

June 08, 2018

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Dear Sir / Madam,

Scrip Code: 502219

Symbol: BOROSIL

Series: EQ

Sub: Transcript of Institutional Investors and Analysts Conference Call

We enclose transcript of conference call with Institutional Investors and Analysts which was held on May 30, 2018.

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For Borosil Glass Works Limited



Gita Yadav

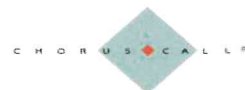
Company Secretary

Encl: as above



**“Borosil Glass Works Limited
Q4 FY2018 Earnings Conference Call”**

May 30, 2018



ANALYST: MR. ANKIT KEDIA - CENTRUM BROKING LIMITED

**MANAGEMENT: MR. SHREEVAR KHERUKA - MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER- BOROSIL GLASS WORKS
LIMITED
MR. SWADHIN PADIA – CHIEF FINANCIAL OFFICER -
BOROSIL GLASS WORKS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Borosil Glass Works Limited Q4 FY2018 earnings conference call, hosted by Centrum 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. I now hand the conference over to Mr. Ankit Kedia from Centrum Broking. Thank you and over to you Mr. Kedia!

Ankit Kedia: Thank you. We at Centrum Broking are very pleased to host the FY2018 results conference call for Borosil Glass Works. Today from the management, we have Mr. Shreevar Kheruka, Managing Director & Chief Executive Officer and Mr. Swadhin Padia, Chief Financial Officer. I would now like to invite the management for the opening remarks following which we can have an interactive Q&A. Over to you Sir!

Shreevar Kheruka: Good afternoon ladies and gentlemen. Welcome to our year ending conference call for the year ended March 31, 2018. I welcome all of you to this call and I am glad to be talking to the investment community again along with our CFO, Swadhin Padia. We concluded our board meeting earlier today and we have uploaded an updated presentation on the company website and also those of the stock exchanges. I can therefore briefly run through the highlights of last year and recent developments in about 15 minutes and then I will leave it open for questions that I will hopefully address as best as I can.

So, for last year our overall revenue was about 432 Crores, a growth of just over 15% over the prior year. We had a full year of Klasspack sales in FY2018 as opposed to operations for part of the year in FY2017. We had acquired Klasspack in July 2016. So, on a like-to-like basis, the revenue growth was 13%. FY2018 saw the implementation of GST in July. This was the reason for which we had a slightly soft Q1 and Q2, but we had a good rebound and high growth rate during Q3 and Q4 and we do believe that organized players like us will stand to benefit in the long run. By the second half, we saw that the short term disruption related to GST had settled down and if you look at the Q4 growth numbers themselves, in the lab division we grew 16% and in the consumer division we grew at 16.5%. So, that was good show in the last quarter.

The reported growth in lab ware including Klasspack was 18% and for like to like sales (as Klasspack had only eight months sales in the previous year), the growth was 12.5%. This is in line of what we have been projecting as growth for this division. The consumer division achieved a growth of 13.5%. Out of this Borosil brand grew by 12.5% and the Opal division, that is the brand Larah, grew about 15%. Larah's performance in Q4 was subdued because we undertook an upgrading of the manufacturing facility. As you are already aware we have expanded our capacity and added some new more efficient lines; however, in order to do that we had to shut down the furnace for almost three-and-a-half to four months. Hence, we were out of inventory for some period of time.

Without this the growth could have been much higher. Unfortunately owing to this upgradation, it was a bit muted, but this is in the long term interest of the organization. It will definitely help us achieve a high growth number in this current year.

Also, the Borosil consumer division grew like I mentioned by about 12.5% and if you notice a substantial part came in the latter half of the year. The first half of the year was subdued owing to the implementation of GST. In SIP, the divisional growth drivers are supplementing the core laboratory glass business with a strategy of offering more products to the same consumer. So, LabQuest by Borosil has been gaining acceptance as we explored the import substitution market. We will tend to gradually expand the range and we have introduced products like multi-tube vortexers, clinical centrifuges, tube rollers and tube disc rotators to this division. Like within the scientific products business, the initial uptake is slow because you want to prove the concept, people have to accept the brand., It takes time for them to do that, but I can say that the initial feedback has been very good and over a period of time this brand should increase sales quite rapidly. In order to bring greater focus to product design and development in LabQuest, we have decided to take these initiatives in-house in a separate 100% subsidiary of the company called Borosil Technologies Limited. This team will lead a design and development effort. So we can have an exclusive range of products, which we can supply to our customers.

Also, in lab division adding customers for Klasspack involves a longer lead time. We have finally begun seeing the results of efforts invested. Since the acquisition in July 2016 we have added 15 new customers and there is another similar number of customers under approval process. The benefit here is that all these customers are the top pharma companies in India and we have seen repeat orders from them. So, I see that our investment thesis for Klasspack is playing out and I expect that to continue in the next couple of years.

