

BOROSIL®

Borosil Limited

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Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

We enclose the transcript of conference call with Institutional Investors and Analysts which was held on Wednesday, May 11, 2022.

The aforesaid transcript is also available on the Company's website at www.borosil.com.

You are requested to take the same on records.

Yours faithfully,
For **Borosil Limited**



Anshu Agarwal
Company Secretary and Compliance Officer
FCS-9921

Encl: As above



"Borosil Limited
Q4 FY2022 Earnings Conference Call"

May 11, 2022



ANALYST: MR. PRAVEEN SAHAY- EDELWEISS BROKING LIMITED

MANAGEMENT: MR. SHREEVAR KHERUKA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - BOROSIL LIMITED
MR. RAJESH CHAUDHARY– WHOLE TIME DIRECTOR - BOROSIL LIMITED
MR. ANAND SULTANIA – CHIEF FINANCIAL OFFICER - BOROSIL LIMITED
MR. SWADHIN PADIA –GENERAL MANAGER ACCOUNTS - BOROSIL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Borosil Limited, Q4 FY2022 Earnings Conference Call. 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. Thank you and over to you, Sir!

Praveen Sahay: Thank you. Very good morning to everyone. Thank you for joining the earnings call of Borosil Limited. On behalf of Edelweiss Wealth, I welcome the management team of Borosil Limited to discuss the Q4 and the year ending results and the outlook ahead. We have with us Mr. Shreevar Kheruka – Managing Director and CEO, Mr. Rajesh Chaudhary – Whole time Director, Mr. Anand Sultania – CFO and Mr. Swadhin Padia – General Manager, Accounts. 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: Thank you Praveen and Edelweiss for hosting this call. Good morning, everyone. It is a pleasure for the Borosil team to be interacting with all of you again. Borosil Limited’s board approved the company’s financial results for the quarter and the year ended March 31, 2022, on May 9, 2022. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s website.

As you know FY2022 was a year with its own set of challenges. In Q1 we were hit by the second wave of COVID, which led to partial lockdown in parts of the country. It unfortunately had a high cost in terms of human lives also.

Later in Q3 and Q4 India experienced the third wave by way of the Omicron variant. By then a large part of the population of the country was fully vaccinated and hence the impact on human life was less severe though sadly, not eliminated. International supply chains were also choked causing delay with deliveries and a surge in shipping costs. During Q4 Russia invaded Ukraine precipitating an international crisis. Even though there may not be an immediate direct impact in India, the crisis has triggered inflation in oil and gas, raw materials and other commodity prices. Similarly, there is food inflation which could have an impact on demand for consumer goods.

In these opening remarks I would refer primarily to the performance during the year. The details of the performance for the quarter are already available in our financial results and investor presentations uploaded on the website.

With that context Borosil's performance during FY2022 has been a very satisfying one indeed. At a consolidated level for the consumer products and scientific products put together, the company achieved revenue of approximately Rs.840 Crores, a growth of 43.6% over FY2021.

During the previous year we did have a much harder lockdown during Q1 FY2021 with the gradual opening up from Q2 onwards, so the number may not strictly be comparable. Nevertheless, FY2022 had its own set of challenges as I mentioned earlier. Growth during FY2022 has also got contributed towards by all our lines of business which I will come to. For the quarter ended March-2022 the company recorded a net sale of INR 220.1 Crores i.e., a growth of 19.6% over the same quarter in the last year.

Borosil consumer business comprising glassware products, non-glassware products under the brand Borosil and its Opalware range under the brand

Larah crossed the INR 500 Crores milestone during the year. Net sales during FY2022 were INR 573 Crores, registering a growth of 49% over the previous year. The sales in FY2022 were even higher than in FY2020 by 32%. We showed a CAGR of 15% over the two years in which we were impacted by COVID. For the quarter ended March 2022 consumer products achieved net sales of INR 137.5 Crores, a growth of 16.5% over the same period last year.

We have seen a good bounce back in sales across all our key product lines across glassware, non-glassware as well as Opalware. Our long-term strategy of expanding the field of play by participating in the entire process of storage, preparation, cooking, heating, and serving of the Indian kitchen and table are playing out well. The focus is on products of daily use.

