BOROSIL® | **Borosil Glass Works Limited**
CIN : L99999MH1962PLC012538
Registered & Corporate Office :
1101, Crescenzo, G-Block, Opp. MCA Club, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051, India.
T +91 22 6740 6300
W www.borosil.com

November 25, 2019

The DCS- CRD **BSE Limited** Corporate Relationship Department 1st 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

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 November 14, 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
Q2 FY2020 Earnings Conference Call

November 14, 2019

ANALYST:	**MR. KSHITIJ KAJI - 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: Ladies and gentlemen welcome to the Q2 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. Kshitij Kaji from Edelweiss Broking Limited. Thank you and over to you Sir!

Kshitij Kaji: Good afternoon everybody. Welcome to the Q2 FY2020 Borosil Glass Works Limited conference call. First, I would just like to thank the management for giving us this opportunity to host the call. On the call from the management we are joined by Mr. Shreevar Kheruka, Managing Director & Chief Executive Officer of the company, Mr. Rajesh Kumar Chaudhary who is a Whole Time Director & Group CFO and Mr. Swadhin Padia who is the Chief Financial Officer. So, we will start of with management comments on the quarter gone by and that will be followed by Q&A session, so further without ado, I will hand over the concall to the management. Thank you and over to you Sir!

Shreevar Kheruka: Thanks, Kshitij and thanks Edelweiss for hosting this call. We would like to wish everyone good afternoon. Thank you all for joining this call. As Kshitij mentioned my colleagues, Rajesh Chaudhary and Swadhin Padia are joining and happy to speak with the investing community again. Our board met yesterday and approved the financial results for the quarter and half year ended September 2019. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on our company's website.

I will briefly run you through the highlights of our performance and then open it up to questions. We had a very good second quarter as well as half year and I would say industry leading performance where we achieved a revenue of Rs.303.6 Crores, that is a growth of 21.2% over H1 FY2020. The consumer products business achieved revenue of Rs.207.5 Crores, a growth of 29.4% over H1 FY2019. During the first half of the year, the consumer business has comprised almost over two-thirds of our revenue. Products under the flagship brand Borosil recorded net sales of Rs.133.5 Crores, that is a growth of 48% over H1 FY2019. Our storage range as well as the Hydra range of To-Go products continued to show good traction. The awareness around the harmful effects of plastics for both personal health and the environment is encouraging consumers to make a conscious choice in favour of glass and high-quality steel.

In fact, our recently introduced steels of fresh products are also receiving a very encouraging response. Our range of kitchen appliances which we have been marketing for the last three years now, has been steadily gaining traction in the market and it has begun to grow into an interesting product category where we have decided to participate in the premium niche end of the market. In the daily serving ware category, our Larah range of Opalware products registered a growth of approximately 6%. While the most recent quarter has been a little bit below expectation, the flat performance is partly owing to the fact that we had a particularly large one-time order in H1 of last year which did not repeat this year. However, the B2C part of the business has remained quite strong and if we exclude the one-off order, our growth percentage is comparable to what we have achieved in the Borosil branded products.

I will be the first to say that we should not try to compute percentages with such exclusions; however, this is what gives me and my team the confidence that we are still on track to achieve our annual sales target for Larah. We have continued to invest in advertising and sales promotion for our brand to strengthen long term equity of our offerings and although we did not entirely spend our budget owing to some market conditions in the first half of the year, we still anticipate we will be exhausting advertising and sales promotion budgets in the second half of the year. We witnessed a growth in our consumer products division across all regions and across all formats whether it be general trade, large format stores, B2B, CSD as well as e-commerce. So, what I would like to say is that it was a broad-based growth that we achieved. We registered healthy growth whether we look at channel or we look at category of products.

In the scientific and industrial products division, our growth was 6.6% over the same period last year with revenue of Rs.96.1 Crores. The Lab Division clocked a sale of Rs.75 Crores with a growth of 9.4%, though Borosil continues to enjoy strong market leadership in the segment, the market growth has been tepid.

We have seen some of our customers being impacted by US FDA audits and plant closure as a result of those orders. In addition to that, subdued funding to government laboratories and tighter monitoring of budgets in pharma companies is resulting in some moderation of sectoral growth. Our strategy to build additional avenues of growth through international markets and entry into benchtop instruments through LABQUEST are extremely important initiatives to sustain growth in the scientific products division. We have recognized that both these pillars of growth need some seeding time and have to be built systematically; however, what I can also share is that our export turnover in scientific has shown a good traction in this year. Also our LABQUEST range of products has been accepted in more customers in the first half of the year including premium A plus pharma accounts.