The third avenue of growth in lab was exports. Export was a bit muted this year, with just marginal growth. . We had a couple of customers who had their internal issues, who are unable to place orders, but I expect that to rebound in this current year.

Coming to the consumer division growth drivers, the two primary drivers for growth in the near term are storage and Opal ware. Storage is performing quite well. There remains a large opportunity to convert customers from plastic to glass. High quality materials and product designs are both aesthetic and functional and they have been very well received. We have got quite a good success in this category. Within storage, we also launched “to-go” range of products. This basically means on the go storage for example our Hydra brand of flasks. These are made of steel and they include vacuum insulated stainless steel flasks and hot & fresh lunch boxes. We have got a good response on this launch.

The second growth driver is Lurah. As I mentioned earlier, we had an upgradation in our facility, so we had a small disruption in the supply. That was temporary, but now the output of the furnace is stable and we have got improved quality on the finished product and I think this will result in a good year for Lurah in this coming year.

Coming to EBITDA margins, while our overall sales grew at 15%, the EBITDA from operations was at about 63 Crores, a growth of 46%. The operating EBITDA margin expanded to about 14.5% during FY2018. Margin expansion was led by a more profitable product mix. Additionally, with growth and revenues, our company is reaping the benefits of operating leverage. Borosil registered a PAT of approximately Rs.49 Crores. After adjusting for a one-time gain of almost Rs. 91 Crores in the previous year, the growth in PAT was 52%. So overall, I would say a very satisfactory year. It was upset by GST, without which the numbers would have been probably better, but I would say that GST in the long term is exceedingly positive and therefore we will see the benefits of that in this year as well as the coming years.

The Medium term outlook looks quite strong. In consumer products both storage and opal ware will benefit from a tailwind. There is arising awareness of advantage of glass over plastic for both health and environment reasons and there is arising aspiration of the middle class for a superior product like Opal ware. So, in both these categories, we are participating in high growth categories.

In SIP while lab glassware is showing steady but moderate growth, the new avenues of LabQuest, Klasspack and exports will improve the growth trajectory.

The company will focus on new product development. A task force has been constituted and we expect to introduce dozens of new SKUs in this year as well as the next year and obviously the older SKUs which are not contributing that much to sales anymore will be rationalized. GST of course as I have already mentioned is likely to benefit organized players like us and we have already seen more presence of branded products in shops compared to unbranded ones.

Our blended revenue CAGR is expected to move up to the high teens. EBITDA margin will expand further as the company gets scale benefits and we absorb overheads on a larger base. The company will continue to grow its investments in both marketing and brand building. Sales are likely to grow faster than we expect marketing expenses to increase. The company completed the upgradation of the Jaipur factory and efficiency improvements are expected to improve the Lurah cost structure. Higher volumes will translate into optimized freight cost as well as warehousing cost. With these we expect to improve EBITDA margins to between 15% and 20% over the next two to three years.

Coming to other initiatives, we commenced the process of divesting noncore assets and we had already released about Rs. 90 Crores in FY17. We released another Rs. 64 Crores in FY2018 so I am glad to say that a substantial portion of the targeted release has been achieved. The remaining noncore assets in the books is just about Rs. 4 Crores, which we will try and attempt to offload in this year.

Human resource is of course key. In order to align management incentives with long-term shareholder value, the company is implementing an ESOP scheme. Investors are keen that the company's shares are listed on the NSE in addition to the BSE. I am happy to say that Borosil started trading on the NSE from May 25, 2018, just a few days ago.

So in conclusion, Borosil is in an exciting phase of growth, having gathered some momentum over the past two years or so. My team and I feel confident about accelerating growth, building new avenues for growth and also improving the company's margin profile. I am now happy to take any questions that you may have.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
- Dhruv Agarwal:** Good afternoon Sir and congratulation on a good set of numbers. Sir I wanted to understand how you segment your products under the standalone and consolidated business. so correct me if I am wrong under your scientific products division you take lab glassware, instrument and Klasspack correct?
- Shreevar Kheruka:** Right.
- Dhruv Agarwal:** Under consumer product you take Borosil consumer products and Larah ?
- Shreevar Kheruka:** Right.
- Dhruv Agarwal:** Okay and the others include the flat glass as well as Gujarat Borosil, which accounts for consolidated business?
- Shreevar Kheruka:** No, flat glass is separate segment, others hardly anything.
- Dhruv Agarwal:** So flat glass is Gujarat Borosil?
- Shreevar Kheruka:** That is right.
- Dhruv Agarwal:** That is accounted for in consolidated only, not in the standalone?
- Shreevar Kheruka:** Absolutely right.