Sales of glassware products under Borosil during FY2022 were INR 146 Crores, a growth of about 42% over FY2021. Each of the three sub-categories i.e., storage, microwave and vision glasses recorded very healthy growth of over 35%, that is to say we had a secular growth. Borosil non-glassware products comprising primarily domestic kitchen appliances, hydra range and steel serve fresh products crossed the INR 200 Crores milestone recording sales of INR 207.4 Crores during FY2022 i.e., the growth of 47% over the previous year. Here too, there was broad-based sales growth across the three categories of domestic appliances, hydra and steel serve fresh of over 35% each. Non-glassware products comprise 58% of our Borosil branded consumer product sales i.e., excluding Opalware sales

. The bounce back in demand of Borosil products reinforces the equity that the brand enjoys with consumers. We are also glad about how the brand has been able to stretch beyond glass ware to the company's wider

range of everyday used kitchenware products, serving products and products for carrying food and drink.

Borosil's Opalware Larah also crossed the milestone of INR 200 Crores recording net sales of INR approximately 220 Crores during FY2022, and the brand grew by 55.7% over FY2021.

Larah has established itself as a strong player in the Opalware segment and is playing a key role in expanding the market for the category. Opalware is growing as a category of choice for daily use serving ware. The Larah business had grown 4.5 times since we acquired it six years ago, and I would say the acquisition has been a success.

During FY2022 the company did experience inflation in inputs cost. There was a surge in power and fuel which comprises a significant component of manufacturing cost. Freight cost, prices of raw materials and packaging also saw a significant increase. The company has cautiously chosen to pass on the increased cost in a phased manner with some lags hoping for commodity prices to settle over the next few months.

At the same time the company continues to invest in advertising and brand building for the long-term. Advertising and sales promotion expenses of the consumer products division were about 6.5% of the consumer product revenues. The division earned an EBITDA of INR 94.2 Crores before exceptional items corresponding to an EBITDA margin of 16.4% compared to an EBITDA margin of 12.9% during FY2021 which had suffered the crippling impact of total lockdowns during the first wave of COVID-19.

Moving on to the scientific products division; net sales during FY2022 were approximately INR 267 Crores, a growth of 33.4% over the previous year. For the quarter ended March 2022, scientific products recorded a

sale of INR 82.6 Crores, a growth of 25% over the same period last year. During FY2022 the lab glassware products crossed the Rs. 150 Crores mark to register net sales of INR 156 Crores, a growth of 23.4% over FY2021. The company has embarked on a strategy to add new avenues of growth to supplement the domestic lab glassware by foraying into the export market for lab glassware and introducing a range of lab instrumentation in India.

Both these initiatives are beginning to contribute towards building a healthy topline to the scientific business. They now contribute to over 20% of the sales of the scientific business, without Klasspack.

During FY2022 lab instrumentation under the brand LabQuest achieved sales of INR 21.3 Crores achieveing a growth of 33.6%. Borosil Technologies, a 100% subsidiary of Borosil Limited, is developing a range of bench top instruments and building a meaningful line of business for the company by carving out share in the market dominated by imports. Most of the LabQuest customers are existing customers of Borosil Lab Glassware products. The company is now developing products to focus on the sub-segments of environment, water, nutrition, and process sciences.

The company has been building exports of Lab Glassware as an additional vector. The company has now started distributorship in a number of countries in Asia, Africa, and North America. Besides, it has also developed OEM customers which could provide a steady demand. During FY2022 exports grew by 31% over FY2021.

Coming to the Pharma packaging business of glass vials and ampoules under Klasspack. That business has achieved net sales of INR 89.5 Crores i.e., a stellar growth of 55% over the previous year. It caters to packaging for injectable formulations, ophthalmic and dental products, and sample carrier for analytical instruments. It provides Borosil's pharmaceutical

customers a second credible alternative for their packaging needs. The production facility and output has passed stringent audits by its customers. Once on-boarded, this proves to be a significant entry barrier to competition. Klasspack is exploring new opportunities in pre-filled syringes, cartridges and siliconized vials. In addition, the company sees an opportunity to export, particularly to markets in Asia and Europe.

Put together during FY2022 the scientific products division earned an EBITDA of INR 60.4 Crores, i.e., a growth of 37.3% over FY2021. The EBITDA margin was 22.6% that is before exceptional items as compared to 22% in the previous year.

At a consolidated level the company recorded an EBITDA without exceptional items of INR 168.2 Crores, i.e., a growth of 63.7% over FY2021. The EBITDA margin before exceptional items as a percentage of net sales was 20%. Profit before tax and exceptional items during FY2022 stood at INR 133.2 Crores, a growth of 105% over the previous year.

