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Dear Sir / Madam,

Scrip Code: 543212**Symbol: BOROLTD****Series: EQ****ISIN: INE02PY01013****Sub: Transcript of Institutional Investors and Analysts Conference Call**

We enclose transcript of conference call with Institutional Investors and Analysts which was held on Monday, February 15, 2021.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,

For Borosil Limited



Manoj Dere

Company Secretary & Compliance Officer

Membership No. FCS 7652

Encl: as above



“Borosil Limited Q3 FY2021
Earnings Conference Call”

February 15, 2021



ANALYST: MR. PRAVEEN SAHAY - EDELWEISS BROKING LIMITED

**MANAGEMENT: MR. SHREEVAR KHERUKA - MANAGING DIRECTOR &
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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference Call of Borosil Limited hosted by Edelweiss Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay. Thank you and over to you Sir!

Praveen Sahay: Thank you Aman. Hello everyone and thank you for joining to the earnings call of Borosil Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of Borosil to discuss the results and the outlook. 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, Finance. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q&A. Over to you Mr. Kheruka!

Shreevar Kheruka: Thanks Praveen and thank you Edelweiss for hosting this call. Good afternoon everyone. It is a pleasure speaking with all of you again. Borosil Limited’s board approved the company’s financial results for third quarter FY21 and the YTD Q3 FY21 on Feb 11th. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s website. I will start with providing an overview of our business performance for the quarter.

After a very difficult first six months of the financial year where operations suffered on account of COVID related lockdowns, operations during Q3 FY21 showed a smart recovery. The revenue from operations were Rs.205.2 Crores which showed a growth of about 7.6% over the corresponding period of the previous year. On a sequential quarter basis, the growth was 47% which is an indication of demand bouncing back post COVID related lockdowns. Even though Q3 had the festive season of Diwali it is still a very good number.

The company achieved an EBITDA of Rs.41.1 Crores, which is a growth of 15% over the same quarter of the previous year. The EBITDA margin was 20% against the margin of 18.8% achieved during Q3 FY20.

The company registered a PAT of Rs.21.9 Crores as compared to a PAT of Rs.18.3 Crores in the same quarter of the previous year which is a growth of about 20%.

Understandably, our results for the nine months ended December 2020 lagged those of the previous year’s nine months owing to the adverse impact of COVID for the first half of the

year. Revenue from operations was at about 400 Crores in the nine months which is lower by about 19% and PAT was about 24 Crores which is lower by about 48% compared to the same nine months of the previous year.

Borosil's consumer product achieved net sales of Rs.152 Crores for the quarter, which is a growth of 8.5% over Q3 FY20. Both our consumer brands, Borosil and Larah reported a similar rate of growth during the quarter.

As I have shared in the past we see Borosil's consumer business catering to the storage, cooking and serving needs of the modern Indian kitchen. an ally of the progressive home maker. From the legacy of being a glassware brand our consumer centric approach has led us to offer non-glassware products as we see a large demand in that segment. Over the last few years our new product development efforts led to the introduction of the hydra range which is the insulated steel bottles, small domestic kitchen appliances and our steel serve fresh range. While our glassware products had a weak quarter with sales of Rs.34.3 Crores, a decline of 21% this was more than made up by strong growth in sales of non-glassware products by about 37%.

During Q3 FY21 non-glassware products clocked in Rs.61.6 Crores in sales. On a YTD Q3 FY21 basis too, revenue from non-glassware products has exceed that of glassware. Our Opalware range under the brand Larah has shown a good recovery during Q3 FY21 recording a sale of Rs.56 Crores a growth of about 9% over the same quarter last year.

Owing to weak demand in opalware during the first half of the financial year we delayed the lighting up of the furnace at our Jaipur factory after it had gone into rebuild in the fourth quarter of FY20. Production at the plant commenced only on September 13, 2020.

Our shift in strategy from offering only glassware products which were largely occasional use items to a wider range of daily use products which includes non-glassware and the opalware range has derisked the company from demand variations in a narrow category. The consumer products division thus could show a growth even though glassware has shown a degrowth. Just to make a point here the main reason for glassware degrowth has been the issue with lunch boxes which of course have seen very low in demand owing to the closure of offices across the country. However like I said before, we have more than made up for it with the sale of other products that have seen high demand.