Klasspack's range of ampoules and vials is our third pillar of growth. This vertical has faced a few challenges over the last few quarters. We have decided to strategically focus on meeting the specification requirements of certain potential high-quality long-term customers. Quality assurance inspection equipment has been installed and production runs to meet the unique specifications have been taken. Consequently, it became necessary to restrict supply or lose some potential business in the short run. Sales of Klasspack in the first half of the year were at Rs.21 Crores which were lower than last year by 2.3%.

Coming to margins, EBITDA from operations was at Rs.47.8 Crores which was about 32% over the same period last year. The EBITDA earned by Vyline, which is a related company was not included in the Rs.47.8 Crores I mentioned at a moment earlier, is another Rs.7.4 Crores. When the amalgamation happens, this will get added to our EBITDA margins. Larah has recorded a significant improvement in EBITDA margin to 26% from 19.2% in the first half of the year, this is inline with the objective of improving the margins in Larah owing partly to scale benefit and also through improvements in yields at our manufacturing facility. We believe there is further room for improvement with rationalization of packaging costs as well as logistic cost with the new warehouse. The EBITDA margin in Klasspack while improved was still at approximately 8%. Work is in progress for stabilizing the production lines and reducing wastage. We expect to be able to revert to normalized EBITDA margins at Klasspack of about 12% during the next year.

As far as PAT is concerned Borosil registered a PAT of about Rs.35 Crores which is a growth of 36% over the same period last year.

In other development as you all know a scheme of amalgamation and demerger is subject to an approval by the NCLT. The next hearing of the court is scheduled on November 21, 2019. We are hopeful that during the course of this hearing we should get a final approval. Once done, this scheme will become effective with October 1, 2018 as the appointed date. The scheme is a simultaneous amalgamation as well as a demerger. Upon implementation, the consumer division and the scientific division together with operations of Vyline will get demerged into Borosil Limited which currently houses the Opalware business under the brand Larah. Borosil Limited would then apply for listing on the NSE and BSE and the process could take about two to three months, although it is not in our direct control.

Coming to medium term outlook, overall, we see a multiyear growth story ahead of us. We have been talking about it for a quite few quarters now. In the consumer product division, the penetration in the category is low and there is headroom for market growth. We are also supported by a tailwind such as a shift away from plastics. In the medium to long term, consumers will exercise the preference for brands. Borosil will therefore continue to invest in brand building in order to create a strong and loyal franchise. We currently reach about 14000 retail outlets and we will look at adding about 1000 to 1200 outlets each year. More importantly our team will focus on generating more sales from the existing outlets by making more products and SKUs available through these stores. Through quick feedback loops, our new product development teams have planned to introduce several dozen new products each year. This helps to have a healthy portfolio depth at both general trade and modern trade level. Simultaneously slow-moving SKUs are culled from the portfolio. Over the last two years or so, e-commerce has become an important channel for us. A dedicated team is ensuring that we continue to grow this channel rapidly. It has been providing us accessed to consumers in Tier 2 and Tier 3 towns. In addition, it facilitates direct consumer feedback which serves as a vital input to the organization.

In the Lab Glassware business, we will try to maintain our market share through focus on providing the highest quality of service and availability to our customers. In parallel the SIP division will also build out new avenues of growth - as we have already discussed - in international markets, benchtop instruments and primary packaging for pharma companies. Our blended revenue CAGR is expected to move into the high teens while achieving higher numbers in the immediate term. EBITDA margins can expand further as the company gets scale benefits and overheads are absorbed over as 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 ROCE.

My team and I look forward to building a valuable business, to be consumer centric serving our customers needs with the best value for money solutions. While we invest in growth and long-term branding, we will also sharply focus on operating efficiencies and deriving leverage from our increasing scale to improve return on capital employed. Thank you for you patient hearing. I am now happy to take 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 Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Thanks for taking my question. Couple of questions. On the Opalware side, why is it that despite lower prices growth has slowdown, in your opening remarks you did mention about the one time order, so if you could give us some insights at the consumer levels, are new consumers not buying, is consumer looking at melamine and steel shift is not happening because growth definitely seems to have slowdown?