The company's financial result for FY22 includes costs towards exceptional items of INR 11.2 Cr. We have provided for loss incurred on account of a fire at our warehouse in Bharuch on April 01, 2021 for INR 6.4 Cr. We believe most of this will also be settled by the insurance company upon completion of their due process. The actual loss on account of water logging at the warehouse in Bhiwandi is INR 0.1 Cr. The Company had purchased residential flats for its guest house requirement in a residential project at Mumbai. The developer is under insolvency proceeding due to financial difficulties and inordinate delay and as such the Company cannot ascertain the timelines for project completion or recovery of advances. The Company has provided for INR 4.1 Cr on such property. The Company has another property situated in Uttarakhand for which the Company has carried out impairment testing and accordingly made a provision of INR 0.6 Cr. The company reported a Profit after Tax of INR 85.2 Crores in FY22.

As of March 31, 2022 the company had Net Cash of about INR 235 Crores. In line with our treasury policy all incremental funds are invested in high credit quality secured debt instruments. This comprises about 80% of our cash surplus. The Company has been liquidating the legacy investments in Real Estate funds. The overall Real Estate funds exposure now stands at about only 10% of the total Investments. The surplus cash will be utilized for the on-going expansion projects for the consumer and the scientific businesses.

The Operating Capital employed in the business on a consolidated basis as on Mar 31, 2022 was INR 511 crore. It earned an operating EBIT of INR 120.7 crore, translating into an operating ROCE of 23.6% for FY22 as compared to 14% for FY21. The working capital employed for the consumer business was INR 92.7 Cr which is 59 days of sales and the operating capital employed was 297.8 Cr. The operational ROCE for the consumer business was 24% for FY22 as compared to 11.7% for FY21. The working capital employed for the Scientific business was INR 79.2 Cr which is 108 days of sales and the operating capital employed was 213.2 Cr. The operational ROCE for the Scientific business was 23% for FY22 as compared to 16.9% for FY21.

With the company experiencing robust growth across several business lines, it has decided to implement a number of projects to expand capacities. Work is well under way in some of the projects. There may be some minor delays owing to international supply chain issues that are outside our sphere of influence. The surge in steel and energy prices may also lead to some cost overruns. The expansion in Larah's capacity at its Jaipur plant from 42 TPD to 84 TPD is expected to commence production by the end of Q2FY23. The new Borosilicate pressware facility of 25 TPD in Jaipur could commence production by the end of the financial year 2022-23. The total capital outlay for these projects will be more than INR 250 crore.

In the Scientific Products division, the company has plans to create capacity in glass tubing due to uncertainty in global supply chain as well as increased cost. In addition, it also plans to increase its capacity in pharma packaging under Klasspack to 500 million vials and 700 million ampoules per annum. The capital outlay for these two projects is estimated to be about INR 170 crore.

During the last quarter we had informed investors that the company's board has approved a proposal to restructure the businesses of the company into two separate listed entities via a Composite Scheme of Arrangement.

The scheme envisages demerging the Scientific Business of Borosil Limited into Klasspack Ltd. Borosil Technologies Ltd, which is a 100% subsidiary of Borosil Limited (under which the Labquest range of products are developed) will also get merged with Klasspack. Thus Klasspack will house the entire Scientific Business including its existing pharma packaging business. It is proposed to rename the company to Borosil Scientific Limited and list it on the BSE and NSE. Upon the implementation of the Scheme, Borosil Limited will house the Consumer Businesses of glassware, non-glassware and opalware.

The implementation of the Scheme is subject to the approval of various authorities including the Stock Exchanges, SEBI and NCLT and approval of stakeholders including shareholders and creditors. Many of the steps involved have to move in series. We anticipate that the entire process can be completed by Q4FY23. However, we are cognizant of the fact that some of the timelines are outside our control and hence this time estimate can only be indicative and the actual time taken could be longer.

As a responsible corporate citizen, the company has commenced a transformational journey to address key ESG issues pertaining to its context. During FY23 it will define quantifiable targets for environment, social and governance initiatives being taken. These will focus on carbon, water and waste management towards a greener planet, a safe workplace, an equal opportunity employer and resilient communities towards social equity and high ethical standards, risk management and IT infrastructure towards robust governance.

We remain optimistic about continuing to achieve sales growth, healthier margins and improving ROCE in the medium to long term. The recent impact of Covid notwithstanding, the consumer business is supported by tailwinds and Borosil will participate in a growing market. The Scientific Business is expected to see steady growth in lab glassware with lab instrumentation and pharma packaging providing a fillip to its growth trajectory.

Thank you for your patience and now I would like to throw the floor open to the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question is from the line of Mr. Chetan Kanodia from Alpha Accurate. Please go ahead.