As you know we reach our customers through multiple channels that is general trade, large format stores, B2B sales, CSD and e-commerce. In e-commerce we are available on leading marketplaces and also do B2C business through myborosil.com. As you might expect,

different channels have recovered at varying rates. While sales through the traditional channels of general trade and modern trade are yet to fully recover. E-commerce has performed much better. This is a phenomenon across the consumer industry and our efforts to lay the foundations of the e-commerce channels a few years ago has put us in very good stead.

We have been seeing consumer discretionary spend returning. We remain very positive about the mid and long-term headroom for growth in the market segment that we participate in. In fact, in a post COVID world we expect an increase in cooking, dining, and entertaining at home. This is expected to boost demand for Borosil and Larah products. Similarly, the increased need to carry our own meal, beverage, and water to work is expected to increase demand for our range of lunch boxes and hydra range of bottles and flasks. The company continues to invest in advertising to reinforce its brand equity. During the quarter that went by, our advertisement and sales promotion expenses were 6.6% of sales of the consumer products business.

Moving to scientific products: The scientific products division achieved a net sale of Rs.53.3 Crores during this quarter which is a growth of 5.2% over the same quarter in the previous year. On a sequential basis the growth over the Q2 FY21 is 20.2% which also shows a sign of recovery post COVID. Sales of lab glassware products at Rs.34 Crores this quarter, was a small decline of about 1.5% over Q3 FY20. Demand from our focus segments of pharma and healthcare has been steady during the quarter and even grown for some accounts. Budgets for government funded scientific labs and educational institutions – these institutions still being closed - remained constrained and are yet to see a revival.

In our scientific products division, we have started building new pillars of growth. We introduced lab instrumentation under the brand LabQuest a couple of years ago. Sales of LabQuest during the quarter were Rs.4.4 Crores which is a growth of 9% over the same period of the previous year. YTD sales are about Rs.10 Crores in this category.

Demand in the pharma packaging products which are vials and ampoules under Klasspack saw a firm uptick. Sales during the quarter were Rs.15 Crores a growth of 23% compared to the same quarter in the previous year. We estimate that COVID related business of vaccine and drugs could add about 40% to Klasspack's base sale and the company has adequate capacity to service the demand. However, I would like to state that this is still an evolving situation and we will understand how it moves in the quarters to come.

Sales of the two new avenues of LabQuest and pharma packaging business constitute more than 30% of the sales of the scientific products division. While lab glassware is a steady business with sticky customers, pharma packaging and LabQuest are expected to deliver higher growth for this division.

More than the immediate term opportunity in the scientific products business, we envisage a step jump in the spend of research labs in the pharma and healthcare space. This augurs well for the demand of Borosil's range of lab glassware as well as the range of lab instrumentation range of LabQuest. We are well poised to cater to the needs of the industry in India as well as internationally. We have existing relationships with a large number of the top players. We have strengthened these relationships with wider range of offering through new products such as LabQuest and we are also able to customize products in order to meet requirements of these clients.

Coming to the balance sheet: In order to improve our capital efficiency, the company has begun many projects to improve the return on capital employed. Total capital employed excluding investments at the end of the period was Rs.513 Crores. The company's net working capital was Rs.146 Crores which is roughly about 100 days of sales. I am also happy to say that the company has been able to generate significant free cash flow even with muted sales in the first nine months of COVID and we have ended the period with a net cash of Rs.190 Crores.

We believe most of the COVID related challenges are behind us. Of course, we are continuously monitoring the situation with the new COVID variant and mutations in various market, so we are still cautious about increasing our costs. However, in terms of business outlook, we have to be more positive and our planning is for a growth in the coming years 2021, 2022. I am particularly proud of the resilience our team has shown during this difficult calendar year. We have used this time to introspects, identify customer shifts and also new opportunities. We have also spent time to strengthen our internal processes and also cut cost where we believe that they were no longer required. I believe we have emerged much stronger and better prepared for both the challenges and opportunities in the times ahead. We look into the future with a lot of confidence and we hope to continue serving our customers better and building a valuable brand franchise. With that I am happy to now take any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Arun Maroti, an Individual Investor. Please go ahead.

Arun Maroti: Congratulations to the management and team Borosil for the excellent equity management and making a rock strong balance sheet. Sir I have couple of questions. Sir what is the capacity utilization for the Klasspack business.

Shreevar Kheruka: Capacity utilization right now is running at about 60%.

