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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 August 07, 2019.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,

For Borosil Glass Works Limited**Manoj Dere****General Manager - Secretarial**

Encl: as above



**“Borosil Glass Works Limited
Q1 FY2020 Earnings Conference Call**

August 07, 2019



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. SWADHIN PADIA - CHIEF FINANCIAL OFFICER - BOROSIL GLASS WORKS LIMITED

Moderator: Good day ladies and gentlemen and welcome to the Q1 FY2020 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 Margreth. Hello everyone. Thank you for joining the earnings call of Borosil Glass Works Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of Borosil Glass Works to discuss the results and outlook for the year ahead. We have with us Mr. Shreevar Kheruka, Managing Director & Chief Executive Officer of the company, Mr. Rajesh Kumar Chaudhary, Whole Time Director & Group Chief Financial Officer, Mr. Swadhin Padia, Chief Financial Officer. 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. Thank you, Edelweiss for hosting this call. Good afternoon everyone and thanks for joining in on the call. My colleagues, Rajesh Chaudhary and Swadhin Padia from the Finance Department are here with me. I am glad to be speaking with all of you again. Borosil’s board met yesterday and approved the financial results for the quarter ended June 2019. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s website.

I will briefly run through the highlights of performance and then open it for questions. The company has gotten off to a solid start in the first quarter of this financial year. The momentum that we have set last year in FY2019 has continued into this current year. What I am really happy to see is very consistent performance of both the divisions and we are seeing a broad based growth story which we have been talking about emerging and continuing to do so, in spite of what is clearly a very challenging economic environment.

During Q1 FY2020 we achieved net sales of Rs.129 Crores recording a growth of 22% over the same quarter last year. As many of you know, Q1 is usually the smallest quarter for us in revenue terms and we will begin to pickup sales in the coming quarter as well as Q3.

The consumer products business has achieved revenue of Rs.79.3 Crores, which is a growth of 30.4% over the same quarter last year. The consumer product results have comprised about 61% of our revenue during this quarter. Out of the Rs.79 Crores, products under the flagship Borosil brand recorded net sales of Rs.52 Crores, which is a growth of 39% while serving-ware which is under the Larah brand, had sales of Rs.27.4 Crores, that is a growth of 16.6%.

Most of the product lines have done well. We are leveraging Borosil’s heritage equity in new line introductions, while our microwavable products and oven proof glasses, including vision glasses

continue to contribute steady growth. Our calls to introduce storage products under the Hydra range of steel bottles as well as kitchen appliances are playing out well. All our categories have shown healthy growth and the best part is that all the categories are growing in all the channels - whether you look at the traditional trade, modern trade, e-commerce as well as CSD (Canteen Stores Department).

In the daily serving-ware category, our Larah range of opalware registered, as I mentioned, a growth of 16.6% and we expect as I said before, that Q2 will continue to be a good quarter. We have continued to invest in advertising and sales promotion for our brands to strengthen the long-term equity. During the quarter, advertising and sales promotion to sales as a percentage was 8.4%. During the quarter we witnessed a strong growth across all regions and all the channels are contributing well to the revenue of the company. We have strengthened the e-commerce team and I would specifically like to say, that has yielded good results. The channel is not only helping us grow in terms of revenue, but also brings us direct feedback from consumers, which helps in our intent to become a highly consumer centric company.

Revenue in our Scientific Product Division was about close to Rs.50 Crores, which is a growth of 10.4% over the same quarter last year. Out of that, the Lab Division grew about 13.6% with a turnover of Rs.39.5 Crores, boosted by good performance in exports, which was identified as one of our pillars for growth for the future. Exports grew by 28%. However, sales in Klasspack have been flat. The reason for that is that we have actually added many new customers who we could call the marquee customers and we have let go of some customers who were not profitable for us to serve and had other issues in dealing with. So while revenues have been flat, the mix of costumers has certainly improved over the same quarter last year.

Coming to EBITDA margins, EBITDA from operations at Rs.17.9 Crores has grown by 42% over the same quarter last year. The EBITDA earned by Vylene, which is not included in the Rs.17.9 Crores I mentioned, is another Rs.3.2 Crores. This will get added to our EBITDA upon implementation of the scheme of amalgamation.

