

BOROSIL®

Registered Office

Borosil Glass Works Limited

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June 26, 2018

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Dear Sir /Madam,

Scrip Code: 502219

Symbol: BOROSIL

Series: EQ

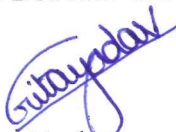
Sub: Transcript of Institutional Investors and Analysts Conference Call

We enclose transcript of conference call with Institutional Investors and Analysts which was held on June 19, 2018.

You are requested to take the same on record.

Thanking you.

Yours faithfully,
For Borosil Glass Works Limited



Gita Yadav
Company Secretary

Encl: as above



“Borosil Glass Works Limited Investor Conference Call”

June 19, 2018



**MANAGEMENT: MR. SHREEVAR KHERUKA – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER
MR. SWADHIN PADIA – CHIEF FINANCIAL OFFICER**

MODERATOR: MR. PUNEET GARG – AXIS CAPITAL

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Borosil Glass Works Limited Investor Conference Call, hosted by Axis Capital Limited. As a remainder, 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 this conference call, please signal the 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. Puneet Garg from Axis Capital. Thank you and over to you sir.

Puneet Garg: Thank you, Lizann. Good afternoon, everyone. On behalf of Axis Capital, I would like to welcome you all for the conference call of Borosil Glass Works Limited. Today we have with us the senior management of Borosil Glass Works Limited represented by Mr. Shreevar Kheruka – MD & CEO and Mr. Swadhin Padia – CFO Without much ado, I would like to hand over the call to Mr. Kheruka for his opening comments, post which we will open the floor for Q&A. Over to you, sir.

Shreevar Kheruka: Thanks. Good afternoon, everyone. This is a call in between two earnings calls as we made had an important announcement yesterday. I’d like to cover two main points briefly, and then I will open it up for questions.

Point number one is that the Board approved a bonus issue of 3:1 of Borosil Glass Works Limited shares yesterday. And the second point is that the Board has also withdrawn the earlier scheme of amalgamation and has approved filing of a new scheme of amalgamation. We will have three companies, namely Fennel Investments and Finance Private Limited, Vylina Glass Works Limited and Gujarat Borosil Limited merging into Borosil Glass Works Limited. And then the scientific products business and the consumer products business of Borosil Glass Works will demerge into Hopewell Tableware Private Limited (HTPL). The HTPL name is proposed to be changed to Borosil Limited. And Borosil Glass Works Limited name, which will then house a solar glass business will be changed to Borosil Renewables Limited.

This scheme was approved by the Board yesterday. PWC was our advisor on this scheme and valuation was done by a third party, SSPA. A fairness valuation report was given by Keynote Corporate Advisors. It will take about 10 to 12 months in our estimate for the various regulatory approvals to come in and for the scheme to become effective.

Now I would like to open it up for questions that anyone may have.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

Ankit Kedia: Sir, what happened between the previous scheme which was in NCLT and now? What transpired that we are now going with this scheme?

Shreevar Kheruka: It is a good question. Actually, firstly, I just want to also mention to everyone that we have uploaded a note on BSE and NSE website earlier today and have also sent it with the concall invite. It gives a little bit more background than what I shared earlier.. To answer your question specifically, the earlier scheme has taken much longer than anticipated for the scheme to go through. It has been one and half years. And that our opinion is primarily because there has been a lot of backlog of cases at NCLT. The dates keep coming and going and new dates keep coming for whatever reason NCLT has. I believe from reading the papers they have lots of cases which are much larger than ours to handle. In the interim in all our investor discussions - we have been interacting with many of you who have said that at the current moment if somebody invests in Borosil Glass Works Limited they indirectly invest in Gujarat Borosil because Gujarat Borosil is a subsidiary, and they would like to have the opportunity to invest in the consumer business separately as well as the solar business separately. So, this feedback has come repeatedly. So we decided to amend this scheme, or rather, to withdraw the old scheme and put a new scheme which will allow investors who want to invest in Borosil Glass Works Limited in the consumer business and who want to invest in the solar business to invest in the solar business. All the benefits of the previous scheme which are elimination of cross-holding, related party transactions etc. have been retained. So, the scheme is, let us call it a more value added scheme than the previous one. And since the old scheme was taking time to get approved, we figured that we should withdraw that and put this improved one through. I believe this is a very positive move from an investors perspective, from all perspectives, and it shows that we have heard what feedback we have received and acted upon it.

Ankit Kedia: Sure. And sir, I know the press note also says that to the extent of Rs. 125 crores required for expansion of solar business will be kept in this company, so how would the cash move in the new company which Borosil Glasswork has? And would the fund raising needed for the solar business continues to be there or they are fully funded now?

