

May 24, 2019

The DCS- CRD BSE Limited Corporate Relationship Department 1 st Floor, New Trading Ring, Rotunda Building, P. J. Towers, Dalal Street, Mumbai- 400 001	National Stock Exchange of India Ltd Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
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Dear Sir / Madam,

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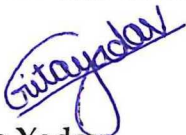
We enclose transcript of conference call with Institutional Investors and Analysts which was held on May 14, 2019.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,

For Borosil Glass Works Limited



Gita Yadav

Company Secretary & Compliance Officer

ACS23280

Encl: as above

Borosil Glass Works Limited

Transcript – Investor Call hosted by Prabhudas Lilladher on May 14, 2019

- **MODERATOR:**
- Ladies and gentlemen, good day and welcome to the Borosil Glass Works Q4 FY19 Earnings Conference call hosted by Prabhudas Lilladher Private 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. Jinesh Joshi from Prabhudas Lilladher Private Limited. Thank you and over to you sir.
- **MR. JINESH JOSHI - PRABHUDAS LILLADHER PRIVATE LIMITED:**
- Thanks. On behalf of Prabhudas Lilladher, I welcome you all to the Q4 FY19 Earnings Conference Call of Borosil Glass Works Limited. We have with us the management represented by Mr. Shreevar Kheruka – MD and CEO and Mr. Swadhin Padia – the CFO. I would now like to hand over the call to the management for opening remarks after which we can open the floor for Q&A. Thank you and over to you sir.
- **MR. SHREEVAR KHERUKA – MD & CEO, BOROSIL GLASS WORKS LIMITED:**
- Thanks. Good afternoon everyone. Thank you for joining our call. I am glad to be speaking with the investing community again along with our CFO – Swadhin Padia. Our Board met and approved the financial results for the year ended March 2019. Our results and an updated presentation has been sent to the stock exchanges and have also been uploaded on our company's website. I will briefly take you through the highlights of the performance and then open it up to questions.
- FY 2019 has been a very good year for Borosil. I have to say that my team and I feel a sense of satisfaction. Our business has crossed a significant milestone of INR 500 crores in revenue. During this year, we achieved net sales of Rs. 546 crores, recording a growth of 26% over the last year. These numbers are after adopting IndAS 115 without which the growth would have been slightly higher. The consumer products business achieved a revenue of approximately INR 350 crores - a growth of 42% over the previous year. Products under the flagship brand Borosil, recorded a net sale of Rs. 203 crores which is 39% over the previous year while serving ware under Larah, reached sales of Rs. 147 crores - a growth of more than 46%.
- You are aware that the company made a strategic shift a few years ago to create new avenues of growth to supplement its core business in microwaveable dishes and vision glasses including tumblers and so on. Our entry into new categories, mainly storage as well as serving ware, has served the company well. This year the Borosil brand revenues from the new categories have exceeded the revenues from the erstwhile core of microwave dishes and vision glasses, which is to say the new categories are now larger than the core of the company and in a short period of just 3 or 4 years. In particular our range of storage products, comprising glass lunch boxes, the kitchen storage range and our Hydra range of flasks and insulated steel lunchboxes have received a very good response from the consumers. Borosil's kitchen appliances range

positioned at the premium end of the market continue to gain customer acceptance and is creating a niche for itself in this category. In the daily serving ware category our participation through the Larah range of opal ware product is panning out well. Larah is beginning to achieve reasonable scale, having as I said recorded revenues of about Rs. 147 crores in the last year.

