BOROSIL®
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August 21, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 543212**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: BOROLTD**

Dear Sirs,

Sub: Transcript of Institutional Investors and Analysts Conference Call

Please find attached transcript of conference call with Institutional Investors and Analysts held on Wednesday, August 16, 2023.

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

You are requested to take the same on records.

Yours faithfully,

For Borosil Limited

ANSHU ARVIND AGARWAL
Digitally signed by ANSHU ARVIND AGARWAL
Date: 2023.08.21 20:25:40 +05'30'

Anshu Agarwal
Company Secretary & Compliance Officer
FCS – 9921

Encl: as above

"Borosil Limited

Q1 FY '24 Earnings Conference Call"

August 16, 2023

MANAGEMENT: **MR. SHREEVAR KHERUKA – VICE CHAIRMAN, MANAGING DIRECTOR & CEO – BOROSIL LIMITED**
MR. RAJESH CHAUDHARY – WHOLE-TIME DIRECTOR – BOROSIL LIMITED
MR. ANAND SULTANIA – CHIEF FINANCIAL OFFICER – BOROSIL LIMITED
MR. BALESH TALAPADY – VICE PRESIDENT-INVESTOR RELATIONS AND BUSINESS ANALYSIS

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Borosil Limited Q1 FY '24 Earnings Conference Call hosted by Monarch Networth Capital.

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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you, and over to you, sir.

Rahul Dani: Yes. Thank you. Good afternoon, everyone. On behalf of Monarch Networth Capital, we are delighted to host the senior management of Borosil Limited represented by Mr. Shreevar Kheruka, Vice Chairman, MD & CEO; Mr. Rajesh Kumar Chaudhary, Whole-Time Director; Mr. Anand Sultania, CFO; and Mr. Balesh Talapady, Vice President-Investor Relations & Business Analysis. We will start the call with opening remarks from Mr. Shreevar, and then we'll move to Q&A. Thank you, and over to you, sir.

Shreevar Kheruka: So thank you, Rahul, and Monarch for hosting this call. Good afternoon, everyone. It's a pleasure for the Borosil team to be interacting with you again. Borosil Limited Board approved the company's financial results for Q1 FY '24 on August 14, 2023. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website.

Consolidated revenues from operations during the first quarter ended June '23 was INR250.6 crores as against INR 216.2 crores, that is a growth of approximately 16% over the same period last year.

During the quarter, the company achieved a consolidated EBITDA before exceptional and one-time items, including investment income, of INR31.2 crores as against INR 29.2 crores. The EBITDA margin was 12.4% in Q1 FY '24 as against 13.5% in the same period last year. PBT during Q1 FY '24 was INR 10 crores as against INR 26.1 crores in Q1 FY '23.

Last year, during Q1, we had an insurance claim, resulting in an exceptional gain of INR 5.1 crores, whereas this year, we had one-time expenses of INR 2.9 crores towards due diligence expenses of acquisition opportunities. So that's a total swing of INR 8 crores there. Also, the investment income is lower by about INR 2.9 crores during this quarter as compared to the quarter in the last year.

Finally, depreciation and finance costs are higher by about INR 10 crores, primarily due to the commissioning of the new Opal furnace during Q4 FY '23. During the quarter, Borosil recorded a consolidated profit after tax of INR 6.4 crores as against INR 19.4 crores during the same period last year.

Coming to our business-wise performance, Borosil's Consumer business comprising glassware products and non-glassware products under the brand Borosil and it's opalware range under the brand Larah started with a very strong sales performance of INR 176.2 crores as against INR

148.7 crores during the same period last year. That is a growth of 18.4% over the same quarter last year.

Sales in glassware products were muted with a sales of INR 39.2 crores of against INR 40.7 crores. So that's slightly negative. The glassware market expansion has been flat during the first quarter. This will improve going forward as we put efforts to enhance our product stream and increase availability of our products across various channels.

Non-glassware products grew by 19% to reach a turnover of INR 70.8 crores during this period. And here, we saw good growth across all our ranges. Non-glassware sales of Borosil brand now comprise about 64% of our revenue. Our Opalware Larah achieved sales of INR 66.2 crores, that is a growth of 36.2% over the same period of the previous year.

The EBITDA margin for the consumer business was at 15.7% as against 12.7% during the same quarter last year. We have seen some softening of direct costs such as fuel and raw material prices during the first quarter. And we expect to continue seeing margin improvement as we further scale the revenues. However, as already mentioned in the past, the company will continue its marketing spends behind both its brands, that is Borosil and Larah to increase consumer mind share and grow the brand digitally.

And as evidenced by our sales numbers, I believe that these spends are having positive results. At this juncture, the focus of the company is to expand the franchise of brands. We want to bring more users into the category of microwavables, and upgrade and convert users from plastic and melamine into glass storage and opalware.

