“Borosil Limited Q4 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Borosil Limited Conference Call hosted by Edelweiss Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you Sir!

Praveen Sahay: Thank you Aisha. Good morning everybody. Thank you for joining the earnings and the prelisting call of Borosil Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of Borosil Limited to discuss the results and outlook for the year ahead. We have with us Mr. Shreevar Kheruka, Managing Director & CEO, Mr. Rajesh Kumar Chaudhary, Whole Time Director, Mr. Anand Sultania, Chief Financial Officer, 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, thank you all for joining this call. It has been a few months since the last call and there have been substantial upheavals in the world, in the interim. So, the opening remarks will be slightly longer than normal. We have been working from home since 24th March 2020. Unfortunately Mumbai has been one of the most impacted cities by the Coronavirus. We have not yet reopened our head office in Mumbai and we will take a call on partial or full reopening by the end of this month.

Borosil's board met on 13th July 2020 and approved the financial results for the quarter and year ended 31st March 2020. Our results and an updated presentation have been uploaded on the company's website.

One of the key developments that has happened since we interacted over the last call has been the implementation of the composite scheme of amalgamation and arrangement. As most of you are aware, the scientific and industrial products division (SIP) and the consumer product division (CPD) of the erstwhile Borosil Glass Works Limited have got demerged into Borosil Limited that is the erstwhile, Hopewell Tableware Limited.

In addition, the business of Vyline Glass Works Limited which was an exclusive vendor to Borosil, has also got demerged into Borosil Limited. Borosil Technologies which develops and markets lab instrumentation is a 100% subsidiary of Borosil Limited and Klasspack Limited is an 80% subsidiary of Borosil.

To summarize the consolidated business of the company would now comprise consumer products business that is primarily in microwavable and vision glass products which have been the core of the company for many years and the other new product categories which comprises storage, kitchen appliances and Opalware products. Everything except Opalware is under the brand name Borosil whereas Opalware products are under the brand Larah. This makes up the consumer products business. The Lab business comprises Lab Glassware,, Lab instrumentation under the brand Labquest and the pharma packaging business under Klasspack. and These three subdivisions make up the SIP division. With Vyline having now merged into the company we have eliminated the related party transaction with Vyline as a manufacturing arm and exclusive supplier to the company.

With the demerger, the solar business has been segregated and will not be consolidated into the results of Borosil any longer. Borosil Limited does not own any equity or preference capital in Borosil Renewables Limited. We are aware that the listing of the shares of Borosil Limited has been delayed. Our apologies for any inconvenience on this account. Unfortunately it is completely beyond the control of the company. As part of the process, the company was ready with mailing physical share certificates to shareholders who continue to hold shares in physical form. This was meant to happen and the lockdown was imposed shortly thereafter.

Once the lockdown was imposed the post offices would not accept any mailings in such volumes and they were willing to accept dispatches of the certificates only after almost 45 to 60 days of lockdown being through. So, we completed this as soon as it was possible to do so, and now we have got in-principal approval for listing of Borosil Limited shares on both NSE and BSE. The company also received the letter from SEBI granting relaxation from applicability of rule 19(2)(b) of the Securities Contract (Regulations) Rules, 1957. The company thus anticipates that listing and trading can commence by around the third week of July 2020. So, our expectation is that the shares should be listed sometime next week. The issued share capital of the company comprises 11.41 Crores equity shares of face value of Re.1 each. The shareholding of the promoter family is 70.5%.

The big discontinuity that has impacted everyone around the world is the spread of the Covid-19 pandemic and responses from various governments, businesses and individuals. India imposed one of the most stringent lockdowns which we have naturally complied with. Our head office, as already mentioned, has been closed since 24th March 2020, our factory at Jaipur which manufactures the Larah range of products had taken a planned shutdown for a rebuild of its furnace at the end of February 2020 and was expected to get fired; when I say fired, I mean the furnace was expected to start operations just when the lockdown was announced.

As we had built enough inventory prior to the shutdown for rebuild we have adequate supplies of the product and we have delayed the starting of the furnace till a further date. The plants at Bharuch and Tarapur which manufacture Lab glassware and vision glasses and some of the storage range, remained shut between 25th March 2020 and 5th May 2020. The Borosil Technologies plant at Pune remained close from 24th March 2020 to 10th May 2020. As Klasspack supplies essential primary packaging material to the pharma industry, it was classified as essential and the plant had to remain closed only for a limited period for about a week from 22nd March to 27th March 2020.

Office work is being conducted smoothly as arrangements were made for the team to function from home. We have constituted a steering committee to oversee various functions of the company to ensure compliances, to ensure safety as well as to respond appropriately to the evolving situation. All our plants and warehouses are now functioning. Our estimate is that by now 70% to 80% of our distributors and 60% to 70% of our retailers have restarted operations.

Labor and transportation availability are yet to come back fully, but are adequate for the current less than optimal level of operations. So, having spoken about the scheme of amalgamation as well as the impact of COVID on our company, let me now briefly touch upon the operating performance for the last year.

While discussing the operations, I will be referring to the like-to-like numbers for the consolidated entity Borosil Limited post implementation of the scheme. This is to facilitate a better understanding of the business performance.

Net sales during FY2020 were approximately Rs.636 Crores, CPD, the consumer products division, achieved sales of Rs.434 Crores which contributed to about 68% of the consolidated revenues and SIP recorded 202 Crores making up the balance 32% of sales.

Operating EBITDA to net sales during FY2020 was 13.5%. The company achieved a PBT of Rs.43.58 Crores and a PAT of Rs.35.32 Crores. The PBT is about 7% of net sales and PAT is about 5.5%.

During FY2020 the company generated operating cash flow of close to Rs. 50 Crores. The net cash position of the company was Rs. 75 Crores as of 31st March.

Since businesses across the country suffered a large impact during the month of March on account of Covid related lockdowns, growth numbers for the entire year FY2020 over FY2019 are not comparable. This is specifically true for our scientific products division where March constitutes a very large proportion of sales and the lockdown severely impacted the sales of that division.

So, comparisons for the cumulative 11-month period from April 2019 to Feburary 2020 over April 2018 to February 2019 are more relevant. I should clarify that while I will share these growth numbers, while they are correct, they are not audited.