Shreevar Kheruka: So, Borosil Glass Works Limited has about Rs. 265 crores of cash at the moment. Out of that Rs. 140 crores will move into HTPL, along with the consumer business and the scientific business as part of the demerger. Rs. 125 crores will be left behind in Borosil Glass Works Limited which will be renamed Borosil Renewables Limited and house the solar glass business. That Rs 125 crore cash will be used as equity contribution of the company towards the solar project. The balance funding for the project will be raised by way of debt. We will not be doing any equity fund-raising activity at the present moment for the solar project. In fact, we have a strong confidence in that project. We are the only producers of solar glass in India and imports into India are already almost 2.5x - 3x of our current production. Our customers are very satisfied with our product and we have been cost competitive with the Chinese. We have a lot of R&D capability, and have done various innovations, including 2 mm glass. So, the management felt that the time to invest into this business was now. In fact, the project execution has already started. We expect production to commence by early second quarter next year.

Ankit Kedia: And sir, how will be the promoter shareholding now post this restructuring in both the companies?

- Shreevar Kheruka:** After this, promoters will hold 70.5% in both the companies.
- Ankit Kedia:** And sir on the listing of the Hopewell entity which will be renamed, when can we expect that?
- Shreevar Kheruka:** Yes. So, as a part of this scheme once the consumer and scientific products business demerge into HTPL, then at that stage we will apply for the listing. And as per our estimates it will take up to two months to get that listing to happen. So the scheme may take 9 to 11 months for approval by all the regulatory authorities. Once that approval happens then the listing process of HTPL will happen which could take about two months..
- Ankit Kedia:** Sir, this scheme would also need to go through NCLT?
- Shreevar Kheruka:** Yes, it would.
- Ankit Kedia:** So, again it would take the same time what the previous scheme was going to take, probably there the file would have moved much ahead where hearing was there, now we will be again behind in the queue. So this might take a longer time?
- Shreevar Kheruka:** You are right, that could happen. The NCLT timelines are not in our control. But we would try our best to get this done as quickly as possible. And in my view, this is a better scheme than the one before because it accomplishes everything that the previous scheme was supposed to accomplish, plus also accomplishes the separation of ownership of the two businesses for the future. So, in light of all these facts, the boards of all the companies decided that even at the cost of delay, it is worth doing this particular process.
- Moderator:** Thank you. Our next question is from the line of Naveen Bothra, an individual investor. Please go ahead.
- Naveen Bothra:** As you already said, we would say that this is one arrow hitting many targets which is beneficial for the investors. So, my first question is, today suppose we have 100 shares in Gujarat Borosil and have 100 shares in Borosil Glass Works Limited, how many shares will it be post the scheme?
- Shreevar Kheruka:** Sure. If you have 100 shares in Borosil Glass Works Limited, in the bonus issue you will get 300 shares, so it will become 400 shares. And with 100 shares of Gujarat Borosil you will get 50 shares of Borosil Glass Works Limited, so it will go up to 450 shares. This is the first stage. Then when the demerger happens, you will get 450 more shares of HTPL, so you will have 450 shares of Borosil Glass Works Limited whose name will be changed to Borosil Renewable Limited, and 450 shares of HTPL whose name will change to Borosil Limited. These new names are subject to approvals of ROC to change the name. In our view it should happen. So you will have 450 shares in Borosil Limited and 450 shares in Borosil Renewables Limited as well.
- Naveen Bothra:** So both the companies will get listed?

- Shreevar Kheruka:** Yes. It might take one to two months for HTPL (to be named Borosil Limited) to get listed, but both companies will get listed.
- Naveen Bothra:** HTPL means original Borosil Glass Works Limited?
- Shreevar Kheruka:** Yes, HTPL will be renamed Borosil Limited and it would have the business of consumer and scientific products.
- Naveen Bothra:** As well as the investments delisted, cash and all these things?
- Shreevar Kheruka:** Yes, exactly right.
- Naveen Bothra:** It will be the mother company?
- Shreevar Kheruka:** The original Borosil Glass Works Limited will post demerger house the solar business. It is already listed and will be renamed Borosil Renewables Limited. It will not be a mother company anymore. Borosil Renewables Limited (solar business) and Borosil Limited (consumer and scientific business) will be brother companies.
- Naveen Bothra:** And directly promoters will hold 70.5% in both the companies?
- Shreevar Kheruka:** That is right.
- Naveen Bothra:** Indirectly any holding will be there of promoters?
- Shreevar Kheruka:** No, directly.
- Naveen Bothra:** So you have sacrificed 2.5% in both the companies?
- Shreevar Kheruka:** I want to specify that the promoters right now include Borosil Glass Works Limited as a promoter of Gujarat Borosil Limited. So, in the future Borosil Glass Works Limited will no longer be a promoter. The promoters will only be the individuals who are promoters. So, as a group, yes, promoter shareholding has come down which has already been mentioned in the scheme.
- Naveen Bothra:** Directly or indirectly you have sacrificed around 2% to 2.5% in both the companies?
- Shreevar Kheruka:** As a promoter, again I want to specify, the promoter holding has come down. When you say you, I am not sure what you mean by you. For the family holding, I will have to get the exact numbers, we will have to check that. But overall, I would say the public shareholding has gone up from 25% in GBL to 29.5% and 27% in Borosil to 29.5%. That is what has happened. So the public base has increased no doubt about it.

