

# Laboratory to Kitchen

LEADING  
CONSUMER  
GLASSWARE  
COMPANY IN INDIA



**Date: 4th Nov 2021 (CMP = 292)**

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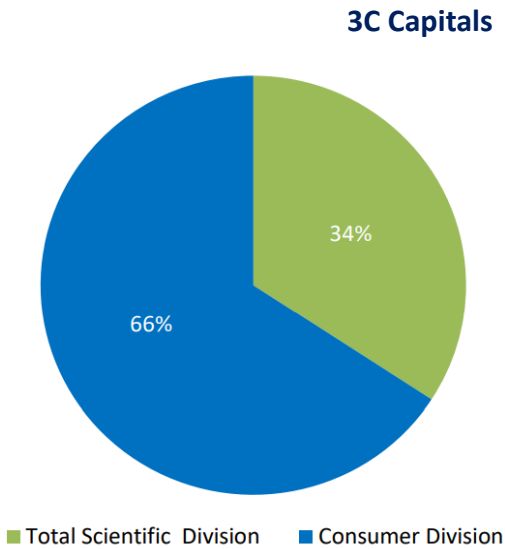
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# Company Snapshot

Market Cap	₹ 3,448 Cr.	Current Price	₹ 302	High / Low	₹ 323 / 149
Stock P/E	59.6	Book Value	₹ 62.2	Dividend Yield	0.33 %
ROCE	8.43 %	ROE	5.70 %	Face Value	₹ 1.00
Debt to equity	0.00	EPS	₹ 5.32	Profit growth	334 %
Sales growth	41.2 %	Face value	₹ 1.00	Promoter holding	70.5 %
Dividend yield	0.33 %	Pledged percentage	0.00 %	Gross Block PY	₹ 343 Cr.
Gross block	₹ 388 Cr.	Enterprise Value	₹ 3,423 Cr.	Industry PE	36.6
Price to book value	4.86	Sales growth 3Years	72.9 %	Profit Var 3Yrs	154 %



**Business:** Established in 1962 as Borosil Glass Works Ltd. (BGWL), BL is a supplier of laboratory glassware, microwaveable kitchenware and opal ware in India. It has three manufacturing facilities at Bharuch (Gujarat), Tarapur (Maharashtra) and Jaipur (Rajasthan). BL conducts its operations in two business segment, namely, **Scientific and industrial products** (SIP including laboratory glassware, laboratory instruments and pharma packaging) and **Consumer products** (CP including microwaveable, kitchenware as well as opal ware products).

**The company has two wholly-owned subsidiaries** – Borosil Technologies Limited (designing, developing and assembling laboratory bench top equipment and instruments based in Pune (Maharashtra)) and Acalypha Realty Limited (ARL engaged in real estate development with no operation as on date); and 79.53% shareholding in Klass Pack Limited (manufacturer and supplier of pharmaceutical vials and ampoules, with its manufacturing facility at Nashik, Maharashtra).

**Valuation:** Clear diversification strategy in both consumer and SIP divisions resulting in an accelerated path to growth and a meaningful expansion in return ratios can expand valuations substantively. Key risks is Slowdown in consumer spending, increase in competition and spending curbs by govt institutes.

