

February 20, 2020

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Dear Sir /Madam,

Scrip Code: 502219

Symbol: BOROSIL / BORORENEW

Series: EQ

Sub: Transcript of Institutional Investors and Analysts Conference Call

Dear Sirs,

We enclose transcript of conference call with Institutional Investors and Analysts which was held on February 04, 2020.

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For Borosil Renewables Limited

(Formerly known as Borosil Glass Works Limited)



Kishor Talreja

Company Secretary and Compliance Officer

Membership No.FCS7064



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**“Borosil Glass Works Limited
Q3 FY2020 Earnings Conference Call**

February 04, 2020



ANALYST:

MR. PRAVEEN SAHAY - EDELWEISS BROKING LIMITED

MANAGEMENT:

MR. SHREEVAR KHERUKA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - BOROSIL GLASS WORKS LIMITED
MR. RAJESH KUMAR CHAUDHARY- WHOLE TIME DIRECTOR & GROUP CHIEF FINANCIAL OFFICER - BOROSIL GLASS WORKS LIMITED
MR. ANAND SULTANIA - CHIEF FINANCIAL OFFICER - BOROSIL LIMITED
MR. SWADHIN PADIA - CHIEF FINANCIAL OFFICER - BOROSIL GLASS WORKS LIMITED

Moderator: Good day Ladies and gentlemen and welcome to the Q3 FY 2020 Earnings Conference call of Borosil Glass Works Limited 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking Limited. Thank you and over to you Sir!

Praveen Sahay: Thank you Margret. Good evening everyone. Thank you for joining to the call. On behalf of Edelweiss Broking Limited I would like to welcome Management Team of Borosil Glass Works Limited to discuss the results and outlook for the company. We have with us Mr. Shreevar Kheruka, Managing Director and CEO. Mr. Rajesh Kumar Chaudhary, Whole time Director and Group CFO. Mr. Anand Sultania, CFO, Borosil Limited and Mr. Swadhin Padia, CFO, Borosil Glass Works Limited. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q & A. Over to you Sir!

Shreevar Kheruka: Thanks Praveen and thanks Edelweiss for hosting this call. I wish everyone a good evening. Thank you for joining. My colleagues and I are glad to be interacting with you again. Our board met yesterday and approved the financial results for the quarter and nine months ended December 2019. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s websites.

I can briefly run you through the highlights of developments and our performance and then open it up to questions. Before I start, I would also like to mention that this quarter is not exactly comparable to the same quarter last year. The reason being that Diwali was much earlier this year compared to the last year. The Diwali sales were largely captured in Q2 this year whereas in FY19, they were in Q3 So the Q3 performance of this year versus Q3 performance of the last year are not strictly speaking comparable.

As most of you are aware, the Borosil Group of Companies was undergoing a scheme of amalgamation and arrangement for which various statutory approvals are required. We have now got a nod from NCLT. The scheme comes into effect upon filing of the certified order with the Registrar of Companies. This is expected to happen by February 12, 2020. The appointed date of the scheme shall be October 1, 2018.

The company management had taken into account feedback from investors and we are glad that we have been able to action out an investor expectation. The implementation of the scheme will now eliminate various cross holdings amongst companies in the group resulting in a very simple and clean structure.

Shareholders will now hold shares directly in each of the consumer and Scientific ware business as well as Solar business thus unlocking value. A shareholder with one share in Borosil Glass Works Limited will get one share in Borosil Renewables Limited the solar business and one share in Borosil Limited which will house the Consumer and Scientific ware business.

The record date number one, for this exchange of shares is February 18, 2020. Shareholders can thus decide to participate in either or both the companies. Earlier a shareholder in Borosil Glass Works Limited willy-nilly held some portion of Gujarat Borosil Limited. However, they were not able to unlock their value. With this scheme, the value is getting unlocked now.

With the merger of Vyline Glass Works Limited as a part of the scheme, this related party transactions will be eliminated. Vyline supplies some of the scientific glass ware products and glass serving ware products that Borosil markets. Though this has always been done on an arm's length pricing basis, eliminating this related party transaction is perceived to be a cleaner and more transparent arrangement. Vyline's annual EBITDA of approximately Rs.15 Crores will now get added to Borosil. There is no impact on the top line as Borosil was Vyline's only customer.