- Naveen Bothra:** Yes. so that is why all the earlier schemes you said that simplification of related party and conflict of interest is gone, plus the minority interest has gone up. So that is a very great scheme because all the promoters take more shares, I will not specify.
- Shreevar Kheruka:** We are trying to do things in the best interest of all stakeholders.
- Naveen Bothra:** We value these things very much in Borosil Group. And the second question is regarding the total capital structure, after the complete scheme goes through in both the companies, if you can specify?
- Shreevar Kheruka:** Rs. 11.4 crores will be the total capital. Each company will have Rs. 11.4 crores of capital.
- Naveen Bothra:** Of Rs. 1 each?
- Shreevar Kheruka:** Of Rs. 1 each, that is right. This is after the bonus and after the demerger is completed.
- Naveen Bothra:** Yes, final capital will be 11.4 crores in each of the companies?
- Shreevar Kheruka:** That is right.
- Naveen Bothra:** And the employees ESOP will remain the same?
- Shreevar Kheruka:** Employee ESOP will be amended so that the employees who get the benefit of the scheme.
- Naveen Bothra:** In Gujarat Borosil also you have implemented ESOP through this scheme?
- Shreevar Kheruka:** We are going to do the ESOP. We are authorized to do an ESOP but we have not yet implemented it. In Borosil Glass Works Limited we have implemented an ESOP.
- Naveen Bothra:** And one more question if I can ask, the AGM date of both the companies you have not announced?
- Shreevar Kheruka:** It is 24th July for Borosil Glass Works Limited and 8th August for Gujarat Borosil Limited.
- Moderator:** Thank you. Our next question is from the line of Gitika Gupta from First Voyager. Please go ahead.
- Gitika Gupta:** I have a couple of questions on the Hopewell Tableware Private Limited segment which you entered about two years back with the acquisition of Hopewell. So, firstly, where are you in terms of the revenues and the margins, and how are you seeing this business evolve over time?
- Shreevar Kheruka:** So, actually this call was mainly meant for the new scheme and the bonus, but I can answer your question briefly. We bought the company two years ago which had a turnover of about Rs. 48 crores at that time. And last year we did about Rs. 100 crores. So, we have doubled our revenues there. The company was making a pretty substantial loss which has reduced, and in

fact we were EBITDA positive last year with about 7% EBITDA margin. We invested about Rs. 70-odd crores last year in upgrading manufacturing our facility for Larak to improve interim capacity as well as improve efficiency. And I hope that this year we will see a substantial benefit from that in terms of increase in top-line numbers as well as margins. I cannot share more than that at this present moment, but I hope that we will see further improvement in revenue growth as well as EBITDA, starting from the first quarter itself. We are very bullish on that business.

Gitika Gupta: Okay. Because currently you are single-digit margins, is there a lot of operating leverage in the business?

Shreevar Kheruka: There was a lot of operating inefficiency which we hope to have resolved with the upgradation of our plant. Of course, being production business there is definitely operating leverage which will also kick in, but it is also to do with improving our throughput in the plant. We had some old machines which we have replaced with much newer technology, much better technology in our view.

Gitika Gupta: How are you seeing the industry, because I think till two, three years back it has been largely a one player market and now yourself and a couple of other players are entering the market. So how are you seeing the industry evolve, is there enough space for everybody to grow?

Shreevar Kheruka: It is a good question. Opalware is a fantastic product because it has very inherent advantages, it is microwaveable, it is vegetarian, there is no bone ash in it, it is chip resistant, it looks nice, it is light, grease all cooking oils, ghee and all of it comes off easily. So as a product category it is excellent, and what we see is it is replacing things like Bone China and Steel and Melamine, that is our understanding of the market. So as a category itself its growing, and we expect the growth to continue. And you are absolutely right, it used to be a one player market now there are at least three players, including us. With our distribution and brand strength I think we should be able to gain substantial market share. We have already increased share and we expect to continue gaining. And the market itself is also growing. Now, how long this will continue growing aggressively is a good guess, but I would still say we are at a nascent stage as far as total size of this market is concerned.

Moderator: Thank you. Our next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Just the first question, post the amalgamation what will be the total number of shares?

Shreevar Kheruka: Rs. 11.4 crores of Re. 1/- each in each company.

Dhruv Bhatia: And secondly, what will happen with the preference shares? So, you have taken an extension for the next three years for preference given from Borosil to Gujarat Borosil, and now since it is getting amalgamated into the new entity Borosil Renewables, will the preference shares stay at Borosil Renewables Limited?