- Dhruv Agarwal:** So in this standalone business of 296 Crores, which you have done for this year, what are divisions included there?
- Shreevar Kheruka:** So OK, so if you refer to the presentation we have uploaded on the website this will be clear. The Borosil lab division without Klasspack is there in the standalone as a part of Rs 296 crore. It also includes the consumer division revenue without the 100% subsidiary Hopewell (i.e the brand Larah). This constitutes Rs 296 Crores. If we take this Rs. 296 crores and add Rs 100 crores of Larah and Rs. 36 crore of Klasspack, we arrive at Rs 432 Crores.
- Dhruv Agarwal:** So Klasspack is how much Sir?
- Shreevar Kheruka:** About 36 Crores.
- Dhruv Agarwal:** So that is for the whole of this year.
- Shreevar Kheruka:** That is right.
- Dhruv Agarwal:** And the rest is Gujarat Borosil, which comes to around 636 Crores, right?
- Shreevar Kheruka:** That is about right..
- Dhruv Agarwal:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Navin Bothra, an Individual Investor. Please go ahead.
- Navin Bothra:** Congratulations for NSE listing and good set of numbers once again. My question is regarding the NCLT process, which is getting delayed. In the Gujarat Borosil concall we were told that around last week of May or June it may get completed. So, what is the current update ?
- Shreevar Kheruka:** See NCLT has its own set of issues because they are dealing with much larger problems than merger of our companies because of all these bankruptcy proceedings happening in the last few months. Virtually every time we get a date only for the next date. The judges are unable to hear the case as they are spending the whole day on other much large matters. Our current hearing has been deferred to June 21, 2018. It is not in our control.
- Navin Bothra:** We appreciate that, but the process and the structure remains the same?
- Shreevar Kheruka:** Yes, it will be the same.

- Navin Bothra:** So next question is regarding the March 30, 2018 board meeting, we have set up two wholly owned subsidiaries BTL and Borosil real estate. Can you clarify on the real estate, which non-core asset are we going to develop or are we entering the real estate space?
- Shreevar Kheruka:** No we are not going to develop anything. The idea here is that we had some lands in the company, at very low book value and we wanted to transfer the land to that subsidiary and eventually try and get the best value for that.
- Navin Bothra:** So is it the the listed office address that is going to be developed?
- Shreevar Kheruka:** No. There is some land near the airport, which is fully encroached land. It has been historically encroached land for many decades.
- Navin Bothra:** So it's just a transfer to Borosil real estate as and when the issues get settled?
- Shreevar Kheruka:** Yes, exactly.
- Navin Bothra:** Second question is regarding the dividend policy if I am not mistaken last year dividend was also Rs.2.5?
- Shreevar Kheruka:** Yes.
- Navin Bothra:** This year also we have given 2.5, so have we adopted any dividend policy?
- Shreevar Kheruka:** No, we do not have any formal dividend policy at the moment. We will be working on the same, but we have quite a bit of capex coming up in the next 24 months, so we wanted to conserve as much of cash as possible for capex and inorganic growth.
- Navin Bothra:** The last question is regarding the Gujarat Borosil. NCLT will take its own time, no issue, but the Borosil management's idea, which I appreciate very well, is to get the related party transactions out of the way and more and more clarity to all the shareholders.
- Shreevar Kheruka:** Absolutely right.
- Navin Bothra:** In Gujarat Borosil 58% will be owned by Borosil glass and 17% will be owned by promoters, so is there any proposal or process in the mind?
- Shreevar Kheruka:** We understand, we have heard this feedback before and definitely understand it. We are working on many options and seeing what best we can come up with. In the long run definitely the idea is to add

value for the company shareholders and clarity. So we will see what is the best structure to achieve that.

Navin Bothra: Gujarat Borosil if you can tell a little bit about that?

Shreevar Kheruka: So that process is still on and the project has started. We have raised some debt to start the project and I am not involved in the day to day efforts.

Navin Bothra: We will like you to be on the board of Gujarat Borosil also Sir, as and when the company becomes the subsidiary because you are driving Borosil now. So we will like you to be director. I have one or two questions regarding Larah, for which I will come back again. Thank you. All the best Sir.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Liladher. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Two questions from my side. What led to an EBIT loss in the consumer ware division this particular quarter?

Shreevar Kheruka: So what happens typically the fourth quarter in terms of total value always has lower sales compared to the Diwali quarter and other quarters, while the overall overheads remain. There is some seasonality and nothing different has happened in this quarter.. The gross margin profile of the division is the same. There is a larger overhead and Q4 sales are always the lowest in the consumer division. that is why there is a loss. The most important quarters for the business are Q2 and Q3, and if you look at the overall year performance you will see that from a profit of Rs 9 Crores, it has gone to 15 Crores. So I would not read too much into that one quarter loss.