So, during the 11-month FY2020 period the company's net sales grew by 19.6% with a 27% growth in consumer productions division and a 6% growth in scientific products division. The month of March adversely impacted the growth numbers for the year.

I would like to now share a few details of the key product segments in each of our divisions. In the consumer product division, the traditional business comprises the microwaveable and vision glass products. As you know, over the last few years Borosil has added new lines of business in order to service a much wider range of its consumers' needs and address a much larger market.

The focus has been to become an everyday use brand. Microwaveable and visions glasses, that is to say the erstwhile only two categories of the company, now compromise only about 25% of the consumer product business sales. This has been a key strategic shift that Borosil has achieved over the last few years with the launch of new product lines, as well as the acquisition of the Larah range. During the 11-month period, the microwaveable and vision glass product grew moderately in value.

In storage, we see an opportunity in driving a shift in consumer preferences away from plastics. This includes cabinet storage in the kitchen, as well as To-Go storage in the form of glass lunch boxes, hot and fresh lunch boxes, vacuum insulated stainless-steel flasks etc. During the 11-month FY2020 period the storage range also grew moderately in value.

In the medium to long-term, the trend to move away from plastics should gather momentum although now we are seeing a lot of competitors also enter this space. We also anticipate a behavioral shift post COVID, towards consumers carrying their own food and drink to work and reducing dependence on ordering at the cafeteria or getting meals delivered. This will definitely give a boost to the To-Go or Carry-on storage products.

Borosil's range of domestic appliances including mixer-grinders, sandwich toasters, electric kettles, oven toaster grills have received a very good response. The brand participates at the premium end of the market in high quality products. During the last year this range of products grew substantially in value.

Borosil aims to carve itself a niche in premium kitchen appliances with the likely increase in in-home cooking in the post COVID world, the market for kitchen appliances is likely to expand faster giving Borosil an opportunity to participate in its growth.

Larah Opal Serving Ware has established itself as the strong number two in the markets. While we do not have access to syndicated market share measurements in our category, our rates of growth over past two to three years suggest a gain in market share.

Having said that, our primary focus as a company, is to expand the size of the Opal market rather than just gain market share. Opalware as we have shared in the past, is an intrinsically superior product to alternative categories like Bone China, steel, melamine and plastic without being correspondingly more expensive. We expect consumers to continue to shift to Opal ware for their daily serving needs.

Larah in the 11-month FY2020 period grew approximately 5% in value. The low growth in Larah compared to other consumer products was mainly because of a large one-time order which we received in FY2019 that was not repeated in FY2020. Taking this order out, the growth in Larah was more or less similar to the growth that we experienced in the consumer products division, in the Borosil branded products.

The company's near-term focus is to expand its franchise with reasonable margins. We have a bias for growth. As a consumer brands focused company, Borosil intends to continue to invest in and build the equity of its brands. A&SP expenses during the last year was 6.3% of net sales. As consumers continue to increase consumption of digital and social media; the company has begun to skew its marketing spend towards digital marketing.

While Borosil continues to be very strong in glass products for kitchenware, storage and serving ware, the brand equity and franchise is no longer restricted to glass. With the successful extension into other ranges such as hydra which is stainless steel flask for on the go liquid storage, domestic kitchen appliances and steel serve fresh, the share of high quality non-glass products is now close to 40% of the total sale of consumer products.

The company has a multichannel go to market strategy. Traditionally, it was a general trade dominated distribution with a reach of about 14000 retail outlets. It remains the largest channel for us. The company aims to extend its reach by about 1000 to 1200 outlets a year over the next few years. Over the last few years, other channels have also gained prominence due to sizable business from modern trade, institutional sales, CSD and ecommerce.

As you might expect ecommerce has been showing very strong growth. Apart from selling from market places, the company's own website myborosil.com has been designed for easy navigation even for first time online shoppers. There has been a surge in first time online shoppers in the country in the wake of COVID. The trend is likely to gain momentum as consumers tend to reduce shopping at physical stores and practice social distancing.

EBITDA margins in CPD during FY2020 were 12.6%. As I mentioned earlier, we have a bias for growth at reasonable margins. The company however does believe that it could improve margin by rationalization of cost. In January just pre-COVID, it commissioned the new fulfillment center near its plant in Jaipur. This will help in optimizing logistics cost through reduction of inter-warehouse transfers near the manufacturing plants and also in utilizing full truck loads comprising products across its range. The company expects that it can lead to an improvement in margin by approximately 1% to 2%. Packaging cost could also be rationalized in the few product ranges where they might be currently over-designed. This division should also benefit from operating leverage as it has already in the past as it gains scale.

The operating capital employed in the consumer division as of March 2020 was Rs. 340.6 Crores. The consumer products division has some seasonality and it has higher revenues during festival months. However, glass production is a continuous process, hence working capital levels may vary during the course of the year.

The average working capital for the division is 97 days of sales. The division turn this working capital around by about 3.8 times. This is another area where we are looking to have some improvement in the future.

Coming to the laboratory SIP division, laboratory glassware in India has been the core business of the SIP division. During FY2020 this part of the business comprised about 85% of the net sales. The January- March quarter is the largest quarter for sales in SIP with a significant portion coming through in March. COVID and the associated lockdown, as I already mentioned, had a particularly severe impact on the sales of SIP division during FY2020. During the 11-month period, net sales of lab glassware grew by 5% over the corresponding period in the previous year.

Over the last few years, the company has created three new avenues for growth in the SIP division. LABQUEST is our range of benchtop instrumentation such as dispensing systems, stirrers, micropipettes and distillation units. Laboratories in India depended on imports for high quality products, but at prohibitive cost. Our 100% subsidiary, Borosil Technologies is developing and helping Borosil to market products of equivalent quality at much more reasonable price points. LABQUEST has adopted an import substitution strategy. While it is still nascent, there is room to create a meaningful franchise in a market size of approximately 150 Crores and growing at 8% to 10% each year. When I mention market size this is referring to products we have already developed. As we go forward and develop more products, our addressable markets size will expand. The Company is leveraging its existing relationships with pharma companies and research laboratories for lab glassware to sell this new range of products to the same customer. During the 11-month period April

2019 to Feb 2020 net sales of LABQUEST grow substantially over the same period in the previous year albeit on a small base.