# Consumer Product Division (CPD): A Complete Package

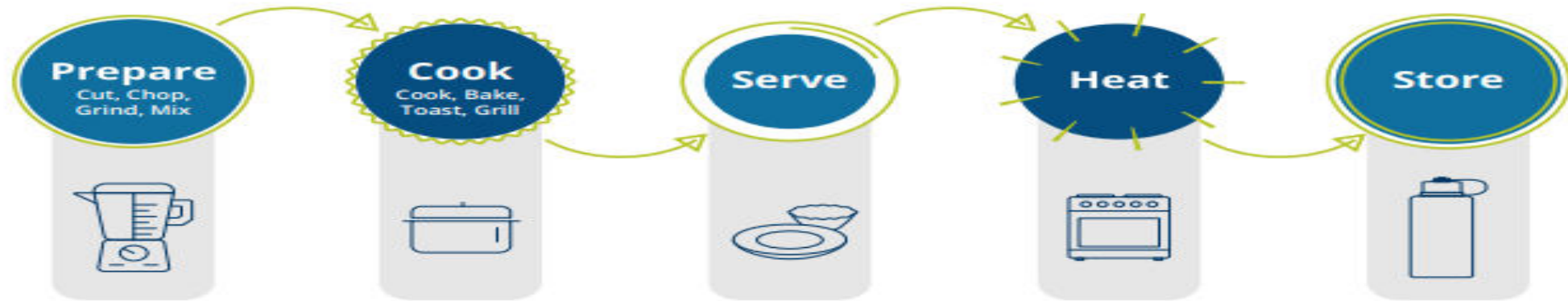
3C Capitals

- ❑ The company's Consumer Product Division (CPD) markets a range of products that cater to the cooking, serving and food storage needs of a modern Indian home. These include microwaveable glassware products, storage containers, opal dining ware, kitchen appliances, lunch boxes and stainless-steel flasks.
- ❑ The CPD segment has been a market leader with over **60% share in microwaveable and heat resistant glassware products** over the last few years. The Company has established network of over 14,000 retail outlets as well as its presence in key Modern Retail stores, which gives this homemakers' favorite brand a nationwide reach.
- ❑ The company's early call on a shift from plastics for kitchen storage as well as its "To-Go" product range has given the first-mover advantage. These categories have become growth drivers for the company. During FY19, sales from these categories exceeded the sales of the erstwhile core of microwaveable products. Borosil has expanded its product offering over the past few years.
- ❑ Over the past few years, the Company has also been seeding the online channel. The Company's brands are listed on popular marketplaces such as Amazon and Flipkart. It also markets its range of products on its own brand website [www.myborosil.com](http://www.myborosil.com). The online channel has provided Borosil's brands access to consumers in Tier-2 and Tier-3 towns in the country.

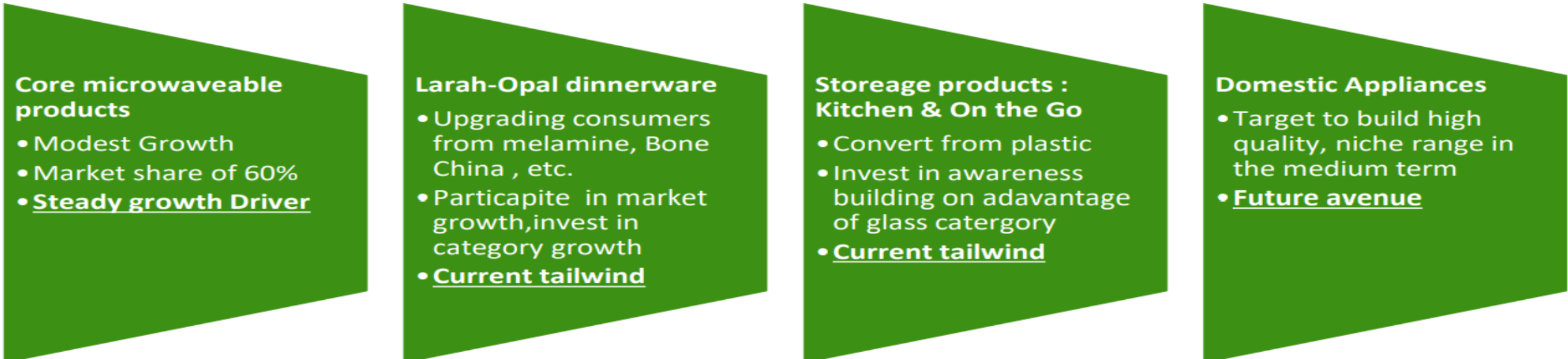




Expanding from being synonymous with microwavable glass  
to storage, serving-ware and domestic appliances



- ❑ **Borosil's range of products aim at everyday usage.** The company has introduced a range of products that cover the entire process of preparation, cooking and serving that empower its consumers to perform more efficiently and in a hygienic way. Today the company's products include microwavable glassware products, storage containers, opal dining ware, kitchen appliances, lunch boxes and stainless-steel flasks.
- ❑ **The Indian kitchen storage is still dominated by plastic and steel containers.** Glass storage products currently have a very low penetration. However, there is a growing awareness about the health hazards of storing foods in most types of plastics. Borosil has introduced a range of kitchen cabinet glass storage products. With a conscious trend of a trend away from plastics, Borosil sees a significant headroom for growth from increasing the penetration of glass storage containers. Another area for glass and stainless steel to replace the use of plastics is in lunch boxes and bottles for water and other hot or cold beverages that consumers carry to school or to work.