- Shreevar Kheruka:** Preference shares get cancelled when the merger happens. The extension was taken because they were due in March and we were not sure if the scheme would be implemented by then, although we will try for the scheme to be through before March. So, we took an extension out of abundance of caution. But in general, once that merger happens by default all the shareholding including preference shares will get cancelled. And the same is factored in the valuation of both the companies.
- Dhruv Bhatia:** Okay. So, when you give a swap ratio also for every eight share of Gujarat Borosil you get a share of Borosil Glass, that factors in both the 125 crores which is going to be used by Gujarat Borosil for the CAPEX as well as the Rs. 90 crores which gets extinguished?
- Shreevar Kheruka:** That is absolutely right, both those points have already been factored in. So, Borosil Glass Works Limited valuation has been accordingly being adjusted and so has that of Gujarat Borosil. And just to make a point, 1:8 is before the bonus, after the bonus it is 1:2. Or let us say, 8:1 becomes 2:1. It is a simple math, I just want to clarify that.
- Dhruv Bhatia:** And post the amalgamation the new entity which will be for the consumer business, what numbers you keep sharing as well as in the presentation as well as on the call, it will have 78-odd crores of EBITDA, is that the right way? So you have each business EBITDA being given in the presentation.
- Shreevar Kheruka:** Yes, you can add that up. And obviously, we hope the operating performance this year will be better than the year before, so there would be some growth in that. From the presentation we shared for the whole last year, if you add up the EBITDA of Borosil Glass Works Limited, Vylene, Hopewell and Klasspack it would be about Rs. 75 crores - Rs. 78 crores. That would be equivalent to last year's EBITDA. Obviously we will have growth this year so that should increase from here.
- Dhruv Bhatia:** And the cash of Rs. 145 crores stay with Borosil, right?
- Shreevar Kheruka:** Rs. 140 crores, it goes to Borosil Limited.
- Dhruv Bhatia:** Yes, I mean in the with the business
- Shreevar Kheruka:** Yes, that is right. You will get some return on that, till the time cash gets deployed. Then obviously that goes as well.
- Moderator:** Thank you. Our next question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.
- Rishabh Parekh:** Most of my questions are answered, just wanted to get a clarification. So, Hopewell, Fennel and Vylene will now be merged into the mother entity as of now, all these three entities plus Klasspack will be demerged into Hopewell which is the 100% subsidiary, which will subsequently be renamed to Borosil Limited, am I correct?

- Shreevar Kheruka:** No, not entirely. You mentioned HTPL will be merged, HTPL will not be merged.
- Rishubh Parekh:** Hopewell is a subsidiary, yes.
- Shreevar Kheruka:** Yes. Vylene, Fennel and GBL will be merged into Borosil Glass Works Limited. And then the consumer business and scientific business, including investment in Klasspack and including Vylene manufacturing which had just been merged will get demerged into Hopewell Tableware Private Limited.
- Rishubh Parekh:** So it will then be renamed essentially?
- Shreevar Kheruka:** Yes, so Hopewell Tableware Private Limited will then be renamed to Borosil Limited. Borosil Limited will have the total business of today's Borosil Glass Works Limited plus Klasspack plus the HTPL business. After the demerger essentially, the solar business of Gujarat Borosil Ltd will be left behind and this company will be renamed Borosil Renewables Limited.
- Rishubh Parekh:** And the Rs. 265 crores of cash will be apportioned Rs. 125 crores and Rs. 140 crores, right?
- Shreevar Kheruka:** One point to clarify, Klasspack is not being merged. The holding of Klasspack which is today in Borosil Glass Works Limited, will be transferred. And you are right, of the cash of Rs. 265 crores, Rs. 140 crores will move into Borosil Limited which is more than sufficient for CAPEX and organic and inorganic expansion plans of Borosil Limited., Rs. 125 crores will remain with Borosil Renewables Limited which is more than sufficient to meet its own expansion plans. After this both the companies will have to fund their own expansion as individual entities and there would be no further transactions between these two companies.
- Rishubh Parekh:** And what about the small non-core assets and the real-estate that we have, will that be in the Borosil Limited entity?
- Shreevar Kheruka:** Yes. All the assets that are in the Borosil Glass Works Limited balance sheet, except for the holding of Gujarat Borosil and except for Rs. 125 crores of cash will be demerged into Borosil Limited.
- Moderator:** Thank you. Our next question is from the line of Sumit Panchal, an individual investor. Please go ahead.
- Sumit Panchal:** My questions are mostly answered. Thanks.
- Moderator:** Thank you. Our next question is from the line of Vijay Khetan from Param Capital. Please go ahead.
- Vijay Khetan:** Sir, my only question is that what happens to the existing holding of Hopewell Tableware Private Limited which is now with Borosil Glassware? Whether that gets cancelled or whether that remains with the new company Borosil Renewables Limited?