We continue to introduce new products to expand our range of offerings, such as in high-grade steel on-the-go products as well as domestic appliances. With Borosil and Larah, we aim to become the brand-of-choice for the modern Indian kitchen for everyday use in storing, preparing, cooking, heating and serving.

Moving on to the Scientific division. Net sales during the first quarter of '24 were INR 74.4 crores. That is a growth of 10.2% over Q1 FY '23. This sale includes sales of INR 7.8 crores from the recently acquired process chemistry business of Goel Scientific, which was not there in the same period last year.

Our scientific product business comprises four product ranges now, that is lab glassware; lab instrumentation, that is under the brand, LabQuest; primary glass packaging for pharma customers under the brand, Klasspack; and the recently acquired Process Chemistry Business.

During Q1 FY '24, lab glassware sales were INR 42.8 crores that is a growth of 3.2% over Q1 FY '23. LabQuest was INR 6.7 crores. That is a growth of 24.7% over last year. Klasspack was INR 17.1 crores. That is decline of 17.4%. And Goel Scientific was INR7.8 crores, which was not present in our revenues at all last year.

The company has identified a number of levers to ensure long-term sustainable growth in the Scientific division. In the lab glass consumables market, the government’s push towards procuring on Government e-Market (GeM) is seeing traction. This channel reduces the risk on receivables and could potentially improve order flow from the government directly to Borosil.

Borosil also entered INR 110 crores filter paper market, which was hitherto dominated by a single player, and we expect this to continue grow into the future. We continue to add more customers and expand the range of solutions being offered to existing customers. That is on the back of a wider product portfolio, which has already shared four different product ranges.

We are also developing an OEM business line for supply of critical items to some of our large export customers, and we expect to retain a dominant position in the domestic market. Export sales continue to see very good traction for lab glass as well as vials. And not only do we have repeat customers, but our wallet share for our customers also is increasing.

In lab instrumentation, we will focus on increasing the range of solutions that we offer, and at the same time, expand our customer base. Recent products developed and introduced by the Borosil Technologies team include midi pilot lab reactors, bottle top dispensers for hazardous acids as well as products in the nutrition and environment categories.

We will leverage our existing customer relationships in the lab glassware business to increase customer penetration for LabQuest. The team has also recently launched Process Systems, which gives us entry into new customer segments of API, bulk drugs and chemical manufacturers.

In Pharma Packaging, which is, at the moment, seeing some stress. While we did get new businesses, we have a loss of revenue from a few existing clients due to which sales are impacted. Several factors that contributed to the setback, including substantially reduced demand for injectables, heightened competitive pressures and pricing challenges in regulatory markets, cost reduction efforts affecting input materials and a strategic transition to more cost-effective packaging material for the drug price control order, that's DPCO, business as well as general injectables.

During Q1 FY '24, the company acquired 90.17% equity in Goel Scientific through its subsidiary Klasspack Limited. Borosil SIP business will drive several synergies with this acquisition. It will add a complementary product portfolio to Borosil's existing range that can leverage Borosil's brand and strong sales and distribution network. Borosil's R&D capabilities together with Goel Scientific specialized glass blowing skills, will enable the company to provide its customers with world-class Made in India products.

The combined operations are expected to provide deeper market penetration, entry into new markets, enhance product offerings and an innovative range of products. This will lead to input cost optimization for our clients as well as potential sourcing benefits. In the interim, in this initial phase, we will be investing behind setting up many systems and processes into Goel Scientific as well as hiring people as needed to enhance the sales outreach, which may have a short-term impact on costs. However, we believe the business would perform very well even in the medium term.

EBITDA margin for scientific products during Q1 FY '24 has reduced from 15.2% last year to 8.5% in this quarter, Q1 FY '24. Margins in Scientific Glassware have shown some improvement in line with growth of the business. However, the drop in the division's EBITDA is on account of lower margins in the Klasspack business as well as the higher costs on the LabQuest business as well as the recently acquired Process Chemistry business.

In LabQuest, more than proportionate cost increases were attributed to R&D expenses and higher staff costs as we continue to scale the technical team. Borosil Technologies is still a nascent business and the subsidiaries are in an investment phase, and is currently incurring losses. As the business scales, these costs will get normalized. And we expect that new products, which will take about one year to three years to stabilize, should help the business show positive results.

In Klasspack, EBITDA margin declined as compared to last year primarily owing to lower sales during the period. Additionally, gross profit was lower owing to steep increase in cost of materials and power that could not be passed on to the customers, although we expect the material costs to reduce in the coming periods. We see the situation to improve in the coming quarters as we are seeing more traction of new customer sales as well as reduced input costs.

The new Borosilicate Pressware facility of 25 tons per day in Jaipur is estimated to be commissioned in the third quarter of FY '24.