## Market opportunity

Category	Market size - Branded (Rs.mn)	Market growth (%)
Glass Microwaveable	1,000	10
Tumblers	4,400	10
Storage	7,000	15-20
Opalware	5,000	20
Tea/Coffee	4,000 (incl. Ceramic ware)	15
Domestic Appliances	90,000	10

# Scientific and Industrial Product (SIP): Perfect supporting Partner

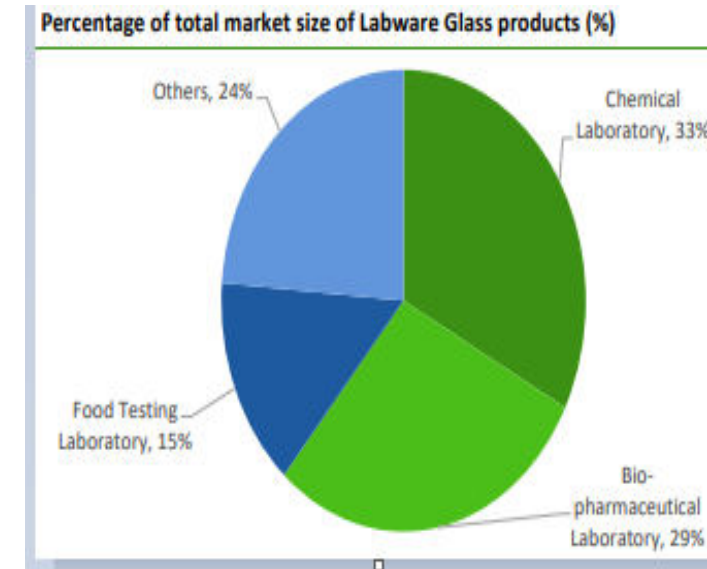
3C Capitals

Borosil brand has been a generic name for 3.3 low expansion laboratory glassware for decades in India and remains the undisputed market leader with over 60% market share. In the laboratory industry, Borosil stands for quality, reliability and trust.

The Borosil Lab Glassware catalogue lists over 2,000 SKUs. With an evolved supply chain, a laboratory technician in India can order and receive laboratory glassware on almost the same day. Analytical laboratories in the pharmaceutical industry are a prime user of Borosil calibrated glassware. With India being a key supplier of generic drugs to the regulated markets, pharmaceutical laboratories use Borosil's calibrated glassware for stress free audits by regulatory bodies.

High-quality products, robust processes and detailed understanding of the lab glass business has kept any of the global players from establishing a foothold in India. Sustained efforts in the last few years has enabled Borosil to find the right partners in different geographies and exports is projected to contribute significantly in the near future.

The scientific and industrial products is margin lucrative business with high return ratios. The division, like the consumer division has focused on selective products which have a high degree of growth. The company has prudently expanded into products which go with its ethos. The SIP division is less capital intensive with minimal capex required while headway of revenue growth remains large.



# Product Diversification in SIP Division

3C Capitals

Over the last few years, SIP has been building new avenues for growth to reduce its dependence on the laboratory glassware market which is growing at mid-single-digit per year. It has identified three new pillars of growth viz. benchtop instruments under the brand LabQuest by Borosil, primary packaging glass vials and ampoules for the pharmaceutical industry under Klasspack and establishing export markets for laboratory glassware.

**LabQuest:** To gain a larger portion of existing customers' spend, company's SIP division has increased its product offerings and leveraged existing reach. Laboratories in India are dependent on imports when high quality laboratory equipment is required. The company has begun marketing a range of benchtop instruments under the brand 'LabQuest by Borosil' with high reliability and service quality.

**Klasspack:** Klasspack manufactures ampoules and vials which form the glass primary packaging needs of pharmaceutical companies. It is estimated the market size for Pharma packaging is ~Rs500cr and had a single company having a dominant market share. Klasspack, backed by Borosil, is on the way to becoming a second credible supplier. The company is dealing with all leading players in the Pharma Index viz. Cipla, Mylan, Lupin, Ranbaxy, etc. for its product range.