Chetan Kanodia: Congratulations for a good set of results. I wanted to understand on the Opalware segment, we have excellent growth this year and we have reached the revenue of almost Rs.220 Crores now. What is our peak revenue potential from current capacity, what kind of capex are we looking for this category over one or two years and more in general about how are we trying to gain market share in the category, just on these lines?

Shreevar Kheruka: As far as revenue potential from the current capacity is concerned, I think we have already reached it. We have achieved Rs.220 Crores. If you look at my previous communications, this is the maximum revenue from this plant capacity. There may be some price related variation to total value which you can add to that, but in principle this is the maximum revenue. As I have already announced earlier we have gone for a new furnace which is doubling the capacity and therefore that should theoretically double the optic revenue potential. That is going to be commissioned by September of 2022 or maybe earlier. The capex outlay for that is about INR 175 Crores.

Chetan Kanodia: Okay, and how are you looking at category growth given that we are also adding capacity and your competitors are also adding capacity from this year itself. Can we see increased price competition in the market or how do you see the growth for the next two years for the category?

Shreevar Kheruka: I do not see too much price competition frankly. The reason I am saying that is there has been a substantial inflation in all the costs and this is not for us, for all the players and again this not is just for India, this is global. Therefore, price competition I do not see much. We will see increase in

the demand. The way to do that is when we have more production capacity we can sell them with new shapes and sizes, with new combinations etc. There is a large market which is untapped moving from Bone-China and melamine to Opal. So far we did not have capacity to really offer shapes and sizes that those categories have. With more capacity we can start offering those. I believe that in two to three years we should have a higher level of capacity utilization with the new shape, sizes. One more point is that we are spending a lot of money on advertising and sales promotion. That should also contribute to growing the market and our share. As I mentioned, when we acquired this business six years ago the turnover was roughly INR 45 Crores. We are now at INR 220 Crores. We have done a fair job of being able to expand our offering and penetration into the market.

Chetan Kanodia: Okay, just lastly, I wanted to understand what are our margins specifically in Opalware excluding ad spend if you can point out anything any direction?

Shreevar Kheruka: Actually, at the moment we do not share those numbers individually and we are considering whether to do this or not but at the moment we would not like to share any numbers. We have given you console numbers already for consumer business.

Chetan Kanodia: Okay, thank you so much, Sir and all the best.

Moderator: Thank you. We have the next question from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: Congratulations for good set of numbers in FY2022. Sir, my question is in line with the previous participant, just wanted to understand the Opalware industry in India, how big is the market size for domestic plus exports for us?

Shreevar Kheruka: These numbers are shared on the PPT which estimates the market size. Now, those numbers are for Opalware industry separately. However, in my view the market is not merely for Opalware. That is how we look that it as Borosil. We look that it as a Dinnerware or the serving ware markets. That is our market opportunity, and that market opportunity could be INR 5000 Crores. There is a lot of unorganized players as well in that segment. So, Opal itself may be closer to INR 1000 Crores but there is a huge organized and unorganized segment in Dinnerware across categories such as melamine, such as steel, such as bone china which are all target segments for the Opal business.

Keval Ashar: Got it sir, and from the current revenues how much percentage will be exports in Opal or it is totally domestic market?

Shreevar Kheruka: Frankly, there is a large opportunity for us to export especially the China plus one phenomenon, but the pricing is quite low. We restrict our exports so that we can satisfy the needs of the domestic market. Opportunity is one thing and what we are doing is another. So, the opportunity right now of exports could be as high as INR 100 Crores plus but we are restricting our exports because there is huge demand in the local market. We have a longer-term here in the local market than exporting our brand overseas.

Keval Ashar: got it sir, and my last question is that just wanted to understand your vision over the last five years you have transformed the company from a single product company to a multi-product company, from a single brand company to a multi-brand consumer and scientific company. What is your vision for the next five years and where are we heading towards for the consumer segment?

Shreevar Kheruka: I just want to state that while the transformation happened, we were not intended to transform the company from single product to multi-product.

The intension was to be close to the customer and the idea even in the next five years is to be close to the customer. Now, whatever the customer demands we will do., whatever consumer need provides a business opportunity we will do that. We are looking to our customers every day and as we listen to our customers, we will evolve our strategy going forward. What new product launches, what new manufacturing all of that is maybe dependent on what we hear. At the moment I can tell you our plan is to do more of what we are doing which is growing our each of our business sub-segments in glassware, non-glassware and opalware offering products for storage, preparing, cooking, heating and serving. These are areas where we see substantial opportunities. Frankly INR 570 Crores odd which is our consumer business is a very, very small business for a consumer business firm in the Indian context. I feel there is enough room to grow here but I do not want to put some grandiose vision because frankly I do not have any.