- Shreevar Kheruka:** No, it gets cancelled and that business comes under Borosil Limited.
- Vijay Khetan:** But the Hopewell business will remain with Hopewell Tableware Private Limited and your other scientific and consumer business will also be brought into this company?
- Shreevar Kheruka:** Yes.
- Vijay Khetan:** Against which Hopewell will issue shares to the shareholders of Borosil Glassware?
- Shreevar Kheruka:** Yes, there is a mirror imaging which will happen. Once these three companies merge into Borosil there will be a certain shareholder list. All those shareholders will get the same 1:1 share of Hopewell, which will then be called Borosil Limited and get separately listed.
- Vijay Khetan:** So this shareholding which is presently held by Borosil Glass are of Hopewell will get cancelled?
- Shreevar Kheruka:** That is right.
- Moderator:** Thank you. Our next question is from the line of Sriram R. from Sundaram Mutual Fund. Please go ahead.
- Sriram R.:** Sir, I have a couple of questions. Say the cost of solar project is say Rs. 100, how much would be the component of this tempered glass?
- Shreevar Kheruka:** Glass as a percentage of the module cost is about 6% and the module cost as a percentage of the solar project cost is about 60%. So glass is 6% of 60% of the solar installed project.
- Sriram R.:** And sir currently what is the pricing difference between the imported and your product?
- Shreevar Kheruka:** Imports are about 10% lower.
- Sriram R.:** So currently 2 mm are not imported, right?
- Shreevar Kheruka:** No, 2 mm is not imported.
- Sriram R.:** So, basically what is the company's measures for the shift to happen? You are saying that the shift will happen to the 2 mm level, so what is the proposed plan?
- Shreevar Kheruka:** So, the shift is not going to happen overnight, because it is a new product of which we are the only producers in the world. And with solar our customers have to give guarantees for module life, and for that they have to do a lot of testing. This product has only been in the market for five or six months now, maybe a little less. They have all gone to various customers for testing. We have got positive test reports from quite a few of these customers, and we have also got our first orders. But it will take time for them to adopt this product. So, I think in the next couple of years, we can expect 10% to 15% of our sales coming from 2 mm. I am just being

conservative and if we aggressive, maybe 20% can come from 2 mm. I do not see much more happening in first couple of years. As with any new product there is the first few people take long to adopt. Once you have enough adoption then there is a steep curve. We expect that to happen and that is the reason we have innovated on this particular product category. But that is still to be seen.

- Sriram R.:** So, do you see this being imported in near future or there is something kind of technology
- Shreevar Kheruka:** At the moment nobody else in the world makes 2 mm fully tempered solar glass , so the question of it being imported does not arise. Of course, things can change in the future.
- Moderator:** Our next question is from the line of Jinesh Joshi from Prabhudas Liladher. Please go ahead.
- Jinesh Joshi:** Just one question from my side, what is the criteria based on which the cash segregation of Rs. 125 crores and Rs. 140 crores is done between both the entities?
- Shreevar Kheruka:** Yes, that is a simple criteria. Like I said before, we are bullish on the solar glass project. We believe that we are in a unique position to increase our capacity. We are the first player and the only player in India. We needed Rs. 125 crores of equity for that project. And 140 is more than enough for our current plans for organic and inorganic growth in the consumer business. So that was the criteria, Rs 125 crore is for solar and Rs 140 crore for the consumer business.
- Jinesh Joshi:** The reason I am asking this question is, on the Gujarat Borosil front we were planning to raise some equity sometime back and presumably we were not able to raise the money, and now we are funding this particular project by the cash which is sitting on Borosil's books. So I just wanted to know is there any specific share swap criteria which has been taken into consideration while assigning this cash or is it simply the requirement of equity portion on that particular project which is the sole criteria for assignment of this particular cash?
- Shreevar Kheruka:** See, just to preface my answer, I would say that we are extremely bullish on the solar project. And the project requires Rs. 125 crores of equity in addition to the debt it is raising. As far as the valuation is concerned, this was a part of the valuation considerations of both Borosil Glass Works Limited and Gujarat Borosil Limited before the swap ratio was decided. So it is already factored that Rs. 125 crores will be for the solar project. I would also like to add that in terms of the cash of Rs. 140 crores which is going to be for the consumer business, we made two acquisitions in the past - one had an enterprise value of Rs. 90 crores and other had an enterprise value of roughly Rs 40 crores. So both the acquisitions were well within this target. We are looking at aggressive in the consumer business, but we feel that Rs. 140 crores is more than sufficient to handle that. So, that was the justification for Rs. 125 cores and Rs. 140 crores.
- Jinesh Joshi:** And post this amalgamation will the consumer facing business own any stake in the renewable business?