The company's Board of Directors has initially approved the establishment of a Borosilicate 3.3 expansion tubing furnace at the company’s plant in Bharuch, Gujarat. The decision aimed to enable in-house manufacturing of glass tubing. That is a key raw material used in the production of the company's scientific products.

The goal was to decrease reliance on external suppliers for this crucial input material. However, as we continuously assess the company's expansion strategy, considering factors such as project cost effectiveness, time considerations and availability of other options, the decision to proceed with setting up the in-house tubing project have been put on hold.

The decision will not impact the company's ongoing operations, as it will continue to procure the required tubing from external suppliers as we have been doing for the past many years.

In previous communications, we detailed our intention to reorganize the company's operations into two distinct publicly traded entities through a comprehensive arrangement scheme.

The appointed date for the Scheme is 1st April 2022. Post receipt of Observation letters from the stock exchanges and approvals from equity shareholders and creditors, the company has filed a petition with NCLT for seeking its approval on the said scheme. The said petition has been admitted for final hearing, which is now scheduled for 1st September 2023. However, the timelines of this step are not in our control, and we'll keep you informed of the progress in this regard.

Overall, we maintain a strong sense of optimism regarding the medium-term potential within the consumer business. While there may be occasional periods of modest growth, coupled with consumer caution, we anticipate robust expansion in our sector is driven by favorable long-term trends. Our primary focus will be on introducing innovative new products, enhancing customer experience and improving efficiency throughout our market channels and supply chain. Additionally, we will invest in strengthening our brand presence.

In the Scientific segment, we are definitely in a growth phase with addition of various new product portfolios in our basket. We plan to capitalize on our leading position in Lab Glassware to ensure consistent growth with these new product introductions. Simultaneously, we aim to foster the growth of the instrumentation business through LabQuest and expand our pharma packaging offering via Klasspack. And in the medium term, we continue to anticipate double-digit revenue growth for this business.

With that being said, I would like to now throw the floor open to questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Dani from Monarch Networth Capital. Please go ahead.

Rahul Dani: Yes. Congratulations, Shreevar, on a strong revenue growth. Just a couple of questions from my end. Especially in opalware, we have seen competition report very subdued growth, and we have reported extremely strong growth. So I just want to understand how the market is? And in terms of margins, our margin expansion has come, is it primarily because of opalware and where do you see this stabilizing?

Shreevar Kheruka: Yes. Thanks, Rahul. I can't comment on competition. But we also have seen relatively slower growth. I mean, we had anticipated even higher revenue growth than what we have achieved. But unfortunately, I think, the market has not been that strong in the first quarter. And I think that's the case across consumer product companies. But we continue putting efforts behind all our channels, and I believe that our strategy to broad base our various channels has resulted in what I would call still very good numbers.

On the point of margins, yes, the consumer division, margin expansion is definitely driven by higher margins at Larah facility. And as we see more capacity utilization, I think the margins will continue increasing, so we are quite positive. Although, frankly said, we do hope that consumer sentiment picks up during Diwali periods, which is just upcoming now.

Rahul Dani: Sure. And secondly, on the Scientific division. I expect we do understand that you've been spending on the recent transaction. So do you expect margins to kind of be in these levels for the next couple of quarters and maybe pick up from next year?

Shreevar Kheruka: No. I think, Scientific margins should pick up from this quarter itself, because there were specific reasons why we had higher costs in the first quarter. So I don't see them at this level. We definitely, we should come back to more or less consistent levels of margin as we had in the last year.

However, to see margin improvement compared to last year, I think, yes, this will take maybe another year-or-so, because I think, our Borosil Technologies business is one of the reasons that the margins are lower, basically higher cost than what we are selling. I mean, there's a net loss in that division.

But I think given what we are seeing in terms of traction of our instrumentation range, I think from next year, we should be profitable there as well. And so that drag on the margin, which is currently being face from there should go away. And Klass Pack also is a drag on the margin, which is -- which also should improve because we've got, I would say, three, four very strong customers have been added into our kitty. Now it takes time for them to kind of scale up operations.

So that should also happen in the next one quarters or two quarters. So I think margins will bounce back, but to see substantial improvement in margin compared to the year before, I think we'll have to wait through next year for that.

Moderator: Thank you. The next question is from the line of Aditi Bhatted with Niveshaay Investment Advisors. Please go ahead.

Aditi Bhatted: So regarding the capacity expansion for the Pressware facility and the Klasspack, I wanted to understand the status of the same. I couldn't follow that in the commentary. So first, my question is regarding the capex. Yes.

Shreevar Kheruka: Yes. So as far as Klasspack is concerned, I think more or less, whatever was the capex planned, it's already deployed. Unfortunately, those capex has come in at a time when demand is slow. So it's kind of sitting idle, frankly, our capacity utilization is much lower than we had anticipated. So that's a negative for us.