Larah has recorded a significant improvement in EBITDA margins to 26.7%. This is on the back of improved yields at our factory with the furnace repair we did last year and installation of the new line kicking in, achieving good utilization levels as well as improvement in the throughput. Benefits of scale are kicking in, but we believe there is further room for improvement with rationalization of costs including logistics as well as some packaging costs. The EBITDA margin in Klasspack was low at 8.2%. We have discussed this on the last call. We have been having higher than normal line wastages with the new customers coming in with their increased requirements and specifications; however, the EBITDA has improved from the same quarter last year and we continue to expect that will improve further as we go forward in this year.

As far as PAT is concerned, Borosil registered a PAT of Rs.13.6 Crores, a growth of 118% over Q1 of last year.

In other developments, the NCLT had directed us to get the approval of the shareholders and creditors. These were already obtained in May. We now await a final approval from NCLT. There was hearing yesterday or day before and we expect that the process should be completed in the third quarter of this financial year.

Coming to medium term outlook, we are well poised. Borosil is in a strong and robust business. Last year the company crossed revenue of Rs.500 Crores and we look forward to building a Rs.1000 Crores company over the next few years. In consumer products, the company envisages a multi-year runway of growth. We are supported by a tailwind of lifestyle changes. The slowdown in some segments of the economy has not had an impact on us so far. We also believe benefits of GST for the organized sector continues to play out. We will continue to invest in brand building to help build a loyal brand franchise. Deep consumer insight will lead to introduction of new products in storage, serving ware as well as kitchen appliances.

We aim to make our brand the preferred choice for consumers for all their kitchen and serving-ware needs. While we have been traditionally strong in glass, that is not a constraint for us. We will start with a consumer need which could be fulfilled through other materials. For instance, stainless steel in the case of the hydra range of products. In the scientific products business, while lab glassware is showing a steady growth, the new avenues of export, LABQUEST and Klasspack will continue to improve the growth trajectory, although currently the base is small.

Our blended revenue CAGR is expected to move up to the high teens, while achieving higher numbers in the immediate terms. EBITDA margins can expand further as the company gets scale benefits and we absorb our overhead on a larger base. We expect to improve EBITDA margins to between 15% and 20% over the next two to three years and thereby continue our journey of improvement in return on capital employed.

Overall FY2020 has begun well. We are very happy with the consistent performance we have been having in our business over the past few quarters, few years in fact. My team and I are working towards building a sustainable business by focusing on being consumer centric, serving our customer's needs with the best solutions possible while managing operations more efficiently to deliver scale profitability and optimal return on capital deployed.

Thank you for listening in and now I am happy to take questions that you may have.

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia:

Thanks for taking my question and congrats on a decent set of numbers. I had two or three questions. One, if I look at the current quarter numbers - has there be some restatement of last year Q1 numbers because last year we had 256 million in sales for Lurah and this time it is 235 million?

- Rajesh K Chaudhary:** Yes, the number has been restated due to Ind-As implementation for last year too.
- Prakash Kapadia:** So that is what primarily the channel discount, what is there in the Ind-AS?
- Rajesh K Chaudhary:** Under Ind-AS, if any material is in transit, you have to exclude those sales from the turnover.
- Prakash Kapadia:** Okay, so unless and until the goods do not reach the distributor, it is not considered as sales that is the difference of Rs.2 Crores, is that right?
- Rajesh K Chaudhary:** Yes that is right.
- Prakash Kapadia:** That is helpful. I think last quarter also you had mentioned that revenues of around Rs.180 Crores in Larak, any sense on capacity expansion plans because we seem to be getting there in terms of the current run rate and growth?
- Shreevar Kheruka:** At the moment, we have scheduled a furnace rebuild for the next year. The furnace rebuild we have been evaluating will provide some marginal capacity expansion. At the moment I do not see doubling the capacity as the current outlook for the company.
- Prakash Kapadia:** It may be a phased kind of an approach. With some furnace rebuild, we will be able to fulfil growth for balance of the year?
- Shreevar Kheruka:** Yes, that should not be an issue. Just to clarify, the furnace rebuild is planned in the financial year FY2020-2021.
- Prakash Kapadia:** Okay, so based on current tweaking there is enough of capacity to fulfill demand?
- Shreevar Kheruka:** Yes.
- Prakash Kapadia:** You did mention in the opening remarks about scale in the e-com team and online. Could you give us some sense of online sales for FY2019 modern trade sales for FY2019 and what are we doing there?
- Shreevar Kheruka:** I had already shared in the past that trade is to between 55% to 60% and e-com is about 10%. Large format stores are about 20% of revenues, balance is other channels. I expect e-com to keep inching up in percentage terms. May be it will go to 12%, 13%. As far as what we have gotten right, there are too many things to talk about and some of them are I guess sensitive to competitive information. For sure we are managing many, many different facets of e-commerce and I believe that we have a fairly good hold on the subject, although I still think the other players in the market in other segments who probably do a better job than we do. We are trying to learn from them, but I think we are getting quite a few things right.
- Prakash Kapadia:** Lastly, given where the currency is today, given the antidumping duty and given the base where Opalware is, should we not be looking for higher growth? What is the outlook because I think