Upon implementation of the scheme the consumer and scientific business including Vyline will get demerged into Borosil Limited which currently houses the Opalware business which is conducted under the brand Larah. The Klasspack business which is the subsidiary of BGWL and conducts the pharma packaging business will become an approximately 80% subsidiary of Borosil Limited.

Borosil Technologies Limited which is the 100% subsidiary of Borosil Glass Works Limited which houses the new scientific instrumentation business of Borosil will become a 100% subsidiary of Borosil Limited.

Borosil Limited is currently not listed. The next milestone for us is to get the shares of Borosil Limited listed on the NSE and BSE. We are given to understand that this could take about 8 to 10 weeks and we expect it to be listed sometime in April 2020.

Now coming to the operations of the business during the year-to-date Q3 of this year, the company's SIP and consumer division achieved revenue of Rs.494 Crores. I correct myself this is for the nine months of the year. This is a growth of 16.4% over the corresponding nine months of the previous year.

Consumer Products business comprises about 70% of our revenue and products under the flagship brand Borosil recorded net sales of Rs.222 Crores, growing by 35% over the corresponding period in the previous year. That is an incredible performance given the current market conditions that we are in. This is kudos to the team that has delivered this good performance across our product range both in the legacy microwaveable products as well as new ranges that we have introduced over the last few years.

While Borosil continues to be very strong in glass products for kitchenware, storage and serving ware, the brand equity and franchise is no longer restricted to glass. With the successful extension into other ranges such as Hydra for storing and on the go liquid storage, domestic kitchen appliances and steel Serve Fresh serving ware products the share of high-quality non-glass products in the range is close to 40%. This is a successful extension of our brand. The company has been keenly listening to feedback from consumers and our trade partners and constantly introducing new products to meet changing and emerging consumer needs. From the shift away from plastics to designs to optimize cabinets storage space to carrying hot and cold beverages to the convenience of chopping and grilling, our teams have kept the new product pipeline busy.

In Larah our growth was more muted at about 5%; however, to note is we had one single order last year, which was not repeated in this year. If we take this order out, the growth was approximately 25%.

We have continued to invest in advertising and sales promotions for brands to strengthen long-term equity. During the nine months ended December advertising and sales promotion to sales for the consumer business was about 6.5%. The growth in sales continues to be broad based. All regions have shown strong growth. Similarly, all channels that is general trade, large format stores, B2B, CSD and e-commerce are all performing well.

Coming to scientific products, our SIP Division during the nine-month ended December recorded sales of about Rs.146 Crores which is a growth of 4.5% over the same period last year. The Labware division clocked sales of Rs.113 Crores out of the 146 which is a growth of 5%. Subdued funding to the government laboratories and tighter monitoring of budgets at pharmaceutical companies has resulted in low growth in the lab glassware business in India. As we have shared in the earlier interactions, the company has begun seeding the export markets so as to create an additional growth vector for lab glassware. We understand that this takes time to nurture; however, now we have begun seeing the fruits of this action with exports contributing in double digits percentage of sales as far as lab glassware revenue is concerned.

Similarly, LABQUEST instrumentation designed by Borosil which is largely to substitute imported products is being built as an additional pillar of growth in this business. This also is now a double-digit contributor in terms of percentage to sales of our Labware business.

Klasspack range of ampoules and vials for primary pharma packaging is our third pillar of growth. This vertical has been facing a few challenges over the past few quarters. We have decided to strategically focus on meeting the specification requirements of high-quality long-term customers and I am glad to say that in this year we have added four what we would call pharma A+ customers.

Quality Assurance and Inspection equipment has been installed and production runs to meet these unique specifications have been taken. Consequently, as we have been saying, it has been necessary to lose some business while substituting, let us call it, lower grade customers with these higher pharma A+ customers. I am happy to say that we have been able to improve our EBITDA margins in this year. While we are not quite where we wished to be in terms of margins, we anticipate a substantial improvement in Q4 as well as going forward in the coming year both in terms of revenue growth as well as in terms of EBITDA improvement.

We feel confident that our strategy to de-risk growth in the scientific ware business which used to only comprise Lab glassware India, in the past it is playing out well with the introduction of these three new pillars of growth namely exports in Lab glassware, instrumentation through our LABQUEST brand and primary packaging through Klasspack.