And like I said, we're working on new customer relations, which we already have achieved some success and assuming that these customers come in, we should be able to start utilizing that capex. So capex cycle for Klasspack is more or less finished. A couple of things will be added in the second half of this year, which are already, let's say, accounted for, but nothing new.

And as far as the Pressware facility is concerned, we had some delays, because of delay in shipment of machines, especially from Europe. And the supply chain issues, which were very, very strong last year, while reduced are still not completely gone. So we expect that production facility to start in the third quarter of this financial year.

Aditi Bhatted: Okay. So sir, like when we see the Klasspack division, so margin-wise, if I see the affected margin, can I also attribute that we have already done the capex and that involves an amount of capex expenses too, other than the raw material price increase?

Shreevar Kheruka: Yes, of course, the depreciation has gone up because of the capex -- sorry, is that the question?

Aditi Bhatted: So the same thing, sir. The margin that is affected in the Klasspack division, is it only on the account of raw material price increase or because the capex was also completed and like the employee expenses and everything you have already deployed for the same division?

Shreevar Kheruka: Yes. So that's right. So what happened is A) the capex was deployed; B) our fixed costs, which are, let's say, employee costs, energy costs and a lot of sense of fixed costs. The fixed costs, you have the reverse of operating leverage happening, because your sales have de-grown, and therefore, to those costs, which are all built into the system for higher sales growth are actually now spread over a lower sales base.

And therefore, our fixed cost as a percentage of overall revenues have increased substantially, which also destroys your margin profile. So -- and these are costs which are not easy to -- you don't want to take a short-term decision to cut these costs, because once your sale comes back, then if you need those skilled people, you need them. So you have to live with it for a few months till you get the sales back.

So yes, you're right. A margin cut in Scientific division is attributable to two main reasons. One was the higher cost in Klasspack associated with the higher capex and the general lower sales. And second is on Borosil Technologies, again, because of the more investment in skilled people to help, let's say, drive new product development.

Aditi Bhatted: Okay. Okay. And sir, for the Klasspack division, the revenue mix for the domestic and export market would be?

Shreevar Kheruka: Yes. So actually, that's one of the silver linings for us, which our export sales have actually been increasing every month, month-on-month, year-on-year. So in fact, this year, I think exports will be more than 30% of our revenues, which three years ago was hardly, 3%, 4%, 5%. So that's a silver lining for us. And we are working harder to see whether we can take that up to maybe 35%, 40% even higher than that. So that's something -- because the export customers are paying us for that capex that we run for those camera inspection systems and for all the value addition that we're doing. So that's certainly something that we see with optimism.

Aditi Bhatted: Okay. Okay. And lastly, sir, when do you see the raw material prices to stabilize for this division?

Shreevar Kheruka: See, raw material prices have -- will reduce from this quarter on. And then, they will be stable only. I don't think they will increase further. So yes, from next quarter on, I think you should see an improvement or reduction in raw material prices.

Moderator: Thank you. The next question is from the line of Priyank Chheda with Vallum Capital. Please go ahead.

Priyank Chheda: Sir, my question is on the opalware. Can you elaborate? You did mention that your broad-based channel strategy has resulted due to remain new to the macro consumer slowdown that we are witnessing. So if you can elaborate that further along with few data points on to how -- what is your revenue contribution? Across the channels, which channel has led to growth or degrowth? That's my first question.

Shreevar Kheruka: So frankly, we don't share the channel-wise data,. However, we consistently maintain that our people are our strength, and we have a very strong sales team across all the channels, whether it be general trade, modern trade, CSD, even exports, our institutional sales, of course, ecommerce, MyBorosil, across all these channels, we have very strong teams, which we have worked on and we developed and also had to have lower overall margins in the business because of the higher manpower costs.

But at some point, that is kind of paying back for us. So that, combined with our marketing expenses have, in my opinion, driven the sales growth. But unfortunately, I'm not at liberty to share the channel-wise numbers or growth. But I can say that the growth is very broad-based. And I can't say that there's any specific order or specific, let's say, specific channel or region, in fact, even, which has contributed disproportionately to the growth that we see, which is all good for us.

Priyank Chheda: Would this be relevant across the industry or would it be only for you, if you can help us with that?

Shreevar Kheruka: I mean, look, people are relevant across every industry. So yes, it's relevant across the industry. I think, yes, it is relevant to every industry that if you have good people and that we have good -- they know what to do, then normally, they get the job done. So that's -- in my opinion, that's what I'm seeing. I can't give you any further -- I mean, a data on that subject.

Priyank Chheda: Sorry, I was referring to the channel growth of the broad-based growth that we have witnessed. Is the same trend across the industry or is only specific to Borosil, if you can help me understand?