this time Q2 has the festive season quarter. Last year it was in Q3. What is the demand pipeline looking like? Could you comment on that?

Shreevar Kheruka: The demand is in line with our outlook over the medium term 15% to 20% is what we expect in the consumer division and in the short-term it may be higher. At this point we will stick to those kind of numbers, but frankly speaking in the last few weeks specifically, there is talk of economic slowdown and the sentiment seems to have definitely become negative. If you see auto companies are shutting down their production, laying off workers, the steel industry has been in stress for a long time. More or less the market sentiment is bad. So it is very challenging. We do not get orders pretty much in advance. Our orders are monthly orders, you get orders and you service them in that month. So we do not have an order pipeline, other companies may. I think it is challenging to give a projection specifically for the quarter. In general we feel comfortable that we will meet the number, but of course no guarantees for that.

Prakash Kapadia: Sure. That is helpful. Thank you and all the best. I will come back if I have more questions. Thanks.

Moderator: Thank you. The next question is from the line of Jatin K from Mansa Capital. Please go ahead.

Jatin K: Congrats for a descent set of numbers. My first question Sir is on the standalone EBITDA margins, they have come down year-on-year, so any specific reasons for that?

Shreevar Kheruka: Yes, I think the main reason there is the product mix. We have certain product categories, which were yielding slightly higher gross margins and if we look at the new products we introduced, given our scale in those products, the margins are slightly lower margins in those categories. So, as we have grown there has been a little bit of margin compression at the gross profit level with those new categories picking up steam in a very meaningful manner resulting in a lower EBITDA percentage. Secondly our sales and marketing expenses have also risen as compared to last year and that has also contributed. But I am not worried about that at the moment, because I do believe we are in a growth phase and to establish products, if we have to tactically compromise a little bit on the margin we are not going to shy away from that. I do not think it is a meaningful enough decline to be concerned. Please also note that this is Q1 and Q1 is typically, like I mentioned, a tougher quarter for consumer business. I do expect some improvement in the coming couple of quarters.

Jatin K: In ad and promotion expense, what was the total for this quarter and how much was it last year, full year as well as in Q1?

Shreevar Kheruka: I will let my CFO answer that question. He will just take a minute, few moments to pull up that data. Like I told you, this quarter I already mentioned in the opening remarks that 8.4% of sales so that is easy to calculate. In the meantime can I answer something else?