The company has appointed distributors to seed the export markets for lab glassware in the Middle East, Africa, South East Asia and the United States. We have a long-term horizon for building the export market franchise that we will do brick by brick. During the 11-month period April 2019 to Feb 2020 net sales of exports in SIP grew substantially over the same period in the previous year, although on a small base.

Coming to the last line of the SIP division which is Klasspack, Klasspack manufactures glass vials and ampoules which services the primary packing needs of the pharma industry for injectables. During the 11-month period of the year net sales of Klasspack grew by 10% over the same period in the previous year. During FY2020 the company focused on streamlining and automating its production and inspection processes to meet the exacting standards of its prime customers. The stabilization of these processes is expected to lead to growth in sales and normalize margins going forward. Organizations across the world are working towards finding a vaccine against the Coronavirus as soon as possible. Once this is achieved, there will be a significant increase in demand for vials and ampoules for such vaccines.

Klasspack is preparing itself for a potential jump in the business. It has the potential to significantly increase its revenue without incurring any further Capex. In fact, a couple of the life-saving drugs for the Coronavirus is already being packaged in Klasspack.

The operating capital employed in the SIP division as of March 2020 was Rs.172 Crores. The average working capital for the division is 130 days of sales. We choose to maintain higher inventory levels in order to service customer orders with minimum turnaround times. The division turns its working capital around by about 2.8 times.

An important point to note here is the moat in the business is to have high inventory and a very high range of SKUs. This allows us to service our customers with assured turnaround times. Customers typically would not wait for any product and there is almost no forecasting of demand by customers in this business.

The total capital employed in the company as of March 2020 was Rs.698 Crores. This includes net cash of Rs.75 Crores. The company has treasury investments in high quality debt products to the extent of Rs.57 Crores. It also has invested in alternates and real estate funds which were committed during the period of 2011- 2015. As per the investment policy implemented in 2016, all new investments have been made in high quality debt funds. As and when the alternate and real estate funds are redeemed, these monies will be invested in liquid funds.

I would now like to move to the last part of the discussion which is the outlook. Most people will agree we are not yet out of the period of high uncertainty owing to the pandemic. While the lockdown has been lifted to various degrees across different parts of the country, business is still not normal. In fact, the lockdown in smaller areas like Pune, Bangalore, Thane and other states including Bihar and UP has been reextended. Borosil's range of products in its consumer product division are discretionary in nature. In the immediate term, we expect consumers to pull back from such consumption in favor of nondiscretionary low-ticket size products.

Some products such as Larah dinner sets have a reasonably large portion of the sales coming from gifting. With social distancing been practiced it maybe sometime before this part of the demand comes back. Similarly, for the SIP division research laboratories are facing funding constraints from the state and have cut back on purchases. In addition, schools and collages which also represent a small percentage of the sales of the SIP division are completely shutdown. Pharmaceutical companies are doing their own belt-tightening as there is a constraint on budgets. The silver lining for the SIP division is the expectation of a surge in demand for the Klasspack range of products as well as an increase in our market share as we are more organized than most of our competitors in the space.

Under the circumstances FY2021 is likely to be a year to be taken one quarter at a time. We have decided that attempting to forecast the entire year might be a futile exercise. Instead we would try and work with shorter-term targets while continuously monitoring the situation and managing cash flows. Across its product ranges in CPD, the company estimates that inventory in trade is four months of normal sales. Therefore, we believe that once the COVID related lockdown is lifted completely and business returns to normal, we have adequate inventory to service the market.

We have examined the inventories in each line of products and where there are any gaps, the company has placed orders with manufacturers whose operations have already started. We have done our own belt tightening in response to the crises such as short-term cash flow monitoring discipline, strict regulation on working capital, particularly around procurement/ inventory and receivables and renegotiation of prices wherever necessary. We are also cognizant of the Make in India sentiment which is sweeping every corner of the country and we do realize that some of our products are imported from various countries including China. We have started working on a strategy to make these products in India. This is likely to take some period of time, but we have already started the move in that direction.

While we are cognizant of the several near-term challenges in the business, the company will also focus on the opportunity beyond. our strategic direction is to build multiple pillars of growth for both the divisions and we have seen that the last year has seen a good move in this direction. As we can probably see in terms of our revenue growth in the consumer division, we have been performing better in terms of growth than most of our competitors. This gives us some comfort that our strategies are helping us move in the right direction. We envisage a multi-year growth opportunity in both our businesses. I am now happy to take questions that you have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashwini Agarwal from Ashmore Group. Please go ahead.

Ashwini Agarwal: Congratulations on the permission to get listed and for your opening comments and thank you so much for your opening comments, which were quite detailed and helpful. So, the first question is regarding CPD, you said that April to February you grew by about 27% in the consumer products business. But you also said that the traditional business comprising the microwaveable products and the vision glass did not grow, Larah grew by only 5%. So did all the growth come from the steel products, the hydra, the on the to-go liquid storage, steel serve fresh or am I missing here because I cannot figure out where the growth came from?

Shreevar Kheruka: Well, actually the growth has been fairly broad based. So, I would say that, it grew moderately and next time I will give the percentages. But in consumer, the storage products have grown very well. Of course the kitchen appliances and the hydra ranges you mentioned have grown the fastest, but the glass storage has grown well too. The microwaveable, vision glass and glass storage have grown in double digits, but the growth has been far exceeded in the kitchen appliances as well as the hydra ranges.

Ashwini Agarwal: And those are all outsourced manufacturing?

Shreevar Kheruka: At the movement, yes.

Ashwini Agarwal: The second question is that you mentioned, that in lab glass March is a very big month, why is this so, I mean, this appears odd to me. I would have thought that these sales would be fairly even through the year?

Shreevar Kheruka: The reason is because maybe 25% to 30% of our sales would be towards the government R&D, the research labs of all your CSIR labs across the country or agricultural research labs. All of these have annual budgets. This is a very traditional system where they get a budget, the budget for the financial year gets approved only by September or October of the year and then we have four to six months remaining in the year. These organizations are always running against time to spend the budget which they do typically in the month of March. The business with the pharma companies, as you have rightly captured is more or less stable through the year, but the research business which is government funded and even many schools and colleagues which are government funded too, end up spending lot of money towards the end of March. It skews the sales in that part of the year. Another reason which increase the sales towards the end of March is that we usually publish our new prices every April, so some of our distributors like to take advantage of stocking up at the older price list for products at the end of March. So March constitutes about two months of the sales versus the normal month.