Keval Ashar: Got it, and since you are now aggressive on topline as you said, are you coming to backward integrate as a practice or going to trading as of now?

Shreevar Kheruka: For the moment I think the trading model works very well. Frankly I do not think we have the volumes to backward integrate at the moment. So, I think it will take some time for us to build out that business. While we have started the journey quite well, long way to go in building revenues and volumes before, we start backward integrating.

Keval Ashar: Sure, thanks a lot and all the best for the coming years.

Moderator: Thank you. We have the next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Just two questions from my side, on the consumer business if I look at the fourth quarter then the growth has been almost flat kind of a growth

compared to last year fourth quarter. What is the reason for that that is because of your capacity utilization is in peak, right?

Shreevar Kheruka: I would not call 16% odd flat, frankly.

Rajesh Kothari: No, I am talking about Opalware, sir?

Shreevar Kheruka: Opalware we have no unutilized capacity yet.

Rajesh Kothari: No, capacity and you mentioned that for Opalware you are putting up a capacity of INR 175 Crores is that correct?

Shreevar Kheruka: That is right.

Rajesh Kothari: Okay, and what is the strategy for non-glassware?

Shreevar Kheruka: As I mentioned to the earlier individual, we are a very small player in non-glassware. We have seen lot of traction in the market for our brand and our quality is well appreciated. In the long run for sure we would need to backward integrate but I think that is still two- three years away because we need to build much more volume before we start talking about backward integration.

Rajesh Kothari: Correct, basically non-glassware particular segment do you think that in this segment because our size currently is too small and probably it may require significant brand investment or maybe some different strategy whereby probably you may have to compromise on the profitability because it is still about INR 200 Crores kind of a revenue size. So, what is the company's strategy over here, whether for example you will be happy even with 5% margin make to INR 500 to 1,000 Crores because you need to make lot of investments to make it build from here on, on a small base it is probably little bit easy journey but as you move from INR 200 Crores to INR 500 Crores and then to INR 1000 Crores the journey becomes quite

difficult and if I look at many other players like for example Polycab and they moved into FMCG and many such companies the margins initially till you reach INR 1000 Crores plus are very low single digit kind of a margins. So, I am saying from that perspective how one should look at these digits?

Shreevar Kheruka: The focus has never been on short-term margins for us. In any business the focus has been doing the right thing and growing topline of the business. I think we are intelligent enough, once we have a certain scale to make the margins happen. When you talk about margins, one way to look at look at the non-manufactured part of our business is more on a ROCE perspective rather than an absolute operating margin perspective. If I am making 5% margin every month and I rotate my capital twelve times, then I am making 60% on our capital employed. So, the question is that I am not overly focused on the margin on that business but more on the return on capital that we employ. Obviously, the margin becomes very important when we put in a lot of capex. It happens in the glassware business and Opal glass business there we put in substantial capex where the operating margins are very much higher to justify the capex that we spend. So, on the non-manufactured part of our business which is again the non-glassware, there I think margins will be lower compared to the glassware and Opal glassware business. If you look at it from a return on the capital employed perspective, it is not that far off from the other two businesses which is okay for us. We obviously look for areas for margin expansion going forward as we pick up scale but it is too early to say.

Rajesh Kothari: What will be the reason for, if I look at your overall consumer ware business margins moved up from 12.5% to 16.5%, what is your key drivers for that, number one, and number two; how one should look at the margins in this business overall, over next two – three – four years?

Shreevar Kheruka: As far as we are fully utilized now in terms of our Lurah business, that has also made a contribution to margin expansion of the consumer business. The second thing is what I talked about – in the short run going forward, I think there maybe a little bit of stagnancy in the margins because of the capex that we are implementing. As it comes on stream, it will not be fully utilized and therefore you will have high inventories, you will maybe have to discount the products just a little bit or spend more on advertising either of the two or maybe both. So, I would say the next year through the advertisement because there is huge inflation happening at the moment it takes time to pass it on to the customer. So, in the short run I would say in the next twelve to eighteen months there may be some pressure or stagnancy on the margins but if we are doing our job right then probably in two to three years which is I get is your question the margins should significantly expand from the 16% hopefully to approximately 20%.

Rajesh Kothari: Is it, okay so you are saying basically as the utilizing still comes full on stream the expansion in margins, I am saying from this third-year perspective you should. So, what is the reason the key trigger for that expansion in margin that is what I am trying to understand in three-year plan I not talking that?

Shreevar Kheruka: Capacity utilization.

Rajesh Kothari: No, but currently also we are fully utilized, right? If fully utilized in say for example, we are reaching say about 16% let us assume that in new capacity which also become fully utilized?