- Shreevar Kheruka:** No, there would be separate shareholding in the two companies. Once everything is approved and done there would be no further linkage as far as any ownership or any cross holding is concerned.
- Moderator:** Thank you. Our next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** I just wanted to know if the valuation for the group companies that the promoters are merging with this business has changed from the last time around? So, for Vylene and for Fennel has the valuation that is being paid to the promoters in terms of shares changed as opposed to what was considered in the earlier scheme?
- Shreevar Kheruka:** The relative valuation in the case of Vylene has not changed. I think it is almost exactly the same. And as far as Fennel is concerned, the relative valuation has actually reduced, meaning the promoters will get fewer shares. This means the promoters will have fewer shares in the new entity than what was envisaged in the earlier scheme which is going to be withdrawn.
- Jaineel Jhaveri:** Sir, but what has happened there, I am not understanding why would the number of shares be less?
- Shreevar Kheruka:** Because in the case of Fennel the valuation has been done on net asset value method. And as far as exact answer to that question is concerned, the right people to ask is actually the SSPA who has done the valuation. But basically, we believe that the scheme has to be in the best interest of all the shareholders in the business. I am sure that if you look at the numbers you would see that the difference is only very marginal. It is nothing very substantial. So, it is really in the best interest of all the shareholders of the business, including the minority shareholders.
- Moderator:** Thank you. Our next question is from the line of Sandeep Nag from Ashmore. Please go ahead.
- Sandeep Nag:** Sir, my question is, net-net as existing Borosil Glass Works Limited shareholder, everything remains the same in terms of the business you own, except for the 25% stake in GBL and minus the Rs. 125 crores, is that correct?
- Shreevar Kheruka:** Well, yes. Everything remains the same meaning that the existing Borosil shareholder gets the bonus and will also get shares in Gujarat Borosil's solar business as a part of this scheme. So basically, what we are trying to do, Sandeep is - earlier Borosil Glass Works Limited shareholders got ownership of Gujarat Borosil whether they liked it or they didn't. It was because of the way the company was structured. Now all Borosil Glass Works Limited shareholders will have some amount of shareholding in Gujarat Borosil directly in their Demat and they can take a call whether they want to continue holding those shares or not. So, we have unlocked value which was locked for the past many years in the hands of Borosil Glass Works Limited shareholders. They can decide what they wish to do now that they have direct access to the shares.

- Sandeep Nag:** Which is the Borosil Renewable shares which will be in the existing account?
- Shreevar Kheruka:** That is right.
- Moderator:** Thank you. Our next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** I just wanted to check the proforma balance sheet post merger for both the companies. For Gujarat Borosil which will become Borosil Renewables Limited, is it correct that they will have about Rs. 150 crores of net worth, about Rs. 123 crores or Rs. 120 crores of debt and about Rs. 125 crores of cash, is that the right assumption? And the same number of pro-forma balance sheet for Borosil Glass Works Limited would not change, except for the 25% stake plus preference share capital going out and Rs. 120 crores of cash?
- Shreevar Kheruka:** So, that has not been finalized yet, but I can tell you that the reserves will go up by Rs. 125 crores for Gujarat Borosil Limited. The Gujarat Borosil Limited equity will go by Rs. 105 crores, which is calculation of preference shares and the reserves will increase by Rs 125 crores. So that will also have an impact on the proforma balance sheet. At the moment I do not have all the numbers with me as far as proforma balance sheet is concerned. Maybe it is better to discuss this at a time maybe in the next conference call.
- Moderator:** Thank you. Our next question is from the line of Naveen Bothra, an individual investor. Please go ahead.
- Naveen Bothra:** Continuing from earlier, my question is regarding the approximately ROE in both the businesses, what will be the effect on ROE on both the companies as of March 2018?
- Shreevar Kheruka:** I cannot give you exact number on ROCE. I think currently Gujarat Borosil has ROCE of approximately 14%. And after the new project is implemented, the additional CAPEX should give us ROCE of 21% to 22%. So the blended ROCE should be 18% to 19% for Gujarat Borosil. For Borosil the ROCE, including the investments, is somewhere in the 10% to 13% range. That is because of two reasons, one is there is cash on the books and there were some non-core assets for a majority of last year. In Borosil too, the ROCE should definitely improve substantially, because as some cash goes to Gujarat Borosil Limited, there will be less cash on the books. We have also monetized non-core assets from last year which will also have a positive impact this year. And of course, the operations of the company should be improving. So, I expect the operational ROCE of Borosil to definitely increase over the next couple of years and improve to at least (+20%).
- Naveen Bothra:** 20% plus in two to three years?
- Shreevar Kheruka:** Yes that is right.

- Naveen Bothra:** Second question is regarding the name change, now the Borosil Glass Works Limited goes, so how it will affect, we can move to other than the Glass for extension of the brand?
- Shreevar Kheruka:** The brand is still Borosil. The brand which you read on our product simply says Borosil. There is no Glass Works mentioned on the brand. Only the company's name is Borosil Glass Works Limited. So, there is just a change in the company name, nothing changes for the brand. And we are also into various different products which is more than glass.
- Naveen Bothra:** So more than the name change, it is symbolic, so you can expand into other than glass business also for the extension of the Borosil name?
- Shreevar Kheruka:** Yes, exactly. That is the idea.
- Naveen Bothra:** And same will go for renewable business, we will make solar glass as well as some other business in the renewable space?
- Shreevar Kheruka:** Yes, we cannot predict the future, so we should keep ourselves fairly widely open to the opportunities in that market. So, in Borosil Limited we see ourselves as a B2C company as a brand, and rather than look at product as glass or plastic or anything like that, we should look at what our customer needs. And therefore, we should get into those product categories which are required by the customer. Similarly, in Borosil Renewables Limited we would like to look at where Borosil can add value in the category. Right now it is in production of tempered solar glass. In the future it could be in other areas then we will definitely look into that, and that is the reason the chosen name is Borosil Renewables Limited.
- Naveen Bothra:** So, some areas could be in the Tesla Group type or Apple Front Glass, because in earlier con-calls, Mr. Pradeep Kheruka said that we are not into that, but we have the capability to make them. So what is the thinking, to move into modules or into some other space?
- Shreevar Kheruka:** See, it is incumbent on management of any company to always evaluate opportunities in the sector. At this present moment the opportunity lies in solar glass production and we will be doubling down on our glass production capacity. We are extremely bullish on that, and we will ensure that we produce the best glass in the world at the lowest cost possible. And that is the only focus of the management today. Now, once this project gets implemented over 12 months - 18 months, depending on how things are moving in the market at that time, if we feel the need to get into modules we may. I cannot comment on that today. But yes, we have the capability and the capacity to diversify into other product categories. We have successfully proven that in the case of consumer as well as scientific products and there is no reason we cannot do that in the renewables space. But we would like to stay focused as a management at this present moment of time to implementing the new project as far as Borosil Renewables Limited is concerned.