Jinesh Joshi: Sir secondly the employee expenses in this quarter were slightly higher. If I look at the quarterly run rate in FY2018, in this particular quarter the run rate was slightly higher, so any specific thoughts on that?

Shreevar Kheruka: This is because of higher profitability linked incentive pay for the year being provided for in the quarter.

Jinesh Joshi: Sir one last question, can you share the sales and EBITDA number for Opal and Klasspack, I am not able to get hold of it, I do not think the presentation is up on the website.

Shreevar Kheruka: The presentation is on the website already. I can share this with you. For Klasspack the EBITDA was about 4.7 Crores on a sale of 36 odd Crores, and on Opalware the EBITDA was 7.3 Crores on a sale of about 100 Crores.

- Jinesh Joshi:** Just one followup on this part, in FY2017 if I am not mistaken the overall performance of Opal was impacted due to certain write downs and an additional spend on ASP. So we were expecting a swing on the EBITDA front. But if I look at the overall full year performance then in Opal we have an EBITDA of about 10 Crores odd, which is not in line with the expectations because the savings itself should be in the region of 13 to 14 Crores if I consider the write downs and the additional ASP spends, which we had done last year. So apart from the shutdown any specific reason why the EBITDA performance was not up to the mark?
- Shreevar Kheruka:** In FY2017 EBITDA Opal was 0.8 Crores and full year number FY2018 EBITDA for Opal is 7.3 Crores, okay. Now that is a marginal improvement to 7%, but the main reason why the EBITDA has not gone up further is because of the shutdown that we had taken of nearly four months. The company was out of production and obviously build up some stock to account for that, but it is always impossible to plan the stock perfectly, so we did lose out on a fair bit of sales as a result of that. Meanwhile all expenses, like employee expenses and other overhead are more or less fixed. Very little is variable, so that has resulted in this. I think we will see a pretty good turnaround, and we will see further improvement in this year.
- Jinesh Joshi:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** Congratulations to the team. My first question is follow up on the previous participant's question, this year reported around 8% EBITDA margin in Opal, so what you are trying to say is that because of the shutdown in the last quarter it has led to cost but there was no revenue on that?
- Shreevar Kheruka:** There was some revenue, not right to say more revenue, but the revenue was depleted substantially because of the shutdown. The shutdown was not all in the last quarter. It started from the third quarter onwards. In fact I think most of October to January was the period of the shutdown - about four months.
- Dhruv Bhatia:** So what will be the sustainable EBITDA margins that you can expect in Opal?
- Shreevar Kheruka:** I think we should target 20% plus in Opal.
- Dhruv Bhatia:** Is there a medium term target or FY2019 target?
- Shreevar Kheruka:** In about two years we will get that.
- Dhruv Bhatia:** You mentioned in the start of the call that you have sold noncore assets worth 64 Crores, is that the flat, which was supposed to be sold?

- Swadhin Padia:** Yes that is right.
- Dhruv Bhatia:** There is no profit and loss on that, so there is nothing in the exceptional item?
- Swadhin Padia:** There is a profit which shown in other income.
- Dhruv Bhatia:** And any update on fund raising at Gujarat Borosil level?
- Shreevar Kheruka:** Look the fund raising is continuing. Like I already mentioned to a gentleman before, we have started the project on the basis of debt, which we have already raised and the equity raising is continuing at the moment. We are confident that this should happen pretty shortly.
- Dhruv Bhatia:** And why is net receivables going up almost 25% from FY2017 to 2018?
- Shreevar Kheruka:** This is largely on account of higher sales. Sales grew by over 15% and much of it is back-ended resulting in higher receivables at the end of the period. There is no change in the policies of the company, neither is there any estimation of any bad debt.
- Dhruv Bhatia:** And would it be right to say that this receivable increase is purely because of Opal?
- Shreevar Kheruka:** No, it is not specific to opal.
- Dhruv Bhatia:** And earlier you made a comment that you have capex plan for the coming years, where will you incur this capex?
- Shreevar Kheruka:** I already mentioned that we are looking at a full-fledged centralized warehouse in Jaipur, which will be a substantial chunk of capex. We plan to increase our capacity at Klasspack. We would also be increasing our shareholding in Klasspack would target inorganic expansion opportunities.
- Dhruv Bhatia:** The Klasspack the stake increase would go up to 100%?
- Shreevar Kheruka:** It may be a step increase, but may not be 100.
- Moderator:** Thank you. The next question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.
- Rishabh Parekh:** Hi Shreevar, congratulations on a good set of numbers. Just had a few questions, what is the cash and cash equivalents currently on the balance sheet?
- Shreevar Kheruka:** I think it is about Rs 250 crores.