Shreevar Kheruka: No, the economy of scale also comes in., Today when you have INR 570 Crores many parts of our capacity are fully utilized. With the new capacity our turnover will jump to INR 1000 Crores. So many cost will get the advantage of this INR 1000 crore scale - for example advertising sales

promotion, operating leverage on man power cost, and our own ability to negotiate with suppliers will all add to our margins which should bring us over that 20%.

Rajesh Kothari: Perfect, you are right. Great, thank you sir, I will come back in queue.

Moderator: Thank you. We have the next question from the line of Rahul from Monarch Network. Please go ahead.

Rahul: Congratulations on good set of numbers. Just couple of quick questions, wanted to understand that are we having any capacity issues for Opal, or have we lost out in sales because of capacity issues, and do you see that the happening for the next couple of quarters?

Shreevar Kheruka: Both the questions answer is, yes. We are losing out on sales because of the capacity issues, and this will be so till the new capacity comes on stream. So, unfortunately that fact is there.

Rahul: Okay, and just wanted to check what kind of pricing action have taken in the consumer segment in terms what kind of price hike?

Shreevar Kheruka: In terms of price hikes have been 10% and some products even as high as 15% - 16%, I am talking about consolidated price hike say from February onwards.

Rahul: All right, and you think that will be enough for now or do you see commodity price increases will still continue sir?

Shreevar Kheruka: I do not know what will happen to commodity prices frankly. At the moment whatever we pick in is good enough for time being, but this craziness is happening in the world at the moment. So, nobody knows what is going to happen tomorrow and therefore our teams are fully aligned as soon as any prices go up definitely that there is a

communication line within our team to immediately pass the information on to the product management and the sales and marketing team to take appropriate price increases, but it is an extremely dynamic situation, and it is quite a taxing issue.

Rahul: Sure, sir. Thank you so much and all the best.

Moderator: Thank you. We have the next question from the line of Madhav Vijay from Team Financial. Please go ahead.

Manav Vijay: Thank you very much, sir. Sir, couple of questions from my side, first of all if I look at Q4 PPT you have increased the lab instrumentation market size to INR 570 Crores from Q3 where you had mentioned INR 200 Crores. So, is export the main reason why you have increased the market size or because you are introducing new products?

Shreevar Kheruka: It would be the later, because introducing new products and also with the market size as I have already mentioned in the foot note these are internal estimates. So, we reserve the right to be wrong and I think we were wrong on the market size. Plus, the new products all put together we see the opportunities going up.

Manav Vijay: Okay, and you have also mentioned couple of times in the past that you are looking to have around 8 to 10% of this market size, now with this little correction in the market size estimate that 8 to 10% with the total time frame still remains though?

Shreevar Kheruka: I am sorry; I do not remember 10% or maybe I have. so, yes effectively I think that is not too challenging for us as we talk today and spending all this management time on that area. We should at least hit it the INR 50 Crores number in that period that should be the target.

Manav Vijay: Okay, my second question would be regarding the entire capex that you have lined up or I would say you have added that over last three – four quarters of approximately now INR 450 Crores aggregating. So, between now and I would say Q1 FY2024 this entire capex gets online, I believe that in FY2022 you spent roughly INR 80 to INR 90 Crores so far and approximately INR 350 Crores or INR 360 Crores still is what you will spend in FY2023, is that assumption more or less correct?

Shreevar Kheruka: Your information is correct, you have done some good math here, your assumption and your estimations are more or less correct. The caveat I would like to say is that we would like to spend the money faster but because of supply chain bottle necks we are not able to spend the money because the suppliers are delaying their dispatches to us. I believe we would absolutely like to spend this money which you just mentioned but my fear is that right now everything is running a bit behind schedule.

Manav Vijay: Okay, which basically might be to the next question is that now considering the way the prices have moved up for almost everything in last three – four – five months, this INR 450 Crores still stays though and if not then 10 – 15% kind of a price hike is possible?

Shreevar Kheruka: You have such a good point. Now luckily for us we did many of our ordering at INR 450 Crores, but a lot of it we did 5 to 6 months before the price hike. So there is a slight increase in parts ordered. For the part that is not yet ordered, there definitely will be a price hike and that price hike maybe in the range of 15% I would say, but frankly that is a smaller portion of the spend overall. Consolidated, the overall capex cost increase will be in the range of about 5 to 7 to 9%. Fortunately, it will be limited as we were able to place a lot of the orders before this.

