BOROSIL renewables

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November 11, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Scrip code: 502219**	**National Stock Exchange of India Ltd.** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Symbol: BORORENEW**

Dear Sirs,

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 08, 2023.

You are requested to take the same on record.

Yours faithfully,

For Borosil Renewables Limited

KISHOR HARISH TALREJA
Digitally signed by KISHOR HARISH TALREJA
Date: 2023.11.11 11:25:02 +05'30'

Kishor Talreja
Company Secretary and Compliance Officer
Membership no. FCS 7064

Encl: as above

“Borosil Renewables Limited

Q2 FY ‘24 Results Conference Call”

November 08, 2023

MANAGEMENT: MR. P.K. KHERUKA – EXECUTIVE CHAIRMAN --
MR. ASHOK JAIN -- WHOLE TIME DIRECTOR --
MR. SUNIL ROONGTA -- CHIEF FINANCIAL OFFICER --
MR. SWAPNIL WALUNJ -- HEAD MARKETING --

MODERATOR: MR. JITEN RUSHI -- AXIS CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to Borosil Renewables Limited Q2 FY '24 Results Call 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jiten Rushi from Axis Capital. Thank you, and over to you, sir.

Jiten Rushi: Yes. Thank you, Aman. Good evening, everyone. On behalf of Axis Capital, I'm pleased to welcome you all for the Q2 and H1 FY '24 Earnings Conference Call of Borosil Renewables Limited. We have with us the management team represented by Mr. P.K. Kheruka, Executive Chairman; Mr. Ashok Jain, Whole Time Director; Mr. Sunil Roongta, Chief Financial Officer; and Mr. Swapnil Walunj, Head Marketing. We will begin the call with opening remarks from the management followed by an interactive Q&A session. Thank you, and over to you, sir.

P.K. Kheruka: Good afternoon. Welcome to the Borosil Renewables quarter 2 financial year '24 Investor Call. The Board of Borosil Renewables on 6th November approved the company's financial results for the second quarter financial year '24. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website. We will discuss the operations of Borosil Renewables on a stand-alone basis as well as on a consolidated basis.

During the second quarter of financial year '24, the company recorded stand-alone net revenue from operations of INR280.2 crores, an increase of 66% over the corresponding quarter in financial year '22-'23. Sales volumes on a quantitative basis grew by 111% as a result of commissioning of a new 550 tons per day plant, SG3, from 23 February 2023.

Export sales during the second quarter of the current financial year, including to customers in SEZ were INR95 crores, comprising 33.9% of the turnover, an increase of 98% over the similar period last year, which stood at INR47.9 crores. Of this, the direct exports were INR90.8 crores, which are up from INR42.6 crores of direct exports in the same quarter last year.

Average ex-factory selling prices during the quarter were about INR110 per millimeter as compared to INR139 per millimeter in the corresponding quarter in the last year, a sharp decline of 21%, thereby causing a steep erosion in the margins. The domestic selling prices started to decline after discontinuation of antidumping duty against China in August 2022 as a result of dumping from China, Vietnam, Malaysia, despite rising the input prices. The decline in the domestic selling prices was even higher at 29% compared to the corresponding quarter in the last financial year.

The average selling prices during the quarter declined by 14% over the preceding quarter as a dumping intensified and continued unabated. EBITDA during the last quarter was INR26.6 crores corresponding to an EBITDA margin of 9.5%, which was a steep decline as compared to an EBITDA margin of 26.1% in the same period last year, when the EBITDA stood at INR44.11

crores. This margin erosion is to be seen in the backdrop of a 21% decline in the average selling prices, as mentioned before.

As a consequence of dumping of solar glass and in the absence of any duties on imports, the company recorded a loss before tax of INR6.9 crores as against a profit before tax of INR32.9 crores in the last quarter. The decline in profitability was due to a lower EBITDA and a higher interest depreciation as a result of the recent expansion.