- Rishabh Parekh:** In Opal, what is the revenue growth you are looking for in the next couple of years?
- Shreevar Kheruka:** I think we should at least aim for 30%.
- Rishabh Parekh:** 30% year-on-year?
- Shreevar Kheruka:** Yes.
- Rishabh Parekh:** And what is the depreciation number for Opal?
- Shreevar Kheruka:** I will just tell you in a moment. In the meantime, do you have any other questions?
- Rishabh Parekh:** Sure, what is the EBITDA for Vylene?
- Shreevar Kheruka:** Yes, the EBITDA was about 14.5 Crores and the depreciation number in Hopewell is 8.4 Crores.
- Rishabh Parekh:** Vylene EBITDA is 14.5 Crores?
- Shreevar Kheruka:** That is right.
- Rishabh Parekh:** And when you are referring to the Klasspack numbers, which is 36 Crores of revenue and about 4.7 Crores of EBITDA, is this 60% or is this 100%?
- Shreevar Kheruka:** This is 100%.
- Rishabh Parekh:** What is the depreciation of in Vylene?
- Shreevar Kheruka:** For Vylene depreciation is Rs 3.3 crores.
- Rishabh Parekh:** And for Klasspack?
- Shreevar Kheruka:** Rs 3.4 crores.
- Rishabh Parekh:** Thanks a lot Shreevar.
- Moderator:** Thank you. The next question is from the line of Rakesh Jain from Asit C Mehta. Please go ahead.
- Rakesh Jain:** Hi Sir. Thank you for the opportunity. What was the utilization for the full year in Klasspack?
- Shreevar Kheruka:** Capacity utilization is about 65%.

- Rakesh Jain:** 65% and that could have been the same for fourth quarter?
- Shreevar Kheruka:** Yes, more or less similar, it is slightly higher in the fourth quarter, but we have also added new capacity in the fourth quarter. Capacity utilization in this business can never increase beyond 75% to 80%, because of the nature of the business. So 65% is getting towards the mark where you would need to add capacity. This is what we are doing at the moment.
- Rakesh Jain:** Right, so if I look at the full year number at 36 Crores, and we did about 9 months of Klasspack revenue of about 26 Crores, so roughly 10 odd Crores is what we did in fourth quarter, which was higher at Q-o-Q as well as Y-o-Y, but on that the margins we did less, we are at 9% compared to 13.5%, which we did in last quarter, I do not have the number for the last year and the corresponding quarter, but in Q-o-Q is down, so could you explain why is that?
- Shreevar Kheruka:** I do not think the margin profile is materially impacted in the last quarter specifically. The EBITDA margin I know for the whole year has gone from 5% EBITDA to 12% EBITDA in Klasspack. So on annualized basis, I can share with you that we have done better. I think as far as looking forward is concerned we can expect the margin profile in Klasspack to further improve.
- Rakesh Jain:** As per the last quarter the margin was about 13%, before that the highest we reached was 18.5%, so where would you want that margins to be?
- Shreevar Kheruka:** I think we could go north of 15%. It is something that we should aim to achieve in this year.
- Rakesh Jain:** In the Opal business, can you just tell what is the distribution range ?
- Shreevar Kheruka:** See we are quite strong in the north and in the east of country and pockets in the south., In the west I think we are still under distributed quite substantially and in the rest of the south also we are under distributed., We are adding some new product categories in terms of different shapes and design to get into those markets where we are not present today. That should help us in this year. Overall I would say we can do better in the western part of the country including Mumbai and also in areas such as Hyderabad and Bengaluru. These are places where we can probably do better. That will be by adding certain new combinations and products, which are not in our system today, but are planning to introduce.
- Rakesh Jain:** So what I wanted to understand is what is the breakup of our distribution right now in modern trade e-commerce and the traditional?
- Shreevar Kheruka:** So Opal e-commerce was virtually nonexistent till last year.
- Rakesh Jain:** Overall?