- Jatin K:** Sure Sir and in Larah there has been a great improvement and you have mentioned productivity level improvements also. So what do you think are steady state margins for Larah?
- Shreevar Kheruka:** At this moment, I want to protect this. We have a 26% odd margin number. If we protect that I would be happy for the time being. It is really the first quarter where things have fallen into place as far as productivity is concerned. So, let us at least hold on to this for one or two quarters and then maybe we can be clearer if there is a meaningful scope for improvement. We do believe that there could be some improvement, but I am a bit hesitant to give any number at this stage.
- Jatin K:** Sure Sir and on ASP you have said 8.4% this quarter. In three, four years when you achieve a steady state growth, then what kind of ASP we expect?
- Shreevar Kheruka:** My sense is the larger players are doing 5% to 6%. , So, I think it could come down to that level.
- Jatin K:** So the 5% to 6% or 8% discounts or promotion expense also?
- Shreevar Kheruka:** No, as per Ind-AS discounts are already netted off from the revenues. Promotions such as cash promotion in the sense that it is cash back for the retailer or a volume discount for the retailers - all of those are netted off from our revenues and those are not included in the 8.4%. The 8.4% is basically above the line advertising. It could be TV, print and what not. It could be below the line, so things like in-shop branding. Sometimes you have to buy space in retail counters to display, so it could be that. It could also be retailer trip schemes. If they achieve a certain target you have a bonding exercise, you take them overseas. That would count as promotion. So they are not directly related to cash discount. In a way, it is just building the brand love as we can call it.
- Swadhin Padia:** In this quarter the absolute figure of ASP, was maintained at about Rs.6.7 Crores, more or less same as last year, but in percentage terms it has come down to 8.4% as compared to 10.7% for Consumer product business as a whole. .
- Jatin K:** Sir on merger, de-merger there has been a lot of delay and do you think there is some issue?
- Shreevar Kheruka:** I agree with you. We have also been waiting to get this over with as quickly as possible and I have been saying this right from the beginning a lot of points are not under our control. We are dependent on various machinery to work to get this done. I do not think there is any issue at all. It is just the time that it is taking going through the moment NCLT system. Like I told you in the beginning of the call, I think we have had a good hearing a couple of days ago and we anticipate that certainly by Q3 this should be done subject to no surprises. At this moment, our feeling is we are closer to the end and the beginning now. We are almost there.
- Jatin K:** Sure. That is it from my side Sir. Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Prateek Giri from Bellwether Advisors. Please go ahead.
- Prateek Giri:** Good evening Shreevar. Congratulations for a good set of numbers. In this industry where we used to have a competitive advantage in terms of the distribution and reach, in the recent times we see that e-commerce and all such platforms have provided democracy to other players as well. Earlier they did not have that kind of a distribution network. Actually I am referring to a newly launched brand called Vaya. In this kind of environment when the whole industry landscape is changing, do we try to build our business and save our brand and still make money out of the business?
- Shreevar Kheruka:** It is a very good question. If we were all sure of the answer, then we would all be billionaires. The fact is that you are absolutely right that e-commerce has democratized many companies who can now directly access all customers without having a distribution channel as well as on ground presence. So anything that changes in life could be an opportunity and could also be a threat. If we look only at the threat then we do not see the opportunity. At Borosil, we have actively seen this as an opportunity. Of course, even our distribution has been mainly restricted to say Tier A towns of India. E-commerce has penetrated quite a lot even in the interiors of the country and now we have accessed to a whole range of customers who we really did not have access to in the past. E-commerce has been the fastest growing channel for us. There is clear opportunity. I do not think we would have had the kind of the growth we have had in the last two years, had it not been for the presence of this platform. So basically what I am trying to say is Ecommerce has grown the pie even for us. Secondly, e-commerce also gives us a lot of opportunity to understand new products and product development. It gives us an opportunity to understand our own strength, it gives us direct feedback from customers on our products for product improvements. It gives us direct connect with so many customers to build our brand directly and not through a retailer or not through a distributor. That itself is a very strong positive of the whole e-commerce system. You mentioned a company called Vaya. Why can't we be a startup as far as e-commerce is concerned. So we treat ourselves like that and we have a separate team that is just looking for opportunities in the space. I have never thought of it as only a threat. I have looked at it more as an opportunity. Yes certainly there is more competition, which will come up and that is a fact of life. We are okay with that, I mean, we have no other option. If we can utilize the strength or the positives that e-commerce provide, I think it will more than outweigh the negatives in terms of higher competition.
- Prateek Giri:** That helps. You mean that we are nimble enough to transform ourselves from a corporate to a startup in little bit of time and then we can even use that as an opportunity?
- Shreevar Kheruka:** I would like to think that. We will see how things go, but I would like to think that. We are trying to stay agile.
- Prateek Giri:** Secondly Shreevar, I was going through the biography of a person in India who was in kind of similar business - actually in the pressure cooker business and there I read a strategy that by

willingly lowering the margin one can increase the entry barriers. Being a brand, having this kind of distribution if we lower our margins at EBITDA levels or howsoever it suits you, we can create that entry barrier. Can you share your thoughts on that?

Shreevar Kheruka: I have not read this biography, so I am not clear, what exactly this individual meant. I am sure the individual you are talking about has a lot of experience in the industry. I frankly do not think one can have a very quick response because this needs to be thought through much more.