Shreevar Kheruka: As far as Opal is concerned, as I mentioned trade growth is along similar lines as it has been in the years before, if anything trade growth has accelerated. The one time order was quite a large one last year , which has not repeated itself. So I do not see any slowdown per se as a trend. On the question whether they are not moving from melamine or steel - in fact as I went to a couple of large markets just before Diwali and I could not really find much melamine available. So I do believe that there is no shift or change in customer perception.

However one thing is clear, footfalls across India have been lower this year compared to last year. In general buying has been lower there is no doubt about it and that is impacting all categories including Opal, but I cannot say that there is any change in customer trends as far as Opalware is concerned.

Prakash Kapadia: What you are saying footfall that is across the country or it is north where this is the largest market for Opalware where we are specifically seeing this?

Shreevar Kheruka: North definitely had an impact on footfalls, but so was the South. Kerala has been impacted by two floods, two years in a row. Kerala has seen a big hit in terms of sales again in all retail counters. Even FMCG in Kerala has been impacted that is what I told. Certainly our consumer products sales in Kerala are down because of two years consecutive natural disasters. In the North I think the problem was different where we had Diwali which was more tepid than the years before.

Prakash Kapadia: At these times where you know obviously, we are seeing testing time and challenges, what is our game plan, is it stepping up new product launch, giving the consumer something new advertising more, so…

Shreevar Kheruka: Innovation has been the key; we have launched lots of new shapes and sizes in Larah. In fact we could not even launch them all before Diwali. Some will be launched this month; some will be in coming couple of months. So as far as Borosil is concerned, we have launched quite a few new products as I have already mentioned in the call. Innovation is key. You have to give the customer some reason to buy. The customer has reduced buying of just regular use items, but if you have unique products then I think people would still be interested to buy that. So in my view we have to step up innovation.

Prakash Kapadia: Thanks. I will come back in the queue if I have more questions.

Moderator: Thank you. The next question is from the line of Rishabh from Sunidhi Securities. Please go ahead.

Rishabh: Hi Shreevar and team. This is Rishabh. Congratulations on a great set of numbers. Just had a couple of questions. Has Jaipur warehouse started for Larah and what could be the steady state EBITDA margin in Hopewell once all the operational efficiencies from Jaipur are made?

Shreevar Kheruka: So, the warehouse has not started. We have had some delays and some for quite funny reasons, some beyond our control frankly. The warehouse structure is up and running. The internal part of the warehouse has been fitted out as we speak. So we expect that from

January, we will start moving and it will be fully operational by mid-March or April. I think we could probably squeeze another 2%, 3% out of our margins over there. So all things being equal some of our competitors have EBITDA margins in the early 40s. We have about 10% spend in advertising may be. I have always said that we have a 2%, 3% cost disadvantage , owing to location. Specifically energy prices are higher at our location. If we take both these factors out then we should be able to benchmark quite closely on our competitors who are listed in this space. We can achieve low 30s provided there is no further pressure on selling prices.

Rishabh: Thanks for that and also just wanted to check, what is the current gross cash and net cash position?

Shreevar Kheruka: Swadhin can you answer this please. I'll just get back to you, let me just work that out.

Rishabh: You touched upon your appliance division in your opening remarks, what kind of contribution would you be seeing to the consumer business from the planned tradition and what kind of margin and what kind of growth opportunities do we see in these?

Shreevar Kheruka: You asked three questions there. Firstly, we do not really share the breakup of sales, but I think I have mentioned appliances for the first time, because now it is a meaningful contributor, okay - more than double digit percentage. The second thing is as far as margin is concerned, the margins are lower on a gross margin level than our storage or other glass categories. But the real question, or at least how we look at is what has been the margin expansion since we launch appliances. I can tell you that we have had decent margin expansion in appliances over the last three years. So, we are moving at the right direction and I think this margin expansion will continue as we become bigger in this area. The reason we have been bullish on appliances has also been the fact that it allows you to expand distribution. Most Tier 2 and Tier 3 towns do not require use of glass products yet. Not to say this will not happen in the future, it will. But at the moment, mixer grinder is much more widely used than glass. So using appliances we have been able to increase our distributions specifically even in Tier 2 and Tier 3 towns which will give us substantial benefit in the future and I think as far as the margins are concerned, like I have already told you they are not the same as we have in glassware, but they are increasing and finally the capital employed in appliances is very, very low. It is basically working capital that is employed, we are not manufacturing them. So in terms of return on capital employed I think it is comparable to our other product categories. With the upside of being able to increase distribution in the future and the ability to innovate in appliances in the future, I think it is going to start looking interesting now as we look forward.