For the first half year, ended September 2023, the company clocked a revenue of INR518 crores, a growth of 53% over the first half year. The company earned an EBITDA of INR83.1 crores, a margin of 16%. Profit before tax was INR11.6 crores. From August '22, solar glass imports continue to remain completely exempt from payment of any sort of import duty post discontinuation of antidumping duty against China. While imports are subject to a basic -- to a levy of basic customs duty of 15%, a circle of going back to 1999, exempts imports of solar components from payment of customs duty.

The unrealistically low import prices have led to a complete erosion of margins for the domestic solar glass industry as heavily subsidized Chinese imports of glass continue to grow exponentially. We, along with other local producers of solar glass have been appraising the government at various levels about the minus of imports and the impact on the domestic industry and hope that the government will listen to our plea went forth with the exemption from BCD on imports of solar glass. In the meantime, the lower prices have seriously dented the profitability of all solar glass producers in India and brought the potential expansion in solar glass capacities to a halt.

An improvement in the margins of the domestic industry would now largely depend upon the levy of basic custom duty on imports. The solar installations over the last few months have remained subdued despite a steep and unprecedented decline in the prices of solar cells and modules led by dumping from China as against an expectation of a phenomenal rise in view of very attractive prices of solar modules.

The solar installations in the second quarter of financial year '24 were nearly 1.7 gigawatts against 3.1 gigawatts in the same period last year. The domestic demand for solar glass has been facing issues ever since the time MNRE suspended implementation of ALMM for 1 year until March '24. The customers continue to be settled with higher inventories of finished goods as developers prefer to wait for a possible further decline in the module prices. It seems that the domestic demand will rise only after stabilization in prices. It is extremely necessary for bringing back the ALMM mechanism from 1st April 2024 in order to save the industry from becoming unviable.

The solar gas manufacturing furnace in Germany, GMB has operated during the quarter at almost 85% of the increased capacity of 350 tons per day. The subsidiaries have been able to deliver a significantly improved operational performance compared to the previous quarter, which was affected by lower production due to cold repair of the furnace. With certain modifications under progress the plant will be in a position to deliver larger size glass from the end of the third quarter financial year '24.

The remaining capex on the new tempering line, which will be completed in the fourth quarter of the current financial year, will help achieve capability to process all sizes, thicknesses of glass more efficiently. The old and less efficient tempering line will be discontinued, which will result in cost savings.

Now I come to the consolidated results for the quarter, which includes the operations of the subsidiaries aboard. The operating result of step down subsidiary that is Interfloat Group have shown a considerable improvement in the quarter after resuming furnace production from the middle of May 2023.

The overseas subsidiaries, including step down subsidiaries have generated a net revenue of INR121.5 crores and an EBITDA of INR10.5 crores for second quarter of financial year '24. The consolidated net revenue and EBITDA for the second quarter of the financial year '23-'24 stands at INR401.7 crores and INR37.1 crores, respectively.

We continue to maintain a positive outlook on the sector in view of expected growth in the domestic manufacturing in India. The new large capacities expansions have started to come into production and more are expected in the next 2 years, which will further increase the demand for solar glass.

The position in other important markets is as under. The demand in European Union has suffered a massive blow from September as the customers deferred canceled their orders due to inability to compete with deeply discounted prices of modules imported from China, Southeast Asia.

The customers have severely cut down production and are running only shallow operations in the hope to come back to a full production later. These customers have represented to the German government as well as to the European Commission and some positive announcements have been made already. It is expected that concrete steps to revive the solar manufacturing sector in the European Union and Germany will be taken by the end of November or sometime in December. Interfloat has been a part of these approaches to the government, and we expect that the measures will include some positive steps for local production of solar glass.

As of now, we are trying to sell the volumes in other markets, although the prices are much lower in these markets. This will impact the profitability in the forthcoming quarters. The Turkish market has shown weakness from the end of the second quarter of the current financial year, as the Turkish economy faces increased challenges due to continued high inflation and very high interest rates.

The paucity of funds has slowed down the installations and led to a significant decline in operating levels of all the customers and their orders for glass have become extremely low as they are using the inventories to run the low level of operations. Demand in U.S. is yet to pick up, we expect a greater demand from USA as the local production of modules picks up in the later part of 2024.