Coming to EBITDA margins, EBITDA from operations was INR 80.1 Crores. This grew by 25% over the same period last year. Overall, EBITDA to sales improved from 15.1% to 16.2%. The EBITDA earned by Vyline, which is not included above, is an additional INR 11.2 Crores. The margin improvement was driven by Lurah where we are working towards an objective of improved margins through cost optimization as well as through benefits of scale. Lurah has now improved its EBITDA margin to 25.6%. The EBITDA margin in Klasspack, as I already mentioned, was low at 7.2%. Work is in progress for stabilizing the production line and reducing wastage and we expect the quarter 4 to further improve the margin and we hope to be in double digits shortly.

Coming to PAT we registered a PAT of approximately INR 57.2 Crores which is a growth of 37% over the same period last year. Overall, we continue to see over the last three to four years we have focused on and successfully reduced our overdependence on lab glassware in the Scientific Division and microwaveable glass ware in the consumer division. These new avenues of growth which we have developed have helped to strengthen the foundation of the company on which we can build a more robust growth pipeline in the years to come.

Even as we have expanded our retail reach for our consumer products our go to market strategy has created multiple meaningful channels that we can leverage. As modern trade and e-commerce growing significance in India, Borosil has built relationships and capabilities in-house to service these channels effectively. We will continue to invest in our brands Borosil and Larah in order to sustain the customer pull which will give us a long-term competitive advantage.

We will continue to target a medium-term growth rate of 15% to 20% in a consumer business as well as 8% to 10% in our scientific business and we expect EBITDA growth to continue improving and take it to the high teens overall.

Scale and improved EBITDA along with the merger playing out will definitely improve ROCE. So overall that is my view of the Q3. Like I said the Q3 is not exactly not comparable YoY, so prefer to discuss the nine months ended numbers and I am now happy to take questions that you may have.

Moderator: Thank you very much. The first question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: Thanks for taking my question. Couple of questions. If I look at the nine months performance of the Opalware, we have seen around 5% growth in sales. What could be the reason of this low growth apart from the seasonal impact which was felt in Q3? I am looking at a year to date nine month to nine-month comparison.

Shreevar Kheruka: I already mentioned in this call in my opening remarks. We had a one-time order last year which was a substantial one-time order of about INR 20 Crores which was not repeated this year. If we take this out of the equation, our sales growth is more or less around 24% to 25%. So frankly speaking, I think we have had a very good performance in Larah and I do not see any major challenge to Larah. I expect that we will be close to achieving our sales targets by the end of the year.

Prakash Kapadia: What would be the institutional sales as on date for the nine-month period for Larah, you can share?

Shreevar Kheruka: Sorry I do not share that data.

Prakash Kapadia: Any sense you could give us on liquidity issues across wholesalers and retailers? We still keep on hearing there are liquidity issues. What have you observed? Anything that we are doing to help them?

- Shreevar Kheruka:** Quite frankly we have not seen any increase in our outstanding days at all. So, we have not yet experienced anything material as far as channel liquidity issues are concerned. If anything, our collections are running ahead of our projections. So we do not see any stress playing out yet.
- Prakash Kapadia:** Lastly any specific import duty changes in the Opalware segment. I think recent budget talked about kitchen ware import duty?
- Shreevar Kheruka:** In fact, import duty has gone up across the board. Basic duty has gone from 10% to 20%, so effectively the import duty is now up from 11% to 22% and this includes Opalware. This includes kitchenware which is made from Borosilicate Glass as well as Sodalime glass. It also includes some steel products, Porcelain, Bone China and even some appliances. So, it will have an impact across the board. We are still working out the cost impact to us because we also import some products but frankly speaking, I think for us it is more of opportunity than the cost. Our scale is large enough to be able to either pass the increase to the customers or get discounts from our suppliers. Finally, about two thirds of our sales are our own production, so to that extent, we are actually benefitted by the import duty.
- Prakash Kapadia:** Exactly, that should be seen more of an opportunity because one pricing becomes more competitive, secondly from import side there could be supply side distribution so that could be lever for higher growth in the coming quarters?
- Shreevar Kheruka:** Yes. That is how we are looking at it but obviously it still has to play out.
- Prakash Kapadia:** Fine. I will come back if I have more questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Sisodiya from Concept Investment. Please go ahead.
- Rishabh Sisodiya:** Sir I had one question. If I go and check on Amazon and Flipkart about our Larah product, I think there is a significant difference in the amount of discounts provided on both of the platforms, so if we could just help out how are we taking on the e-commerce platform?
- Shreevar Kheruka:** Typically, we are not giving anything different to e-commerce than we give in trade. So, you would get similar discounts in trade. We are not following a strategy to discount our products on e-commerce to push sales there. Rather we are trying to market our products on e-commerce and attract consumers by marketing the convenience of buying from their own home. So, while you are right, there may be some discounts in some products in both Amazon and Flipkart, I do not think you would see a situation where the discounts are dramatically different than what they are in trade. Sometimes e-com also gets some special