- Arun Maroti:** And I would like to know how much sale come from the e-commerce platform on our own my Borosil and the third-party player.
- Shreevar Kheruka:** So with effect from this year we are not sharing that data. We are sharing data on sales by category, but not on sales by channel.
- Arun Maroti:** So can I know the quantum of the sales on the e-commerce side Sir?
- Shreevar Kheruka:** No if I tell you that then you can calculate the percentage, so no sorry.
- Arun Maroti:** And out of that 62 Crores non-glassware revenue how much was from the hydra appliances?
- Shreevar Kheruka:** I have shared the category break-down to the extent we are comfortable sharing. In the consumer products division, we have shared the sales of glassware, non-glassware and opalware. I am afraid we cannot share a greater level of detail.
- Arun Maroti:** And last but not least Sir, our sizable revenue comes from the gifting and that is why mostly our revenue remain high in Q3 and now as our non-glass revenue showing good upward trend can I say Borosil is an all-season company?
- Shreevar Kheruka:** If you see the trends in a last few years, we have been certainly reducing dependence on Diwali. The product portfolio is certainly everyday use which is not strictly speaking only Diwali related. See Diwali will always give a little bit of a spike but I think it is safe to say that the variations in turnover in every quarter would be lot less than they would have been. That is the trend. If you study the trend in the last three, four years you will see that. So yes to some extent I would say that in the consumer division we have good sales in all 12 months of the year. There may be one or one and a half months of Diwali where sales will certainly be increased but it will not be as meaningful as it used to be in earlier years.
- Arun Maroti:** That is very helpful Sir and last what is the Capex plan in near future if you have any?
- Shreevar Kheruka:** We are still waiting and watching for another quarter to understand how COVID evolves. So we are still not committing to any Capex till we are very, very sure of how the situation, the pandemic is finally playing out. I do expect that since the vaccination program is well underway in India as well as the rest of the world, a lot of clarity should emerge let us say by April, May at which point I think we will then decide how to move forward with Capex. But right now the key is to continue operating with improved capacity utilization, continue generating cash flows which add to the financial strength of the balance sheet.
- Arun Maroti:** It will be helpful. That is it from my side. Thank you Sir.

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

Naveen Bothra: Congratulations for good set of operating performance and also as promised, the presentation has been completely changed and it feels very good. We appreciate that. My first question is regarding the Larah Opalware. If we compare market shares of both Larah and La Opala for these nine months, we may have gained 4% to 5%. Will this trend strengthen? La Opala is going for an expansion of their capacity and we are still not decided about our capacity expansion. Can you share your thoughts about our Larah Opalware division going ahead say 1 to 2 years down the line?

Shreevar Kheruka: Yes, so look I cannot comment on what anyone else is doing. I can say that we will play our own cards and as we have been seeing a good capacity utilization in Larah after the pandemic. We will also be evaluating the situation like I said earlier for another quarter. If we find that the capacity utilization continues to be strong, then for sure we can think of adding capacity in that area. At the moment we would like to wait and watch before announcing anything. As far as the market share is concerned, I would say we have been focusing on selling our capacity which we have done to a large extent. We are happy with that, but it is hard to look at one quarter and draw any inference from it. We should wait for another couple of quarters to observe the trend.

Naveen Bothra: That is fine but in the nine months I think we have gained 4% to 5% and we are closing the gap. So I wanted your perspective on our strategy going forward. Will we sacrifice margin to grow market share?

Shreevar Kheruka: Actually we are not sacrificing any margin right now for market share because we are able to sell our entire capacity. So we are not going on that route at the moment. Our pricing is I would say comparable to the market leader today. Obviously when more capacity comes into the market then we may have to have a different strategy. Right now given that we have limited capacity which we are selling out, I do not think we need to compromise on our margins. We will see what happens if and when we increase our capacity.

Naveen Bothra: Final question is regarding the exclusive brand store, are we planning on the exclusive brand store for Borosil consumer ware appliances? **Shreevar Kheruka:** Not at the moment.

Naveen Bothra: In the social media you see that in Nepal or Dubai I think both the countries we are opening some exclusive brands for Borosil. So are we planning something similar in India?

Shreevar Kheruka: These stores are not funded by us. Maybe our distributors have taken the initiative. We do not have any exclusive brand store and right now that is certainly not the focus because retail is suffering. At the moment, we do not understand retail so we are quite comfortable

without having any brand store. I do not think that is on the strategic direction of the company currently.