We believe these are logical expansions, enabling the company to widen its product offering. The company has built a strong legacy in the lab glassware with 60% market share. With assured quality products, many end consumer companies suggested Borosil enter new categories, this shows the confidence end clients have in Borosil.



## Lab Instrumentation

- Magnetic Stirrer
- Block Digester
- Multi-Tube Vortexer



## Pharma packaging

- Glass vials
- Glass ampoules



## Core Laboratory Glassware

- Modest growth
- Maintain market share of 60%+

## LabQuest-benchtop instruments

- New product range to existing labware customer
- Import substitution in fragmented market. Superior value for money

## Klasspack- Primary glass packaging for Pharma Industry

- New product range to existing labware customers
- Become 2nd credible brand in market dominated by a single player

## International expansion for Lab Glassware

- Focus on Middle East, Africa, South East Asia, USA
- Seed market and build new client relationship. leverage India cost arbitrage

### Market opportunity

	Lab glassware India	Lab glassware exports	Lab instruments	Pharma Packaging (vials & ampoules)
Market size (Rs mn)	2,350	40,000	1,500	2,350
Est Market growth	8-10%	2%	8-10%	10-12%
Customers	Pharma R&D, QC, Govt Labs, Food and Soiling Testing, Educational Institutes	Pharma R&D, QC,	Pharma R&D, QC, Govt Labs, Food and Soiling Testing, Educational Institutes	Pharma Cos
Brands	Borosil	Borosil	LabQuest by Borosil	Klasspack

# Investment Rationale

3C Capitals



Opal ware  
(Category Gaining  
Salience)



Appliances(New  
Engine of Growth)



LabQuest  
laboratory  
Instrument(Import  
Substitution)



Klasspack (Primary  
Pharma Packaging)



Export of Scientific  
Product



# Larah Opal ware: Growing preference for the Indian middle class

- ❑ In the serving ware category, the Company's thrust has been in growing the opal ware category. The Company's opal ware brand Larah is targeted at the end consumer. It does not service the B2B segment of the market to service hotels, restaurants and other institutional buyers.
- ❑ According to the company, India's tableware market is pegged at Rs100bn out of this Opal ware accounts for 6% (Rs5.5-6bn), while steel, Bone China and melamine account for 59%, 23% and 7%, respectively. While the share of Opal ware maybe small, it is the only segment which has been growing; 10 to 12 years back Opal ware used to be an Rs500mn market. Further, if we deep dive within other categories there has been no new player which has entered any other category, while in Opal ware we have seen two new players.
- ❑ Gifting is one of the major growth drivers for Opal ware, given the aesthetics of Opal ware and the highly competitive price range, it has emerged as an ideal gift. The company is making a concerted effort to reduce Larah's dependence on gifting. This strategy has been playing out well. Once again increase in in-home dining including entertaining at home is likely to remain a long-term behavioral shift due to COVID, Larah's Opalware products ideally suited for frequent or daily usage given its properties that it is break and chip resistant, light, easy to clean while at the same time looking very elegant for serving guests in.



	Opalware	Steel	Melamine	Bone- China
Price Range (Rs)	62-83	60-140	50- 100	80-140
Durability	100% chip resistant	Long lasting	Not easy to break	Easy to break
Compatibility	100% microwave and dishwasher safe	Not compatible with microwave	Can't be used	Not all models compatible

# Kitchen Appliances : New Engine of Growth

Within the kitchen appliances, the company focuses more on the premium range of products. During the year FY20, Borosil's range of kitchen appliances recorded significant growth. While in the near term the growth is likely to be impacted as consumers cut back on purchases of discretionary products, in the medium term a return of healthy growth is projected.

The kitchen appliances market in India was estimated at Rs215bn in 2018 and it is expected to grow at a CAGR of 12% for the next 5 years. Market for high volume categories like Mixer-grinder, Juicer-Mixer-Grinder and Induction Cooktop (ICT) are highly fragmented and see offerings from across brands. Large kitchen appliances contribute 45-50% of the total market and are the fastest growing segment in the market.