- The Company is strengthening its go-to market strategy and infrastructure with our retail presence reaching 14,000 retail outlets. We expect to add another 800-1000 each year over the next few years. Besides general trade, the company is strengthening its presence across other channels such as large format stores, CSD, B2B and e-commerce. Sales from e-commerce have increased from about 3 to 4% last year to over 10% of the current year.
- Revenue in the scientific industrial products division was INR 196 crores which is a growth of 5% over the previous year. However, if we remove the impact of IndAS 115, the growth was 9%. The reason for this difference is that a large chunk of sales for this divisions comes during the end of March and that is not recorded in the IndAS as per IndAS 115.
- The lab ware division with sales of INR 154 crores recorded a growth of 3% and that would be 7.2% before the impact of adoption of IndAS. Klasspack - the company we acquired few years ago with a range of ampoules and vials, has achieved a revenue of Rs. 42 crores – a growth of 15% over the previous year.
- In this division, the Company has identified three new avenues for growth; the Labquest range of instrumentation, exports and Klasspack. These three new verticals contributed to about 42% of the scientific products division's revenue during FY 2019.
- EBITDA from operations grew to Rs. 80.3 crores, that is the growth of about 27% over the previous year. EBITDA earned by Vyline during FY 19 was INR 14 crores. Upon implementation of the scheme of amalgamation, the EBITDA earned by Vyline will become available to Borosil. The growth in EBITDA margin lags topline growth. This is in line with our strategy to invest higher amounts in advertising and sales promotion. Our ASP spend in FY 19 are higher than that in FY 18 by about Rs. 13 crores. Our EBITDA margins before ASP spend in FY 19 is 21.3% as compared to 19.8% in FY 18. During FY 19, EBITDA margin for the business was 14.7%. As the reported margin includes the impact of IndAS, it is higher at 15.1%. So, the point of this statement is to say that the EBITDA margin without ASP was higher than the year before. However, since ASP spends have increased more than the increase of sales, the EBITDA margin has reduced a bit.
- As I explained during the last quarter, the EBITDA margin in Klasspack is low owing to higher wastages during production. As we work towards meeting most of the specifications, this was expected to be a short-term impact and we expect that in the future the Klasspack's EBITDA margins should improve although last year the EBITDA margin was impacted at 6.5%. In Larah, the EBITDA margin was 18%. There has been a significant improvement in the Larah margin from single digits last year. This has come through a combination of improved efficiencies at the factory, better product and pricing mix, and scale benefits. We expect a further improvement in margins through improved logistics cost once the new warehouse is operational.

- Borosil registered a PAT of INR 52.7 crores - a growth of 7% over the previous year. Once again, the PAT growth lags the growth in EBITDA, primarily on account of lower treasury income as the company has deployed funds towards expansion and modernization of its plants and building a new central warehouse. This is in line with the company strategy of spending more or investing more in its operating assets and reducing the amount of treasury that the company holds as reserve.
- In other developments, the process of restructuring of the Borosil group is making progress. The NCLT has directed for getting approval of stakeholders. In fact, the meetings are on today and tomorrow. We expect the process to be completed by the second quarter of FY 20 but the caveat is that some of the activities are beyond our control in terms of timeline.
- Coming to medium term outlook, the company as I mentioned crossed a net revenue of Rs. 500 crores in the previous year. Ours is a fairly complex business with multiple channels, multiple customers and multiple products. Even the manufacturing is complex with multiple processes for each product. At INR 500 crores many of these processes are set and as we grow, the company expects to benefit from the robust base it has created and from scaling its operations from here. We embarked on initiatives to create new pillars of growth. While some experiments have failed as one should expect, many of our bets have played out well. We called the shift away from plastic early and believe there will be a strong momentum towards increase in the penetration of glass storage in the kitchen and adoption of high quality steel products for on the go storage. Opal ware is becoming a serving ware of choice for consumers – a mass daily use product. Larah is well poised to participate in this category and is expected to grow well in the next few years. The company envisages a multi-year runway of growth both in opal serving ware, and in storage products. The penetration is still low. At this stage therefore the company will focus on increasing sales and reinforcing the equity of its brand.
- During the last year our investments in advertising and sales promotion were more than 10% of sales of the consumer products business. Products and designs can give us an advantage in the near-term. In the long run, only a strong brand will be a true differentiator. Given our view on the long-term opportunity, this investment is higher than the industry average. Apart from mass media, we also are allocating a large budget to social media. We expect to continue to invest in our brand building over the next few years although with scale the investment as a percentage of sales will reduce.
- In the scientific products business, while lab glassware shows steady growth, the new avenues of exports, Labquest and Klasspack will improve the growth trajectory. Our blended revenue CAGR is expected to move up to the high teens while achieving higher numbers in the immediate term. EBITDA margins will expand as the company gets scale benefits and absorbs its overheads on a larger base. We expect to improve EBITDA margins between 15 and 20% over the next 2-3 years and thereby begin our journey of improvement in return on capital employed.
- We have begun the current year, FY 20 on a confident note. My team and I are working towards building a sustainable business by focusing on being customer centric, servicing customers' needs with the best solutions while maintaining our operations more efficiently to deliver scale, profitability and optimal returns on capital deployed.
- Thank you for your patient hearing. I am now happy to take questions that you may have.

