BOROSIL renewables

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November 14, 2022

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Dear Sir/ Madam,

Subject: Transcript of Institutional Investors and Analysts Conference Call

We enclose transcript of conference call with Institutional Investors and Analysts which was held on November 10, 2022.

You are requested to take the same on record.

Yours faithfully,

For Borosil Renewables Limited

Kishor Talreja
Company Secretary and Compliance Officer
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Encl: as above

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“Borosil Renewables Limited
Q2 FY 23 Earnings Conference Call”

November 10, 2022

MANAGEMENT: MR. ASHOK JAIN, WHOLE-TIME DIRECTOR
MR. SWAPNIL WALUNJ - HEAD OF MARKETING

MODERATOR: MR. SUMIT KISHORE - AXIS CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY'23 Earnings Conference Call of Borosil Renewables, hosted by Axis Capital 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. Sumit Kishore from Axis Capital. Thank you, and over to you, sir.

Sumit Kishore: Thank you, Stephen. On behalf of Axis Capital, I'm pleased to welcome you all to the Borosil Renewables Q2 FY'23 Earnings Conference Call. We have with us the management team of Borosil Renewables represented by Mr. Ashok Jain, Whole-Time Director; and Mr. Swapnil Walunj, Head of Marketing. We will begin with opening remarks from Mr. Jain, followed by an interactive Q&A session. Over to you, sir.

Ashok Jain: Thank you. Good afternoon, and welcome to the Borosil Renewables Q2 FY'23 Investor Call. The Board of Borosil Renewables approved the company's financial results for Q2 and H1 FY'23 on November 9. Our results and an updated presentation have been sent to the stock exchanges, and they have also been uploaded on the company's website. We will discuss the operations of Borosil Renewables on a stand-alone basis. I will thereafter provide you some highlights of the operations in our newly formed and acquired overseas subsidiaries.

During Q2 FY'23, the company recorded net revenue from operations of INR169 crore, a growth of 5% over previous year corresponding quarter.

Sales volumes were lower than in Q2 FY'22 by 11% basis Ind AS adjustments, though the actual decline was only about 2%, which was attributed to a lower production in September this year. Overall, domestic demand for solar glass has remained strong as the manufacturing of domestic modules has picked up ever since the custom duty on import of modules came into force from April 1, 2022, and the solar installations have gained momentum. The domestic manufacturing of modules and consequently, the demand for solar glass was higher by about 25% to 30% in Q2 FY'23. This additional demand has been made currently through a surge in imports owing to limited ability of domestic capacity. Market share of Borosil Renewables in domestic volume sales has consequently come down to about 22%.

Export sales during Q2 FY'23, including to customers in SEZ were INR47.9 crore, comprising of 28.3% of the turnover. Average prices of solar tempered glass during Q2 FY'23 were about INR139 per MM, an increase of over 18% over Q2 FY'22. Average price for the quarter was flat at the levels prevailing in Q1 FY'23. However, there has been a change in the status of antidumping duty from China. Earlier, the designated authority named as DGTR had extended the validity of ADD on solar glass from China until 2 years after expiry on 17th August 22. However, this recommendation was not accepted by the Ministry of Finance. Consequently, there is no ADD on Chinese-manufactured solar glass since mid of August. This has rendered the CVD against Malaysia ineffective as the exporters have shifted the supply base back to China. Borosil Renewables has filed a writ petition in Gujarat court against the decision of the Ministry of Finance and the matter is listed for hearing on November 11, which is tomorrow.

The import of solar glass continues to enjoy an exemption from payment of basic customs duty, though solar modules and solar cells have been subjected to BCD from 1st April 2022. Meanwhile, prices have declined significantly in September '22. Apart from the lifting of the imposition of ADD on Chinese manufacturers, the lower-than-expected demand in China has led to a drop in FOB prices with a support of 13% export subsidies despite a global increase in input costs, especially in respect of gas and soda ash. Moreover, there has been a significant drop in freight rates from China as compared to about 2 months ago. Consequently, lender rates of solar glass imported from China have caused a downward pressure on prices in India. We had to drop our domestic selling prices by an average of about 13% in September 2022 in view of these lower import prices.