Ashwini Agarwal: One number related question for the quarter that ended in March 2020, your other expenses at INR 75 Crores is very high both on year-on-year and Q-on-Q terms. Why would this be?

Shreevar Kheruka: This is mainly related on account of one-time expenses related to the demerger, including the stamp duty. I think merger related expenses were almost INR 18 Crores. Please correct me Rajesh Chaudhary, if you are on the call.

Rajesh Chaudhary: You are right Shreevar, the increase is mainly on account of merger related expenses. Out of this the major amount is for the stamp duty.

Ashwini Agarwal: Oh! So that INR 18 Crores would be a one off out of this 75 Crores?

Shreevar Kheruka: Yes, that is a material one-time expense, which is also reducing the operating profit.

Ashwini Agarwal: And one more question if I may, I was going through your presentation and I am referring to slide #9 where you talk about the market size and I was a little surprised when I looked at this. You are talking about a 2000 Crores market as the total market out of which you are already at 440 Crores. Would that be right or is there something more?

Shreevar Kheruka: I have spoken about this slide in the past and that is because this market is mainly the organized market. The organized market maybe only 30% of the total market size. So, if I look at storage containers for example, which is the third line item on the slide, we have estimated the market size as INR 700 Crores. This is the organized storage, but if I look at unorganized storage that maybe INR 3000 Crores. Then again in Opalware, we have only shown the Opalware market, but if I include steel which is what we compete against, steel itself maybe an INR 10000 Crores market. So these market estimates are the organized market which is defined narrowly based on just the material through which Borosil is present. The moment you expand the category because consumers do not go into buy a dinner set saying I want to buy Opalware dinner set. They want to go and buy a dinner set so they will choose between Melamine and Opal and Bone China and Porcelain and Steel. So, that market is really the much larger market that we aim to service. In Opalware, as you may be aware there are three players. If you add up the revenues of these three players, it will not be too far more than this.

Ashwini Agarwal: Last question, what is the Capex plan for this year?

Shreevar Kheruka: At the very present movement, zero, because there is no visibility of demand. There is some maintenance Capex which will continue but there is no further Capex plan at all for this year till we have clarity about the future. I would caveat that by saying that there are some opportunities we are now seeing. I alluded to that during my opening remarks. There has to be some on-boarding of some products including Hydra and appliances that we get outsourced. Additionally, there is one or two more opportunities such as to set up a glass melting plants for our own consumption. These are things we are exploring, but we have not yet finalized the Capex. We will only invest any Capex once we are sure of the outlook post this lockdown.

Ashwini Agarwal: And did I hear you right when you said that Hydra, on the go liquid, steel serve fresh, these three categories make up 40% of your CIP sales?

Shreevar Kheruka: So, all the non-glass products which are in our portfolio, make up 40%.

Ashwini Agarwal: All non-glass is 40%?

Shreevar Kheruka: That would basically be appliances plus Hydra which is the steel on-the-go storage and steel serve fresh including Kadai like products for serving food on the table.

Ashwini Agarwal: How big was appliances out of this in rupees term if you could give me?

Shreevar Kheruka: At the movement I am not sharing those numbers, but probably from the next quarter I will start sharing with you.

Ashwini Agarwal: Okay fine. No worries and all the best.

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

Naveen Bothra: Thank you very much for your opening remarks which gave us lot of thinking about the current working and the outlook. My question is related to that of the last speaker about Capex. So you said that not much of Capex is planned as of now, but in the CWIP we are seeing INR 45 Crores which is yet to be capitalized., Can you throw some more light on this and how much more money will be required to capitalize this CWIP in the balance sheet?

Rajesh Chaudhary: The CWIP basically pertains to the Jaipur warehouse and this is almost 98% to 99% completed. There is hardly any further amount needed for the capitalization. So most probably by this quarter end we are going to capitalize this and on account of this CWIP we are not going to have any major Capex in the current year.

Naveen Bothra: That is fine. Question is regarding the consumer products division, Mr. Shreevar are we planning any health and wellness new products in the consumer vertical? And can you throw some more light on the vials opportunity you talked about briefly. So how much of the vials opportunity we can serve in this year if the vaccine comes through in this year.

Shreevar Kheruka: Yes, we have a pretty exciting new product launching in the next few days. It's a cleaning item which helps you kill any virus that is on the surface of products., It is like a disinfecting item. I expect that to launch in the next 7 to 10 days and we have many other products which are similar both for home and office which are lined up. We have actually been very fortunate that we decided to invest in Borosil Technologies because all these ideas have come out of there and I think that they will be opportune at this movement because these products would help an organization or a family remain safe from Corona on surfaces. I cannot talk more about it at the movement but in the next 7 to 10 days, you will probably get an intimation on Facebook and on myborosil.com on the launch of these products.

Coming to the second question - you asked about the whole range of vials. At the moment, we have capacity of roughly 250 million vials per annum and we do not have any clue as to what the requirement would be except to say that it will be a large requirement. I think there are almost 42 vaccine candidates which are at different stages of clinical trials and we have been talking to many of those companies about the requirements and we are well positioned to service their requirement. But when those requirements will come is a big question. In what form they will come is a big question because even companies do not know what size of vials they will need - whether they are going to have single dosage or multi-dosage vials etc. But what I can say is that there are products like Remdesivir and Dexamethasone which are being made in India which are more curative in nature and are not in terms of a vaccine, but they help recovery from the disease for somebody who has it. We are already supplying those products from Klasspack to a couple of companies in India as well as internationally. So, I do see that if and when somebody in the world have success in creating a vaccine, we would have a reasonable chance to participate in some measure.

Naveen Bothra: Sir how much revenue opportunity we see out of this 250 million vials if the opportunity comes through in this year or next year?**Shreevar Kheruka**: It really depends on pricing. It is hard for me to put a number on it. I can say that overall Klasspack would probably increase its revenue by double from last year without having to incur any Capex.

Naveen Bothra: And my last question is regarding Larah. If you can talk about the EBITDA in Larah Opalware - what EBITDA did we achieve last year?