Naveen Bothra: Lastly regarding this net cash we have said that we are having around 190 Crores plus. On the Q2 call we had mentioned that our investments in real estate funds etc. were expected to be converted into full cash by March or April. What will be our usage? We have always said that we will keep Rs.100 Crores and rest we may think about the growth. So we are already above Rs.100 Crores and if that gets converted to liquid cash by March or April you can share your views about the usage of the cash and improvement in ROE.

Shreevar Kheruka: Yes, we are looking at all kinds of opportunities both organic and inorganic. I am quite certain that there will be utilization of cash for organic or inorganic growth. If we have a little bit higher cash in the short run, I do not see that as a bad thing. However, we will not rush to do something just to use cash. But for sure, we will be looking at improving ROEs for the company. I think we will be clear by April, May, where this cash will be used.

Naveen Bothra: Cash conversion from deleveraging real estate funds - will these come by April, May?

Shreevar Kheruka: I think a lot of it will but I cannot say if everything will come in by then. Obviously because COVID, things have been delayed. Even those funds have had some delays so I cannot comment whether full encashment will be done, but a lot of it will be done. The amount is materially lower than what it was in the last couple of years. It may be delayed by a few months, but overall we are on the path to liquidate all of those investments and release cash from those investments.

Naveen Bothra: Okay Sir thank you very much I will come in the queue. All the very best Sir.

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

Sharan Nandikur: I would like to ask one question is that I see key institutional customer in the presentation as Panasonic, IFB and Whirlpool and many others like Bosch. So just want to know if they are your customer in terms of providing the glass required for their products like washing machine, fridge or in a different way.

Shreevar Kheruka: No it is a different way. When they sell the end product in a market, maybe like a microwave or refrigerator they sell our products alongside them as gifts for the customers. So when you buy a refrigerator for example you may get some Borosil Microwave free with that refrigerator. We sell them our whole product. It is not a B2B component sale like a glass cover for their washing machine.

Sharan Nandikur: And one more question is like from last couple of years I have been hearing that Borosil is looking for an opportunity to acquire. So now that you have good cash in hand as well, are you still looking for any acquisition and are there any in progress.

Shreevar Kheruka: See in 2016 we did two acquisitions and we have successfully integrated both of them. We always are on the lookout for opportunities which are more or less contiguous to our space and this is an ongoing process. It is very challenging to find the right company with a right culture, the right product and also the right price. So we are always looking and this will continue, but it is challenging to find.

Sharan Nandikur: And one more question about the LabQuest I think that has been started recently - couple of years back and I heard in an earlier conference call saying that it is going to substitute imported laboratory instruments. So are you the only manufacturer for the laboratory instruments in India? Are there any other competing players? And is there any support from the government with respect to the import duty on those products?

Shreevar Kheruka: There are other players in India who manufacture lab instruments for sure. Most of them are exporting the products and there are others for sure. As far as any support from the government goes, no there is no support from the government and frankly none is needed. These are products which are imported at very good values and we do not need any support from the government at all to successfully make it in India.

Sharan Nandikur: And what are the different sectors or areas where these new laboratory instruments are utilized apart from the healthcare and chemical industry?

Shreevar Kheruka: Actually it is any place where there is a lab where you do any kind of analysis or mixing of solvents for instance. So, it could be a shaker, stirrer, a centrifuge, vortex mixer. It used in food industry, for soil testing, food testing, water testing, in pollution testing etc. So, it is used anywhere there is a lab and used differently across industry. It would be used to make vaccine, it used to do QC testing in pharma companies. There is a huge scope of usage, basically any lab in the country will need instruments.

Sharan Nandikur: And couple of quarters back you mentioned that you are still like progressing there and you would like to see how the demand comes and how it goes. So, compared to last three, four quarters where are we now and how are we were seeing growth in this segment?

Shreevar Kheruka: Look Lab instruments is not something which is very, very fast growing. It is a slow growth business because generally the end customers are conservative. They do not want to change what they use because they are always looking to make sure that their testing is perfect and

if they are used to using a certain instrument they want to continue using the same instrument. So, in order to convince them to change you need to really prove yourself. They will always be hesitant, they will try something in a small way, then in a big way and only then in a large way. So, it takes years to breakthrough. We have started the journey now but we will reap the benefits maybe in two to three years' time. The industry itself for sure, there are many things we do manually in labs in India which are automated in the west and as manpower cost increases, the automation will happen in India too. By that time we should be prepared to have the products that are needed for the lab. So, this is a long-term growth and it is a very good return on capital opportunity and we have the distribution. The main thing is the distribution which not many people have. We are fortunate to have the already. Selling more products to the same customer is something we are trying to do now.

