

August 12, 2021

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Dear Sir/ Madam,

Subject: Transcript of Institutional Investors and Analysts Conference Call

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We enclose transcript of conference call with Institutional Investors and Analysts which was held on August 05, 2021.

Audio recording of call is available on <http://borosilrenewables.com/analyst-meet.html>

You are requested to take the same on record.

Thanking you.

Yours faithfully,

**For Borosil Renewables Limited
(Formerly Borosil Glass Works Limited)**



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

Encl: As above



“Borosil Renewables Limited
Q1 FY2022 Earnings Conference Call”

August 05, 2021



ANALYST: MR. SUMIT KISHORE – AXIS CAPITAL LIMITED

**MANAGEMENT: MR. P.K. KHERUKA - EXECUTIVE CHAIRMAN -
BOROSIL - RENEWABLES LIMITED
MR. ASHOK JAIN - WHOLE TIME DIRECTOR -
BOROSIL RENEWABLES LIMITED
MR. SUNIL ROONGTA - CHIEF FINANCIAL OFFICER
- BOROSIL RENEWABLES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 Results Conference Call of Borosil Renewables Limited 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, Margaret. Good afternoon, ladies and gentlemen. I am Sumit Kishore and I cover India industrials power and infrastructure sector of Axis strategy. On behalf of Axis, I am pleased to welcome you all for the Borosil Renewables Q1 FY2022 earnings conference call. We have with us the management team of Borosil Renewables, which is represented by Mr. P.K. Kheruka – Executive Chairman, Mr. Ashok Jain - Whole Time-Director, Mr. Sunil Roongta - Chief Financial Officer. We will begin with the opening remarks from Mr. Kheruka followed by interactive Q&A session. Over to you, Sir!

P.K. Kheruka: Thank you very much, Mr. Kishore. Good afternoon and welcome to the Borosil Renewables Q1 FY2022 investor call. My colleagues and I are happy to be interacting with you once again. The board of Borosil Renewables approved the company's financial results for the first quarter financial year 2022 on August 4, 2021. Our results and an updated presentation has been sent to the stock exchanges and has also been uploaded on the company's website.

During the quarter, the company recorded a net sale of Rs.136.1 Crores, which is a 152% increase from last year's low base, which had suffered the impact of COVID related lock downs.

Export sales during the Q1 FY2022 (including to customers in SEZ of India) were Rs.32.2 Crores comprising 23.6% of the turnover.

The sales were lower than the historical high sales we had achieved in the fourth quarter of FY21. Of this Indian Rs.17.6 Crores is owing to AS-115 related accounting impact alone. However, as we had discussed in the last quarterly interaction, the prices of solar glass had begun correcting from the beginning of the quarter from the peak they touched during the second half of the last year as the mismatch of global demand and supply began to get bridged and year-end rush to complete projects abated. Our average Ex-factory selling prices during Q1 FY2022 were lower than those of Q4 FY2021 by about 10%, despite a higher drop in the imported prices, which was possible since CVD against Malaysia came

into force and the landed cost of imports remained high due to significant rise in the logistics costs.

Sales volumes are also lower than the historical peak volumes achieved during Q4 FY21 by about 10%. This was mainly because of lower production, which in turn had gotten impacted due to the second wave of COVID-19. While gross production from the furnace was at about 96% capacity during Q1 FY22, annealed and tempered glass production were each lower than in Q4 FY21 due to lower efficiencies arising from the aforesaid reason. This also resulted in high production costs during the quarter. The situation, however, has improved considerably from July onwards, notwithstanding the drop in realizations and the slightly higher production costs as compared to the previous quarter, the EBITDA margins during Q1 FY22 remained very healthy at 50.1%.

During the quarter, the company generated a profit before tax of Rs.55.9 Crores and a profit after tax of Rs.39.6 Crores corresponding to a PAT to sales ratio of 29.1%. The non-recognition of sales of Indian Rs.17.6 Crores in the quarter also impacted the PBT and PAT.

The correction in selling prices started in the beginning of April 2021 and continued till May. In fact, the demand in China in the current financial year has remained subdued so far, which is leading to a higher push for exports of the Chinese controlled solar glass production. The correction seems to have halted now. Accordingly, the average ex-factory prices in July are lower than the average for the Q1 FY22. On the input costs front, there been a rise in the costs for natural gas, packing materials and a few raw materials. The company is putting in efforts to minimize the impact. Both these are likely to impact the EBITDA margins in the current quarter.

The long-term opportunity in solar power and our capability to produce the highest quality solar glass at efficiencies that match global standards has given us the confidence to expand our capacity significantly. As you are aware, we are currently undergoing an expansion to add a third line SG3. The company has decided to enhance the capacity of this line from the earlier planned 500 tonnes per day to 550 tonnes per day. The furnace will come with a superior design and is expected to deliver higher efficiency. Meanwhile, there has also been an inflation in cost of steel, cement and freight besides the higher spend on furnace building and production processing line leading to a higher project cost.