In lieu of these developments, our exports from India, which command a better margin, will suffer a setback in the next 1 or 2 quarters. We have increased our sales in the domestic market, which unfortunately is at very low margins in lieu of continued Chinese dumping. This will further impact the average sales realization compared to the last quarter.

The immediate relief will come from imposition of basic customs duty. We are taking necessary measures to improve the situation by increasing productivity, optimizing the raw material mix and controlling costs. Our 10-megawatt captive power plant of solar plus wind energy has started to generate savings in the power cost.

We have decided to set up an additional solar wind power plant, which is expected to further cut cost from end of the second quarter financial year '25 and allow us to use a major portion of the power by green sources coming from captive power plant.

With that, I would now like to open the floor to questions that you may have.

Moderator: The first question is from the line of Pranay Shah from Anand Rathi.

Pranay Shah: And I just have one question. What is your view on the basic duty and antidumping duty on the Chinese solar manufacturers? And would it be still levied, continue to be levied in FY '25?

P.K. Kheruka: We have been representing to the government across various departments and various people for the restoration of basic customs duty, which is already in the books. And I must say that as matter stand today, the exemption is supposed to continue till 31st March 2024, after which the exemption is supposed to come to an end..

We have been given to understand that the exemption will indeed end on 31st March '24. We have a very strong case for ending the exemptions because there is a very strong subsidization of costs from the Chinese government, and this is forbidden under the World Trade Organization rules. We are only seeking for a level playing field, nothing more than that. So we are expecting that the duty exemption should definitely come to an end by 31st March at the latest. So we are trying to see what can be done earlier.

Moderator: The next question is from the line of Sharan. N, as an investor.

Sharan. N: So I would like to know, like export business is doing good and especially the Europe compared to the India domestic business. Do you have and also you have kept the capacity expansion plan on hold in India. Is it possible that you do an expansion in Germany before India because the business is doing good there?

P.K. Kheruka: Actually, what has happened is that the decline in prices of solar modules worldwide has impacted Germany and Europe as much as it has impacted India. So that business is not doing good today, either in Europe or in India for the time being. So at the moment, I would say that there is no call for any kind of expansion anywhere. However, we are ready for it.

The German industry and the European industry has moved the European Union parliament and the President of the European Union and also the President of Germany to take a very strong action in the matter to protect domestic industry and the matter has been considered very seriously and there is a reasonable expectation that some very concrete steps will be taken by the government in Europe very soon. If these steps are taken, definitely, the market will experience a boom.

And similarly in India also, the industry has been representing to the government to take serious action against these dumped imports from China. So it's a question of when the government will move and back, how much they will move and that is going to determine what is going to happen. But today, there's a very big demand for solar modules, and there is a very big availability also. So if the government moves, then everything starts moving immediately. There will be no delay.

Sharan. N: Okay. And based on the government moves if that is positive in Europe, do you have plans to do the expansion there along with the India's expansion of existing plan, which is on hold?

P.K. Kheruka: Yes, we have and we are completely ready to expand in Europe. We have all the facilities. We have the land, building, batch house, everything ready. So if the decision comes to expand over there, if the situation warrants us to expand, then we can expand within a matter of weeks. We can start the expansion program, yes.

Sharan. N: And sir, one more question. Recently in the interview or some news I heard about you are exploring the recycling business with a JV or something. So will it happen in your existing brownfield area? And also is it going to be turnkey solution by having it in your existing brownfield? Or how is it going to be happen and by when you are going to see it happen?

P.K. Kheruka: You see until today, the recycling of solar panels has not been established in any one particular way, all right, by anybody in the world, and different people are exploring different methods of recycling. So, when we announced our intention to enter this business, it is basically to say that we have started exploring all the different methods of recycling solar panels. So in case we come across something good, then we may start doing it but it is actually premature to say today whether we'll do it in the existing company or have a new company to do it because the methodology is still being explored and finalized.