During Q2 FY'23, the company earned EBITDA of INR44.1 crore. The EBITDA margins were at 26.1%, it has suffered a decline of over 400 basis points since Q1 FY'23 and about 1,000 basis points as compared to Q2 FY'22 owing to cost inflation in raw materials and energy as mentioned above.

I've been mentioning about rising input costs, mainly the soda ash and natural gas in the last few meetings. The company has been making efforts to reduce the impact in cost by achieving cost savings in raw materials by altering batch mix suitably and in electricity by going for captive power generation to some extent. However, the cost increases combined with reduced selling prices, owing to cheaper imports from China are squeezing EBITDA margins to below and expected normalized margin which we consider of 30%.

During Q2 FY'23, the company earned a profit before tax of INR32.9 crore. The profit after tax was INR24.3 crore as compared to INR34.1 crore during the corresponding quarter in the previous year, which showed a decline of 26%. For the half year ended September 2022, the company clocked a revenue of INR339.2 crore, a growth of 14% over corresponding half year last year. The company earned an EBITDA of INR94.4 crore, a margin of 28.1%. Profit after tax was INR54.4 crore showing a PAT margin of 16%.

Our 10-megawatt captive power plant of solar plus wind energy through an SPV in which BRL will be holding 31% is expected to be commissioned by next month, December 22, and BRL will be able to use this green power besides reducing the cost of electricity. We are also looking to set up an additional 8-megawatt solar plus wind power plant.

The overall demand situation for solar glass continues to look extremely robust, both in India and abroad, and the following measures will strengthen this.

- In a recent development, the union government has closed the project import route that would have helped to circumvent the basic custom duty on solar modules and cells by paying lower duties. This move is expected to curb the import of solar cells and modules and give impetus to domestic manufacturing and consequently, demand for solar glass. However, the projects bid out before March '21 will be exempted from this.
- The union cabinet had earlier approved the second tranche of PLI, production-linked incentive, a scheme of INR19,500 crore. Ministry of New and Renewable Energy, MNRE, has announced guidelines for implementation of this scheme. About additional 65 gigawatts of manufacturing capacity is expected to get benefited from this scheme. The PLI scheme has a component for sourcing of ancillaries of PV modules like solar cells, solar glass, EVA, back sheet, et cetera, locally. This component ensures a higher payout of incentive for local procurement of ancillaries. This arrangement will incentivize the domestic module manufacturers to procure solar glass domestically.

Global supply chain bottlenecks and heavy rains in Gujarat delayed commissioning of our expansion project. We now expect to commence production from our third furnace, SG#3 in December 22. This will enhance our capacity by 550 tons per day and take it to 1,000 tons per day equivalent to 6 gigawatts. The company will review the situation and take effective step for next phase of expansion at an appropriate time in the last quarter of this financial year.

The company has through its overseas subsidiary acquired 86% of Interfloat Corporation and GMB, both together called an Interfloat Group and taken control of this. GMB Interfloat has a reputation of a high-quality producer of solar glass, which is expected to strengthen BRL's global market position in the long run.

The acquisition adds 300 ton per day to BRL's global capacity and also widens its range of offerings, including varying textures, coatings, dimensions and thickness and brings in synergies in manufacturing and sales operations in India and Europe. During the 9 months of calendar year '22, the Interfloat Group registered a revenue of EUR54.7 million with an EBITDA margin of 5% which was lower than normal due to extremely high energy prices.

The demand situation for solar glass continues to look extremely robust in the important overseas markets i.e. Europe, U.S.A. and Turkey. We see growth opportunities for meeting this requirement. Most nations are trying to raise domestic production of solar cell and module and also trying to reduce dependence on Southeast Asian countries which places India in an advantageous position for exports. Our step of having manufacturing in Europe through Interfloat fits in well along with expanding production in India. With that, I'd like to open the floor to questions that you may have. Thank you.

Moderator: The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead. Mr. Mohit Kumar, your line is in talk mode. Kindly go ahead with your question please.

Mohit Kumar: So my first question is on the EBITDA margin, which has declined in this quarter. Can we expect the EBITDA margin to go back to the earlier quarter as we go forward? How do you think though there is some pressure in H2 also?