Prateek Giri: In nutshell all he wanted to say is that we can lower our margin. So that legend made his EBITDA margin from 40 to 20 to increase the entry barriers into the business. However I agree it is something to be discussed in detail.

Shreevar Kheruka: I would much prefer to spend money on brand because in the long run, with more products coming into the market, in my view the importance of brand has increased and not decreased. The kind of clutter we are faced with in our day to day life, if you think of the number of ads we see on TV or the number of products we see when we go to shop we are totally overwhelmed with the same or similar product being available in five different brands. If you can be the top of the mind then I think as the country's wealth increases, for lower involvement products people will choose those brands that they recall the brand, This company is a trusted one let me pick this up. So I do not have a precise answer to your question frankly and there could be pros and cons of the strategy that you have just mentioned, but I will need to think about this a little bit more before I can comment.

Prateek Giri: No worries Shreevar. Your thoughts are really helpful. Lastly if operator allows, some thoughts on the solar business. How is that panning out in this environment where solar tenders are, I guess not picking up that much?

Shreevar Kheruka: So I know from high level that our first quarter was not good and there were more internal problems than external problems because we had some production related issues. Gujarat Borosil's furnace was ageing and now the new furnace has just started. In fact commercial production has begun on August 1. If I am not mistaken, we see a pretty solid order book in solar at the moment. So, if we are able to drive the operating efficiencies, which we expect to happen in the next couple of months then I think that business is on a very strong footing. We have implemented the new project record time of 14 months to put up a 200 tons per day glass furnace. In 14 months from the time we thought of the project, we have actually got glass out of the furnace in terms of trial production. I think that has been very, very commendable job done by the projects team at our Gujarat Borosil plant and I think everybody is quite excited about the future prospects of that business. In the next few months we are going to shutdown the old furnace, which has been giving us some troubles and relining it, which will take three months. So from Q4 meaning from January to March quarter for the first time we will have both the plants operating at a relatively high level of efficiency and that will be the first quarter where you will probably see a very strong result.

- Prateek Giri:** That is helpful Shreevar. Do we have any IR agency so if we try to reach you?
- Shreevar Kheruka:** We have a consultant. His name is Chaitanya Deshpande and he has been assisting us with IR for quite a few years now in fact.
- Prateek Giri:** Okay and how to reach Chaitanya if I may ask?
- Shreevar Kheruka:** You could send an e-mail to my CFO Swadhin Padia, his e-mail address is swadhin@borosil.com and he will connect you with Chaitanya.
- Prateek Giri:** That is very helpful. Best of luck, Shreevar I am sure you will definitely pass through all these and even our solar business is going to do great. Thank you Shreevar.
- Moderator:** Thank you. The next question is from the line of Jasdeep Walia from Infina Finance. Please go ahead.
- Jasdeep Walia:** Thanks for taking my question. So in FY2021 when the furnace which you are using in Hopewell goes for rebuilds, what happens to sales then?
- Shreevar Kheruka:** We would have built up inventory for that. We will obviously do it at a time where the season is low. It is 50 to 60 days where we will probably be out of production and we would have planned for this. It would not impact sales nor growth.
- Jasdeep Walia:** Got it and what is the capacity expansion plan in Hopewell? Are you planning to build capacity inhouse or outsource the production capacity?
- Shreevar Kheruka:** We are still working on that thought process and I do not have a strict answer for you. Perhaps I will be in much better place to answer this post Diwali because I would really like to see how this Diwali goes. In general my understanding is that we can probably expand capacity by the other 10% to 12% in-house without too much extra capex. Beyond that, we would either have to double the furnace size, which would be a substantial capex or we would have to outsource some products. We will probably take that decision post Diwali.
- Jasdeep Walia:** What is the working capital requirement in the consumer business in terms of number of days?
- Shreevar Kheruka:** It is very cyclical, Jasdeep. The average is about 100 days. It could vary from 100 days to 120 days depending on the season or which month of the year it is. We have not been overtly focused on reducing this yet. I would like to caveat that by saying that we will in sometime in the future not too far, but probably in the medium term start looking at ways to reduce this because earlier we did not have the scale. Now as we build scale we have more let us call it power with our suppliers because the volumes are growing, the run sizes are more attractive. So I do believe that there would be some opportunity to cut this down, but I cannot give you any kind of either assurance or target., In the next few months we will start discussing this point and it may take a

year to two to implement, but we would ideally like to reduce this 100 to 120 days fairly aggressively.