Naveen Bothra: That is quite appreciable sir. And last question is regarding a news article yesterday that said that old plant of Gujarat Borosil, when the new plant is implemented is going to be dismantled and a new plant will come up in place of that?

Shreevar Kheruka: I am not sure which news article you are referring to, but I can tell you that the new plant is the second solar glass line which we are going to put up for which the total CAPEX is Rs. 235 crores. The old plant that the article may be referring to is a glass furnace. Every glass furnace has a life, so our glass furnace started in 2010 and it may last for another one or two more years, after which you have to dismantle the furnace and reline it with new refractory bricks. So, everything stays the same, it is small portion of the cost. You just take out the old bricks and put in the new bricks and you start up the furnace. You have to be out of production for let's say three months. But outside of that the plant and everything remains the same.

Naveen Bothra: Just like the Larih factory you will be renewing the factory with latest machineries?

Shreevar Kheruka: Exactly right.

Naveen Bothra: One more question, that SIP division, you announced a subsidiary company on 30th March board meeting, so what is that going to be?

Shreevar Kheruka: So, like we already said that we are looking at more than just glass. Borosil Technologies which is a 100% subsidiary, will be looking at developing new instruments for pharmaceutical labs, R&D labs, school and college labs which are things like shakers, stirrers, centrifuges, vortex mixers, these products are small bench top instruments that every lab uses. And a lot of this is coming from Europe and US. So we feel that there is an opportunity for import substitution. And we have already launched a brand called LabQuest and that brand will then be used to sell these new products. So, we are basically in-housing the R&D in this company. So it is a new start-up, let us see how that works.

Moderator: Thank you. Our next question is from the line of Rudhir Barma from KSA Securities. Please go ahead.

Rudhir Barma: Can you throw some light on what future products you are looking at in the consumer space, which verticals you are planning to get into?

Shreevar Kheruka: So, at the moment in the consumer space, we are focusing our efforts on storage containers in which we are basally trying to replace plastic in the kitchen. It could be glass, or it could be steel storage, which is something that we have already launched. And we feel there is a big runway of opportunity over in that category. And the second space is the Opalware category which I spoke of earlier, which is basically serving ware. We see there is a big opportunity in that category too. So these are the two categories that we already have launched, but there is plenty scope for new product development and marketing and sales initiatives to substantially grow the share of glass in both these categories.

- Moderator:** Thank you. Our next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** Just a follow-up, I was confused about that example that you gave, if you own 100 shares of Borosil right now you get another 300 shares in terms of the bonus, that would be 400 shares. And then you said something about 50 shares of Gujarat Borosil, can you just give that example again, how many shares would somebody who has 100 shares right now totally have?
- Shreevar Kheruka:** You would have 400 shares of both the companies. If you have 100 shares today you will get 300 shares as a bonus in Borosil Glass Works Limited, so you have 400 shares of Borosil Glass Works Limited. Then the consumer and the scientific business demerges into Hopewell Tableware Private Limited, in which you also get 400 shares of Hopewell Tableware Private Limited. So you have 400 shares of both the companies which will then be renamed, as I have already mentioned. In that particular example the gentlemen referred to owning 100 shares of GBL, Gujarat Borosil Limited as well, so that is why the 450.
- Jaineel Jhaveri:** And also another thing, somebody asked a previous question, I think that was a good point he made was that what changed your mind from raising money in the company to us investing into the solar business ourselves? Was it to do with the fact that we were not able to get money or was it to do with the fact that things have changed under solar business looks extremely interesting?
- Shreevar Kheruka:** The Solar business always looked very interesting, let me be clear on that. We have actually been the first movers from 2010, so long before anyone else saw solar coming we saw solar coming and we put up that plant. And even today we are in the pole position over there. So we wanted to invest money here and now. As far as raising fresh equity money is concerned, it is taking a lot of time, because as we all know that after the Union budget mid-caps were under a bit of stress. So it was taking time to do that and we did not want to give up the pole position that we had in the solar business. So we decided that we will invest immediately and it shows the confidence in that business.
- Moderator:** Thank you. Our next question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.
- Rishabh Parekh:** Shreevar, you mentioned the product categories for expansion in Borosil Glass, can you elaborate? Someone was telling me that now you get toasters, etc, marketed by Borosil on Amazon, so is appliances the way you want to go as well?
- Shreevar Kheruka:** Yes, we have already been selling appliances for the last two years, and I would not talk much about it at the moment, just because it is still a small business for us. We are doing certain research and development efforts in that space. So as far as marketing spend is concerned and as far as any production capacity is concerned, we are not investing in case of appliances. So, to be clear about our thought process is in appliances - we see a big market, but it is hyper competitive, so we do not want to do just a copy and paste of what many other brands are

