is dramatically off. In fact all the channels are double digit growth.

**Priyank Chheda:** Any significant success on the export side of opalware or any of the other borosilicate part.

**Shreevar Kheruka:** Borosilicate so it is nothing reflected in the December numbers. As far as opalware is concerned we have been selling in exports for quite some time and I cannot say that there has been something dramatically different than before. It is growing like I said along with all other five channels in India it is a sixth channel for us, it is growing, also growing in double digit but I cannot say that there is some single order or one off item which has dramatically enhanced that performance.

**Priyank Chheda:** Got it just a last question on a very broader industry perspective and particularly for opalware so the kind of industry structure is that the market overall size remains very small while we have a matured players into this industry our consumer kind is yet to mature from a steel melamine to opalware so what kind of a work that is required to be done in case you can help for industry for an overall industry perspective so that the size becomes Rs.3000-Rs.4000 Crores kind of a acceptance on the consumer level.

**Shreevar Kheruka:** See while you may say this, I am in partial agreement with your point. The point is that when we acquired this opal glass plant in 2016 there was only one player at that time that was Laopala. You know the revenues they had at that time maybe like Rs.250 to Rs.300 Crores if I am not mistaken. At that time when we bought the business our revenues would have been Rs.45-Rs.50 Crores and that was the size of the business. Now today fast forward what eight years you see three players and from two players to three players and the three players put together would have let us say maybe Rs.1100 Crores turnover which is a big jump from whatever Rs.250-Rs.300 to Rs.1100 in eight years so that itself is a big jump in my opinion. Yes I partially agree yes this market should be Rs.3000- 4000 Crores which is where we should be heading but in order to achieve that I think we have to just keep doing more product innovation. I think that is an area where I think we may not have done good enough a job I, I am talking about Borosil. I believe that our opal products can be premiumized much better than what we have done, the cups, mugs, the serving ware which we have we can probably add more SKUs there which will further enhance the size of the market. At end of day people buy a product when they see a variety and they see the utility aspect of it which maybe we need to do a better job with and that is something we are working on to enhance our ranges and to improve the utility for say drinking tea, drinking coffee, you are snacking. I do not think we have done a good enough of a job there and that is where we are working on at least from Borosil perspective I would say.

**Priyank Chheda:** So more SKU expansion and category expansion is what can drive faster consumer acceptance correct.

**Shreevar Kheruka:** 100% yes.

**Priyank Chheda:** Got it and just to add to a perspective onto this industry aspect would imports or unorganized players doing unbranded part would have a significant role to play in this industry and if you can also add to why horeca remains a kind of underserved industry for organized players like us.

**Shreevar Kheruka:** As far as horeca is concerned I can tell you that we have not focused too much on horeca just because pricing is quite challenging over there and therefore when we can speak to the end customers and sell branded product why should we go and sell because brand does not really matter for horeca except for very few hotels so the vast majority want pricing and that

is not something. We are not the low cost producer, low cost producer could be in China or somewhere else for that matter so therefore horeca has not been a naturally strong segment for us and we are not focused much there. Coming to imports you see opalware imports themselves may not be that high. They are there maybe 15-20% maybe there but the fact is that there is a lot of unorganized competition from many other materials. When a customer goes to buy a dinner set they necessarily do not look to buy opal dinner set, they want to buy a plate, they want to buy a mug, they will go and see what is in the market and they will choose so in essence it is not opal that is a competition it is all these other let us say materials or other products which are competition and there you see huge including steel by the way you will see huge unorganized competition so it could be 30, 40, 50% of the market size so that is something that if we do a better job like I said with better design, with more utility products, with more shapes and sizes I think we can start eating into that unorganized space and that is let us say a blue ocean as they call it which all the industry can kind of get benefited from.

**Priyank Chheda:** Perfect. Thanks for clarifying all the doubts. Thank you.

**Moderator:** Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities Limited. Please go ahead.

**Aniruddha Joshi:** Sir two three questions from my side so let us say if we manufacture one glass bottle in India versus let us say if we import same bottle from outside let us say China or in case of opalware let us say we manufacture one plate in India versus import same plate from China then what will be the difference in the cost considering all the freight cost, all the way from importing as well as the customs duties etc., so what will be the difference in the different products let us say in glassware as well as opalware both.

**Shreevar Kheruka:** So in my opinion production versus manufacturing now again the question is how do you define cost you take interest and depreciation or you take just the cost, so I was saying that it depends on how you define cost whether you want to include interest and depreciation or not because a lot of the Chinese guys have fully depreciated plants which have been operating for 20 years so on the interest and depreciation we take a big hit because of that but if I was to remove interest and depreciation and look at operating costs which are raw material, power, and fuel and look at product costing on that basis then I think we would be 15% lower than China but if we were to compare a fully depreciated plant of China with interest and depreciation at very low levels versus a brand new plant here then definitely our costs are higher and also with China it is never a question of cost they sell below cost because they are subsidized and they are able to sell this product artificially low because of various export subsidies, capex subsidies, opex subsidies that they get so it is not really a level playing field it is very opaque so we believe that these guys are routinely selling product below cost and just getting back money from the government to compensate for the

losses, but again the data from China is very hard to kind of understand because it is quite opaque.