- Shreevar Kheruka:** Overall I would say e-commerce is about 7% to 8% of revenues, modern trade would be about 25%, general trade is about 60% and then the balance would be CSD and CPC.
- Rakesh Jain:** So is this breakup likely to change?
- Shreevar Kheruka:** Yes. The e-commerce would grow rapidly this year. We have certain strategies in place to ensure that. I think you will see a jump in modern trade also and traditional trade will slightly reduce, not in the overall numbers, but as a percentage of the total sales traditional trade may reduce a little bit.
- Rakesh Jain:** And in the last quarter was there any price change in the products, which we have done in the CPD division?
- Shreevar Kheruka:** Look price changes happen all the time., In general there was no price increase or decrease, it was more or less similar, but trade discounts and promotions keep changing and product prices keeps changing depending on various factors.
- Rakesh Jain:** There is some competition going up right now, so would you be taking that as a strategy to change prices?
- Shreevar Kheruka:** No, because you see prices are already very low. You can buy a dinner set for Rs.2500 to Rs.3000. That is quite an attractive price point. I do not think there is any need to reduce prices.
- Rakesh Jain:** Thank you from my side. All the best.
- Moderator:** Thank you. The next question is the followup from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
- Dhruv Agarwal:** Thank you for the followup questions Sir. My question is regarding the container division, if you could give the EBITDA numbers for the container division, FY2017 and FY2018?
- Shreevar Kheruka:** I am sorry, we do not share that.
- Dhruv Agarwal:** If you can give the growth rates individually for the lab division or Klasspack container and Opal, do you foresee going forward?
- Shreevar Kheruka:** So going forward, I will give it to you for the whole consumer division. As a whole we have been talking of 15% to 20% medium term CAGR. For the lab division we have been taking about 10% to 12% medium term CAGR. We feel that there is a chance of being slightly higher than this.
- Dhruv Agarwal:** For both the divisions you can gain slightly higher than this?

- Shreevar Kheruka:** Yes.
- Dhruv Agarwal:** Okay.
- Shreevar Kheruka:** I am not talking about any one year. I am talking about the medium-term sales growth.
- Rakesh Jain:** May be three to five years?
- Shreevar Kheruka:** Yes, right.
- Rakesh Jain:** Fine Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Deshpande from Vallum Capital. Please go ahead.
- Aditya Deshpande:** Hi, good afternoon Sir. Congratulations on a good set numbers. So I just wanted to know what is the breakup of revenues in terms of exports and domestic?
- Shreevar Kheruka:** You are talking about overall both divisions put together?
- Aditya Deshpande:** Overall.
- Shreevar Kheruka:** Exports is about Rs 12 odd Crores. Exports are a very small percentage overall. The majority of the exports come from the scientific products division. That is where we will be focusing on exports over the next two to three years. In the Consumer division, our main focus is the domestic market and so I do not see that exports will be a major contributor.
- Aditya Deshpande:** So in India we have a large number of smaller regional players who seem to be very fragmented, is it possible to quantify the unorganized sector in India?
- Shreevar Kheruka:** No, unfortunately, it is not possible, but we think unorganized sector would be as large as the organized sector.
- Aditya Deshpande:** Any plans to increase the regional footprint among the other organized sector?
- Shreevar Kheruka:** No, I can only try and increase my footprint. Whose cost it will come at I do not know, but yes we do have plans to expand our distribution if that is the question. We do have plans to increase our product portfolio to capture more share of wallet, and we are seeing with GST a trend towards more organized competition and people are more aware of brands than before. In fact e-commerce is also helping in that sense because people tend to buy brands they already know of so we will definitely see a much

higher growth of organized players compared to unorganized players in general. Borosil would be a beneficiary of that.

Aditya Deshpande: Alright. That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Congratulations for a great set of numbers. Just one question, what was the Vylene topline and debt in FY2017 and FY2018?

Shreevar Kheruka: In FY2017 or FY2018?

Kashyap Jhaveri: Both. Debt only FY2018 will do.

Shreevar Kheruka: Debt was Rs 34 Crores in that range. Topline will be between Rs 75 and 80 Crores. I do not have the number with me at the moment.

Kashyap Jhaveri: This will be in FY2018?

Shreevar Kheruka: Yes and FY2017 may be 5% to 10% less than that.

Kashyap Jhaveri: So if I look at Vylene, we had 14.7 Crores EBITDA on an 80 Crores topline, so that company made about 18% margin and if I look at our standalone sales and the EBITDA margins, the blended margins that we did in our standalone sales was roughly about 17% odd. so the manufacturing company makes similar margins as the marketing company does. Do you have any comments on that. Owning a brand, should make more money than manufacturing, right?

Shreevar Kheruka: Yes, but you see firstly I am not sure that always holds true In general a brand needs a lot of investment in brand building. That is what is depressing the margin. Our ASP expenses have been increasing rapidly and that is why the brand profitability is a bit depressed. As we achieve a certain scale, you will see margin expansion. You can see that last year the blended EBITDA margin was 11% odd and that has gone to almost 15% in this year and that will continue going up. I would say that a manufacturing entity would be stuck at the same margin profile. The growth may not be as aggressive as in a brands company.

Kashyap Jhaveri: ASP spends in standalone for the full year?