- **MODERATOR:**
- Sure thank you very much. We will now begin with a question and answer session. Anyone who wishes to ask questions press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions you may press star and 1. There's the first question from the line of Danish Jain from Asean Capital, please go ahead.
- **Mr. Danish Jain – Asean Capital**
- Yeah hi, sir, we have three questions. In the SIP business the growth was 5%. Could you give us some details on the outlook?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- So in the long run as far as lab division is concerned, we have forecasted an 8 to 10 % growth trajectory and I would continue to say that this is the likely outcome for the company at least in the medium term let's call it.
- **Mr. Danish Jain – Asean Capital**
- And my second question is on retail. Sir, many companies have state partners like Big Bazaar, Walmart etc. Now Reliance Group is focusing more on expanding stores and opening stores in maximum cities. So does the company see any opportunity from this initiative.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Certainly. I tell you all retail is undergoing a revolution in our country with E- Commerce as well as large format stores. And the company would absolutely benefit from this opportunity to expand our retail presence. And we work with most of the major large format stores as well as E-Commerce platforms. We work closely with them. And so, if they expand, we would certainly expand with them.
- **Mr. Danish Jain – Asean Capital**
- And my last question is on, sir, the demerger. In last quarter the company mentioned, the demerger process would get completed by around Q1 '20 and in this quarter the company mentions that it will be completed by Q2 '20. So, there is a possibility it may get delayed further or will you complete this process by Q2'20?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- I think we should be able to complete by Q2 '20. However I would like a caveat by saying that we are not in control of the timelines because the matter is with the

courts, the NCLT. It depends on their decision for the matter. So, while we are reasonably confident we should conclude by Q2 '20, that's not a guarantee that we can give to anybody. It may get further delayed by a couple of months or even further.

- **Mr. Danish Jain – Asean Capital**

- Okay, thank you, sir. Thank you very much.

- **Moderator**

- Thank you. A reminder once again to participants that you may press star and 1 to join the question queue. The next question is from the line of Rakesh Jain, please go ahead.

- **Mr. Rakesh Jain**

- Hi, thanks for the opportunity. Sir, my question pertains to Klasspack Ltd. Could you elaborate more on the wastage issues during production that you were talking. Because I see that, in the last whole financial year - from the last 3-4 quarters there is negative profitability when it comes to Klasspack. And the EBITDA margins for the full year have deteriorated from 13% to 6 ½ % while the revenues have grown by 15 %. So are these client quality related issues or is there anything with respect to pricing. Could you elaborate on that?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Yeah sure. When we acquired Klasspack, the key challenges in front of us were to improve the customer base of the company and go to what we would call a Pharma Plus or the top end of pharma customers. Which we have been able to do successfully. That's the reason why the revenues of the company have been growing fairly well for this kind of business for the last two years. Now associated with going to the new customer or you know the higher end customers, the expectations of quality are also much higher. In that process we have had to improve our production processes, install things like cameras, inspections, clean room etc in our plant. And the normal trend is, and this is a worldwide trend - when you first install cameras and you have, clean rooms in the plants, the rejections go up. And as the people get trained on how to improve the quality, how to improve the productivity, then you see a normalization of those returns. So, we are in that phase. Unfortunately, it can't be avoided. But I do expect that in the coming year, we should have an improvement in the margin