Shreevar Kheruka: I think up to 11 months maybe somewhere around 18% if I am not mistaken, but Anand you could give us the number.

Anand Sultania: Yes, you are right Shreevar.

Shreevar Kheruka: So, 11-month numbers were somewhere around 18%, 19%. We had a problem in the Larah furnace towards the end, which reduced the EBITDA and we had to shut the furnace down a few months before we had anticipated which reduced the EBITDA a little bit. Now we have learned from it so hopefully, it would not happen again.

Naveen Bothra: Thank you Sir, thank you very much, all the best for the listing and future times. Thank you, Sir.

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

Pritesh Chheda: Sir just the question on the profitability side in FY2020 - when I look at your EBITDA number of INR 86 Crores, is there any one-off expense in any of the above numbers and if you want to quantify it? Second the consumer division seems to have given away some EBITDA, so it is just to do with the Larah EBITDA coming down or is there any other reason also that you want to highlight along with it?

Shreevar Kheruka: So, there are two one off events which are there in the last year. One was referred to in an earlier question – a one-time expense of INR 18 crore related to the merger. This has obviously reduced the EBITDA by that much. The second is that the sales itself were badly impacted. Like I mentioned, March sales of scientific division were badly impacted and the scientific division has a fairly high EBITDA percentage. So, that would also reduce our overall EBITDA. These were the two reasons why EBITDA was down. As far as the consumer division is concerned, there has been no major change. In fact, here the EBITDA has been improving, but Anand or Rajesh can you answer this last one.

Rajesh Chaudhary: So, in Larah we rebuild the furnace in the month of March. The life of the furnace was over and so we could not have depreciated it further in the books. Consequently, it was written-off fully in the month of March. That amount is around INR.3 Crores. Secondly we had made certain advances for purchase of pad printing machine for which there was a provision made. That is around INR 2 Crores. So totally, we have booked one-time expenses of INR.5 Crores in the books of Larah. Apart from this we have not debited any other one-time expenses in the books of the CPD division.

Pritesh Chheda: So, your reported EBITDA margin is 18% in Larah which is similar to what it was last year after this one off?

Rajesh Chaudhary: No actually before considering these expenses the Larah EBITDA will be higher by 3% to 4%.

Pritesh Chheda: So, we do not have the Larah EBITDA what would be the Larah EBITDA margin?

Rajesh Chaudhary: So, as I said, we said that Larah EBITDA is around 18% after debiting all these expenses if you remove these expenses that the Larah EBITDA will be higher by 3% to 4%.

Pritesh Chheda: So, this 5 Crores is included is over and above the 18 Crores one off on account of merger expenses?

Rajesh Chaudhary: Yes, that is right.

Pritesh Chheda: My second question is are the Vyline numbers consolidated in the PPT that you have put or Vyline has to be considered separately and if they have to be considered separately, it would be nice if you could share the revenue and EBITDA number for Vyline?

Rajesh Chaudhary: Vyline has also got merged with the Borosil Limited. So, the PPT number includes the Vyline number.

Pritesh Chheda: And lastly Sir if you could give the interest depreciation number for FY2020 because now these are the merged number for Borosil Limited right. If you could give the interest depreciation and other income number?

Rajesh Chaudhary: The total depreciation is around INR 38 Crores and interest is around INR 6 Crores and other income is around INR 10 Crores.

Pritesh Chheda: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Dhruv Bhatia from Bank of India AXA Mutual Fund. Please go ahead.

Dhruv Bhatia: My first question is on the Larah business. You mentioned that this year because of that one off the margins were 18%. On the margins as well as on the revenue what can the peak revenue from the current capacity be? What is the aspiration in terms of the margins for this business?

Shreevar Kheruka: I think the peak revenue would be between INR 180 Crores and 200 Crores from our current capacity. We were hoping to achieve that last year, but owing to, like I said there was a one off order which we expected to repeat but did not, and also the lockdown in March would have reduced the revenue of the company by INR 5 Crores to 8 Crores. So, we would have been at about INR 162 to 163 crores in Larah in my opinion versus INR 180 crore that we wanted to achieve. Coming to the second question, on achievement of INR 180 to 200 crore, I would expect a 26% to 28% EBITDA margin. All of this is pre COVID.

I am not sure how the market is going to move post COVID. So Larah has been quite badly impacted as I already mentioned in the call because of the gifting aspect of the products. Many people gift it and as we all know now there is no real gifting happening anywhere. The marriage celebrations are on a much smaller scale and other reasons to celebrate are just not there. Corporate gifting is also at an all-time low probably. So how this will evolve is the question. We are obviously not going to sit on our backsides. We are looking at other opportunities to increase self usage of the Larah product and we have been working on some strategies to change the way we market and sell Larah to moving it away from gifting to more of a self-usage category. That will take time, but if it happens then that would be a total shift in the way we do business in Larah, which would probably be better. So that is something we started working on, it will take some time to play out.

Dhruv Bhatia: Sure, and whenever you do plan to expand capacity in Larah how long will the capacity…

Shreevar Kheruka: Nine months, but I think that is a moot point now. In the current situation, I do not think anybody is expanding capacity. I think the pandemic would have reduced the expansion plans for most people just because the demand itself has come down.

Dhruv Bhatia: And the other part of the consumer business - you mentioned the EBITDA margins of Larah or the ex of Larah business if I do the calculation it came to suggest that business only makes 9.5%, 10% EBITDA margins. Any particular reason why the margin in this business are low where you are a leader in that category so what is the reason for such low margins?

Shreevar Kheruka: Yes, so firstly I would agree. However, given the one-time expenses we spoke of earlier, EBITDA margins for both divisions would have been 2% to 3% higher. The other point is margins on the other side of the business are a bit lower and we have been working on ways to improve them. So glassware margins are fairly reasonable. The issue is the newer launches that we had where the margins are lower whether it be appliances or Hydra. As we started the business just three to four years ago, we did not have the scale of either sourcing or of pricing power which we are slowly commanding. If you see the margins have been steadily improving in even the new categories. We judge our gross margins which I do not share, but our gross margins in the new categories have been improving substantially over the last three years and my expectation is that they will further improve. We may not hit the same margins as glassware but we will be fairly close to that and the scale of operations that provides us would more than make up for the slightly lower margin. Even the return on capital employed would probably be at par with the other parts of the consumer business even with the slightly lower margin. . So overall yes, the margins are slightly lower. I have also mentioned that we have a higher advertising and sales promotion expense which we continue to focus our attention on. We continue to spend in the short-run to grow the franchise. It may be higher than what others are doing and a large percentage of that is for new categories. So those are some of the reasons why margins were slightly low.