Rishabh: Thank you.

Swadhin Padia: Regarding your question about the gross cash and net cash. Gross will be around Rs.100 Crores and net will be around Rs.60 Crores.

Rishabh: So, working capital loan is about Rs.40 Crores.

Swadhin Padia: Yes.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: On the demerger and the merger, so what is left to get merged into the operation is Vyline right?

Shreevar Kheruka: The scheme is uploaded and people can read it. It is a fairly complex scheme. Vyline, Fennel Investments and Gujarat Borosil will all be merged into Borosil Glass Works Ltd and then immediately the consumer and scientific products division and all the relevant assets including manufacturing plants of the same will be demerged into Borosil Limited which is 100% subsidiary of Borosil Glass Works (which currently houses the Larah business). BGWL which will then house only the solar business (that of Gujarat Borosil) will be renames Borosil Renewables Ltd. Upon demerger Borosil Limited and Borosil Renewables will have mirror shareholding. Then Borosil Limited will be listed separately on BSE and NSE. Borosil Renewables will continue to be listed. That is the overall scheme.

Pritesh Chheda: And investments will be in Borosil Limited?

Shreevar Kheruka: Borosil Limited will have some cash which is what we just discussed gross Rs 100 crore and net Rs 60 crore.

Pritesh Chheda: Okay, second from the results perspective, what is driving the growth rate in Borosil glass, 47% growth rate that we had seen in the half year in consumer business?

Shreevar Kheruka: As I had mentioned it is a broad based growth, we are growing across all our product categories as well as across all our channels. I cannot say any single channel or any single product has driven this, it is a very broad based growth and principally it is our team that is driving the growth.

Pritesh Chheda: Okay, lastly, I just want to know on the Klasspack side for the growth and the margins, why such deviations?

Shreevar Kheruka: Frankly it is a story of two separate things. One is that we have had a substantial growth in A plus customer which means top pharma accounts. Our sales to them have increased substantially. At the same time, we have chosen in many cases to give up, let us call it the C class pharma customers that we had, who were either not profitable for us to sell to or have been challenging in terms of working capital cycle with them. So this has been one of the driving factors for sales to not have grown. As far as margins are concerned, EBITDA margins have improved somewhat by couple of percentage points, but it is not up to our expectation. That is coming mainly from - we have upgraded our plant and equipment in order to cater to these A plus pharma customer which also include things like camera inspection and much more rigid inspection techniques which have resulted in higher wastage. This has been a smaller contributor to our issues at Klasspack, because we are getting better and better every month in that. I would still say we need to increase the sales, our key challenge is to further increase our sales to the pharma A plus customers. We see that is happening, we absolutely think that is going to happen in the coming few months. When that happens, we will achieve the EBITDA guidance we have given.

Pritesh Chheda: Lastly just two more questions one I just want to confirm, the final share count post the merger, demerger will be about Rs.11.54 Crores shares?

R K Chaudhary: Rs.11.40 Crores.

Pritesh Chheda: And would you be able to take the question on consolidated numbers as to why the float glass margins are declining?

Shreevar Kheruka: There will be call later today, on Gujarat Borosil, at 5 p.m. so that is a detailed discussion, so the team will be able to explain that.

Pritesh Chheda: Thank you.

Moderator: Thank you. The next question is from the line of Sridhar Rallabandi an Individual Investor. Please go ahead.

Sridhar Rallabandi: Thanks for taking my call. Congratulations on the good results. I have two questions, what is the capacity utilization of plants across the various segments that you have got and do you have any capex plans coming up within the next two years?

Shreevar Kheruka: As far as the capacity utilization is concerned, it is a very difficult question to answer, because we have many different product categories and in most cases, we are able to increase our sales without really adding any new capex. For many of our production units, the same unit can produce multiple product categories, so you can always switch from one to the other, so it is a very challenging question to answer, but safe to say except for Jaipur, where we have a plant which only produces Opal glass under the Larah brand, where we are today probably about 80%, 85% capacity utilization, the rest of the plants have enough capacity because the capacity is fungible across various product categories. Coming to the next question on capex plans, frankly at the moment we have done a lot of things in the last few years in terms of expanding into new categories and new ventures. At the moment we do not have any aggressive capex plans. That being said we will see through the end of this year, how things pan out and then take a call. The only place where there could be substantial capex could be in Larah, but at the moment there is no clear plan to do that.