products which are not available at all in trade. These are dedicated e-com products in which case the discounting may be slightly aggressive but we are not looking to switch any trades to e-com at all.

Rishabh Sisodiya: That is all from my side.

Moderator: Thank you. The next question is from the line of Naveen Bothra an Individual investor. Please go ahead.

Naveen Bothra: Congratulations for good set of numbers once again. My first question is regarding the China Corona virus issue. Will it have any impact, positive or negative, on supply chain disruption from there?

Shreevar Kheruka: Yes, I think it will have an impact for sure. Positive or negative I do not know yet. Our inventory planning is quite good so we have sufficient inventory to cover short-term disruptions whereas others may not. So, in the short-term it may be quite positive. In the long-term, it really depends on how bad the virus situation gets. If it starts impacting people in India and people do not go to markets to buy, then of course it will have a negative impact. So, any virus is a bad thing so we want it to go away as quickly as possible obviously. It is too early to really say what kind of impact it will have, but it will have an impact and we are following it very closely - virtually on a day-to-day basis.

Naveen Bothra: You are also importing from China?

Shreevar Kheruka: Yes, we are.

Naveen Bothra: Second question is regarding the listing question which I have already discussed in the concall with Gujarat Borosil, but once again what I can understand is that on February 14, Gujarat Borosil will go out and there will be no trade?

Shreevar Kheruka: Yes, that is correct.

Naveen Bothra: Yes, the only listed company will be Borosil Glass Works Limited, right?

Shreevar Kheruka: Yes and its name will be changed to Borosil Renewables Limited.

Naveen Bothra: Okay but the listing after record date one, the listing will be of Borosil Glass Works Limited as consumer, I think?

- Shreevar Kheruka:** Yes, the name will change to Borosil Renewable Limited. It will remain listed but on the same date on February 12 the consumer and scientific business will demerge into 100% subsidiary which is Borosil Limited and we will apply very shortly thereafter for listing of Borosil Limited. So that will get listed probably in eight weeks, sometime in April hopefully we expect it to list at least.
- Naveen Bothra:** No that is okay 8 weeks to 10 weeks. But more clarity will be good for the investors. I think February 17 that is Monday, Borosil Works as it is today will remain listed and trading will continue?
- Shreevar Kheruka:** Yes you are absolutely right but the name will be changed to Borosil Renewables Limited and the business that would remain in the company after the demerger will be the solar glass business of the erstwhile Gujarat Borosil Limited..
- Naveen Bothra:** Because that too will change the de-merger of this Borosil Glass Works Limited that I can as far as I understand?
- Rajesh Chaudhary:** The De-merger will happen on February 12 itself. The record date number two will be for the purpose of issue of the shares of Borosil Limited to the shareholders of Borosil Glass Works Limited. That record date will be in the middle of March somewhere.
- Naveen Bothra:** Till then it will be housing business of Borosil Glass Works Limited that is okay?
- Shreevar Kheruka:** Yes, you are right.
- Naveen Bothra:** The next question is regarding the ESOP adjustment there is an announcement so if you can clarify on that one?
- Shreevar Kheruka:** We had an ESOP policy in Borosil Glass Works Limited for certain employees. As a result of this scheme the ESOP policy has also to be slightly amended to incorporate the same benefits that shareholders get, the ESOP holders also get. So, the scheme is amended only to that extent. There is nothing new except that the ESOP holders by law have to get the same benefits as shareholders are getting.
- Naveen Bothra:** Exercise will be same?
- Shreevar Kheruka:** There will be an amendment in the exercise price but I do not have any exact exercise price with me right now. But in my opinion it is a very small amount in terms of the overall share capital and we are just following the provision of the law.