Shreevar Kheruka: ASP spends I think for Borosil was almost 20 Crores if I am not mistaken standalone. I will just tell you in a moment. I just wanted to answer your question on Vylene also. As far as Vylene is concerned

and as far as the company policy is concerned we have a philosophy of global sourcing. Various teams have the freedom to buy products from anywhere in the world, wherever they get the best price and quality. Vyline contributes to not more than 40% of the total sales of the organization. So if we can get any products cheaper than we can buy from Vyline then people are free to go ahead and buy it, provided the quality matches. Coming your question an ASP spends, they were about Rs 19 Crores last year.

Kashyap Jhaveri: Now let me rephrase my question. I got Vyline numbers from the ROC. It had sales of about Rs 50 Crores in FY2013 and EBITDA of just about 3.5 Crores. That is an EBITDA margins of just about 6.5%. By FY2018 on a Rs 80 Crores sale, that company has earned about Rs 14.7 Crores EBITDA. So the margins in Vyline have actually gone up from about 6.5% to 18% in a five-year period. Why should that company make that kind of margin? While in standalone Borosil glassworks, though SIP margins have obviously expanded, there is an almost three times margin expansion in Vyline.

Shreevar Kheruka: When our manufacturing company increases its turnover, they also get operating leverage.. As far as Borosil is concerned before we get the benefit of the leverage, it has to invest in ASP. If you look at the ASP spends and sales promotion expense of Borosil in 2013, it was very, very low. That has gone up to almost say Rs 19 to 20 Crores this year. So you are seeing a massive jump in ASP. I can share with you that the potential for growth of the Borosil EBITDA and profitability is significantly higher than in the case of Vyline or any other manufacturing entity., Vyline will continue at a certain rate and will not have a potential beyond that. . Whereas Borosil has a very long runway of growth both in terms of topline and EBITDA expansion. Having said all of this, the reason we decided to merge these companies one and a half years ago is to eliminate related party transactions. We have done the best we could , the rest is in the hands of the regulators to allow it to happen.

Kashyap Jhaveri: Right and any capex that we are going to do in Vyline post merger to expand their capacities?

Shreevar Kheruka: I have spoken new product development. This may require certain unique capex in certain areas, , but I do not think it is going to be very substantial.

Kashyap Jhaveri: This 20 Crores ASP which, you mentioned, which is about 7% of the standalone revenue, what are your budgets for next two years?

Shreevar Kheruka: It is going to increase very rapidly, so the 20 may become Rs 30 Crores.

Kashyap Jhaveri: Sure. Thank you very much for the help.

Shreevar Kheruka: Thanks.

- Moderator:** Thank you. The next question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.
- Rishabh Parekh:** Shreevar two questions, one is advertising and promotion, which you mentioned 20 Crores, which will go up to 30 Crores, this include the Opal budget as well?
- Shreevar Kheruka:** What I spoke right now was standalone numbers.
- Rishabh Parekh:** And what would be the Opal number for 2018 and forecasted number next year for A&P?
- Shreevar Kheruka:** 2017-2018 was a bit low because we knew we had a shutdown coming up. 2018-2019 could be about Rs 10 Crores.
- Rishabh Parekh:** Just wanted to understand what is the current contribution coming from e-commerce, you mentioned that you have put certain strategies in place to increase e-commerce penetration, so just more colour on the strategies and is the margin profile of e-commerce sales versus modern trade significantly different for the company?
- Shreevar Kheruka:** Margin profile is roughly similar, for e-commerce as well as trade. We do not like to discount our products and that we do not want to cannibalize our own sales through various channels. Coming to strategies we are doing more digital engagement with our customers through Amazon, through Flipkart. In terms of the profile of products, we are creating special products for e-commerce and that should help increase our sales without hurting trade sales.
- Rishabh Parekh:** And last question Shreevar, with the plastic ban in Maharashtra have you seen any material impact or do you see any material impact coming forth in FY2019?
- Shreevar Kheruka:** You mean as a result of the plastic ban?
- Rishabh Parekh:** Yes.
- Shreevar Kheruka:** Definitely. The awareness of plastic being harmful for the environment and also for health in many cases is quite clear and customers have definitely started moving to or look for alternatives. If we are able to provide the alternatives then we will definitely see a pretty good bump up there.
- Rishabh Parekh:** Thank you Shreevar.
- Moderator:** Thank you. The next question is from the line of Naitik Mody from OHM Portfolio. Please go ahead.
- Naitik Mody:** Sir could you please quantify the sales and loss in Opal due to the shutdown of the furnace?