Sridhar Rallabandi: Okay, just one more question, the share of Klasspack with BGWL is now 77%, where is the rest of the 23% owned?

Shreevar Kheruka: We had acquired this company from the family in Nasik, who used to own 100% of it, they continue to own 23% of it. At that time we acquired 60% and they owned 40% and then over a period of time we have increased our shareholding to 77%, and they continued to own the balance.

Sridhar Rallabandi: And regarding the Opalware traction, are you happy with the traction you are achieving or you are seeing it should be better than this?

Shreevar Kheruka: Frankly I would have like to see a higher growth number than this. We had said that 15%, 20% is what we would have like to see, but like I said that one off order that we got last year, did not repeat. Yet I am still reasonably confident we should be able to achieve it through the end of the year; it is going to be tough, but I think we can do it.

Sridhar Rallabandi: Many thanks.

Moderator: Thank you. The next question is from the line of Arpit from Systematix Portfolio Management Services. Please go ahead.

Arpit: In the consumer business are you seeing significant growth, I just wanted to understand if you can give some color that one of the key drivers of growth which products you are seeing more growth, the initiatives you have taken in the last few quarters, how is that panning out, so if you can just give some color on that?

Shreevar Kheruka: Like I said before. Our growth has been quite broad based, In general all our regions we are in high double digit growth percentages. So I cannot see that any one region as far as trade is concerned, has grown at very high percentage compared to another region, all are in the same ballpark. Second is even if I look at the e-commerce channels, they all are growing quite well. If I have to pick, our new product introductions have grown faster than traditional categories. There is no doubt about that. New products have done exceptionally well and I think that is to do with quality of product. Starting from there to improvements in our distribution and of course our people are quite passionate about selling these products. So if I have to really choose I would say that the biggest contributors come from some of the new verticals that we have launched whether it be storage or appliances in the last few years. It is not that our traditional product lines have not grown. Traditional product categories also have grown well. So I am quite pleased about the quality of our sales performance. It is quite reassuring that it is not owing to any one factor and it is owing to broad variety of factors which means that it is repeatable and we should be able to sustain our numbers.

Arpit: Larah obviously growth has been little tempered, so how much of that you attribute to the slowdown or do you think there is some scope for us also to push growth faster?

Shreevar Kheruka: There is some scope in Larah. We have definitely underperformed in a couple of regions where we would like to perform better. So that is on us. Overall the market has been slower. Specifically large format stores have not grown as much and we have also in fact held back on some sales because of working capital. We do not want outstandings to go haywire, so we have also held back. Could growth be better? Yes I think so. I cannot put a number on how much the lower footfalls have contributed, but I would have expected at least 15% growth in spite of the one-time order loss.

Arpit: You see that is happening in the second half right, your confidence?

Shreevar Kheruka: Yes, my confidence is based on my team's confidence, so my team is confident, I guess I am confident.

Arpit: My colleague Romil has a couple of questions.

Romil Jain: One more question on the distribution sides, modern retail e-com and CSD, they contribute almost 40%, 45%, so just want to understand what kind of arrangements for working capital is there, we have some pricing power, they are more aggressive, some color on that please?

Shreevar Kheruka: So in general, e-commerce is not an issue at all. E-com pays in 30 or 45 days. so e-com I do not see much of a challenge. There are some large format stores groups who I would not like to name on the call, but I am sure people know who are fairly cash trapped and it is a challenge for them. For those companies we have certain terms which we do not wish to deviate from. So in that sense we have not been able to fulfill or place our products in their stores primarily because we are not confident about having too much outstanding over and above our credit period to them, so we held back. I am talking specifically about large formats stores and that was also just couple of chains. So that has definitely impacted growth. Ever since we have been reading about the slowdown and cash being difficult people are not getting loans and basically cash flow being a challenge, we have been conservative in terms of whom we sell to. I am quite happy to see in spite of two years now of fairly high growth, we have not seen any substantial increase in any challenging accounts or let us put it another way, our receivable days have not increased too much at all, well within control.