- Naveen Bothra:** Yes, and as far as Larah capacity is concerned I think this will be more or less full by the end of the year. So, what is your view about the further extension or the third-party manufacturing about the Larah?
- Shreevar Kheruka:** So, we are at the moment going to be repairing the furnace in the next few days and will be expanding capacity by about 10%. Then, as I have mentioned before, we have some other options to reduce the low value products and increase higher value products. So, I think, we should be okay for another year. We should be able to grow with the current capacities. We will probably take a call somewhere towards the end of the financial year 2021 to decide on what to do with Larah in terms of expansion.
- Naveen Bothra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.
- Kamlesh Kotak:** Good evening gentlemen. My question pertains to Larah, in terms of how the competitive intensity and how the pricing environment works across the three major players? Are we at par or at a discount to the other two players in the market?
- Shreevar Kheruka:** I think we are more or less at par with our bigger competitor which is La-Opala. Cello may be slightly lower than us. However, I think I mentioned this many times in the past, if you go to any single shop you may find variations even within products. The play is the combinations and one can have an infinite number. For instance, a 21-piece dinner set may comprise different combinations of plates and bowls making one set quite different from another. So, it is hard to compare at an SKU level, but at a broader level, I would say we are almost similar to La-Opala and Cello may be slightly lower in terms of pricing. That is my perception but I do not have any data to back up my statement. That is my own understanding of the market.
- Kamlesh Kotak:** In terms of number of SKUs, do we have a range similar to the competition? How many SKUs do we have across product categories for Larah?
- Shreevar Kheruka:** We have more than 100 different shapes let us call it. SKUs are almost infinite because you can combine those shapes and the designs within them to make any number of SKUs. So, we do have I would say, enough of a range of SKUs. We do not need to have anything new.
- Kamlesh Kotak:** How much is the utilization currently for Larah?
- Shreevar Kheruka:** I think this year we will end up at around 85% to 90% capacity utilisation.

- Kamlesh Kotak:** 85% to 90% and this with 10% capex expansion it will take care of our two years of requirement, right?
- Shreevar Kheruka:** I think another one year should be taken care of.
- Kamlesh Kotak:** Then we have to again plan for some more capex?
- Shreevar Kheruka:** We will have to evaluate different options.
- Kamlesh Kotak:** Is outsourcing also an option or that is not an option yet?
- Shreevar Kheruka:** I do not know for certain. We have to actually evaluate that.
- Kamlesh Kotak:** Secondly, if you can just get some sense about the total equity, I understand in Borosil it will be 114 million post demerger, right?
- Shreevar Kheruka:** Yes INR 11.4 Crores roughly.
- Kamlesh Kotak:** How much it will be for Gujarat Borosil?
- Shreevar Kheruka:** Both will be exactly the same.
- Kamlesh Kotak:** How much will be the cash and debt level across two entities if you can share some broad numbers?
- Rajesh Chaudhary:** Cash will be around INR 100 Crores and debt will be a similar number.
- Kamlesh Kotak:** How much?
- Rajesh Chaudhary:** Debt will be INR 100 Crores.
- Kamlesh Kotak:** Okay these are about Borosil or Renewable that you are talking about?
- Rajesh Chaudhary:** I am talking the Borosil Renewables Limited debt.
- Kamlesh Kotak:** And for Borosil Consumer Division?
- Rajesh Chaudhary:** Borosil net cash will be approximately INR 80 Crores.
- Kamlesh Kotak:** Net cash would be 80 Crores for Borosil Consumer, right?