Manav Vijay: Sure, got it. My third question would be, in your balance sheet there two things that I could not understand; one is under your current assets there

is an INR 61.4 Crores of assets held for sale which last year was zero, so what is this for?

Shreevar Kheruka: They are mainly put there with an idea to be transferred as we would like to be capital efficient. There are three assets which are now transferred to held for sales, one is our own office in BKC which is a chunk. The return on capital is quite low because the rental yield we get is less than 10% but our return on capital targets are much more than 10%. Second is one of the plants in Tarapur which is also something that we are considering what to do with. The third is our plant in Chennai.

Manav Vijay: So, you intend to put them on the block?

Shreevar Kheruka: Yes, that is correct.

Manav Vijay: Okay, and this capital in turn will get deployed back in the business for a higher ROCE?

Shreevar Kheruka: Yes, that is the thinking.

Manav Vijay: Okay, that is very helpful. My last question to you would be similarly under your non-current assets there is an INR 42 Crores increase that we see, are these the advances paid to the suppliers or something else?

Shreevar Kheruka: Yes, that is correct and it is the advance paid to the suppliers for the capital expenditures.

Manav Vijay: Okay, last question tax rate for FY2023?

Shreevar Kheruka: I think we have now opted for the new tax regime; we have the option to do that, and we have done that this year. So, I think it is 20% plus surcharge and the total should be 25%

Manav Vijay: Okay, thank you. All the best.

Moderator: Thank you. We have the next question from the line of Ambrish K, who is an individual Investor. Please go ahead.

Ambrish K: Thank you for the opportunity and congratulations on another good year. Thanks also for these additional disclosures on the data that is quite helpful going forward. Two questions, first on the consumer business, on the non-glassware you talked a little bit about the business, is it possible to consider going forward to perhaps click out the appliances from the hydra and steel because just to understand the drivers of this business a little better?

Shreevar Kheruka: We will be requiring time and the company will consider, I am just a little hesitant to do everything at once because I want to make sure I am doing the right thing in terms of sharing data and what is competition sensitive to share. In the next twelve months probably we will have to be very clear what we do share and what we want, so hopefully that your question should be answered.

Ambrish K: Okay, thank you. Second is on the lab instrumentation, I do not want to get too excited, but it is a big jump up, percentage wise still we will have to overall annual number but roughly INR 8 Crores is something that is working which is like one off, do you think we have to see some more?

Shreevar Kheruka: No, it is not one off for sure. We got some good orders there is no doubt about it, but I am little cautious to start jumping from the balcony yet. We need to work much more and there is a lot of opportunity. So, these are things that will take time, this is not like our consumer new categories we launch and we know within three months whether it is successful or not. In the case of lab where you are selling to R&D and selling to pharma companies the response is much more measured, much slower so, it takes its time and one mistake can also set you back by six months. This is a business which is working well and if we execute well I think we have a

really sizeable opportunity, margin and return on capital. Everything ticks all the boxes.

Ambrish K: Sure, thank you. All the best.

Moderator: Thank you. We have the next question from the line of Mr. Rajesh Kothari from Alfa Equity Advisors. Please go ahead.

Rajesh Kothari: Thank you for providing the opportunity again. Sir, my question is since you plan to list both companies separately in terms of the management structure can you through some light on that?

Shreevar Kheruka: Frankly, the companies already operate as two separate entities. The management of the scientific business and the consumer division are entirely separated. There are very few shared services which will continue as shared services even post the scheme implementation. Probably one company will charge the other for some legal, corporate secretarial and IT staff services. The volume of work does not justify separate teams. The SAP is fairly integrated so there would be some shared functions which would continue. As far as the plants are concerned and the sales are concerned, the marketing is concerned, the new product development is concerned all is completely separated already so, I do not envisage a major change in the management structure.

Rajesh Kothari: Okay, and you required Hold co kind of level and then you were to see reporting to you or you would have the part of one company from where you are joining?

Shreevar Kheruka: I will be in one of the companies and on the boards of both. There will be business heads which already are in place who will report into me. We will have to decide on designations at the appropriate time after the scheme

is approved by the relevant authorities. In principle I do not see any major change in the management structure in practical terms.

Rajesh Kothari: Thank you.

Moderator: Thank you. We have the next question from the line of Arun Maruti, who is an individual investor. Please go ahead.

Arun Maruti: Thanks for the opportunity. Under your management we have some belief that we are going to make money and my question is with regard to Larah that in our information memorandum published in 2020 we wrote that by doing some small investment of around INR 15 Crores we can enhance the capacity by 20%, so what your view on that?