Romil Jain: Last question on advertising, so just wanted to understand what kind of proportion in advertising is there on the consumer business as well as on the Larah business, so where are we kind of marketing more and if you can just give number on a percentage to sales?

Shreevar Kheruka: We have already maintained that we invest about 10% of our revenues on marketing. That is for both, consumer plus Larah meaning the entire consumer division. This first half has been slightly lower than that 10% number, but that also is because in many cases we felt that when footfalls are so low, just advertising may not give incremental sales. So we decided to hold back, but through the end of the year I still think we will end up in our budgeted ballpark. So, I have not changed our thought process towards advertising at all. We will see tactically if things pickup in the next four, five months maybe we will do another burst at that time.

Romil Jain: May be two, three years down the road our numbers can start coming down?

Shreevar Kheruka: Of course, so the 10% is for now. We have given guidance that once the company achieves a certain scale, may be like Rs.1000 Crores of revenue in consumer, the percentage may reduce to between 5% and 7%. So I think we can expect a 3% to 5% reduction in the advertising as a percentage of our revenues in the future.

Romil Jain: Thanks so much and all the best.

Moderator: Thank you. The next question is from the line of Naitik Mody from OHM Portfolio. Please go ahead.

Naitik Mody: Could you give us some sense on the Borosil Glass Works growth in terms of value and volumes?

Shreevar Kheruka: The value had been already shared in the presentation.

Naitik Mody: I am saying how much of growth has been through price increase and how much has been the volume growth?

Shreevar Kheruka: In fact this year it is pretty much all in volume frankly. We have not really increased prices across the board. If anything, in order to facilitate sales, there may have been a couple of percentage of reduction in pricing. So I think almost all the growth is volume growth.

Naitik Mody: In terms of competition within the Larah product category, are we sort of gradually closing the gap for the leader in terms of the end consumer price?

Shreevar Kheruka: I think it is already closed. I do not think the gap is more than 1% or 2% and I have maintained this, you can prove me immediately wrong by going to a store. It will have some other brand at a higher price than us and then you go to another store in a different location or another store 100 meters away from that store that you will find a different pricing. In terms of the MRP obviously various brands are priced the same. But discounts being offered may be different. So it is very challenging to say who is higher and who is lower because it differs from store to stores. It is different from product to product. But I would say if I take overall gross basis the total revenue divided by total tonnage, I think we are more or less there. I do not think this is much of a gap any more.

Naitik Mody: Okay and how is the competition you are facing from Cello?

Shreevar Kheruka: Cello is the strong competitor. They are very well entrenched in the market for many years, they have a big range of products, they have deep pockets. So there are a strong competitor. Overall even LaOpala is the same way right, they are very strong, they have been the in the market for long time in the Opal categories. So we are fortunate in the sense, that we have two good competitors which are companies who have been around for a while, so in that sense it is better to have organized competition than unorganized. We are quite happy, we are all working towards expanding. Rs.150 Crores, Rs.200 Crores of revenue per player does not make for a very large market. So I think it is in our joint interest to expand the market and that is good for everybody our customer also, our distribution also and for us also. I do not think we are stuck there. Our chief competitor is frankly plastic and melamine and that is who we want to substitute not each other.

Naitik Mody: Is it not that Cello has been the reason probably for slowdown of growth for us?

Shreevar Kheruka: I do not like making excuses because our competitors will keep doing what they need to do in order to achieve whatever their objectives are. We cannot go by that and we cannot blame others for our slowdown if at all there is any. We have to find ways to overcome that.

Naitik Mody: Okay and lastly on Klasspack, what can normalize margins be?

Shreevar Kheruka: 12% EBITDA is what our initial target is, once we hit that then we will have to relook. May be we could achieve mid-teens over a couple of years.

Naitik Mody: Thank you.

Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: Could you just help me how was the festive season and can you sustain this 40% growth in consumer business?

Shreevar Kheruka: Last year we did 40% plus too and somebody asked the same question last year. It seemed impossible, but this year we are still doing it, so never say never. We want to sustain it of course, but practically I do not think it is feasible that over two, three, five years, you can sustain this growth rate. We have given a guidance of 15% to 20% which was the mid-term guidance. I think we can certainly sustain that in the shorter end of the curve we will be higher. May we can we do 25% for the next three years, I would hope so. I think 40% plus is perhaps pretty aggressive and I am not sure that we can do that. As far as festive season is concerned, I do not need to tell you. You can read in the papers. It has been pretty average, it has not been great, but I guess we will see which companies can outperform even when the market is not that great. We are quite small. we should be able to perform better than the market.