- **Mr. Rakesh Jain**

- Just a follow up on that, what do you expect in the next coming year when it comes to your profitability, and secondly how far has the rejection rate gone down until now.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- See I can't specifically give you the data, but I can share that with you in general I would expect the profitability to rebound at least to the level that it was year before like you mentioned 13% as against 6 and ½. I would at least expect it to bounce back to the 13% level. Then once we stabilize then go up further from there. As you know, the benefits of the new customers that come in that you have larger orders, more stable business. Then you get more scale benefits which we hope to achieve. So, over a period of time it will definitely improve even beyond 13%. Maybe to the high teens - that's our expectation in the future.
- **Mr. Rakesh Jain**
- And are you expecting more Capex also?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- We have added some Capex and we will continue doing that because like I mentioned, we need to install camera systems, we need to enhance the productivity and production of some types of products. So, at the margins, yes, we will definitely have some Capex and most of it will happen in this year. Then after that I think for the next couple of years the Capex should reduce.
- **Mr. Rakesh Jain**
- So should we expect that at the net level also we can see some profitability returning.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- That is our desire but I hope we can achieve that.
- **Mr. Rakesh Jain**
- Okay, and second question is about our debt levels which have spiked up in the last financial year. We were earlier a very conservative company with high cash and using internal accruals and now we are going towards debt. So, can you explain a bit about what is the strategy we are following towards our balance sheet.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- As far as in the past is concerned, we had much cash in the books and I had already shared that our strategy had been, we've seen many opportunities for operational growth and using cash on the balance sheet to leverage those opportunities. For that reason that cash is reducing. Some increase in debt is for working capital. And so, these are natural outcomes. A business that has to grow at 20 plus % every year will

definitely need to utilize cash flow from, our balance sheet. But we are not very aggressive, our issues are well within control. We are in fact very minimally levelled even today compared to the size of our operations and to our balance sheet size. So, I am not too concerned about it. We are not likely to substantially increase our debt in terms of any fixed or term debt at the moment.

- **Mr. Rakesh Jain**
- Okay, okay. What could be your ASP spend for next year? Would it be similar to this year or slight lower?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- No, it will be higher.
- **Mr. Rakesh Jain**
- It will be higher, should be higher than this year.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yes, absolutely.
- **Mr. Rakesh Jain**
- Okay, so great sir. Thank so much. And all the best.
- **Moderator**
- Thank you. Before we take the next question a reminder once again to participants. You may press star and 1 to join the question queue. The next question is from the line of Kashyap Zaveri from M K Global, please go ahead.
- **Mr. Kashyap Zaveri, MK Global**
- Hello.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yes.
- **Mr. Kashyap Zaveri – MK Global**
- Thank you very much for the opportunity. I have got three questions; one, at Klasspack, we have now done a turnover of roughly about 42 odd crores, what's the

spare capacity? Would we need to expand those capacities? Question number two, is on the consumer ware business in the standalone entity, I see that EBITDA margins have contracted significantly versus last year. So, in terms of A&P could you quantify how much the margins have been impacted by that. And third question is, what is the total amount of material that we sourced this year from Vylene.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Okay, as far as Klasspack is concerned, we are doing some capex expansion. We are doing Rs 42 crores revenue or thereabouts in my view at around 65% of our capacity utilization. We are expanding capacity and we also expect a better capacity utilization going forward. But I think once we have undergone this round of Capex, unless something drastically changes in the market, I don't think we will be doing further capex for a year or two after that. And we will try and improve our capacity utilization to maybe 80%.

- As far as the A&P expenses are concerned as I have already mentioned, our A&P expenses are more than Rs 36 crores for the consumer division. So that's primarily the reason for a lower EBITDA margin in general in the consumer division.

- And as far as s purchases from Vylene is concerned, I don't have the data with me right now, but I would be happy to check it out and come back to you on that.

- **Mr. Kashyap Zaveri – MK Global**

- Sure, but this A&P expenses would also include expenses on Larah also, right, the Rs 36 crores.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Yes, yes.

- **Mr. Kashyap Zaveri – MK Global**

- So on standalone basis where, you know, margins have contracted to 10 and ½ to 7.7 for this year versus for FY '18...

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Much of the spend has been on the Borosil side this year.