**Aniruddha Joshi:** Sure understood. In terms of the growth rates across the regions let us say east, west, north, south or even if you break down between let us say metros, tier one, two cities or rural markets so how do you see the demand outlook across the multiple geographies that we operate.

**Shreevar Kheruka:** Frankly Borosil the story is top 100 cities of India. We are not in the rural markets yet we would like to be there and maybe now as we expand our product portfolio we get items which are more relevant to the rural consumer maybe we will start seeing some distribution expansion there but frankly speaking our main products are top 100 cities in India and region wise I am not seeing again a dramatic difference. I mean the difference also depends on our penetration for example in south we are the lowest penetrated whereas north we may be the highest so I am talking about relative to us, I am not talking about relative to competition. I am talking about just relative to our own penetration versus the market potential of that region so growth has been quite attractive for example in south this year but the base is low so that is something that we have to consider. Absolute growth may still been higher in north because base is higher even if the percentage growth is lower so our goal is that we should cover the length and breadth of the country and we have expanded our retail presence to I think almost 25,000 retail outlets. We believe we can still expand this is further at a reasonably good pace and even expand distribution because of the new ranges. We are seeing specific distributors for specific product ranges also which gives focus to the sales team as well as to the distributor themselves so there are many ways to expand the base and we are doing them of course some we succeed and some we fail but that is part of it.

**Aniruddha Joshi:** Okay sure understood and last question if you can indicate the profitability, the EBITDA margin that we get if we do sales from different channels versus exports, own website, general trade, B2B, modern trade, e-commerce means I do not want numbers but just wanted to check if the profitability across all channels is same then it really does not matter we whether we sell it to GT or Mt or e-com.

**Shreevar Kheruka:** If you look at a gross margin perspective there is a very small gap between the various channels it is a very very small gap so we are happy to sell in every channel.

**Aniruddha Joshi:** No I am saying in terms of EBITDA margin per se.

**Shreevar Kheruka:** EBITDA will be little bit harder to calculate because then how do you allocate some costs especially marketing cost for example very difficult to measure that because marketing costs are fungible if I market something online should I only debit it to my online sales as



an example for example on Whats App or on YouTube because those are all influencing purchase offline also so it is a bit adhoc for me to allocate that expense as just an example. Same story goes on let us say management, the senior management fee very difficult to allocate them by channel just because every month management is spending time in different areas so how do we allocate those expenses. While we do try and do it frankly it is a guess at best but I can tell you that bases our data all our channels are profitable for us and therefore we continue to invest in them and that is the reason also why we did not do horeca because we saw horeca was not really profitable for us.

**Aniruddha Joshi:** Okay sure Sir very helpful, many thanks.

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

**Vipulkumar Shah:** Hi Sir thanks for the opportunity and congratulations for very good set of numbers. Sir my question is with the commissioning of this glass furnace what will be our capacity and what was the previous capacity, what is the capacity addition in tonnage.

**Shreevar Kheruka:** The capacity is 25 tonnes per day of the glass furnace and normally these furnace operate at 70-80% utilizations or yields so you can do the math but this is the first furnace of its type in India earlier we were importing this product and selling it so we cannot really compare it with any previous capacity because we were not manufacturing this product so yes that is that is the answer to your question.

**Vipulkumar Shah:** So what type of cost saving we can expect with the commissioning of this furnace or is that to do with cost or it has to do with quality. We get better quality with this.

**Shreevar Kheruka:** I would say the quality will be comparable. We were importing from European producers earlier and the quality will be absolutely comparable, we get two benefits one is the cost benefit maybe 15, 20% we should be able to have a benefit compared to importing this from Europe but on the flip side the bigger benefit is really the product range and the availability of product because the supply chain time is very long, when we have own production in Jaipur you can you can make products more or less on demand if needed and you can also make a much bigger range, you can do a lot of trial and error with new shapes and sizes and that also helps expand the market so I would say the product range and availability at short notice would be really a bigger benefit than when compared to cost because the cost benefit we will have to pass on to the end customer in order to expand the market.

**Vipulkumar Shah:** Okay so we will pass on the entire benefit to the consumer just to expand the market.

**Shreevar Kheruka:** Yes in the short run for sure yes.

- Vipulkumar Shah:** Okay Sir thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Monish Ghodke from HDFC AMC. Please go ahead.
- Monish Ghodke:** Hello thank you for the opportunity. Sir in opalware category is our pricing at par with the category leader.
- Shreevar Kheruka:** For the similar product yes but the category leader does have some premium offerings which we do not have at the moment so overall probably if you look at just the net realization they will probably be higher than us because they have premium products which we have not yet launched or which we are in the process of launching.
- Monish Ghodke:** Okay and Sir our gross margins are they comparable with the category leader like they have some 80% gross margin and 40% so are we are also operating at similar levels in opalware.
- Shreevar Kheruka:** Yes.
- Monish Ghodke:** Okay Sir thank you.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.
- Shreevar Kheruka:** Well thank you for engaging conversation and many good questions. I hope I was able to answer them to your satisfaction. Thank you for your support. The company has been trying hard to expand and we have been doing a reasonable job of achieving this objective and we believe we have a very strong medium to long-term growth story and we will continue working towards this end and I look forward to again interacting with you at the end of the Q4 thank you.
- Moderator:** On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.