Ashok Jain: You're right, the margins have declined, and this has become because of the drop in the selling prices. So we are trying to make all our efforts to bring in savings in raw material batch mixes or coating liquid or other aspects of manufacturing. Besides this, we are also expecting economies of scale after our commissioning of third furnace, which will happen in next month. So in this quarter, particularly, the margins are going to remain low. But Q4 onwards, some improvement can be expected in the margins. But these current margins, if you notice are having partial impact of rate decline because the decline has taken place only in September. So yes, the margins are going to be lower.

Mohit Kumar: And so are we seeing signs of more capacity coming out in the domestic side and are we in discussion with those new capacities. Because we haven't heard many of the capacities commissioning as of now. We do expect over FY'24, there will be more commissioning, but I think commissioning on the domestic side has been pretty low as of now?

Ashok Jain: Yes, you are right. Actually, there are 3 plants which are under construction as per our information. And these will add up to close to 1,000 tons per day when they get commissioned. All the plants were slightly delayed because of the conditions of rains and other things and also delays in supply from the vendors and all. We believe these plants will get commissioned sometime during the next calendar year, and these should be in operation in the next calendar year, of course. These plants together with our 1,000-tonne capacity will still be short of the demand in the country.

Mohit Kumar: And any color on the input prices, soda ash and gas. Are you seeing some easing of the raw material inflation? Or are the prices are sustaining where they are right now?

Ashok Jain: So in terms of the gas prices, we all know it has linkage to the Ukraine-Russia conflict. And unless there is some relief there, the prices may not come down substantially. There has been some softening in the oil prices, but again, it has gone back to $99 and all. So there is not much change happening there. In terms of the soda ash prices, there has been a small correction, but largely speaking, there may not be a significant drop in the price in next calendar because the new capacity, which are coming up for soda ash production, will probably get commissioned only in '24. So we may not expect much relief in these two costs.

Moderator: The next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: After the price reduction that we have done in September, what would be the price difference between Borosil and the China imports?

Ashok Jain: As you would know, the prices in India are actually led by what kind of prices are prevailing in China and rather the landed cost of imports. So all our customers benchmark it against the import landed cost of solar glass and since that has gone down, the domestic prices also have gone down. There has been a certain amount of premium, which we command for being a local producer because of certain benefits which they expect from us like inventories, the working capital, just in time and flexibility in ordering and many other benefits. So there is some premium which we get as a local manufacturer. That premium is slightly higher today as compared to past, but we had to adjust our prices downwards because of the lower prices.

Naysar Parikh: What would that premium be?

Ashok Jain: Well, in the past, it used to be on an average 5% or so. Currently, it may be about 10%.

Naysar Parikh: Okay. Got it. And you mentioned the margins could be lower. So if we assume the September prices to continue, are we looking at like 15% kind of margin range? Or assuming the September current prices continue, how should we think about margins?

Ashok Jain: So while it is not easy to predict the margin like that because the prices keep changing depending on the demand-supply scenario, particularly in the Chinese solar manufacturing. We already see certain strengthening in the prices as we speak. So we cannot be sure of what kind of margins it will finally be in the next quarters. So it will be hard for me to comment on 15% or whatever number you are saying.

Naysar Parikh: Okay. So okay, got it. And how much is the price cut that we took after the China duty stopped like mid-August, September. What is the price cut we took from our earlier pricing?

Ashok Jain: So 10% to 13% was generally the cut to which we had to go through because of the pricing, but we are also trying to economize on many aspects. So net-net what will be the margin is difficult to predict right now. And also I mentioned about the scale benefits, which will accrue once we commission the plant next month. So it will be a mix of every situation, and it cannot be just to consider based on price alone.

Moderator: The next question is from the line of Anurag Kulkarni from Purnartha Investments. Please go ahead.

Anurag Kulkarni: My question was with regard to the inventory. I see that the inventory has increased by 65% as compared to March '22. Could you provide some color on it?

Ashok Jain: Yes. So inventory, basically, we maintain a very low inventory in the form of finished goods or work in progress. But because of IndAS accounting practices, which have to be adopted, there is certain fluctuation which is shown. So in terms of the closing the inventory, there could be some inventory, which is dispatched to the clients, but it is not recorded as a sale and it is added back to the inventory. So that's how the inventory may keep fluctuating on quarter-to-quarter basis, depending on how much sale has taken place in the last few days of the month. But practically, there is not much inventory in the company.

Moderator: Next question is from the line of Sharan, an individual investor. Please go ahead.