- Jasdeep Walia:** The 100 days including Hopewell or this is?
- Shreevar Kheruka:** Yes including Hopewell.
- Jasdeep Walia:** If you exclude that in your standalone consumer business, what would be the working capital?
- Shreevar Kheruka:** It would be very similar, not much difference.
- Jasdeep Walia:** How is this working capital split between debtors, inventories and payables?
- Shreevar Kheruka:** Most of it is inventories. If I am not mistaken our 90 days or thereabouts would be inventories and debtors we are roughly 30 to 40 days. We like to pay on time to our suppliers so, our creditors are very low, so the minus number is maybe 15 days or so. We would like to pay on time and get discounts.
- Shreevar Kheruka:** These are rough numbers. I will just double check this with my CFOs of course.
- Rajesh K Chaudhary:** These are more or less okay.
- Shreevar Kheruka:** Great.
- Jasdeep Walia:** When do we start seeing traction on the sales front in Klasspack?
- Shreevar Kheruka:** Like I said at the beginning of the call, actually there has been good sales traction. It is just that we have lost some customers who we actually do not mind losing. I would not get into why, but they were not ideal customers for us to have. So in fact if we look at the marquee customers, we have actually grown our business by more than 20% in this quarter. The sales growth has been flat because we have lost equivalent number of other customers, which I am not particularly perturbed about. So the traction is very much there and I think it may take one or two more quarters to iron out. I am pretty satisfied with the response we are getting from the newer, larger and more strategic customers at Klasspack.
- Jasdeep Walia:** Got it, so your guidance for improvement in margin in Klasspack to levels of around 13% remains?
- Shreevar Kheruka:** Yes, for FY2020 it may be delayed by couple of quarters frankly, but I am not shying away from that overall target.
- Jasdeep Walia:** Got it. Thank you. That is all from my side.

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

Praveen Sahay: Thank you for taking my question. Shreevar, I have a query regarding scientific ware, the labware business, that is excluding Klasspack. I had observed that from the last two years, not particularly for this quarter, from the last two years 2018 and 2019 we had seen a lower growth than what we had delivered in the last three, four years. I can see that the Lab Glass domestic market or instrument market or even say the pharma packaging - that is all growing in the range of around 10%. So why is our growth lower? Secondly related to that, we also initiated the international market which is quite big and we can capture those market as well. So how is the development on that front for scientific ware?

Shreevar Kheruka: Firstly I would like to say that you cannot equate a scientific market to consumer market. In the consumer market the growth is far higher. India is still in an emerging economy and several million households are potential customers of our products. In scientific products our market is limited to pharma companies and research institutes and in some educational institutions. So that is a more limited market. To be clear, worldwide this market is flat, may be growing at 1%. The fact is India is growing at 6% to 8%. Relative to the world, it is growing faster. In this market, 6% to 8% is a very good growth rate. Now specifically answering your question from about 2012 to say 2018 our scientific product sales were much faster than the market as we have gained a lot of market share. Now in the last couple of years, our market share growth has stalled because beyond a point it is not possible. We would already be higher than 60% of the market. Beyond a certain point unless you discount very aggressively, you cannot grow faster than the market. So we have not gone down that route, we are going down the route of adding new products and adding new geographies. Exports as you can see it is a very low base. Exports has grown quite well in the first quarter of this year and I anticipate that will continue for the rest of the year. Going forward, I think exports is going to be a driver of our growth in lab. The second is instruments. We have started our unit in Pune under our 100% subsidiary company called Borosil Technologies and the brand LABQUEST. In the initial phase a lot of testing is required. Even when you make a sale, you sell one or two pieces to the large pharma companies or large biotech companies and they will test it for few months. Then they start ordering. So nothing in this industry moves very fast, we have to be patient. We have to be slow and steady, we have to focus on quality and may be over 3, 5 years you can build up brand. As far as exports are concerned it may be longer. We started three to five years ago and now we are seeing the results of exports growth. We have started with Instruments may be one or two years ago. In the next one or two years you will definitely see, if all things go well, you will see a good progress there. With these two initiatives if we achieve 12% growth rate in the lab division I would personally be quite satisfied. If we make it 14% we would have hit it out of the park. You hit it for a six, so that is probably the best we can achieve in this industry, it is not going to be better than that.