Dhruv Bhatia: And the ROCE bit of it, you had mentioned the capital employed of the consumer business in INR 340-odd Crores on that you are making about 14%, 15% ROCE on the consumer business. Is there an aspiration internally not doing anything which is below 20% ROCE because you being a consumer company? With B2C business, 14% seems very, very low for a leader in this space.

Shreevar Kheruka: Yes, you are absolutely right. So I think internally we have a 20% kind of number in mind. In fact that is what we have been working towards for the last three years and I expect to reach there. I think 2021 is going to be tough, because again the first quarter has been terribly impacted by COVID. But in general yes, I do not think anything less than a 20% ROCE would be good for us. So, in the next couple of years my expectation would be that we should be there.

Dhruv Bhatia: And just a question on the Klasspack business since the time of acquisition you seem to be not able to improve margin in this business. Again, is there anything on that front where this has been a net loss company, so what is it that is not working right for the Klasspack business?

Shreevar Kheruka: Actually, it is 3.5 to almost 4 years now since the acquisition. It takes about 3 years for companies to onboard us or onboard vendors in this area. So, it is only the last year that we have got what I would call the pharma A plus customers. I think you would see the results of that this year. So, I think that will be a big turnaround in the Klasspack business.

Dhruv Bhatia: And just a last question on the time of this demerger, Borosil on a standalone basis was a net cash company and they had no borrowings, but post this demerger there seems to be almost about INR 50-odd Crores of debt on this?

Shreevar Kheruka: We have INR 78 Crores of net cash as already mentioned in the results. We are still net cash.

Dhruv Bhatia: The net cash that you have mentioned, is it cash and cash equivalent so is it the noncurrent investments which is just is something which you cannot liquidate easily?

Shreevar Kheruka: It is cash and cash equivalent. I mean you can say it is, including investments.

Dhruv Bhatia: And do you plan to repay this debt in the coming year?

Shreevar Kheruka: There is some working capital debt which is already substantially reduced from March till now. We do not have any term debt, it is all working capital debt. So I mentioned in my opening remarks is this is seasonal business. So specially for consumer business, the sales happen in a lumpy fashion towards Diwali and you build up inventory so at some points of the year the borrowings go up for working capital and then they come down. I expect over a period of time that we will end up not having too much the way of working capital borrowings.

Dhruv Bhatia: Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal: Sir my question is on capital employed. . Can you give the rough breakup between working capital and gross block in the two segments?

Anand Sultania: The working capital in the consumer ware division is 97 days which is the Rs.115 Crores. It is about Rs.56 Crores in SIP.

Dikshit Mittal: Sir secondly you mentioned 18 Crores of merger expenditure so just to get a sense of normalized EBITDA in different divisions. So, can you share the split between the two divisions?

Anand Sultania: It is on a 50/50 basis.

Dikshit Mittal: 50/50 on both the segments.

Anand Sultania: Yes.

Dikshit Mittal: Sir lastly you mentioned that Larah is around 18% EBITDA and you mentioned your target to achieve 26% to 28%. At what kind of topline level can we achieve that EBITDA number?

Shreevar Kheruka: INR 180 Crores to 200 Crores for Larah.

Dikshit Mittal: 180 to 200. Okay, thank you.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from Infina Finance. Please go ahead.

Jasdeep Walia: Sir on the call you mentioned that you are thinking about putting up a glass melting furnace in India. So, could you please elaborate on that front if at all you take that decision how much Capex would it entail and for how much capacity in terms of what kind of sales would it take care of?

Shreevar Kheruka: I had said that in a context of this anti-China sentiment in India currently. I said we are evaluating it. I cannot talk about it much because I do not have all the numbers and the detailing of it. So best to share when we have more details as I do not want to say something which is later proven to be not right. So, I will hold off on it, but we are evaluating various opportunities there.

Jasdeep Walia: But can you give any ballpark number Sir?

Shreevar Kheruka: It totally depends on the configuration of what products we do. So, it is hard for me to do that at this stage. We are evaluating various opportunities that is all I mean to say.

Jasdeep Walia: And Sir typically glass melting furnaces are quite Capex intensive right. So that assumption would be correct right?

Shreevar Kheruka: Well if you are doing a Greenfield yes. If you are doing a Brownfield which as I suspect this will be, may not be that much, but Jasdeep, I would prefer to discuss this maybe in the next call because I will have more details on it. It is not something we are going to start executing in the next 30 days. It will take another three months in my view to decide on this. So, it may not even happen in this financial year.

Jasdeep Walia: Got it Sir. Thank you, that is all from my side.

Moderator: Thank you. The next question is from the line of Sriram Patel from Crest Wealth Management Pvt. Ltd. Please go ahead.

Sriram Patel: Hi Sir on the nonglass business which is 40% how much is the import content there?

Shreevar Kheruka: I think it is about 65%, 70%.

Sriram Patel: At what point would you consider internalizing the production in the nonglass business?

Shreevar Kheruka: We are already moving in that direction.

Sriram Patel: You mentioned no Capex this year so maybe next year you will have your own dedicated production or you…

Shreevar Kheruka: It may not be our own product it maybe vendors.

Sriram Patel: Right Sir. Thank you.

Moderator: Thank you. The next question is from the line of Arun Marathe, an Individual Investor. Please go ahead.

Arun Marathe: My question is regards to the ecommerce sales, how much of our revenue we are getting from ecommerce?

Shreevar Kheruka: About 10% of our consumer business is from ecommerce.

Arun Marathe: And Sir I would like to ask that most of the time our accessories are not available on the market. So, what kind of efforts we are doing for that?

Shreevar Kheruka: What do you mean by accessories?

Arun Marathe: Like the appliances or other things.

Shreevar Kheruka: I am sorry I am not able to understand. You mean the appliance itself or like spare parts?

Arun Marathe: I am talking about the kitchen appliances.