Sharan Nandikur: And one last question on the consumer product side. So, I assume that once people start going to office out of 100 people 70 or 60 may carry lunch box and out of those 60, 30 or 40 may carry Borosil lunchbox for sure. Because of the health consciousness, they would like to carry the glass box. So once people start going to office what is your strategy? Are you already increasing the production or when do you start increasing the production? How do you see the demand coming up and by when and how early are you preparing for that?

Shreevar Kheruka: This was the part of the opening remarks. I do agree and we expect that when the offices open up, people will be carrying their food from home rather than ordering from out. That is a trend that we expect. As to when offices will open is anyone's guess. If you look at many IT companies which have large offices they have all said that till July, August they are not likely to have large scale presence in the offices. So, it is very hard to guess how the pandemic will evolve. My sense is sometime by the second half of the financial year 2021-2022, offices should have reopened in a bigger way. This includes multinationals which are IT and pharma which are large potential base customers for health oriented products like a glass lunch boxes. That's when we see demand for lunch boxes coming back, but frankly we are good to stock up now. We are quite aggressive and we will start. We are thinking of some good or let us call it unique marketing strategies to increase the sale in the short-run. So, we will not hold back on stocking up these items.

Sharan Nandikur: Sure sir, I would like to personally share couple of ideas on your email. Your email ID is shreevar.kheruka@borosil.com right?

Shreevar Kheruka: Yes, that will be great, thank you so much.

Sharan Nandikur: Thanks for the opportunity and wish you all the best Sir. Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Kashyap from Edelweiss. Please go ahead.

Dhruv Kashyap: Once again congratulations on all the great stuff that you and your team have been doing. I had one question on each of your lines of business. The first one just for my and I guess everyone's understanding on the Klasspack side of the business one has been reading for quite some time that globally, well before COVID came on the scene, there was a mismatch between the demand and supply of glass vials for vaccines. Now my guess is that COVID would have only widened that gap. Would you be able to help us understand as to where we are in terms of this COVID vaccine opportunity from the Klasspack angle? And given that I think lakhs and crores of people have already got vaccinated, what stage have you reached? What are the likely Capex scenarios that you see play out on the Klasspack side.

Shreevar Kheruka: Many people in India have got vaccinated using the AstraZeneca vaccine which is being manufactured by Serum institute. As I have already shared in previous discussions we are not supplying glass vials for the Serum institute AstraZeneca vaccine. There are some other players in the market who have approved our glass vials although they have not yet got regulatory approval to mass produce those products. These are players like Cadila, Bharat Biotech, even Gland Pharma who are doing this. We are an approved supplier for all these customers. Now going forward there are so many unanswered questions on COVID vaccinations even today, the chief one being does somebody need to keep taking the vaccine every year or are the two doses enough. Will this give us lifetime immunity? I think that is really the key question which will answer the Capex question. If this is a one off requirement, we have enough capacity in the short-run to meet this one off requirement. But if it is going to be a repetitive requirement and every year for example people will need booster shots then I think we have to plan for Capex. So it is a very challenging situation I would say to predict. What I can say is right now because of lot of the glass or the ampoules and vials are being used for the COVID vaccine, supply for many of the traditional medicines has been lost to the Covid demand. We are seeing a lot of demand there. We have actually gotten good customers which are buying vials for the standard medicines such as the standard vitamins which are packed in the injectable format. That we know for sure is long-term business demand. So whichever way we look at it COVID has helped us in the sense that the demand for COVID vials has helped us because even if it is not getting used for the vaccine itself, we are getting demand for other products which will then be sticky. As far as the Capex is concerned, like I said it is hard to measure right now. At the moment we are not taking any large Capex decisions in order to cater to the COVID vaccine vials demand. We have enough capacity we believe for the short run. If we do see that it is going to be a repetitive requirement, then we will take a call again. I think that will be known in the next three to four months.

Dhruv Kashyap: Sir just a clarification on that before I ask my second question is that would it be fair to say that there could be a significant mismatch between demand and supply of glass vials? Even as we speak irrespective of whether we have clarity on whether it is a two dose or a lifetime

immunity scenario, why would we not be able to have a bigger play both in India and outside in terms of supplying to any of these vaccine makers?

Shreevar Kheruka: Generally I do not see a supply demand mismatch. I think those things are overstated, there has been some news in the media about it but I do not buy into that, frankly.