- **Mr. Kashyap Zaveri – MK Global**
- So for this contraction, is the A&P largely the reason or is there anything else in terms of pricing, competition, something else.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- No, in my view it is the main reason, while of course there is a lot of competition and it continues to be so. At the gross margin levels, we are quite okay. We are stable.
- **Mr. Kashyap Zaveri – MK Global**
- Right, so this year we spent roughly slightly more than about 10% on A&P in total in consumer ware. In FY20 would this 10% remain more or less the same number?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- It may go to 11 or 12%. It will definitely be more than 10%. It may go on to 11% or 12% depending on the opportunities. The last 1 or 2 percent is hard to predict. If we spot an opportunity, we may quickly go for it.
- **Mr. Kashyap Zaveri – MK Global**
- Sure, sure, that's it from my side thank you very much, sir.
- **Moderator**
- Thank you.
- The next question is from the line of R. Narayan from Midas Advisors. Please go ahead.
- **Mr. R. Narayan – Midas Advisors**
- Hi, sir, thanks for giving me this opportunity. On these standalone financials when I come to the segment breakup I see the scientific ware segment has come down for this quarter sequentially both year on year. Any reasons for that?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yes, as I explained IndAS has got applicable for this quarter, but was not applicable in Q4FY18. Now the month of March is a big month for us in the scientific division. It has very high sales. So if you look at Q4 last year INDAS was not applicable whereas this year it is applicable and as a result of that the growth in both the top-line and the bottom-line look depressed.

- **Mr. R. Narayan – Midas Advisors**
- How much would that be, sir?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- If you remove INDAS the sale was Rs 59 crores against 56 crores for the year before. And the margin would have been the same in terms of the percentage. The growth in margin would also have been about 7%.
- **Mr. R. Narayan – Midas Advisors**
- Okay, sir, and for the consumer ware how much would have been the volume growth and how much would be a pricing growth.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- That's very challenging to say because we have so many different segments in which we operate. Most of it is actually volume growth and very little in terms of pricing growth.
- **Mr. R. Narayan – Midas Advisors**
- And has there been any competitor activity in terms of selling our products or cutting margins or selling prices etc.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- See, like I said before we are a multi channel, multi product, multi region player, so in specific channels, specific products and specific regions you may find some of that happening. But on overall basis our gross margins have more or less been protected for the year. So, while in some areas you do find competition and pricing pressure, in other areas it is not so much. It is a mix and it is hard to make a general statement on the same. Overall, we are quite comfortable with the current status of competition in the market and also with our current pricing in the market. I am not seeing any substantial pressure there.
- **Mr. R. Narayan – Midas Advisors**
- Do you see any demand related channels in terms of the general consumption
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Honestly, I do realize elections are going on and people are talking about demand being impacted. That people waiting before making purchases, although frankly I do

not see that on the ground. Now things may change from tomorrow. I don't know but so far, I have not seen any impact really.

- **R NARAYAN – NS ADVISORS**

- Sure sir. And sir with regards to the scheme, I was just looking at your presentation. The consolidated EBITDA is 80 crores. And you have mentioned that Vyline EBITDA would contribute about 14.4 crores. Is that correct? So, if I had to look at the proforma figures, we would look at somewhere around Rs. 85 crores EBITDA right?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Rs 80 crores does not include Vyline EBITDA. So Vyline EBITDA is on top of the Rs. 80 crores.

- **R NARAYAN – NS ADVISORS**

- There is a 14.4 crores EBITDA separately for Vyline. So 80 plus 14.4 will be the proforma EBITDA for the consumer company?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- No consumer and scientific put together.

- **R NARAYAN – NS ADVISORS**

- Okay. And what would be the proforma PAT that we would be looking at?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Proforma PAT?

- **R NARAYAN – NS ADVISORS**

- Yes.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- So Vyline's PAT would be somewhere around 6.4 crores. So 52.7 plus 6.4.

- **R NARAYAN – NS ADVISORS**

- Perfect sir. As on date I could see about Rs 680 odd crores in your treasury side. What is the kind of capex we would be looking at to deploy these investments?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- So honestly speaking a lot of those are shown as investments but are actually loans which we have given from Borosil to group companies. For example, investment in Borosil Limited. Much

of the acquisitions and expansion has been funded by these loans. So a lot of the investments are already operating assets. I think net cash surplus in the company would be about Rs 125 crores.

- **R NARAYAN – NS ADVISORS**

- And what is the kind of capex you are looking at for the next 2 years?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- I think about Rs 75 crores in this year.

- **MODERATOR**

- Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

- **AKHIL PAREKH – ELARA CAPITAL**

- Thanks for the opportunity. My question is on the Lurah side. You mentioned that we did some kind of improvement at the client level and improved the efficiency. Would you be able to elaborate more on it, like what kind of changes we have done and how it has led to better margins.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- Certainly. We actually did this last year. So, we had invested about Rs 70 odd crores, on upgrading our plant and buying best in class technology to improve our throughput. That investment seems to be paying off. Our plant efficiencies have improved with the scrap ratio having reduced. Our select ratio has increased. Quality has improved.