Shreevar Kheruka: Sorry, I don't pay too much -- I mean, I have a general idea of what's happening, but I don't pay too much attention to competition numbers. So I think you're in a better place to kind of check that versus me.

Priyank Chheda: Got it. Got it. No problem. Sir, one more query on your presentation where you mentioned the industry size. The opalware market size is around INR 900 crores as per your presentation. It is that same size that you had mentioned in September 2021. So despite it's been estimated to be growing at 20%, I mean, can you help us with...

Shreevar Kheruka: Yes. I think we may have made a mistake there, maybe we have to revise that. It has definitely gone up, for sure.

Priyank Chheda: No problem. If you can help us with what are the industry dynamics in opalware right now, how that are shaping up? Any sense on -- I mean, are the organized players getting more share versus the unorganized, if you can help me on the industry dynamics?

Shreevar Kheruka: See, unorganized versus organized in opal, there's hardly any unorganized in opal. However, I've repeatedly said this, I don't consider the market to be opal. The market is dinnerware, okay? When you go out to buy a plate, you're not thinking I'm going to buy opal plate or -- when I say you, I mean anybody, okay? They want to buy a dinner-set or they want to buy a cup or a saucer or a mug. So when they go to buy a product, I don't think they necessarily think of which category or rather which material to buy.

So we should look at the overall size of the dinnerware market, which is multi-thousand crores, maybe more than INR10,000 crores, because you have to add steel there, you have to add plastic there, you have to add Bone China and so on and so on, okay?

So we have to get a share of that pie, not a share of the opal pie. And that has been the consistent messaging from our point of view. And I think, if you look upon that as a market opportunity, then we probably -- as an industry, we can succeed, not individually, but as an industry we can succeed.

So I would urge you to look at the entire industry of dinnerware or tableware, serving ware, whatever you may used to call it and see what, let's say, share opal can take from that.

Priyank Chheda: Got it. Clear enough. In one of the presentations you have -- or one of the slides you have mentioned that you have gained share in the opalware market. If you can help us quantify it if possible? And in general, if you can comment on how has been the project competitive landscape in such a sluggish scenario? Are the players embarking on to more discounts within their channels or not?

Shreevar Kheruka: I've not seen much discounting, frankly. I think all the players are very mature. And they are extremely able and very, very, let's say, strong all the players in this opal business. So I don't see discounting as a challenge. I think in general, like I said, again, I mentioned that we have a broad-based channel strategy, which others may or may not have. And therefore, we benefit from it. This also cost us. It costs us by way of higher advertising costs and it cost us by way of higher manpower costs, which is a cost that we pay and therefore, that impacts our margins. So while our growth has been good, but as you know, that our margin profile is not as good. So it's a cost benefit thing.

And we choose this way. We choose this route. Somebody else may choose some other route. Neither is right or wrong. It's just a question of philosophy. Yes.

Priyank Chheda: Got it. Got it. Clear enough. And just last question on -- has your second furnace started contributing to the sales in the current quarter? Earlier, you would have guided that you would be looking out to selling out almost 60%, 70% of the capacity in the current year. Given the sluggish scenario, would you want to revise that guidance?

Shreevar Kheruka: Look, like I said before, the key is Diwali. We -- our sales -- last year, we had sold out, and we have grown 36%. We've not cut prices. So you can assume that volume growth is 36% or 40% in that range, okay? So in principle, of the second point is, we're selling that percentage of our capacity versus the 60% that we had really hope to serve.

So let's wait for another quarter, let's see how Diwali goes, then I can comment further. But right now, it's hard for me to give guidance -- further guidance on this.

Moderator: Thank you. The next question is from the line of Pranay Roop Chatterjee from BCMPL. Please go ahead.

Pranay Chatterjee: My first question is with respect to the opalware division. I think the festive season this year is beginning sometime end of August, if I'm not wrong and it will go up to sometime second week of October. So on a Q-o-Q basis, should we expect improvement in our opalware sales, if you can comment on how you are seeing July and August progressing?

Shreevar Kheruka: I'm sorry, I can't give comment -- I can't talk anything about this quarter. Only whatever is published. I think as per my side, it has been long, so sorry about that.

Pranay Chatterjee: Got it. Got it. With respect to Glassware division, you had said your new furnace will come in Q3. I think, I asked this question last quarter as well, you had said you would have better idea closer to the date. Any information you can share regarding how much cost upfronting can happen because of the new furnace in terms of incremental cost getting built? And in terms of -- you would also have some benefit because raw material produced in-house would be cheaper than getting imported. So how would those dynamics sort of play out? And how do you vision them playing out over the first two quarters to three quarters of furnace being active?