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February 04, 2020*

- Rajesh Chaudhary:** Borosil Limited which will be conducting the consumer and scientific ware business
- Kamlesh Kotak:** Right and for this company you said how much debt?
- Rajesh Chaudhary:** Borosil Renewable will be debt of about INR 100 Crores.
- Kamlesh Kotak:** Net debt of 100 Crores. Okay and how has been the raw material and the price I mean the cost environment now going forward, do you see possibility of margin delta because of the cost being benign or how do you see the energy and our consumption cost may be low in terms of the current context?
- Shreevar Kheruka:** Which product are you referring to?
- Kamlesh Kotak:** Larah particularly.
- Shreevar Kheruka:** For Larah frankly, the cost of raw material is low as the percentage of the selling price. The main raw material has hardly seen any inflation or deflation over the last 10 years. The other main raw material is electricity which has also been quite stable for some time. So, I do not see any major impact on costing in terms input costing for the consumer range of products.
- Kamlesh Kotak:** Is that only for Larah or across all other glass products too?
- Shreevar Kheruka:** Yes, except for the increase in customs duty which is going to increase our costing I do not see any other major impact.
- Kamlesh Kotak:** Okay and lastly if you can help us understand our kitchen appliances strategy, which categories are we open to and how has the experience been?
- Shreevar Kheruka:** We are in small domestic appliances and so these are things like toasters, mixer grinders, induction cookers. We have started only three years ago and I think we have got good traction in many parts of India. So, our focus really is on quality and after sales service. We are not very aggressive in terms of pricing. We would like to retain our premier position in the market. That strategy has worked well for us so far and there is no reason to change it at the moment.
- Kamlesh Kotak:** This is going to be outsourced products?
- Shreevar Kheruka:** Yes, at the moment they all are outsourced manufacturing and the after sales service is In-House.

- Kamlesh Kotak:** Okay and how far the distribution reach has been? Is the market fairly covered or is there still more to cover?
- Shreevar Kheruka:** Long way to go.
- Kamlesh Kotak:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sorry to be repetitive but I am just trying to locate your presentation but was unable to. You guys give out the splits and all so I was just trying to figure out from your commentary as well so for the nine month the consumer ware business which obviously includes your Borosil brand and the Hopewell business -, could you give us separately what was the growth rate in both of them and the EBITDA margin that these businesses did?
- Shreevar Kheruka:** Borosil brand for consumer division grew 35%, Larah grew 5% so blended it is 22%. I already mentioned Larah growth was impacted by a one-time sale last year which was not repeated in this year. Without that the growth is closer to 25% . As far as EBITDA is concerned, we have a total blended EBITDA which includes scientific, Larah and Klasspack of about 80 Crores which is about 16.2% of our revenues. This does not include Vyline which is INR 11 Crores. As part of the merger Vyline will also get merged and add to the EBITDA.
- Pritesh Chheda:** The consumer ware EBITDA would be what?
- Shreevar Kheruka:** We do not share consumer ware EBITDA separately. We gave Larah separately which is about 26%..
- Pritesh Chheda:** Sorry 25% is?
- Shreevar Kheruka:** Larah is between 25% and 26% EBITDA.
- Pritesh Chheda:** Okay and growth there was 5%.
- Shreevar Kheruka:** Turnover growth was 5%.
- Pritesh Chheda:** What explains the 35% growth in Borosil Consumer ware?

- Shreevar Kheruka:** Well it's difficult to precisely explain. The market has grown and we have grown. We have introduced good products which are well accepted by our customers. All our channels have grown, all the regions have grown, so it is really broad growth. We are quite satisfied with that frankly.
- Pritesh Chheda:** Okay. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Binoy Jeriwala from Sunidhi Securities. Please go ahead.
- Rishabh:** Hi Shreevar. This is Rishabh. Just a few questions. One is in your opening remarks you mentioned there was some seasonality in this quarter so should we be looking at Q2 plus Q3 and compared that to last year as a steady state growth rate? That is my first question. My second question is on Borosil Technologies in your earlier call you had shared some interesting update on that. Just wanted to see how the progress is there and lastly just wanted to check if the Jaipur Warehouse is commissioned and whether our margins in Larah can expand further because of this? Thanks.
- Shreevar Kheruka:** All good questions. So, the first point Q2 plus Q3 - absolutely you can compare Q2 plus Q3 of last year with Q2 plus Q3 of this year and that should be okay because that takes out the seasonality and difference. Again, for example in the next financial year Diwali is again late - like November 14 so again it will be the same issue. So Q2 plus Q3 is a good way to look at it. On LABQUEST I mentioned we now are double digit as a percentage of our total scientific product sale which is good news and things are moving quite well. We have introduced almost 22 to 23 SKUs which have done well; another 10 I think are around the corner. It is a slow growth but I would say it is really meaningful growth because this is highly repeatable business and it is very sticky business so once it comes it stays and the initial investments in people mainly are high. Once they start generating revenues the ROCE becomes very attractive in this business. So, we are very bullish I say from the scientific products perspective of the three growth levers. This has a potential to give the maximum juice in the future. The third question on the warehouse, yes it got commissioned on January 14, 2020 but it is partially commissioned, meaning 50% is started. The second part will get commissioned around mid March 2020 so that should improve in my opinion 1% -1.5% maybe even touching to 2% of our EBITDA. I would say this would happen from Q1 or Q2 of the coming year.
- Rishabh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Sisodiya from Concept Investment. Please go ahead.