Shreevar Kheruka: Okay, in the last couple of months we have been impacted by supply chain issues to some extent, if that is what you are referring to. I think those will be solved. Lockdown and stoppage of containers in the port has impacted everybody.

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

Pritesh Chheda: Just a clarification on Vyline. Vyline has some manufacturing profits. So, is it fair to assume for representation purpose those profits and one-off expense got offset with each other and got reported in the Lab ware business for Borosil?

Shreevar Kheruka: The one-off expenses were more than the profits of Vyline that is for sure.

Pritesh Chheda: The one-off in the EBITDA is about 18 Crores versus the EBITDA of Vyline that was supposed to get consolidated - a lot of it got offset against each other and got reported under the pharma business of Borosil.

Shreevar Kheruka: No Vyline is servicing both SIP and CP so there would be some percentage going to SIP some percentage going to CPD. If I look at Vyline EBITDA last year it was about INR 11 Crores to 12 Crores. This year the one-off expense was INR 18 so this is slightly more than what got offset. We should also keep in mind that 2019/2020 in general even before COVID was not the best of years. People were complaining about the economy even before the COVID started. So, I think in spite of that we had a pretty good revenue growth rate and our margins did fairly well.

Pritesh Chheda: This INR 670 Crores of capital employed at the company level what would be it split up in lab ware and consumer ware?

Shreevar Kheruka: I did mention that in the opening remarks, it is about INR 340 crore in consumer and INR 170 crore in scientific.

Pritesh Chheda: No problem and Sir lastly when you were giving the impact areas post COVID. So, you are highlighting the impact in the consumer side of the business specially the Opalware side of the business and you were highlighting some impact possibly in the lab ware because of the research side of the business right. These were the two impact areas or are there any other impact revenue areas possible?

Shreevar Kheruka: No, no, everything is impacted and in April. When there is a lockdown of the whole country there nothing is sales. Everything has been impacted, but when I talk about impact, I am talking about in general going forward these are more impacted than others, but let me tell you that every product category, every channel, everything was impacted. When no transaction is possible then obviously everything will get impacted right. So, our products except for Klasspack were not falling under essentials so in the first six weeks of the lockdown we could not transport any non-essentials. These so plants were closed. You have orders, you have the stocks but you cannot ship, the impact was substantial.

Pritesh Chheda: And last year the Klasspack side why is it the margin has been single digit and what is the trajectory there?

Shreevar Kheruka: Yes, as I mentioned earlier in the call, we have onboarded some very good customers now and I expect to see a change from this year onwards, in terms of Klasspack. We have got good pricing; we have got steady customers who are very quality conscious and I expect that from this year 2021 you should see a marked improvement in Klasspack operating performance.

Pritesh Chheda: And what is the capacity utilization there?

Shreevar Kheruka: It is about 50%.

Pritesh Chheda: And you would utilize that in what time, full utilization?

Shreevar Kheruka: It depends on the market obviously we can utilize it tomorrow if we have any orders but it depends on the market. Our expectation is that in a normal scenario. 50% would go to 60%, 65% in this year, but if there is a windfall on Corona orders coming then that could go higher.

Pritesh Chheda: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: I am new to this business so two questions from my end. Firstly, the appliances is categorized as a future avenue vertical, could you please talk about our sourcing of appliances is it all domestic or do we buy from other countries?

Shreevar Kheruka: No, it is not all domestic. In fact, more than 50% is imported. We do buy domestically and as I already mentioned we are looking to move more domestic and we have already initiated actions in those areas, but my sense is that probably by next year we should be more than 50% to 60% domestic and in two years time we should be closer to 80%.

Deepak Lalwani: But right now, how much is domestic?

Shreevar Kheruka: May be about a 3rd.

Deepak Lalwani: And is it more from the China?

Shreevar Kheruka: Yes.

Deepak Lalwani: So, second question is on the raw material front, do we use a lot of like caustic soda cullets in the manufacturing and how is the pricing trends in your raw material?

Shreevar Kheruka: We have used soda ash. I do not know about caustic soda, but we use soda ash, but that has been fairly stable, not much change. We use our own cullets so this raw materials have been reasonably stable. We use very widely available raw materials and sometimes soda ash prices do go up, but the quantum of soda ash used is quite small so even if prices go up, it does not really materially impact our cost too much. So, our raw materials if I look at over last 10 years, I have not seen any year where we have been adversely impacted by some sudden price hikes. So that is not a big risk factor at least as far as I am concerned.

Deepak Lalwani: And what percentage is cullet in the raw material mix?

Shreevar Kheruka: It depends on your furnace, if your furnace is very efficient then it could be as low as 15%, if it is not very efficient it would be 35%. So it varies from time-to-time, but you recycle your own cullet, you do not buy cullets.

Deepak Lalwani: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Group. Please go ahead.

Ashwini Agarwal: Hi, Shreevar this was the question I have asked earlier also, but when I go to let us say Amazon or any of these online websites I find a whole bunch of Borosil lookalikes, the same color scheme on the lunch carrier box, same shape and size and honestly these products look alike. 10% of your revenues in the CPD are coming from internet. How do you think about the relevance of brand in this kind of a me too and direct to customer market place? That is one question and a related one is that before GST was implemented, the narrative was that lot of the unorganized guys who probably cheat on taxes and their only advantage in pricing comes from tax ka chori. All those guys will probably be forced to raise prices which would improve the competitiveness of tax compliant people like yourself, but we have not seen that happened in most other industries. I mean the unorganized market has managed to survive. What happened? These were somewhat inter related but if you could just make a comment on the comparative standpoint?