Shreevar Kheruka: Actually, we did that already and if you go back in the past I was always maintaining that as total sales we could achieve from the current business was INR 180 Crores and now we are actually doing INR 220 Crores, so roughly we expanded our capacity already, with some de-bottle necking. Now we really have to step jump.

Arun Maruti: Okay, and my next question is with regards to ECD segment that recently we have launched oil-based filter for the winter season. I would like to know your views for the ECD segment whether we are planning to move that segment in a bigger way or what is our view?

Shreevar Kheruka: Arun, quite frankly I am the wrong person to answer this question because product development and what we launch they are fully empowered to do what they like, and they will be experimenting a lot. Our product management team and our marketing team they keep experimenting with new products, some things will work and some things do not, now specifically I do not have that background on this although for they know we launched zero FR, oil filled radiators but what is the plan

for the future on trial and with respective products which are close to that I frankly do not know, I will have to talk to my team and come back to you.

Arun Maruti: Okay, thanks.

Moderator: Thank you. We have the next question is from the line of Amit Agarwal from Burman Capital. Please go ahead.

Amit Agarwal: Thank you for taking my questions. First is on the capex that we are doing in glassware, what in terms of margins benefit that we will get from this capex?

Shreevar Kheruka: It is hard to predict again there is a play between margins and increase in the market, so the question is that initially our goal will be to increase the market size and even if we have to, so obviously anything we manufacture should be a much higher margin than what we are currently achieving. On the flip side we may choose to forgo the margin and in the shorter run in order to achieve higher penetration of glassware in the market and get customers to switch away from plastic and steel. These questions will be answered closer to the time we manufacture the product but in principle if you have to sell at the current price and with the cost of production that we anticipate the margin would jump in double digit.

Amit Agarwal: So, improvement of more than 1000 BPS?

Shreevar Kheruka: It is a very theoretical point. I am saying because it depends again on increasing market penetration to move towards full capacity utilization., It is a theoretical calculation but practically what will happen is it will be somewhere between zero percent and 10% in my view.

Amit Agarwal: Got it, and second is around the de-merger, so post de-merger one would there be any RPT's between scientific ware and consumer ware entities

and second is since there will be two separate entities will there be increased cost or fixed cost of split corporate overheads or compliance related over heads, if you can answer both of those cases?

Shreevar Kheruka: RPTs as I have already mentioned, there will be shared services and the idea for the shared services is exactly the second question you asked about not increasing the fixed cost. So, in order not to increase the fixed cost we will have shared services and those shared services will therefore have to have RPTs associated with them, but in the RPTs within two listed entities.

Amit Agarwal: Got it, and Shreevar will there be for example we have a plant in Gujarat which also makes consumer ware product, right if my understanding is correct, so would that continue?

Shreevar Kheruka: That will continue although that is a small percentage of both overall sales but that will continue.

Amit Agarwal: Got it, and if I can squeeze in last question on the non-glass consumer ware, you mentioned you have taken price hike of more than 10% and year-on-year revenue growth has been around 16%, if you can give some color in terms of what is the volume growth in this segment?

Shreevar Kheruka: Price hike by the way were not taken on the whole quarter from January 1st, the price hike we started taking that was actually speaking you have inventory with old pricing etc. that way we have seen price hike play out only in the March-April. Now, coming to volume growth I do not have the data it is also little bit complicated because there are so many thousands of SKUs it is not like a commodity company or other FMCG companies where you have a huge sale of some SKUs so they can easily calculate the volume growth. For us there are many SKUs selling in low quantities and therefore when go on quarter-on-quarter reporting the volume growth

becomes a bit challenging. Larah for sure the challenge of volume growth was there. It was flattish because of the non-availability of product for which I have already mentioned that we are sold out on capacity but on the glassware of Borosil branded and non-glassware we saw more than 15% growth – that is not accurate but a very broad estimate.

Amit Agarwal: Okay, got it. Thank you.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments.

Shreevar Kheruka: Thank you all. In a challenging year, started with some challenges and ended with other kind of challenges. I think these challenges continuing in terms of the cost pressures in this quarter and the uncertainty globally is high, there is no doubt about that. But I would say one thing what we have achieved well as a team is that we have been a lot resilient and a lot of decisions are made very quickly because everyone knows that the external environment is changing rapidly so we have to change rapidly. So, I think there is some good stuff also that has come out of these crises. We are very bullish on the business on both consumer as well as scientific and nothing has changed from a longer-term point of view. In the short-term there may be some hiccups, but we can go through that. We would like to thank all of you for participating, for your support and as somebody said I hope we can all make good progress and growth together. Thank you and see you next quarter.

Moderator: Thank you, Sir. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.