Praveen Sahay: Most of the business in the scientific is domestic. Now you are going for exports. How is the margin differential between these two new geographies?

- Shreevar Kheruka:** Export is a little bit lower, but not materially so. If I look at the cost of servicing the domestic market, it is higher in terms of below the gross profit line whereas the cost of servicing exports is lower. So if I net off both, even though export gross margin may be a little bit lower, since the expenses below gross margin are lower, in export net margins would be similar to domestic.
- Praveen Sahay:** Lastly on this scientific ware only, do you have any number in your mind for the next two years, three year, you wanted to achieve in this segment?
- Shreevar Kheruka:** I am waiting anxiously for how our Borosil Technologies evolves. I think that is one of our key success factors here. If the instrumentation division of our company picks up steam over the next two years, I think we can be quite aggressive. That is what we are gunning for and we are hoping for, but we will have to wait and watch. At the moment, I cannot give you any number frankly.
- Praveen Sahay:** Thank you Shreevar. All the best.
- Moderator:** Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.
- Akhil Parekh:** Sir many congratulations on a good set of numbers. My question is on Larah, we have shown a very good growth of 16.6%. How much was it because of the volume and how much because of pricing?
- Shreevar Kheruka:** Rajesh could you help?
- Rajesh K Chaudhary:** Yes, this is mainly the volume growth, so we have not increased our pricing, pricing remains the same as of the last Q1.
- Akhil Parekh:** Okay and so volume growth. It is because of increasing penetration in the distribution reach?
- Shreevar Kheruka:** We have actually added new products. We have added new products and like Rajesh was saying we have been able to add new distributors for the new product ranges. Moreover at existing stores the new shapes and sizes would have had role to play.
- Akhil Parekh:** Sir if I may ask what was the new product?
- Shreevar Kheruka:** Look they are variants. For example we added something called mixing bowl in this quarter, we added different shapes of mugs, different designs. We have gone ahead and made a pretty interesting range of new plates, which have done well. So these are line extensions, I would not call them new products per se, but they are different variants. A plate is a plate is a plate, but we have playing around with the design of the plate or even the shape of the plate.
- Akhil Parekh:** Got it Sir, any plans to increase the premium in dinner set in this particular category, given that Cello has also launched premium range, which costs around Rs.3200 to Rs.3300 for the standard 27 piece dinner set, do we have any idea?

- Shreevar Kheruka:** No. We have some very good products, but at the moment I do not think the market is in that phase of premiumisation frankly speaking, I think things are looking tough and people are looking for more value than for premium deals. We have very premium shapes and sizes in our product catalogue or range, but we may defer those launches till we believe the market is ready for that.
- Akhil Parekh:** Sir we have seen very good margin actually on a YOY basis in Larah, so has it been more on the gross margin level or below gross margin there?
- Shreevar Kheruka:** Below gross margin.
- Akhil Parekh:** Got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prateek Giri from Bellwether Advisors. Please go ahead.
- Prateek Giri:** Thanks for taking my question again. Shreevar I think there is a void when we come in the age group of two to six or two to seven years particularly in drink segment. So milk drinking for kids for instance. Are we seeing any product opportunity?
- Shreevar Kheruka:** Yes, you are absolutely right. It is a very good input and we have also spotted that. We are working on something, but at the moment we do not have anything ready launch straightaway. It is a bit of challenging segment to serve because you cannot market baby bottles, but we have spotted an opportunity in baby and children's product, but we are still working on it.
- Prateek Giri:** Even from marketing perspective I guess Shreevar it will be good if we can target few products. I got your point Shreevar. Thanks a lot.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to Praveen Sahay for closing comments.
- Praveen Sahay:** Thank you everyone for participation and Shreevar if you want to add something?
- Shreevar Kheruka:** I just want to thank you everyone. I think quite insightful questions were asked. I hope I was able to answer them satisfactorily. As I said at the beginning, we are quite positive about the future of the company. We are very happy with the consistent performance over the past few quarters and past few years and we hope as a team to deliver more of the same. Thank you for your support and talk to you in the next few months.
- Moderator:** Thank you. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.