Sharan: My question is in the last release note of acquisition of companies in Germany, there is a mention about that helps Borosil Renewables to do the other products and technology. So are there a plan to make any other products like apart from solar modules in the Germany or in India in future? I see a clear sum of that.

Ashok Jain: The mention was regarding various product categories or segments being serviced from Germany or India. We will obviously get certain synergies both the operations and some products which are being available from German plant currently, which are not being made available from India, will be possible to do that. All those things will be implemented in due course. In terms of the technology also, like in India, we have very high throughput. We produce at much faster speed and all, which we will try to implement there after assessing the situation, and that will increase the productivity at that plant level. All those synergies are what we have discussed, which continue to be on our focus.

Sharan: Okay. Can you name the products, apart from glass? What are the products you are planning to develop in near future?

Ashok Jain: Remains the same, solar glass only, but there are various segments which are serviced from there or here, which may not be the case at the other location. Then there are say coatings or say, two-side coated glass or various glasses, but for the same segment. So we will essentially be in the same product ranges. But segments could be added or new products for those segments could be developed at the other location, taking advantage of the synergies.

Sharan: And recently I was listening to the interviews of GHCL and Tata Chemicals, and next couple of years, they are very confident about the high price for soda ash. Is that going to affect Borosil Renewables, whether will you be able to pass on the price to your end customers and maintain the margin levels or that will impact your margin going forward? Can you throw some light on that?

Ashok Jain: As I said, the new soda ash capacity will come into operation only later, maybe in 2024 towards the end or like that. So the market for soda ash is certainly going to remain tight. And to that extent, we don't expect relief in soda ash prices or rather say much relief. In the case of all the players of solar glass or glass manufacturing, the prices are same since soda ash is a global commodity. Whether I produce or my competitor produces in India or abroad, they have to pay more or less similar prices. So we will be able to see how the demand-supply situation on the solar glass front take place, which will be a better point to look at in terms of the pricing and pricing power, whether we'll be able to pass on or not. But in terms of the soda ash price, we don't see much relief coming in.

Sharan: Okay. And there was a QIP planned and it was approved by the Board earlier and still that has not happened. Will it happen in near term? Or what is the plan on that part for fundraising?

Ashok Jain: So that approval, which shareholders gave in the previous AGM and expired in this AGM. So that was over. And now we have taken a submission for fund raise of another INR1,100 crore recently in the last AGM. So we will be doing this fundraising as and when it is necessary for the next phase of expansion. So we will be on a lookout for the opportunity at an appropriate time to raise the funds and use for the next round of Capex.

Sharan: Okay, sir. Last question about the Germany, the energy price is very high. And when is your acquisition will get complete and when we start the operation under way, how will the energy cost going to affect you? And when do you see the energy cost coming down in Europe? Can you explain that?

Ashok Jain: So 86% shareholding is already acquired. We are in control of the company as we speak and we have started to take active interest in the management of the company. Yes, the gas prices or energy prices have been a moot point in this particular situation and because of the Russian and Ukraine war, this situation has remained under this trend. We believe that energy prices will stabilize or rather have a downward trend over a period of time. There are some positive signals from the government in Germany saying that energy prices will be kept for the industry and for the households. With those capped prices, we feel that decent margins can be earned by the company. Should there be a challenge in getting those prices, we will have to seek higher prices from the customers like last year when they supported the domestic local manufacturing by paying higher prices because of the higher prices of gas and electricity. To the extent the energy prices remain high this year, we will have to depend on customers to pay a little higher than normal price.

Sharan: I appreciate your courageous decision of acquisition in Europe for the future growth and being transparent for all the issues during the acquisition. So thanks for the opportunity and all the best for future, sir.

Moderator: The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Two questions from me. First, what proportion of your exports are to locations with anti-dumping against China? And how competitive are you really in areas where there is no duty?

Ashok Jain: Well, we used to have 20% or thereabouts of exports out of our total revenue. Currently, it is higher because the prices have been better in export markets and local prices have decreased from September, as we all know, because of the antidumping having gone. There is an antidumping duty in Europe and also in Turkey against China. But against Malaysia and Vietnam, there are no anti-dumping duties in any of the countries like Turkey or Europe or U.S.A. We are competing with China, Malaysia and Vietnam as a combined force because Malaysia and Vietnam production is also owned by the Chinese major players only. We are effectively dealing with them in that sense without an antidumping duty because the exports are coming from Malaysia and Vietnam. And almost, you can say 95% of our exports are to Europe and Turkey. Only about 5% may be to other countries. And in those countries, like U.S.A., there is no import duty against China. So this is the situation.