- **AKHIL PAREKH – ELARA CAPITAL**

- Okay.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**

- At the furnace the capacity has gone up. So, all of that put together has resulted in this improvement and what's more, I expect this to improve further going forward because a lot of that improvement came after Q2 of last year. This year we will see a full year's impact of that benefit.

- **AKHIL PAREKH – ELARA CAPITAL**

- Okay. And remember like couple of quarters back you had mentioned that our power and fuel costs for the plant is around 8-10% on a higher side as compared to our competitor. Has that been normalised now?

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- No. That is challenging for us to normalise because the cost per unit is driven by government and not by us.
- **AKHIL PAREKH – ELARA CAPITAL**
- Oh okay, okay.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- So that is very challenging for us. Let’s call it a competitive disadvantage that we have.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay, okay. And we buy it on spot price basically, this power?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- We have some open access. But mainly you can consider spot price only. Mainly spot price.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay, okay. And in terms of channel wise sales would you be able to give some number on it?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- I have given that in the past. I have given that in the past. And there is not a material change. In fact, if you go through the presentation it is provided there.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay I will check that. And for LFS sales is there any return policy or is it once we sell it, the distribution...
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- We don’t do it on consignment if that is your question. Once sold it is sold.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay, okay. And maybe if you can please elaborate on how is the competitive scenario in the opal ware segment given that only 3 players are there and there is a huge opportunity for this segment to grow maybe in terms of pricing cut or anything has taken place in the last quarter or maybe last year or so.

- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- In general, the competitive intensity has increased over the last 2 years because earlier there was one player, now there are three.
- **AKHIL PAREKH – ELARA CAPITAL**
- Correct.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- So, in that sense there has been an increase in competition and therefore pricing has not increased. But it has not reduced that much either. It's in line with expectations. And the key point is like you said the market is large and there is a lot of scope for growth over here. And each of the three players have their own room to play and will continue playing in that space. Although I don't think we will see too many more players coming in. That's my guess because there is enough capacity now in the country to cater to country's needs.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay. And we are not planning to expand our capacity at this point.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- We are looking to first be 100% utilised in terms of our capacity and then we will consider the expansion.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay. How much is the utilisation rate right now?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- It's about 75%.
- **AKHIL PAREKH – ELARA CAPITAL**
- 75%, okay. And one last question if you can share the return on capital employed for this particular segment.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Well I don't have it with me at the moment. But it will be a part of our next call for sure.
- **AKHIL PAREKH – ELARA CAPITAL**
- Okay, okay, alright. Thank you so much.

- **MODERATOR**
- Thank you. The next question is from the line of Naitik Modi from OHM Portfolio. Please go ahead.
- **NAITIK MODI – OHM PORTFOLIO**
- Yeah hi, thank you for the opportunity. Firstly, on the consumer side, on the standalone entity on Borosil Glassware, there is a 39% growth. Can you share the breakup for if you can for product wise category sales for the standalone?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Sorry I can't do that.
- **NAITIK MODI – OHM PORTFOLIO**
- Oh okay. And in terms of the gross margins for Borosil Glass as well as Hopewell, Borosil Glass I mean the consumer ware segment – can you share the gross margin numbers?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Sorry I can't do that.
- **NAITIK MODI – OHM PORTFOLIO**
- Okay. And then in Hopewell you said that the utilisation is about 80%.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yeah 75-80% in that range.
- **NAITIK MODI – OHM PORTFOLIO**
- 75-80%. So what is the peak that you can do with your current capacity?
- **SHREEVAR KHERUKA–MD & CEO, BOROSIL GLASS WORKS LIMITED**
- We can go to 100%. No problem.
- **NAITIK MODI – OHM PORTFOLIO**
- Sure. Will that suffice for the next couple of years or you intend to have a...
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- I think it should suffice for this year. And then towards the end of the year we will take a call on additional capex.