Binoy Jariwala: So, this 25% growth that you are hopeful for the next two, three years or so, is for the entire consumer business right which includes Larah?

Shreevar Kheruka: In Larah, we will have a problem of capacity at some point where we will not be able to grow beyond our current capacity unless we find some alternative model. I think the overall business can grow at that rate, but in order to grow Larah at that rate we will have to find an alternative model which I do not know the answer to at this stage. For the Borosil branded consumer business definitely 25% can apply. Larah may be for another year-and-a-half we can grow at that pace at which point we will run out of capacity. Then we will have to find some solution for that, which I do not have an answer to at that moment.

Binoy Jariwala: My last question was how should we look at the margins in the standalone consumer business?

Shreevar Kheruka: We do not share that sorry, but they are definitely improving substantially, but we do not break that up.

Binoy Jariwala: Thank you.

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

Naveen Bothra: Regarding the last year Diwali was in November and this year it was in October, so is there any spillover to this quarter festival sales and all these things, all have been booked in the September quarter?

Shreevar Kheruka: Definitely that is a very good question. I think almost 10, 15 days of festival sales have come forward, so to that extent, the growth is slightly higher meaning, the growth number has had the benefit of these earlier Diwali sales. Once Q3 ends, then the normalized growth numbers will be seen, but I think that is absolutely right.

Naveen Bothra: Festival sales had already become in second part?

Shreevar Kheruka: Not all, but may be 10 days of festival season.

Naveen Bothra: Second question regarding overall advances have gone up in the asset side current and noncurrent loans, so if you can throw some light on this whether it is investment in Klasspack or in the Larah division?

Shreevar Kheruka: Rajesh, can you take this?

R K Chaudhary: You are talking about the loans?

Naveen Bothra: Yes, total loans last year were about Rs.269 Crores and this year it is Rs.297 Crores at the current and noncurrent both.

R K Chaudhary: The regrouping basically, if you add both the number together then we will find the numbers are more or less similar.

Naveen Bothra: It is Rs.28 Crores higher than last year, because Rs.205 Crores was the last year noncurrent and this Rs.64 Crores was the noncurrent and this year it is Rs.45 Crores in noncurrent, total Rs.205 Crores and Rs.252 Crores in current assets, Rs.28 Crores higher than last year?

R K Chaudhary: This is an ICD to our subsidiary, Borosil Limited (Larah).

Naveen Bothra: Not to Gujarat Borosil?

R K Chaudhary: Not to Gujarat Borosil.

Naveen Bothra: Thank you, about the inventory level also has gone up by Rs.25 Crores, so these are the likely to be normalized inventory?

Shreevar Kheruka: As you mentioned because of Diwali being a bit earlier this year, we had to build up more inventory, so I think we will normalize it by March.

Naveen Bothra: Thank you.

Moderator: Thank you. The next question is from the line of Naitik Mody from OHM Portfolio. Please go ahead.

Naitik Mody: Thanks again. What is that you are doing differently and able to generate growth in the Larah group product category whereas the leader is not growing?

Shreevar Kheruka: I cannot comment on the leader. I have no insights in terms of what their strategies are. I can tell you that for us I think we do not have anything different it on the product offering or any special source from a product point of view. But definitely we have a strong team, a loyal team that works very hard and they have good relationships. We just do the basics and we try and stick to the basics. I think that is giving us results and that is all I can say. I really got not other answer to that question, because this has been asked before even internally in our board and really the only answer I have is, we have a good company culture, we put our customer at the center of whatever activities we do in our company and I think that is playing out.

Naitik Mody: Thank you.

Moderator: Thank you. The next question is from the line of Romil Jain from Systematix Portfolio Management Services. Please go ahead.

Romil Jain: Just a followup. I just wanted to know how much is the import content right now, so from whatever products we are kind of importing and selling and how will it look like?

Shreevar Kheruka: I do not have an answer at the moment, but I think this question is best answered at the end of the year, because six months are done. It's better to take this question up at the end of the year then we can show you a representative number.

Romil Jain: Okay, thanks.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Shreevar Kheruka: Thanks all for participating and asking good questions, very appreciated. I hope with your wishes and blessings we will continue to have a good run in the coming quarters ahead and I look forward to talking to you all in three months time.

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.