Sumit Kishore: So Europe and Turkey, both have antidumping duty against China?

Ashok Jain: Yes, they have and against Malaysia and Vietnam, they don't have.

Sumit Kishore: Right. So the next question is related. So after removal of antidumping duty on imports from China in India, what is the net value proposition for your customers in India to buy from Borosil Renewables versus importing from China? What is the pricing differential? Or any other value that the customer will see from buying from Borosil. Could you quantify that?

Ashok Jain: Yes. So value proposition is of a local supplier and supply chain-related issue which is quite important in this industry because there is a very very high working capital involvement in module making industry. Solar glass is only about 10% of the cost of the module and the customers would like to have an assured supply source for this 10%, which can affect or disrupt their manufacturing line for the entire value chain. So they would like to have an assured source of supply, which is what we offer from India.

Then we offer benefits in terms of working capital or flexibility in ordering or smaller orders and immediate delivery like situation. Also on the payment terms, there will be certain relaxations in India as compared to imports. All those benefits are the ones which local buyer expects from the local manufacturer, which is why he is prepared to buy locally and also pays a little higher. In terms of the future growth potential, like PLI scheme, I had mentioned that the scheme provides for additional incentive to the module manufacturer for use of locally produced items. So there could be additional incentive for them to buy locally. These are the things which I feel would support local manufacturing of these items.

Moderator: The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: So you mentioned about the duty imposition in Europe from China. Did you mention the timeline, sir? Till when this duty is imposed and when it will come for renegotiation?

Ashok Jain: You asked for Europe. Isn't it?

Anuj Upadhyay: Right, sir.

Ashok Jain: So in Europe, the antidumping duty is applicable till 2025.

Anuj Upadhyay: Okay. And secondly, sir, is there any support for the local glass manufacturer in Europe. Likewise, we have a requirement here where a local manufacturer gets support from the local authority? Is there any incentive for the local manufactures out there?

Ashok Jain: Well, there is no direct incentive to promote local manufacturing or use of solar glass for that matter. But now the governments, European Union have decided that they want to have a higher amount of installations. That means their solarization program is going to accelerate further, which is necessary for them. They are trying to replace the use of gas for the production of electricity and use solar energy. They can get the power for homes/ residences and offices by producing from renewable sources like solar power instead of converting gas to electricity and supplying that. They want to reduce the dependence on gas sources and in that context, they want to increase the installation to 60 gigawatts per annum of which they would like to produce 25 gigawatt by local manufacturing, like modules and cells and other things. So once that is done, the demand for domestic production or domestic consumption of solar glass will go up. Being a local producer in Europe now through this Interfloat acquisition, we will get an advantage of our presence there and try to get this additional demand in our favor whether from India or from Germany. But in terms of any incentives or any local content requirement, there is nothing for solar glass.

Anuj Upadhyay: Fine sir. And sir, a few questions related to your balance sheet. Sir, our other noncurrent assets have gone up significantly, so has our CWIP. Can you just highlight the reason for the same?

Ashok Jain: The noncurrent assets, I think the CWIP INR300 crore something which you are referring. If it is CWIP, then it is the expansion project I have to really look at the numbers. Can you proceed to next question? I will just open the balance sheet and see.

Anuj Upadhyay: Fine sir. In the meanwhile, sir, you mentioned that the I mean the 550 tons per day of our third phase of capacity expansion now will get commissioned by December. Am I right, sir?

Ashok Jain: Yes, you're right.

Anuj Upadhyay: Fine, sir. Just a clarity on that other noncurrent assets.

Ashok Jain: Yes, I'll come back to you on that.

Moderator: The next question is from the line of Devang Patel from NAFA AMC. Please go ahead.

Devang Patel: Sir, firstly, can you update on what is the impact of gas leakage at Interfloat, is it taken care of? And what are the costs for that?