Borosil currently does only the designing while rest is outsourced to China, a practice which most of the players are following in the industry. However, the company is looking to reduce its dependency on China, which currently accounts for close to 70% to 30% in the near term. We believe the company is currently in the top 10 players in appliances and in the top 5 in terms of gross margins, which is phenomenal given that it only entered this space in the last couple of years.

**We expect the appliances division to be the driving force of the company in the years to come, which in turn will improve the overall profitability for the company.**





# LabQuest : Laboratory Appliances

To gain a larger portion of existing customers' spend, company's SIP division has increased its product offerings and leveraged existing reach. Laboratories in India are dependent on imports when high quality laboratory equipment is required. The company has begun marketing a range of benchtop instruments under the brand 'LabQuest by Borosil' with high reliability and service quality.

Company offer high quality imports substitute products such as Vortex Mixers, Centrifuges, water baths and nitrogen estimation equipment. LabQuest is experiencing growing acceptance amongst lab scientists and technicians. Our engineers in Borosil Technologies are working on increasing the range of products under the LabQuest brand.

With LabQuest, company strategy was to deepen sales with existing customers of Lab Glassware. With over 60% market share in Lab Glassware, Borosil has a wide customer base across industries and institutes where a lab exists approximating about 8000 customers. This gives company low customer concentration risk as also a large network of customers for LabQuest team to tap into.

The instrumentation range under the brand LabQuest began by getting products manufactured through third parties. Based on the growing demand for these products, the Company commenced its own manufacturing for some of these products through its 100% subsidiary, Borosil Technologies Ltd

3C Capitals



## Lab Instrumentation

- Magnetic Stirrer
- Block Digester
- Multi-Tube Vortexer





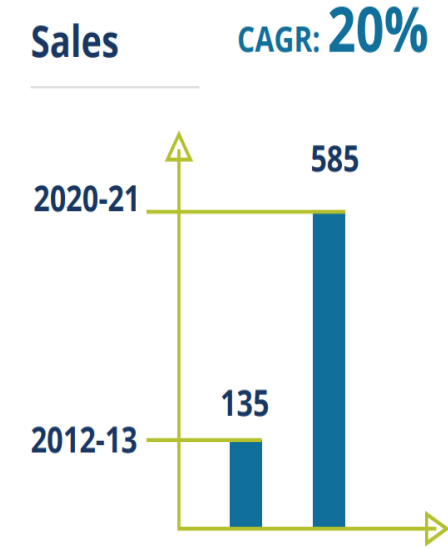
# Klasspack: Pharma Packaging

- ❑ The Company has subsidiary namely Klass Pack Limited, in which the Company holds 79.532% share. Klasspack is engaged in the manufacture and supply of pharmaceutical vials and ampoules to the Pharmaceutical industry for over 15 years and has its manufacturing facilities at Nashik, Maharashtra. It is estimated the market size for Pharma packaging is Rs500cr and had a single company having a dominant market share. Klasspack, backed by Borosil, is on the way to becoming a second credible supplier.
- ❑ The pharma packaging business of glass vials and ampoules under Klasspack achieved a healthy growth of 32.9%. During the course of FY21, company received limited orders for vials for the Covid19 vaccine. Company vials have been approved for use by a number of vaccine manufacturers. However, our orders thus far have pertained to trial runs. During FY22 with more covid vaccine manufacturers going into commercial production, Company expect to be called upon to service larger orders. The Klasspack vials are under the approval process with a number of vaccine manufacturers in India and overseas. During FY21, the growth in Klasspack was also driven by fulfilling requirements for drugs such as Remdesivir, Voveran, Betnosol, Dexona, Neurobion and many more.
- ❑ The pharma packaging range, under the brand Klasspack is produced at Klasspack's own facilities at Nashik. Klasspack has adequate manufacturing capacity to handle growth in the near to medium term



# Financial Analysis(1/2)

Narration	Mar-18	Mar-19	Mar-20	Mar-21
Sales	100.6	341.83	584.62	519.97
Expenses	89.67	288.6	499.16	444.6
Operating Profit	10.93	53.23	85.46	75.37
OPM	10.86%	15.57%	14.62%	14.50%
EBIT Margin	-1.00%	12.04%	9.43%	11.94%
Ebitda margin	10.86%	15.57%	14.62%	14.50%
Net profit	-6.78	23.66	41.15	40.77
NPM	-7%	7%	7%	8%
Cash from Operating Activity	12.01	43.81	49.82	180.37
Free Cash Flow	(46.99)	19.81	10.82	165.37
Cash Conversion Cycle	263.00	588.00	286.00	185.00