doing. We are trying to differentiate the product. As I also mentioned earlier to the gentlemen, we are also trying to set up our own research and development capabilities with Borosil Technologies. In the future that can be used to come up with unique appliances. So, we are seeding the market, we are marketing the product, setting up service centers across the country to sell these appliances. At some point when it picks up enough scale we will actually start deploying more resources in terms of money towards product development and even maybe assembly in India. So that is the long-term strategy and thought. But your friend or person who referred to you is right, we are already selling appliances.

Rishubh Parekh: And are there any such other category expansions that are currently being seeded, where there is less visibility on?

Shreevar Kheruka: No, that is the only one. As far as consumer is concerned that is the only one. Of course, as I also mentioned we are doing storage which replaces plastic.

Moderator: Thank you. Our next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Just one question, what is the CAPEX plan for Gujarat Borosil for this year?

Shreevar Kheruka: The main CAPEX is going to come from the new plant which is going to cost Rs. 235 crores.

Dhruv Bhatia: I mean, will the outflow of the cash be this year or will it be next year?

Shreevar Kheruka: Almost all of it will be in this year, because the plant is supposed to be commissioned by June or early July of next year. Some amount of guarantees, and bank guarantees from our suppliers and so on will probably spillover, but I guess 90% should happen this year.

Dhruv Bhatia: Just wanted to understand, because the whole merger will take around 10 - 12 months, till then you are not allowed to use the money which is there at Borosil Glass, unless you have given a loan to Gujarat Borosil. How will it be funded?

Shreevar Kheruka: We could do that. Now that we have announced the intention of the scheme we could possibly do that. Gujarat Borosil has already raised loans and also has internal accruals, so they have started the funding of the project already with a combination of loans and internal accruals. But if required we will give an interim loan from Borosil Glass Works Limited to Gujarat Borosil Limited to fund the project, given that we have already announced that this cash will be staying with the company.

Dhruv Bhatia: The point was that during the preference shares also in last three years the interest was not paid by Gujarat Borosil Limited to Borosil Glass Works Limited because of they did not have the money to pay that amount. So just wanted to check whatever the funding gap would be there, would it be again in the similar fashion because Borosil glass as a consumer company will lose the other income on it.

- Shreevar Kheruka:** Yes, so the Rs. 125 crores like I already mentioned will be staying with Borosil Renewables Limited and that is part of the scheme. In the short-term it would have to be by way of loans and I think Gujarat Borosil will service the interest on that loan.
- Moderator:** Thank you. Our next question is from the line of Jinesh Joshi from Prabhudas Liladher. Please go ahead.
- Jinesh Joshi:** May I know who were the advisors in the current scheme?
- Shreevar Kheruka:** PricewaterhouseCoopers.
- Jinesh Joshi:** And who was the advisor when we were planning to raise money at the GBL level?
- Shreevar Kheruka:** Axis Capital.
- Jinesh Joshi:** And this preference shares which we had invested in Gujarat Borosil, they stand cancelled, right, because of this particular scheme?
- Shreevar Kheruka:** They do not stand cancelled, they will get cancelled once the scheme is approved and implemented.
- Jinesh Joshi:** So whatever money was invested in Gujarat Borosil that will not come back to the consumer franchise, right?
- Shreevar Kheruka:** No, it does, by way of valuation. It is fully valued in the swap ratio.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Puneet Garg for his closing comments.
- Puneet Garg:** Thank you. On behalf of Axis Capital, we would like to thank the management of Borosil Glass Works Limited for giving us this opportunity to host the call. And also thank all the participants who joined in. Before we close, I would like to hand over the call to Mr. Kheruka for any closing comments. Over to you, sir.
- Shreevar Kheruka:** Thank you all for asking quite a few insightful questions and being a part of this. We are quite bullish and confident about all three of the businesses, namely consumer, scientific and solar. And the reason we have done this particular scheme is to show that confidence to various investors that all three business will be funded properly and will have to grow on their own in the future. And I hope that we can execute the plans we have shared, and that the company grows aggressively in the next few years. So, thank you for your time. And see you after quarter one.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Axis Capital, that concludes today conference. Thank you for joining us. And you may now disconnect your lines. Thank you.