Ashok Jain: Yes. Gas leakage actually happened on 31st of July this year. And immediately, the furnace design supplier and the insurance company and relevant like fire department, everybody was alarmed about this situation. This fire was brought under control within the next 24 hours, and the whole repair of the furnace was carried out while the furnace was hot. So all those things have been done. And by 22nd, 23rd of August, the furnace was recommissioned. So the production has resumed there from that date and the furnace is operating at full capacity as of now. Now when you do a hot repair of a furnace, the life or the remaining life of the furnace cannot be expected to be very long and a proper cold repair has to be done. So when we are taking stock of the situation there, we will plan for the cold repair of furnace in the beginning of next calendar and at that time the furnace will be shut down for two months, and then it will be recommissioned.

Devang Patel: What will be the cost of that approx.?

Ashok Jain: Well, only related to cold repair, it will not be a large cost. It may be about EUR2.5 million to EUR3 million. But there will be certain changes which we'd like to make in the equipment and production lines because now the glass sizes have increased, as it has happened around the world. So we will build in capabilities taking advantage of this situation of cold repair to change certain equipment or to enlarge the size of those equipment in order to service the new requirement of large-size glasses. So there will be certain expense on that as well, which will be much larger than this EUR2.5 million. So we are just taking current estimates of that, and then we'll be taking up that project maybe in the first quarter of next calendar.

Devang Patel: Okay. Sir, on the Interfloat acquisition, the whole deal structure has undergone change. So can you just highlight what these changes are and what are the valuation of the whole entity and our road map to increase the stake to 100%?

Ashok Jain: Okay. So last deal which was a binding deal which we had signed was for 100% acquisition of shares and we were to issue shares of Borosil Renewables for EUR22.5 million and to pay cash EUR30 million and also share 50% EBIT for 3 years, calendar year '24, '25 and '26. Now after this leakage and also the more severe situation on the gas front, we had virtually put a deadlock to the transaction and that led to renegotiations. The sellers realized that to stick to the deal may not be feasible, and they gave a certain revised offer, which was accepted by us. And the revised offer is like this. There were two shareholders in the company. One had held 86% and the other was holding 14%. So the person holding 86% has moved out completely and the other one holding 14% has remained in the ownership. So now the deal which has finally happened is of 86% shares and for that, we have paid EUR7.5 million to the outgoing shareholder. There have been certain other expenses, which have been incurred. And also the EBIT sharing, which was at 50% earlier, has been brought down to 20% to the outgoing shareholders. And the continuing shareholders will have a call option after 4 years.

Devang Patel: And the pricing for that is not determined yet?

Ashok Jain: Pricing based on the multiple is determined at 7x the EBITDA and EBITDA will be applicable as per the then prevailing EBITDA.

Moderator: The next question is from the line of Harsh Laxmi, an individual investor. Please go ahead.

Harsh Laxmi: As you discussed, company will be adding more than double production capacities. So from economics of scale perspective, we will be gaining something in terms of production cost? So will you be able to quantify that in terms of percentage?

Ashok Jain: Yes, absolutely. So there will be definitely scale benefit, which will accrue to the company and that will translate to cost reduction in terms of per unit cost. As it happened in the last expansion, we have saved about 3% to 4% in the cost which is what we expect to do around this time. We are expecting 3% cost savings.

Moderator: The next question is from the line of Lavanya from UBS. Please go ahead.

Lavanya: So I wanted to check on a similar way how you have highlighted how in India, domestic manufacturers have been preferred over imports. What are the reasons for someone to prefer domestic manufacturer over importing? Can you just help with similar analogy, so if someone in Europe, would they prefer importing from India, Malaysia or Vietnam? How does it make any difference for them to import from any of the three locations?

Ashok Jain: Yes. So this local manufacturing advantage is being used positively for all the module manufactures in this value chain because of the reasons which I had mentioned sometime back in the form of supply-chain logistics robustness. I mean they want assured supply. And also, they are having the advantage as local manufacturer offers working capital advantage and other things.

So similar kind of situation prevails in Europe also. The customers there are able to pay a little higher price to the local manufacturer as compared to imports. Another positive thing for India is that now for the last 2, 2.5 years, the European and American markets are generally looking at China-plus-one strategy. And they are rather trying to discourage imports from China and rather shift to Indian exporters. So in terms of both like our presence in Europe, as a local producer and our being able to supply goods from India, we are in a good position to increase our presence in Europe.