Sharan. N: Okay. Sure, sir. And one last question, I attended another company called Gravitas concall. And there it was mentioned that similar to what we are facing an antidumping duty -- sorry, it was Deepak Fertilisers call. Similar to what we are facing antidumping duty, they are also facing for their products. And it's -- they mentioned that it's not just for one company, there are multiple companies are going through this problem, and there has been a case filed in the court. And do you have any update on that? What is the status? And by when there will be a final hearing on this issue, which is common for all of these products?

P.K. Kheruka: We filed our application exactly 2 weeks ago. So it's premature at this stage. But I want to tell you that there are 4 companies in India, which are now manufacturing solar glass. So whatever decision comes in our case will be applicable to all.

Moderator: Next question is from the line of Jiten Rushi from Axis Capital.

Jiten Rushi: Sir, my first question is on, can you help us understand what is our current price premium to blended price of Chinese and Malaysian glass?

P.K. Kheruka: I'll ask Mr. Ashok Jain to answer the question.

Ashok Jain: Yes. So as you know, the selling price in India are aligned to the landed cost of imports. And we are selling it virtually at the same price. There could be a small premium, 2% to 3%, which is not a significant amount. So prices are almost aligned to the landed cost.

Jiten Rushi: Okay. And sir, are we seeing any -- as you said that USA looking for local components manufacturing you have seen that -- you heard that. So are we looking for any acquisition or setting up any shop in the U.S.?

Ashok Jain: We would like to export from India to U.S., but we are also looking at how this can be done in terms of local product or local sourcing. So we are in discussion with a couple of customers, whether by certain mechanism, we can achieve this local sourcing business. And we are also waiting for the final rules and final policy from the government on account of IRA. So these are still floating guidelines. Once the final policy comes, then we will try to understand and take a call.

Jiten Rushi: And sir, the last question was on the German subsidiary. Can you give us insight more on the EBITDA margins for this quarter and first half?

Ashok Jain: So EBITDA margins were about, I think, INR10 crores, which is about 8%.

Moderator: The next question is from the line of Akshay Satija from NM Securities.

Akshay Satija: My first question was, what would be your selling price, if we sell it to the export markets say in USA or other countries versus if we sell it in India. Is there any additional premium to that?

Ashok Jain: Yes. Export prices are better since there are antidumping duties against China in various geographies. The prices are better there. In India, the prices are much lower compared to export markets. Now it depends on each geography, what kind of extra premium we can get. So ranging from 30% to 40%, maybe the extra price we can get compared to India in various geographies.

Akshay Satija: Sir, my next question would be so say, 2024 this antidumping issue that you're resolving, they're going to bring antidumping back. What sort of expansion would we be looking at? Would we be going back to what our initial plan was to set up like huge capacity. What kind of quantum can we see in those terms? So I think this is going to somewhere around 2,100 tons per day from current 1,000 tons per day. So any outlook on that or what are your thoughts on that?

Ashok Jain: I think it is premature to announce that how much we'll do. But whenever the situation is there and the Board considers the next expansion based on the prevailing economics, that time, the call will be taken to do certain expansion, whether it will be, say, 550 ton or 1,100 ton or whether it will be in India or in Germany, all those questions will be probably discussed in the end of next quarter, maybe by February, March '24, after having clarity on the German government's initiatives as well as on the basic custom duty, removal of exemption by, say, February '24 or something.

Akshay Satija: Okay. So do we have all the land and all the resources required ready at least? Or will we have to acquire some land and all the buildings, if we have to do the expansion?

Ashok Jain: We have this available already at the existing location. And in the case of Germany, including the building is also ready there and a lot of utilities available. So it can be started immediately after taking a call.

Akshay Satija: Okay. And how long will it require for us to set up this capacity say, in Germany if everything is ready?

Ashok Jain: 18 months is the normal time in which we can expect the capacity to come up once we start the process.

Moderator: Next question is from the line of Vivek Gupta as an individual investor.

Vivek Gupta: I just want to understand that what do you think that the margins have they bottomed out? Or do you think that the worst is still not over for Borosil?