Shreevar Kheruka: Yes, look, this is -- actually, for me, the biggest threat or the concern is this furnace, because as you see, our glassware sales have been flat. Okay? And which is not a good sign for us. That's not good sign for us. Because we definitely need to sell much higher volume once we have our own production. The volume from that production is like 3x, 4x of what we are selling.

So our biggest challenge in my opinion for our Consumer division, everything else is on track in our opinion. The biggest challenge for us is how do we sell 3x, 4x the volume of the press production when that production starts. So that's something, frankly, we are working on. So yes, that's something that I would say we really need to maybe think something different or get maybe some out-of-box ideas, because that's not a problem that we've been able to solve yet.

Pranay Chatterjee: Got it. Got it. Got it. But if you could still, in case you have had internal discussions, if you could share one or two levers that you would have to get that additional volume because we would need to gain share in the...

Shreevar Kheruka: Yes. We have. So the basic -- the most basic lever is product range, okay? Right now, we offer maybe 30, 35 SKUs in that glassware category. In our new product line or in our new furnace, what would come online soon, we have almost 85 SKUs that we plan to launch. So the point is that you want to give customers choices. When the customer has a choice and they're likely to choose something within that range. When you give more fewer choices, then they may choose something totally out of the range. They may not choose that range at all.

So I would say the range of products is the number one, let's say, lever that we can pull, that we plan to pull when we launch this range, and that should definitely give us better volumes. The number two lever is higher exports, because of China-plus-one, we have -- now it's also a chicken and egg situation, because we will be contacted by most of the big overseas, let's say, department stores who are interested in the product. But until we have production, they can't approve us and so on. So it's a little of a chicken and egg situation. But -- so that should be the number two lever.

And then number three lever would be definitely pricing, which is -- which would need to be attractive to make the product within reach of the everyday consumer. So these are the three levers that we hope to be able to pull once the production comes. And that we hope would help us drive the volume growth in the business.

Pranay Chatterjee: Sir, interesting point you mentioned the last one. How much would the price view would -- how much of the price need to reduce to sort of materially expand this market, right? Because one of the reasons that the glassware adoption is low is the pricing, right? So how much percentage would you expect that number to be?

Shreevar Kheruka: Yes. Maybe it's -- I think it will be different product by product. But like, for example, glass lunch boxes, I think already are quite competitive in general, because you have a broad range of products available and the competition is more or less a similar pricing. But something like a serving ware, something like a serving ware, we are outpriced when you compare to other categories, there, you may need to have a 15%, 20% reduction.

So it may range from anywhere from nothing, we don't do anything to a 15%, 20% reduction, somewhere in that range would probably be the right price point.

Pranay Chatterjee: Got it. Sir, my last question regarding SIP margins. I think in Q4, EBITDA margin supported was around 22%. That obviously has reduced because of the reasons you mentioned. Should we expect Q2 to be more of a transitory quarter where you were trying to figure out things and going back to that 18%, 20% levels, which might come back only in Q3 and Q4. Is that a fair statement to make?

Shreevar Kheruka: See, SIP in general is a seasonal business. Q4 is always strong, okay? So one should not look at -- either you can't look at preceding quarter and next quarter margins for the quarters themselves could be different. So it's not that our margins have fallen from 22% to whatever, 8.5% as they have. That's not the way to look at it. To say, I mean, at the end of this year, can we be closer to last year what we did? I think with the exception of Q1, which has not been very good, I think that's a safe statement, to say, in general, okay?

But again, like I think I answered someone before that the expansion of SIP margins will probably start happening from next year when -- to those two areas where we are today in a negative situation, one is the Borosil Technologies business and the second is Klasspack, those should start picking up again. Because those are actively dragging our margins down.

And both for separate reasons. One is for the sales reason and the other is for higher costs, which are not yet kind of absorbed by the product range that we have.

Moderator: Thank you. The next question is from the line of Dhruv Kashyap, an individual investor. Please go ahead.

Dhruv Kashyap: The first question was on the Borosil consumerware division and is sort of really exciting part of the business. Given that we are currently sort of operating in a fairly flared up consumer inflation environment, where there is a tendency of the consumer to deprioritize discretionary spending and so on and so forth. And the fact that, I guess, one way to mitigate it is to sort of put in more newer exciting offerings in the various categories we operate in and categories -- new categories as well. And the dynamics that earlier, we were procuring some manufacturing some, some was coming from China.

We were to risk mitigate that and sort of bring it a lot more into India. Could you just sort of share some color, including the new categories or the new launches that we are getting into? I mean, just give some idea of given that we are entering into festive season that how are we placed on the consumerware business, including the buildup?