Lavanya: Got it, sir. So that's the reason I wanted to check if it's I mean China plus one. So would they prefer Vietnam or Malaysia or India was my question? Like, would they consider Malaysia and Vietnam are also like from Chinese players and give a benefit to India?

Ashok Jain: Yes, absolutely, your question is very well taken. The Chinese manufacturers only have set up those Malaysian and Vietnam plants. So these are basically Chinese companies only, and they do not consider them as separate operation like India or like that. So in that sense, India gets a preference, even over Malaysia and Vietnam.

Lavanya: Got it. Got it. And one more question. I understand the third plant is going to come online in December this year. So any timeline that you're looking for the fourth furnace, which we have envisaged. Any timeline there?

Ashok Jain: Yes. So we will be observing the outcome of this expansion in the month of December. By end of next month, we will have certain feeling about it. And in terms of our capacity expansion, Board has already approved a plan for 1,100-ton furnace. We will be working on that plan in the next quarter, that is Q1 of CY'23. And then we'll have to plan for fund raise and other things and then proceed with the plan. In the meantime, we will also make an effort to get certain relief on ADD or basic custom duty so that our margins could be better and payback could be lower.

Lavanya: Got it. Got it, sir. So can we assume that 2 years from now is the time line that you're looking at? So if you start on the funding next quarter to 2 years from there or.

Ashok Jain: Yes. So whenever we start placing orders and we are ready with the funding plan. From there, if you take 18 months. So you can assume 1.5 to 2 years' time from now, minimum. Minimum 1.5 year, maximum 2 years is what we feel.

Lavanya: Okay. Okay. Got it. And I mean, just continuation to my earlier question that the cost benefit, like the operating leverage with increasing capacity. So now it's almost like with the third furnace, it will be doubling the capacity. So is it right that 3% to 4% will be the operating leverage that you are looking at? I just wanted to clarify my understanding.

Ashok Jain: Yes, yes. Our estimate is that we will have about 3% of operating leverage.

Moderator: The next question is from the line of Santosh Kucheria, an Individual Investor. Please go ahead.

Santosh Kucheria: Just I wanted to know what is the selling price of glass at present?

Ashok Jain: Selling price of glass?

Santosh Kucheria: Yes, in India.

Ashok Jain: Average selling price we have just mentioned, was about INR139 for the quarter.

Moderator: As there are no further questions, I hand the conference over to Mr. Sumit Kishore. Over to you.

Sumit Kishore: Sir, just one follow-up. You mentioned that the hot repair did reduce the life of the furnace and we'll have to do a cold repair. Would there be a disruption when you do that? And what would be the duration of that disruption?

Ashok Jain: Yes, of course, when you do a cold repair, you cool down the entire furnace and you take out all the refractory blocks and replace with new blocks. So there will be complete disruption of the production at that point in time. You can, of course, run your post production equipment like tempering and all, but for that you need glass.

You can buy solar glass from somewhere and then you temper it and supply to the customers. What we are essentially trying to do is that our plant is getting commissioned in India in December. So when the plant in Germany is taken for cold repair, we will be supplying goods from India to those customers, so that they are not starved off the material. So that's how we'll be managing it. But during the cold repair, of course, there will not be glass available from GMB plant in Germany.

Sumit Kishore: Okay. And typically, what is the duration of cold repair?

Ashok Jain: It is estimated at 60 days, but we are counting 90 days for a restart of the production after the cold repair, total 90 days' period.

Sumit Kishore: Okay. And you will then be timing this cold repair, at what time?

Ashok Jain: Currently, we are thinking about February, but our team is assessing there. Right now, they are in the GMB plant, and they are assessing the situation. Once we have a complete view from the point of view of availability of materials for the repair and all and the necessary things can be put in place. And also from the customer's angle, we have to look at there being satisfied on the aspect of BRL or Borosil supplying glass to them. Our sales team is also interacting with the customers. All those things will be considered at the top level and then a decision will be taken.

Sumit Kishore: Got it. Thank you so much, sir. There are no further questions at this point. Would you like to make some closing remarks?

Ashok Jain: Yes. So thank you all for participating in this investor call. It has been very excellent session, I suppose, and we look forward to interacting with all the participants once again for the next quarter. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference. We thank you all for joining us, and you may now disconnect your lines.