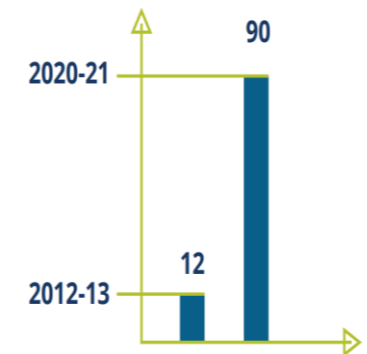


- Revenues of Borosil have been growing at a CAGR of 72% from FY18 – 21. Operating profit have grown at a CAGR of 90%.
- Borosil reported highest ever quarterly sales and profit in a non Diwali quarter. Borosil's Opal ware brand Larah, showed its resilience by bouncing back and recording net sales of Rs.32.4 Crores during Q1 FY2022. This is nearly eight times last year's revenue in the same quarter.
- Major expense of the company are Raw material expense, Employee cost and Selling and admin expense which constitute 37%,17% and 14% respectively.
- Over the period of time company has improved its EBIT and EBITDA margin owing to reduction in expenses and operating leverage .
- Company seems to have improved its free cash flow which would be further utilize in capacity expansion of opal ware segment and backward integration of borosilicate glass unit.
- The company is likely to maintain its advertisement expenses at 10% of consumer revenue. The company is currently in growth phase and will continue to spend on brand building expenses. Despite higher advertisement cost we do not expect margins to be under pressure.

# Financial Analysis(2/2)

Narration	Mar-18	Mar-19	Mar-20	Mar-21
Debt to Equity	-7.83	0.10	0.07	0.00
Debt/Capital Ratio	115%	9%	6%	0%
Interest coverage ratio	-0.15	4.38	11.80	35.28
Receivable turnover	5.88	4.25	7.56	9.66
Inventory turnover	4.45	2.08	3.43	4.01
Sales/capital employed	0.93	0.52	0.84	0.74
Total Asset Turnover	0.62	0.44	0.72	0.63
ROCE	-2%	11%	8%	9%
ROIC	-1%	5%	6%	6%
ROE		4%	6%	6%

Operating EBITDA CAGR: 29%



The company is debt free and has been constantly generating cash, we expect the company to continue with this trend and is likely to fund any capex requirement from internal accruals.

Company's Interest Coverage has improved a lot due to reduction of debt and increase in EBIT of company.

Company's effort to reduce the working capital intensive nature of business can be seen from its ability to increase its receivable turnover and inventory turnover by improving its quality of debtors, timely collection of money and inventory management.

tough on-going first quarter. but whenever we see some normalcy, we should see far improved margin on the overall business and the ROCE target I have already shared during the call between 20% to 24%. I believe we can do it if we have one good normal year. Then from there we will see what next targets to take.

Source: Transcript Con Call FY2021

# Risk and Concern

## High Working Capital intensive nature of operation

The operations of the company remain highly working capital intensive owing to high inventory requirements as well as inventory buildup to cater to the festive demand. With over 1,500 types of products sold under the Borosil brand, the company has to maintain high levels of inventory at its warehouses to promptly service its customer requirements.

## Moderate operating Profitability in Consumer Segment

Operating profitability for the consumer ware segment remains moderate at 12-13% levels as compared to its competition, mainly due to high overheads related to sales and promotion. Further, given the sizeable capital trapped in non-current investments, BL's return indicators at a consolidated level continue to remain modest as reflected by ROCE of 9% for FY2020.

## Substitution risk of alternative product and exposure to high competition

Although borosilicate glass is superior for making consumer ware because of its favorable properties, it faces stiff competition from other substitutes like plastic, ceramic, bone China, thermo plastic, soda-lime glass ware, etc. BL remains exposed to competition from several unorganized players in the laboratory ware segment as well as from large players in the consumer ware segment.