- Rishabh Sisodiya:** Thank you for taking my question again. I just had one question, if I am not wrong you mentioned, in the consumer segment the non-glass contributes nearly 40% now, so you could just speak more on that like which segment is actually giving you more growth, is it Larah or is it the appliances or other segments?
- Shreevar Kheruka:** I think Larah is not counted in the 40%. I had said this is 40% of Borosil. So, Larah is nothing do with this. We have introduced three ranges which is Hydra, appliances and steel serving ware. All three have done remarkably well and I think they will grow quite rapidly. While I would not like to share individual numbers for each of the three, I can say that all our products come with the promise of "performs beautifully". We have maintained it across all three of these new product categories and indeed it has not only been performing beautifully for our consumers, but also for our financial results. We hope to keep that up.
- Rishabh Sisodiya:** Going forward are you expecting this segment to go better rather than our microwavable segment?
- Shreevar Kheruka:** See the area of steel serving ware, appliances, the storage, steels bottles for Hydra - these are everyday use items whereas microwavables are not an everyday use item. So the potential market is much larger for these products. Yes from that perspective, since the usage is higher, we can expect a higher growth. That is only due to the high market size of these products.
- Rishabh Sisodiya:** If you could just quantify our distributor reach and retail outlet reach?
- Shreevar Kheruka:** We have got 15,000 retail outlets, 200 plus distributors. We are not aggressively growing it because we are quite satisfied with the current reach. As and when we see opportunities, we grow by maybe adding about 700 to 1000 retail outlets a year.
- Rishabh Sisodiya:** On the scientific segment if I am not wrong, you have mentioned in previous calls, we are increasing our inventory stocking with the scientific segments so that you can provide 24 hours or 48 hours delivery or something like that in the warehouse, if you could just throw some light on that part?
- Shreevar Kheruka:** That is not something we are doing now. We have already done it many years ago and we continue to promise that service level. So that is not nothing new frankly and is not changing our current inventory levels. It has been like this for last maybe for five years at least. With this strategy we have also been able to take market share from competitors.
- Moderator:** Thank you. The next question is from the line Pritesh Chheda from Lucky Investment Managers. Please go ahead.



An ISO 9001 Company

*Borosil Glass Works Limited
February 04, 2020*

- Pritesh Chheda:** Sir one book keeping question. What will be the depreciation number for the Borosil Limited which will get demerged, ballpark depreciation numbers? There is no debt on it so there is obviously no interest; you have given us an INR 80 Crore EBITDA number which is a nine month?
- Rajesh Chaudhary:** Will be around INR 20 Crores.
- Pritesh Chheda:** How much?
- Rajesh Chaudhary:** Yearly INR 20 Crores.
- Pritesh Chheda:** The tax rate you would be in that 25% tax bracket?
- Rajesh Chaudhary:** That we are working on. It most probably will be in the 25% tax bracket.
- Pritesh Chheda:** Thank you very much Sir.
- Moderator:** Thank you. We do not have anyone in the queue. Would you like to add any closing comments?
- Shreevar Kheruka:** Thank you everyone for participating in the call. Hopefully we should not have too much of disruption from this Corona virus, which seems to be the only risk I see going forward. Overall it has been a very satisfactory nine months and I hope that we can continue this performance in this quarter as well. Thank you.
- Moderator:** Thank you. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.