Ashok Jain: It's a good question. We are trying to find the answers because the prices every week are changing. And that's the fact on the ground because the Chinese prices for each and every component of solar are getting announced on every Wednesday, and they keep changing. So we are doing our best in terms of performance, operational performance, some improvements are still to be achieved that we are trying at the factory level. But in terms of prices, which are a major factor, which will decide about the percentage margin or whether it is bottomed out or not, that is still uncertain.

Vivek Gupta: Okay. Then a follow-up question around this. So I do understand that because of this dumping by Vietnamese and Chinese players, so Borosil is not having the pricing power and eventually we are having a hard time there. So what are the plans if this continues. So do you foresee that the worst is still not behind us and it can prolong because you have to be prepared for the worst, if ADD is not resumed and BCD is not extended. So what are the plans?

Ashok Jain: So we have to understand that 97%, 98% of the world's solar glass production is managed by Chinese, whether in China or Malaysia or Vietnam and India is only 3%, India and Germany put together is only 3% production. In India now, other plants have also started to come up, 3 more plants have started.

So the total capacity has become 2,000 tons per day. 1,000 is Borosil, 1,000 is for the other 3 new plants. And more plants may come up in the next quarter or ensuing quarter of about 600 ton. So once we have a sizable capacity in domestic market, which has a good amount of share in the local consumption.

Currently, Borosil is the only player or has been the only player and enjoying only 20% market and 80% dependence is on Chinese imports. Now once this starts shifting to, say, 50%, 60% local production, then the pricing dependence will reduce, I believe.

Until then so we'll have to depend on Chinese pricing. And we'll have to almost align to the Chinese prices. In terms of doing our best in case the BCD does not come for any reason, is only to improve the operations and look for avenues outside India, look for new product development, and value-added products. So these are the things which we keep working continuously, which will allow us to still overcome the challenges.

Vivek Gupta: Okay. Because being an investor, my confidence is shaking because of ADD not in place, and I'm on every con call, we are seeing that because we are relying heavily on government to put down the ADD back. But what if ADD is not back, so that is something a big concern.

P.K. Kheruka: I'm not sure that, that is going to happen because Mr. Modi is very, very determined to have a domestic strong industry. And for the sake of a little bit of cheaper glass, to allow your domestic industry to be destroyed is such a huge price to pay, that nobody can pay it in my opinion.

So I don't think there's any chance of them not taking action. Yes, it's a fact then they need to be convinced, all the numbers have to be presented to them. And there are big ramifications for taking any decision in the solar business. And I guess they have to weigh everything carefully before they take a call.

Ashok Jain: Just to add here, the solar glass as a component, as a cost in the module is very insignificant. It is about 6% or so. And a levy of 10% or 20% duty on that does not really change the economics too much against solar module industry or even the price of power. Solar glass is a very capital-intensive business. It generates a lot of employment. It has a lot of value addition. You start with INR25, INR30 raw material and generate INR100 turnover.

So there is a lot of work in the solar glass business, which creates lot of employment, a lot of opportunities for the people. And also, you have to see it from the angle of energy security. See you cannot continuously depend on Chinese for running your solar program. And that would also be a factor to decide whether solar glass industry needs to be allowed, at least a level playing field, if not a protection.

So to have a basic custom duty of 15%, which is already there in the books. To remove the exemption should not be such a big deal for the government to act. And we are quite positive on this based on our continuous dialogue and meetings with all the concerned people in the ministries at Delhi. So we are quite hopeful that this will be done.

Moderator: Yes, sir. There are no further questions. Would you like to add any closing remarks?

Ashok Jain: Yes. So thank you very much, the investors, for attending this call and asking all pertinent questions. We are continuously on the job to improve the performance and also deal with the government authorities to have the duty invoked, and we are quite hopeful in the matter. We understand that short-term pain is there, but I think long-term vision is quite clear. We are quite bullish on the business for a long term. Growth in the industry will be tremendous over the years. So we look forward to a better tomorrow. Thank you. And we'll meet in the next quarter.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes today's call. Thank you all for joining us, and you may now disconnect your lines. Thank you.