Dhruv Kashyap: So you said you would be looking at partnering Bharat Biotech which is bringing in co-vaccine. Has that happened? Have they already started?

Shreevar Kheruka: They started sampling and they are doing phase III as we speak. They are also giving vaccines to people but those are small quantities. They are not running at full production capacity.

Dhruv Kashyap: But then the ramp up will be taken from you right? So, your sales is linked to their ramp up.

Shreevar Kheruka: I do not know who they will take from, we are one of the options for sure.

Dhruv Kashyap: And what about the scenario within India in terms of the supply demand of vaccine vials? Is it more demand or is it more supply.

Shreevar Kheruka: The demand is there but there is enough supply to meet the demand. I do not see that as a gap.

Dhruv Kashyap: So my last question is on the consumer side of the business. We have always been great fans of the design and the way the Borosil products look out there in the market. My question is now that we have put in pressure cookers, we have put in OTGs, we put in that COVID Suraksha product and so on and so forth. How is the traction on these? In the last one year and more importantly basis our experience, what are the exciting things that we are looking at coming in the future? This segment seems to be the one with the most amount of consumer excitement.

Shreevar Kheruka: As the numbers themselves show, our non-glassware which has all been recent is now bigger than our glassware sales. The absolute numbers are also reasonable. I think we have got very good traction whether for pressure cookers, whether it is a OTG or whether it is a hydra steel bottle. All the three ranges have had extremely good customer feedback. You can even go on Amazon and see their ratings yourself. All of the ratings are reasonably high there. We are quite excited. There is a huge runway of growth just in these segments so we do not need to get into any new segment. We have very low market share in all these segments and we believe that we have big room to grow that market share. If we focus on this, that itself can guarantee a substantial growth for the company in the months and years ahead. Of course, our whole approach is like I said customer centric so as customer needs

are evolving we are there to look into new products. But frankly, that is a bottom up driven approach in the company. It is not a top down driven approach. Product development discussions happen on a daily basis and we come up with sample concepts. Every month we come up with literally hundreds of samples of what we can introduce. Then the team decides what they want to launch. We cannot launch all of them so we launch some and we do not launch others but there is a big pipeline always ready. This bottom-up driven strategy has been doing reasonably well so far. I do believe that given the traction the company has built a non-glassware there is no reason for us not to get more market share in these areas as we go forward.

Dhruv Kashyap: And just clarification on that where are we on the movement of the supply chain and sourcing from China for all these smaller products to India?

Shreevar Kheruka: That journey has started almost six to nine months ago. Obviously there was a lack of ability in travel for a long period even within India which was hampering it but now that is well underway. It is easy to think conceptually about changing the supply chain but there is a lot of infrastructure required. If you were to assemble or manufacture appliances in India we need a lot of supply chain for those appliances. It will take time for India to develop that supply chain. We are moving in the right direction for sure but it will take time for everything to come together. For example the mobile phone has so many components. At the end of the day you cannot assemble a mobile phone in India unless you have all the components being manufactured in India. The exact same story applies to appliances. While we are seeing some of those appliances move, I sense it will take at least two to three years to see a majority of that move to India. Having said that we are seeing good traction in that direction. I would say that over the next two to three years from a dependence of maybe 50% to 60% on China, that could reduce to 10% to 15%. So, that is really the broad timeframe I am looking at.

Dhruv Kashyap: Thank you Sir, thank you so much and thanks so much for your excellence towards it, take care, thanks.

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

Ashwini Agarwal: Hi Shreevar, congratulations, very good numbers. Couple of questions. Obviously the Diwali season was quite good for you and you did not start up the furnace till mid-September. Do you think that the demand came back more strongly than you had anticipated? Did you lose any sales because of stock outs or anything like that?

Shreevar Kheruka: Yes, for sure demand came back more strongly than we anticipated. In the month of August it was very tenuous and suddenly September onwards things started picking up which was

really beyond anyone's wildest expectations. We see that demand continuing today. Coming to the question of lost sales, I do not think we lost too much. Obviously there was some stock outs. It is hard to quantify this but I do not think it is more than say half a month worth of sales at best. At that time the risk was much higher than the reward because once the furnace starts the fixed cost are very high on lighting a furnace and you cannot shut it down. So, we took a call on 1st of September which was a bold decision back then. We were not sure exactly when but everyone was convinced that it is going to come back. We did it and I think that decision paid off for us, but yes it is hard to quantify how much sale you would have lost. I do not think it is too much but there may have been some, yes.