## Dependence on China

The company has been importing a substantial proportion of its requirements primarily from Europe and China. Currently, there are no borosilicate pressware product manufacturers in India. As the business has grown there is a need to derisk our supply chain, in particular, from dependence on China. However Company is setting up In house manufacturing for its Borosilicate glass manufacturing facility at Jaipur.



# Future Outlook(1/2)

## Capacity Expansion for Larah Opalware

the timing for an expansion program. I am pleased to announce that the company's board has now approved an expansion of the capacity for Opalware in Jaipur from 42 tons per day to 84 tons per day. This would entail an investment of about Rs.175 Crores. Work on the new furnace and lines, is expected to begin within this month itself. It would take 12 to 14 months for project implementation. We can thus expect product from the expanded capacity in Q3 FY2023. The enhanced capacity is expected to cater to annualized sales of Larah of about Rs.380 Crores to Rs.400 Crores. We believe the brand can achieve these sales over the next three to four years.

## Capex for backward integration for borosilicate glass manufacturing

there are no borosilicate pressware product manufacturers in India. As the business has grown there is a need to derisk our supply chain, in particular, from dependence on China. The increased volumes can also justify setting up our own manufacturing facilities. Besides saving on international freight, domestic manufacturing will reduce our carbon footprint as well be in line with consumer sentiment of make in India. Borosil's board has approved an investment of Rs.75 Crores towards setting up an in-house Borosilicate glass manufacturing facility at Jaipur.

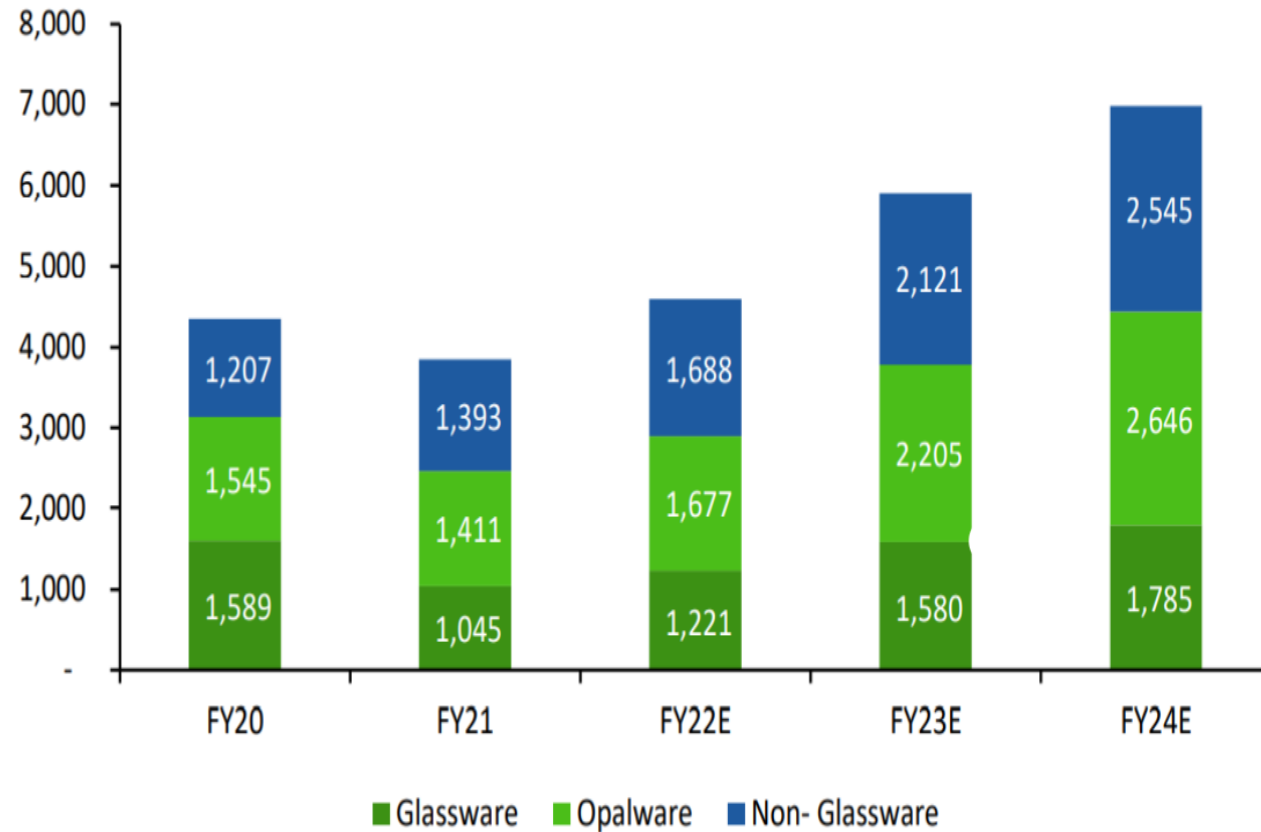
This plant can cater to sales of about Rs.100 Crores. The project can be undertaken from Q3 FY2022 and is expected to be completed sometime around Q1 FY2024. The company expects to be able to generate annual sales of Rs.100 Crores from these products in three to four years. The company has to work out the financing modalities for both these projects. It would be a combination of internal accruals, debt and maybe even fresh equity. We will keep you informed once we have firmed up these plans.