- **NAITIK MODI – OHM PORTFOLIO**
- Alright, thank you.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Thank you.
- **MODERATOR**
- Thank you. The next question is from the line of Arun Maroti who is an individual investor. Please go ahead.
- **ARUN MAROTI – INDIVIDUAL INVESTOR**
- Thanks for the opportunity sir. Would like to know about the inventory level sir which has gone double in this year.
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yeah. So look as part of our strategy we expected the first quarter to be a good one. And we have built up inventory for April to June because we are anticipating a good demand and that is the main reason to do the same. And that is something we are watching. But it is not something that we are concerned about at this stage. We have also added new product categories such as domestic appliances and steel bottles in hydra range. So when we add new products typically inventory goes up. Also, there were some regulatory changes in the appliances category for which we needed to get inventory before the end of the year. So those are the main reasons which are contributing to the inventory increase. But it's not something that I am at the moment concerned about. It is actually good that we have that buffer so we can have better sales in the first quarter in this year.
- **ARUN MAROTI – INDIVIDUAL INVESTOR**
- Okay sir. And my second question is about the other expenses which has gone up drastically in this year. Would you like to highlight the major heads?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- So like I said mainly this advertising and sales promotion which has gone up by Rs 12 or 13 crores. And then there are some investments which we sold on which we realised some losses. And the corresponding income of those investments were shown in other income. There is always a difference in the EBITDA from operations which we look at while discussing business performance and the EBITDA reported in the published accounts. We have tried to highlight this in our investor power point presentation. Besides there are expenses related to our merger demerger amalgamation scheme. We have some costs associated with that. Some of it which has come in this year and some of it will come in the next year. So those are the major reasons.

- **ARUN MAROTI – INDIVIDUAL INVESTOR**
- Okay sir. Whether that impairment of investment was related to IL&FS or something....
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- No, no that was not related to IL&FS.
- **ARUN MAROTI – INDIVIDUAL INVESTOR**
- Okay thanks a lot.
- **MODERATOR**
- Thank you. Before we take the next question we would like to remind participants that you may press * and 1 to join the question queue. The next question is from the line of KashyapJhaveri from Emkay Global. Please go ahead.
- **KASHYAP JHAVERI – EMKAY GLOBAL**
- Yeah hi. Just wanted to check on Hopewell. This quarter despite not being the peak revenue quarter for that business, our EBITDA margins were still pretty strong at about 19.5-20% for the quarter as such. I understand Q2 for this business is the peak quarter and Q3 being still higher than Q4 also. So would this margin be sort of base line margins for that business for next year?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- Yeah that's what I was hinting towards the beginning. Somebody asked a question about margins in Hopewell. What's happened is we started the new furnace in February last year. And it took maybe 4-5 months for the operations to improve and stabilise. And so, the first quarter last year, I am talking about Q1 2018-19, was impacted. Whereas the fourth quarter was the best in terms of margins, in terms of operating performance. So even in spite of the lower sales owing to the traditionally weak season in Jan to March, we achieved better margins. And I would hope that that becomes a base line for us going forward.
- **KASHYAP JHAVERI – EMKAY GLOBAL**
- Okay. And second question is on your A&P spends. Out of Rs 36 crore would you be able to break it up between A&P?
- **SHREEVAR KHERUKA– MD & CEO, BOROSIL GLASS WORKS LIMITED**
- It's mostly A.
- **KASHYAP JHAVERI – EMKAY GLOBAL**
- Okay.

- **SHREEVAR KHERUKA– MD &CEO, BOROSIL GLASS WORKS LIMITED**
- More than 70% would be A. P would be 20-30%.
- **KASHYAP JHAVERI – EMKAY GLOBAL**
- Okay. Okay. Sure sir, thank you very much sir.
- **MODERATOR**
- Thank you. Participants who wish to ask questions may press * and 1 on their touch tone telephone.
- As there are no further questions, I would like to hand the conference back to the management team for closing comments.
- **SHREEVAR KHERUKA– MD &CEO, BOROSIL GLASS WORKS LIMITED**
- So thanks once again to everybody for participating and asking your valued questions. Just to close, I would say we are very confident on the year that's to come. On all aspects of our operations we expect growth in terms of top line and operational improvements in terms of profitability. So, I look forward to chatting with you all again after the quarter one results are through. And hopefully that will be with even better numbers. Thank you. Bye-bye.
- **MODERATOR**
- Thank you very much. On behalf of Prabhudas Lilladher that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.