Shreevar Kheruka: Okay, so firstly I would say that as far as brands are concerned and it is a basically existential question for us that if brands do not matter then what are we doing here. So, we believe that in all categories, we do exist and look-alikes will continue existing but there are some people who will prefer to buy brands just because it is easy. She will not think too much in low involvement categories. With low involved products, you buy the product which you know and that is the reason we spend money on marketing and advertising to build brand loyalties. I think ecommerce is an opportunity, but it is also a threat as you mentioned because you get very similar looking products on the same platform at maybe 30% cheaper, 20% cheaper and you can then end up getting customers to switch. However, what we have seen frankly is the engagement which customers like online is very, very high. So, people expect you to respond to feedback and to criticism. The way you can use feedback for product development is very remarkable, I would say. So, if you have a good backend in terms of serving the customer and you have a good ability to respond to customer issues, I think online will be far better than any other channels. Star ratings I think will matter. Over a period of time the products that have higher star ratings would be the ones which sell. I would encourage you to go online and see Borosil ratings on Amazon and compare them with ratings of similar products. My guess or rather my conviction would be that Borosil products would have higher ratings than other similar products and that is what will eventually drive online sales. So, it is like branding except now it is a customer review branding and I do believe that we do spend time in making a differentiated products even if it looks similar. We spend the time to develop it in a way that is suitable for customer needs, whether it is how the zip opens and closes for the bag, whether it be the durability of the product. If we are procuring the product from outside, what kind of quality testing do we put it through which unorganized players will not do. So, over a period of time that creates a brand online also and once you have a higher star rating then you are going to get good sales online.

Coming to your other question on GST, I think if you look at a consumer business (and I do not know about others) but if you look at our consumer business the margins have substantially improved. The reason why you would see percentage wise margins are still lower would be because of the new categories we have launched. If I look at like-to-like categories, our gross margins post GST margins have substantially gone up. In that period, we have also started increasing spending on advertising, which has impacted net margins. The investments made in advertising today is what I could not dream of incurring two to three years ago. So, I do believe that GST has been a massive positive impact for us and for other organized players in this space. and

Over a period of time, as our company gets more data - for example we have started organizing the customer data we get online and we are re-targeting those customers. We have 'N' number of other pretty exciting things going on. This whole concept of lifetime value of customer and loyalty programmes with special benefits are things that we have been pushing towards more of recently. If those play out then we can expect substantial possibilities of improvement in gross margins down the road.

Ashwini Agarwal: Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Jigar Shah, Individual Investor. Please go ahead.

Jigar Shah: How much would be the maintenance Capex for Borosil Limited?

Shreevar Kheruka: Maintenance Capex it is not very high, I would say somewhere in the INR 5 Crores to 7 Crores range.

Jigar Shah: And the EBITDA of INR 86 Crores this includes Vyline EBITDA as well?

Shreevar Kheruka: Yes.

Jigar Shah: And how much would that be?

Shreevar Kheruka: You could say it is about INR 10 Crores to maybe INR 12 Crores. You could take the last year's number as a kind of ballpark. There would be some impact in March, because of the shutdown of production. Even though it is for 10 days shutting down production and then paying labor full salaries does have an impact.

Jigar Shah: In the capital, employed you said INR 340 Crores was in consumer and INR 170 Crores was in scientific a total of INR 510 Crores. Does this include working capital?

Shreevar Kheruka: Including working capital.

Jigar Shah: And in the last con call you mentioned that the depreciation for the new entity which is Borosil which will list will be around INR 20 Crores, but now the number is coming to around INR 38 Crores so what is the number we are looking at?

Shreevar Kheruka: I may have meant without Larah. Either way it is going to be about INR 35 Crores so we are clear about it now.

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Jigar Shah: And how much would be your A&P spend for FY2021?

Shreevar Kheruka: I have no clue. It all depends on how COVID evolves and also how lockdown evolves. It is very challenging to predict it.

Jigar Shah: But normalize number would be 6%, 7%?

Shreevar Kheruka: So last year we were planning on a higher number but we ended up spending lower because we found that there were lots of issues as far as the market itself was concerned. Like I said there was an economic slowdown even before COVID so we pulled back. Typically we have been spending about 10% of A&P. Last year was a bit lower than that. But normalized, with scale, I think would be 6% to 7%.

Jigar Shah: Got it that is helpful and the margins for 11 months that is pre COVID would you say that is the normalized margin we can expect that from FY2022, FY2023 and if you could improve it by couple of points due to operating leverage kicking in?

Shreevar Kheruka: Look as far as what the future holds it is impossible for me to comment on, given how the pandemic goes. Whether margins can revert to normal by FY2022, or second half of FY2021, I really do not know. I cannot comment on when that will happen but yes in the first 11 months I would say that our margins were more reasonably let us call it sustainable in a pre COVID world, It was sustainable and would be improving as the economies of scale would kick in. Like I have also said, in January we started our central fulfillment center that would further improve margins plus as we grow our other verticals, we would get some further benefits from our suppliers in terms of procurement prices. So yes, in general I would say the 11 month that went by pre-Covid under business as usual conditions the margins were sustainable and you would see some expansion in those margins even if not very aggressively but maybe by a couple of percentage points at least. For the next two, three years you may see 1% or 2% every year but now the question is when we will get back to that level. That is the challenging part.

Jigar Shah: Got it and coming to Borosil Renewable recently I read an article the headlines by Gautam Adhani said that Chinese import for solar equipment will be negligible in next three to five years. So, what is your take on that?

Shreevar Kheruka: Well I hope he is correct but I guess it probably would be best to ask him the question on how he has come to that number. My take is that if he is right then that is good news for Borosil Renewable's future.

Jigar Shah: Any update on the safeguard duty or antidumping duty?

Shreevar Kheruka: I think it is best to ask that team. They have an investor call tomorrow. They would have the latest information.

Jigar Shah: Okay thank you Sir, that is it from my side.

Shreevar Kheruka: Praveen are you on the call I think I have another call at 11:30 so…

Praveen Sahay: Yes, we will close, Aisha.

Moderator: Thank you. I would request the management to please have the closing comments.

Shreevar Kheruka: Okay so thanks everyone for participating, some good participation many questions. I appreciate the questions and I look forward to more engagement in the future. I actually think we had a fantastic year last year. Some one-off expenses have reduced our operating performance plus obviously the last 15 days of March that really impacted our scientific division's profitability in FY20. Up until then it was really a fantastic year and I am proud of the entire team at our end that have worked very hard for the performance. I am confident that whenever things normalize we will be up and running pretty quickly. We are very confident of the future in terms of having a product range that is relevant to customers and launching new products which are in this health and safety space. But it is still a quarter-to-quarter discussion right now. We cannot really predict how the rest of this year is going to look, but we are well placed as an organization to weather the storms that are in front of us. I am sure we will come out of this with an even stronger position than we have had in the past. So, thank you all for your support, your questions and I look forward to discussing the next quarter results.

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