Shreevar Kheruka: Okay. So Dhruv, just firstly, I'd like to clarify your first statement. I don't think consumer is more or less exciting than Scientific, both businesses for us are extremely exciting, okay? And we love both the businesses, and we believe both have incredibly interesting opportunities for us ahead. And also should help return, as the returns of both the businesses should be more than what you would otherwise anticipate in a risk-adjusted way. So yes, just to make sure that I'm clear, both the businesses to us are very exciting, not just one or the other.

Coming to your next question on consumer business, we have very much or let's say, very well developed, at least for our size and scale, product management teams. And these teams are continuously going to visit end customers.

They're visiting our channel partners and they figure out what really is the need of the market. It's very bottom-up and not top down at all. And they have complete autonomy to drive new introductions and to drive our own, whether it's our own factories, whether it's our supplier front to drive them to make new products. And we -- as management, we try and get out of the way because we -- once we get in the way, we actually slow down that process.

So I get lots of complaints from my mother, because she keeps telling me that I have no idea what products are being introduced in Borosil.I think, we launched 109 SKUs last year.

So that's -- it's a pretty rapid, say, product launch compared -- again, this is for our size and scale of operations. And I think that's more or less continuing for this quarter as well. And you will continue to see new products. You could check our website, myborosil.com. I think you'll get a sense of what's going on over there.

And there are different products for online. There are different products for trade. Different for LFS. So it's hard to kind of pull all of this down into some metric, but we see a lot of engagement from our end customers with us, and that's how we drive product development.

Dhruv Kashyap: Yes. Thanks for that, Shreevar, I mean, loved some comments. My, sort of, mother keeps questioning my judgment as well. But I think on the SIP part of the business, just to understand this, see, there are a lot of parts to it, right? So there is a LabQuest instrumentation. There is a sort of the instrument -- or sorry, the test tubes, beakers, etcetera, that’s part of the business, then there is Klasspack part of the business and now there is Goel, so for a fairly small revenue, there's a lot of complexities in moving parts.

How are you seeing this play out because if you start investing in all four and you lined up in a situation where there's a soft demand environment, especially given who you cater to as a customer, etcetera, given that large part of it is B2B, where you might not even have pricing power. I'm just -- to me, just help me demystify this, because it sounds very complicated.

Shreevar Kheruka: Yes. So complexity is our friend, that's the first point. The more complex it is, the fewer people that can do it. And therefore, if we have complexity and we can solve for the complexity, then you should make better returns than otherwise, right? Otherwise, if it was simple, everyone would do it. So yes, so that point is absolutely correct. The SIP business is definitely complex with many SKUs.

The second point is price. Except for pharma packaging, which is, let's say, which has a different dynamic. The other three verticals, which would be the glassware, the instrumentation and the Process Systems business, here actually the pricing, it's not clear, that the companies that buy from us have all the pricing power. We also hold a substantial pricing power.

We have a big moat, and that is the product range. Because this is a C-class item for most of those companies in terms of their annual purchase. And because it's the C-class item, the focus is more on making sure the quality is correct so that they don't have complaints and also that they get delivery on time.

So if we manage that, whatever, a few thousand SKUs, and we can deliver this across the country within, let's call it, one day, say, I think the last I checked, we're delivering about 96% of our SKUs within 24 hours to the end customer, then they don't want to -- I mean, even if they save money on it, they save nothing. They save like pennies. Their total spend on labs, all this stuff put together in a year, will be 3%, 4%, 5% of the overall spend.

So even if they save 5% of that, it doesn't bother them. And on the flip side, if they get bad quality or they it gets delayed by five days, then they are much more valuable experiments, the costs, which are the fixed cost of those scientists who are doing all the experimentation, all of that goes for a toss. So I don't really think that we have the pricing power, but I do believe -- but it's different for pharma packaging, because the pharma packaging is supply of raw material.

And raw material is not a C-class item, it's A-class item for those pharma company. So that's why there's a slight difference in these four businesses and not to be looked upon all under one umbrella. And I think coming to demand environment, I think India's R&D spend is going to go up. Pharma generic production in India is going to go up, API production is going to go up. So I think we're at the front end of that curve.

And now that's a business bet we've taken, that the demand will go up. Obviously, if the demand goes down, then we're in trouble. But I mean, this is a business which is fairly stable, and I don't see any shocks from the demand side or any something -- a new technology, which can totally replace you coming up very quickly on the demand side. So yes, but of course, there's a risk every business has a risk and this has also that risk.

Dhruv Kashyap: Yes. It's exceptionally well explained. I think, my last question, a very quick one, is that given that we have come out of a slightly challenged quarter on, let's say, the SIP end of the business, including the margin. And we are entering a very sort of forward festivity period, because correct me if I'm wrong, in your line of business, you start loading the channels of trades in July, August, September -- or in October, November, December, so on Diwali.