- Shreevar Kheruka:** Very challenging to do that, but it is in double digit Crores for sure.
- Naitik Mody:** Fine. Thank you.
- Moderator:** Thank you. The next question is a followup from the line of Navin Bothra, an Individual Investor. Please go ahead.
- Navin Bothra:** Most of the Larah queries have been answered by you. My observation is that wherever we go Cello and LaOpala are present aggressively, our Larah SKUs are not present. What are the strategies for better presence in modern trade?
- Shreevar Kheruka:** I am not sure where you have gone, but it is a large country, so definitely they would be strong at certain areas.
- Navin Bothra:** Big Bazaar?
- Shreevar Kheruka:** But which region?
- Navin Bothra:** In Delhi region, Delhi NCR. They have around two, three, four Larah sets on the shelves, whereas Cello is present with 10, 15, 20 sets, and LaOpala is present with 15, 20 sets.
- Shreevar Kheruka:** Actually as far as Large Format Stores is concerned, we have been quite aggressive when trying to make sure that we control our credit. Sometimes we have to stop billing to certain parties just because we want to ensure that we do not expand our credit beyond a certain value. So there will be ups and downs in terms of our distribution and we do not want to grow just by expanding the credit cycle. So you may see this kind of discrepancy from time to time, but I can tell you that we are in general quite aggressive in the market. I do concede that in the rest of the country we can be better and there is certainly a movement. We have put in more effort in the western region be it in Maharashtra or in Gujarat to increase our penetrations. In general I would say that in the north and in the east our presentation is quite strong. If you see it is a little lower in some places then obviously we would like to get a feedback. In general I would say that it is more tactical reasons or a team issue for lower penetration in the west and we need to focus more in this region.
- Navin Bothra:** In the Wilson Garden area, they were not restocking Larah products whereas Cello and LaOpala was there. The shopkeeper said to me that since Larah is not demanded by the customers I do not keep the stock. for Larah was not present. His reasoning was that Cello and LaOpala is getting sold quickly, Larah is not demanded by customers.
- Shreevar Kheruka:** It is good to hear the feedback, I cannot comment specifically.

- Navin Bothra:** The last question is about social media. We are present on Facebook and to some extent on LinkedIn, but not on Twitter or Instagram?
- Shreevar Kheruka:** We have very strong following on Instagram..
- Navin Bothra:** Instagram is good. Twitter and WhatsApp business is also going to help to increase sales because even small companies are there in Twitter. One MRF group company in mattresses, is a very small company, but in the last one year they have started building on Twitter, Facebook, Instagram at the same time. On the concall two quarters ago I requested a Twitter presence. We see Borosil once in a year on Twitter and you and our brand is also not well presented on Twitter. We changed the handle two to three times, but there is no presence .
- Shreevar Kheruka:** I think as a strategy we will not spend much time or money on Twitter because we have not found any correlation to sales, whereas because our products are visual and you can have some nice photographs Instagram is a good place for putting our marketing efforts. So is Facebook. On Twitter I really cannot say that we can find any strategy to have any return on investment..
- Navin Bothra:** And WhatsApp business is also coming?
- Shreevar Kheruka:** When it comes, then we can talk about it. At the moment there is nothing available.
- Moderator:** Thank you. The next question is a followup from the line of Rakesh Jain from Asit C Mehta. Please go ahead.
- Rakesh Jain:** What amount are you investing for the increase in shareholding in Klasspack?
- Shreevar Kheruka:** I said this is a potential utilization of funds. At the moment, I do not have any specific number for you.
- Rakesh Jain:** So you would plan to do it by the end of this year?
- Shreevar Kheruka:** It is in conceptualization phase right now. It could happen at any time, but we will need all the approvals in place before that.
- Rakesh Jain:** Alright. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, we will be taking the last question from the line of Jinesh Joshi from Prabhudas Liladher. Please go ahead.

- Jinesh Joshi:** Just one followup, other external suppliers from whom we were sourcing do they have similar EBITDA margins as Vylene?
- Shreevar Kheruka:** Well we are sourcing all over the world, internationally, domestically. Yes I can tell you that in fact in the case of the one supplier I know, the EBITDA would be more or less similar maybe even slightly higher, but it is hard for me to give an answer on that.
- Jinesh Joshi:** Can you share the name of this particular supplier from whom we are sourcing?
- Shreevar Kheruka:** I am sorry I cannot share that name with you.
- Jinesh Joshi:** Thanks a lot. No problem.
- Moderator:** Thank you. I now hand the conference over to the management for closing comments. Over to you Sir!
- Shreevar Kheruka:** Thank you for your questions. Overall I would say we had a very good set of numbers for the year given the overall scenario in the markets and I am very confident for this year as well both in terms of topline as well as profitability growth. We are very excited about new products that we are introducing and the overall market scenario. I look forward to chatting with you all in the next quarter. Thank you.
- Moderator:** Thank you. On behalf of Centrum Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.