*Source: Concall Transcript Q1FY22*

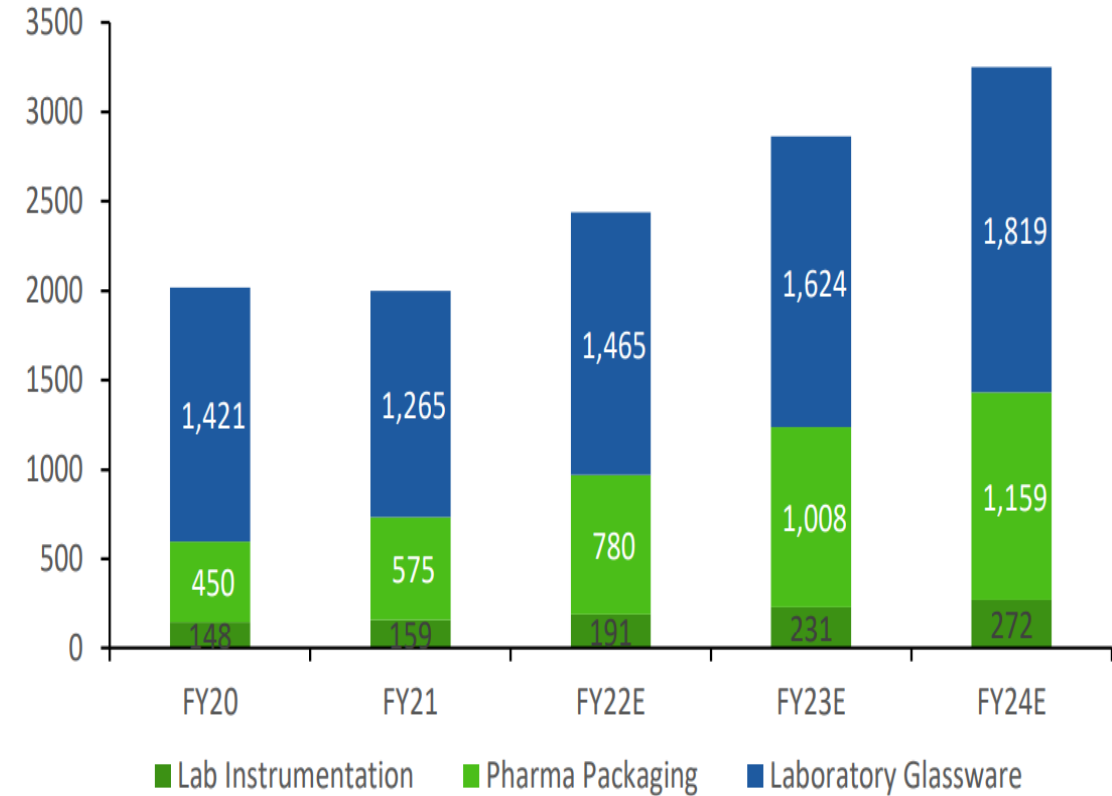


# Future Outlook(2/2)

## Revenue breakdown – Consumer division



## Break up of Scientific revenue



**SEBI Research Analyst Registration No. : INH200006451**

1. At the time of writing this article, **the analyst have no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
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6. The research analyst has not served as an officer, director or employee of the subject company.
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8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.