So given that, how are you seeing this play out in the July, August, September, October, November, December? I'm not asking for forward guidance, but I'm asking for your expertise and your stewardship in helping us lay people understand that how is the lay of the line looking?

Shreevar Kheruka: See, we can do our job, which is to get the products manufactured or sourced and stock it up and then we go to the customer and ask for orders. I mean, at the moment, I'm not seeing anything either extremely exciting or extremely depressing. It's kind of neutral. And -- but it's still -- this year, Diwali is in November, not October. If I'm not mistaken, sometime in the second week of November.

So Diwali is a bit later than normal. So I think the festive -- the demand should start picking up just about now only or in the first half of September for a kind of -- end of August, September, October kind of festive season. So I can't say there's anything dramatically exciting or anything dramatically depressing. Things are still on the, let's say, very much balanced.

And I think, the next 30 to 45 days, we'll have a very good sense. But it's a little bit too early this year just because of the Diwali being too late, meaning being later.

Dhruv Kashyap: Well, thanks a lot, Shreevar and I sort of thank you and senior Mr. Kheruka for your excellent stewardship for both the company and Borosil Renewables Limited, over the years and keep up the great work.

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

Sriram R: My question is on the segmental margins. I mean, is it possible to disclose the segmental margins in the Consumer division, like opalware, glassware and non-glassware?

Shreevar Kheruka: I'm sorry, we don't do that.

Sriram R: Okay. So okay, so coming from the competition side, the competition is reporting a higher margin. So I'm just trying to understand where are we heading in terms of -- just on your guidance in terms of margin trajectory. I mean, where do we see our margins five years from now? That's what I want to understand.

Shreevar Kheruka: Frankly, five years is very difficult. If you go through our previous transcripts, this discussion has been had many times. And I can just again repeat those points. Number one, we spent higher on advertising and sales promotion by 7%, 8% compared to our competitors. So that's one of the reasons why our margin in the consumer business are lower. The number two point is that we have larger teams deployed for and therefore, manpower costs also slightly higher than what our competitors will be. The third point is that our scale is we have built or we are building to build a business which maybe have a INR1,000 crores, INR2,000 crores kind of revenue number. And therefore, many of our, let's say, fixed costs are higher than our competition.

Finally, especially in opal business because we are relatively newer entrant, our selling prices maybe 2%, 3%, 4% lower than the competition. So these are -- all these factors contribute towards a lower margin -- of course, we have to look at the business margin in different ways what we manufacture. We look at from a return on capital employed perspective or our EBITDA margin and then a return on capital employed.

When we look at our other business, the stuff that we are not manufacturing, but we are designing and then buying or sourcing, there we -- absolute margin is not really the relevant point to look at, it's more the ROCE, because your capital deployment is much lower. We don't have plant and machinery, it's only working capital.

So our targeted ROCE is about 24%, which -- for this division. And while we're not there yet, I think in the next two years, three years, I think we should hit that number, assuming we can satisfactorily sell whatever production that we manufacture. So if we hit a 24% ROCE on our consumer business in the next couple of years, I'd be quite satisfied with that result.

Moderator: Thank you. The next question is from the line of Vaidik from Monarch Networth Capital. Please go ahead.

Vaidik: Congratulations on a good set of numbers. I just wanted to understand what will be your advertisement cost for the quarter in terms of percentage?

Shreevar Kheruka: It's about 7% to 8% this quarter, if I'm not mistaken. Rajesh, maybe you can correct me if I'm wrong.

Management: Yes. 7% is the right.

Vaidik: 7%. Okay. And one last question. For the whole year where do you see your revenues going? Like at what percent do you see the business would grow and for FY '24 as well?

Shreevar Kheruka: Look, this is -- I can't answer for this year. In principle, we gave a guidance for Consumer division to grow 15% to 20% CAGR. And I think we can stick to that for this year as well. And as far as the Scientific division is concerned, we gave a guidance from 10% to 12%, and I believe we'll stick to that guidance as well. So nothing changes the guidance in either direction so far.

Moderator: Thank you. We have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Shreevar Kheruka: Thanks. Well, thank you for all your questions. Really appreciate it. Thank you for your interest in Borosil. As a company, we are, like I said, extremely bullish about both our divisions, both the growth profiles and the margin profiles as they evolve. We are definitely in investment mode on the consumer side. There's capex as well as a lot of expenses on the marketing side. On the scientific side, there is acquisitions, and there's also a lot of expense in product development. So we are in that phase of our journey.

So I do expect a little bit of volatility on margins in the short term. But in the medium to long run, I believe that these businesses will certainly yield more than a fair return on the capital employed, and that should yield well for us. We're building really a business to scale.

And I'm really proud of our team that's dedicating 24 hours of their life every day to do this. So and thank you to all our investors and to those who are tracking and interested in our business. Thank you.

Moderator: Thank you. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.