Ashwini Agarwal: See the question I was actually trying to get an answer to was that therefore is it fair to assume that actually the runway for growth for the next year is probably stronger because there are probably missed sales embedded in the Q3 fiscal 2021 number.

Shreevar Kheruka: I think there has been some change in the psychology of the nation frankly - in terms of buying Made in India products, which is great for Indian manufacturers in general. I think we will see an increased demand in the coming year that is in 2021. We are quite bullish on that. The only thing which could derail it is this COVID variant comes back to haunt us or the vaccine does not really work on it. I think that is the only thing that one has to be watchful for. If that is not there then I think that we have a very strong value of growth this year and beyond. Frankly I think even in terms of cost of manufacturing many Indian companies have become much more competitive compared to what they used to be in the past. With more automation, more efficiencies we can compete with China from a cost point of view. For example, in our Opal glass I think we can pretty much compete with China on cost. We are also seeing in the renewable business our cost of manufacturing is quite competitive now compared to the Chinese. Of course there are a few things like electricity prices which are about 20%, 25% higher in India as compared to China which pulls us down. But outside of that, in other ways I think we are there. So we are very bullish with manufacturing in India.

Ashwini Agarwal: And on the energy cost in particular with gas prices moving up is that something that worries you?

Shreevar Kheruka: No, frankly for Borosil Limited gas is such a small percentage of our cost price, it is not meaningful at all. Electricity is far more meaningful for us because our furnaces are electric furnaces. Gas is not so meaningful, so even though the prices have gone up they do not really make a big impact on our bottom line. At least so far. Obviously, if it keeps doubling and tripling in value then it will but at the moment it is not so bad.

Ashwini Agarwal: And it would be fair for us to think that a lot of that cash that you generated came from unwinding of working capital. Will that go back into working capital during the summer months as you scale up to meet the next Diwali season? That is a cycle you keep right?

Shreevar Kheruka: Yes, you are right that is the cycle we keep. Although what also changed is that lot of our sales to distributors which used to be on credit has now become cash on delivery, which is great. Not all of it but a lot of it has. I think there will be some reduction in the working capital cycle that we see but yes some of the cash generation has come from that unwinding which you mentioned. We may have to increase our working capital. There are two key components, one is for inventory and the other is for receivables. I think the receivables portion will not increase to the extent it has been in the past. Of course, the inventory may go up.

Ashwini Agarwal: And last question from my side on the balance sheet. The financial investments you have over a period of time. It has been in your stated goal that you wish to improve ROC and ROE so as these assets get unwound in due course of time should we take it as a given that these would not go back into other financial assets barring temporary money market type instruments?

Shreevar Kheruka: If we look at it now as at the end of December, like I mentioned, we have about Rs.190 Crores of cash on the balance sheet. I think out of this about Rs.130 odd Crores will be purely liquid funds. So, almost 2/3rds of that it is purely liquid funds and there would be some amount in the old real estate products. As we unwind them they will go into liquid funds. We have no intention on reinvesting any free cash flow into any kind of risk bearing securities. Of course even in liquid fund there is some risk but let us say the lowest risk bearing assets. The clear goal is either we will grow organically or inorganically and that should be the utilization of our money and if we do not see such opportunities say over the next two to three years, we try and return that amount to our shareholders. I hope that answers the question.

Ashwini Agarwal: Yes, that is great. Thank you Shreevar, all the best.

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

Ashit Kothi: I exited the conference in-between so if my question is repeating sorry for that, but on glass vial are we using our other products capacity towards glass vial as such?

Shreevar Kheruka: No all these capacities are not fungible across products. The machinery used to make a glass vial is dedicated to glass vials. Similarly, a machine for another product cannot be used to manufacture vials.

- Ashit Kothi:** So are we providing glass vial for this vaccine currently.
- Shreevar Kheruka:** So we have started sampling and some of our vials are for the use of vaccines but we have not yet started supplying for large scale vaccine production.
- Ashit Kothi:** Do you see that happening in the fourth quarter per se.
- Shreevar Kheruka:** It could be fourth quarter or it could be Q1 of the coming financial year. However, I cannot predict anything for sure.
- Ashit Kothi:** And do you consider that to be major area or no.
- Shreevar Kheruka:** No, because while it will provide short-term growth, we do not know if it going to be sustainable growth. I was saying earlier that we do not know how the vaccine vial demand will evolve in the world - whether it is two shots and then people are forever immune or whether they will keep needing a booster shot. If people will keep needing booster shots in the future, then for sure it is a growth area but if it is where once you get the vaccine then the problem is solved then it is a onetime boost for revenues. So, it is hard to answer that question.
- Ashit Kothi:** When you say that our major energy consumption is via electricity, you mean costing is major compared to the gas.
- Shreevar Kheruka:** That is right.
- Ashit Kothi:** Now in our production process gas can be utilized or gas can replace or no.
- Shreevar Kheruka:** In some parts of the process it can but in the main part say for example for our opal glass for the main melting you cannot replace electricity with gas. In some parts of the process you can, but those are marginal.
- Ashit Kothi:** And with regards to pricing, if thermal prices are not going down much then are you looking at utilizing solar energy within your plant.
- Shreevar Kheruka:** That is right, we are.
- Ashit Kothi:** And how much of Capex we have planned for that.
- Shreevar Kheruka:** I am not sure frankly but maybe 8 or 10 Crores.
- Ashit Kothi:** And how much of that can take care of our power consumption requirement.

- Shreevar Kheruka:** I am afraid I have to get back to you because I do not know off the top of my head.
- Anand Sultania:** That is around 10% to 15%.
- Ashit Kothi:** Only 10% to 15% nothing more.
- Shreevar Kheruka:** No because their rules now which prevent you from having an installed capacity which is greater than your demand and because say for example our demand is 5 megawatts we can only put 5 megawatts of solar for example. Each megawatt of solar gives about 20% or thereabouts of units so the maximum you can go is maybe 20%.
- Ashit Kothi:** It is a ridiculous rule in a way because everyone is aware of 20% throughput in a solar energy.
- Shreevar Kheruka:** Yes, but I think the state electricity boards have their own reasons for doing it. We have tried to explain and they understand it also but they have their own challenges.
- Anand Sultania:** This is more related to the net metering basically the policy of the state needs to be there while installing the solar plant.
- Ashit Kothi:** Right Sir thanks a lot.
- Moderator:** Thank you. The next question is a follow-up question from the line of Dhruv Kashyap from Edelweiss. Please go ahead.
- Dhruv Kashyap:** Given that a lot of the business now is getting deseasonalized, now that the Diwali spike is over, how is the consumer business faring in January and February?
- Shreevar Kheruka:** In general, the demand is quite strong post festive period. I am happy to share that we are still seeing strong demand across categories. That is all I can share with you right now because obviously I cannot share any numbers with you.
- Dhruv Kashyap:** I understand. However, is the demand coming back in the categories that declined earlier like glassware, or is it still being led by the new products? I am not asking for a number.
- Shreevar Kheruka:** In general yes there is demand across the board for glassware and non-glassware. The rate of demand is still skewed but there is increase in demand in all categories.
- Dhruv Kashyap:** So for example the decelerating demand in glassware in the Diwali quarter has that shown some pickup in Jan, Feb or is that still decline or decelerating at the same rate.
- Shreevar Kheruka:** No it is not decelerating any more. It is also picking up.

- Dhruv Kashyap:** So it is almost a secular uptrend across categories in the consumer business for Jan, Feb I mean that is a fair statement.
- Shreevar Kheruka:** I will tell you without getting into details. In general what we saw for example large format stores were the worst impacted in COVID. Many of them are located in malls. Some of them had other issues such as Future Group. We have seen a bounce back of large format stores post Diwali. In general, I think consumer demand with the exception of specific items which are linked to office has improved a little bit. It is not yet great across the board and it continues to grow every month.
- Dhruv Kashyap:** And I guess that will be true even to these office and school products because sequentially this month would be better than last month in terms of things opening up.
- Shreevar Kheruka:** Yes, but schools have not opened.
- Dhruv Kashyap:** I meant office more than school actually tiffin boxes and stuff like that.
- Shreevar Kheruka:** Yes, offices are opened you are right.
- Dhruv Kashyap:** Shreevar thank you so much and once again a really great job that you and your team are doing. Thank you so much.
- Moderator:** Thank you. Would you like to add any closing remarks Sir?
- Shreevar Kheruka:** Just wanted to thank everyone for participating in the call and let us hope that this pandemic is behind us or at least to a large extent behind us and there are no further surprises from mutations of COVID. If that is the case, then I see that we are well placed for the future. So hopefully that will reflect in Q4 numbers and I look forward to speaking with you all in three months. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Broking Limited that concludes today's call. Thank you all for joining us and you may now disconnect your lines.