Our overall project cost for the higher capacity of 550 tonnes per day is now estimated to be about Indian Rs.600 Crores. This SG3 line is expected to go into commercial production in the second quarter of FY23. At that stage, the company's capacity would stand enhanced to 1000 tonnes per day that is to say about 5 gigawatts.

The levy of 9.71% CVD on imports of solar tempered glass originating from Malaysia from March 2021 had its positive impact as this becomes a part of the landed cost of imports, while we negotiate our selling prices. The anti-dumping duty against imports from China is valid till August 2022. The company has filed an application with the concerned authorities to extend the duty for another 5 years and the government has initiated investigation.

There is a new challenge posed by imports coming from the new solar glass plant in Vietnam set up by one of the large Chinese companies, which has begun operations recently. Such imports are not subjected to any duties as of now. Initially, these imports were priced higher taking into account the duties on alternate sources. However, the offer prices have now aligned to China/Malaysia. We are closely watching the situation and we will take appropriate measures available under the law. While we await levy of basic custom duty on solar cells and modules becoming effective from April 1, 2022, the safeguard duty of 14.5% has come to an end of July 30, 2021. This may result in an increase in imports and pose a temporary challenge for domestic producers of modules.

In the meantime, the approved list of module manufacturers, which is known as ALMM mechanism is being intensified and it is likely that more demand may be added to the list of segments which mandate use of the modules supplied by the manufacturers listed in ALMM. This will to a great extent curb the import of modules. The government has invited bids under the recently introduced PLI (performance linked incentive) scheme under which additional production of higher efficiency solar modules cell and further backward integration will be incentivized. The scheme promotes use of domestically produced components as the incentives are designed to be at a higher rate in case of use of domestic components. The scheme incentivizes solar module manufacturers to source solar glass and other components from domestic producers. In our view, the county needs to add 25 gigawatts annually to meet their target of 300 gigawatts of solar installations by 2030. The total annual manufacturing capacity of solar modules in India currently stands at about 11 gigawatts. Significant capacity addition of about 14 gigawatts are likely in the next one or two years. In addition, an announcement of new capacity of 10 gigawatts has been made by a very large player. The module manufactures are also looking at supply chain of the key components from domestic sources including solar glass. The rise in the installed capacity of solar module cell manufacturing will lead to a rise in the production of solar modules, which in turn will lead to a higher demand of solar glass.

The company has been providing an increased focus on exports to all the markets including Russia, Middle East, Africa North and South America in addition to the regular markets in EU and Turkey. The demand for glasses in all the major markets is expected to rise exponentially due to increased trust on domestic manufacturing of solar modules. The

company has a very good scope to grow exports significantly now. As any new capacity augmentation has a lead time, I had mentioned during the last quarterly call that the company's board has approved a further expansion by 1000 tonnes per day to be implemented in 2 phases of 500 tonnes per day each. These will be our lines SG4 and SG5. The work on SG4 is likely to be taken up during the second half of this financial year and the line is expected to be commissioned in quarter one financial year 2024. The expansion will be financed through a mix of internal accruals, debts and equity. The board has approved a rights issue of shares. Further updates on the fund raise will be shared at the soonest.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: A couple of India based players are looking to set up solar glass manufacturing capacity, so we heard about Asahi India Glass, which has agreed to execute term sheet with the Visaka group to set up a Greenfield solar glass manufacturing plant at Mundra, Gujarat and even the Adani group has an ambition in solar glass. Could you elaborate on that? That is my first question?

P.K. Kheruka: So, my answer to that is that Adani have been exploring the possibility of manufacturing solar glass for quite a while now. This has been our information and they have been in dialogue with us as well. Now, they are already manufacturing a large volume of solar photovoltaic modules. I would imagine that the idea is primarily to supply to themselves for their own demand and part of it might very well be available for sale within the domestic market.

Sumit Kishore: And would you have some comment on the Asahi venture as well? Would RIL make their own solar glass? Will be a huge capacity?

P.K. Kheruka: So, in case of Asahi India, they have collaborated with Visaka Industry, which is an associate of Adani. So that plant of Visaka and Asahi put together will be the plant of actually Mundra solar or Adani solar to support their captive requirements. That is how they are looking at this from the angle of ensuring their supply chain. In the case of Reliance, they have said that they would like to go into all the components which they may do by themselves or they may engage somebody, some associates or they may develop some ancillaries. We do not know yet how they are planning to move on the solar glass front, but

there is a possibility that they may make solar glass because their requirement is also going to be very substantial.

Just as a follow up addition to your first question, the thing is that Visaka Industry has signed an agreement with China Triumph. This was in the news and therefore I am not very sure in what way Asahi is going to be involved in this venture. So, there is no clarity as far as the public is concerned on that.

Sumit Kishore: Got it. Sir, the second question, the safeguard duty basically saw sunset towards the end of July and nothing has been reinstated so far. So, do you see China imports rising very significantly for modules and cells for the balance year and is there any related impact for solar glass? Thank you.

Ashok Jain: Yes, so there is a potential to import modules from China, which is what some Indian developers are looking for. But the current trend that we observe among our customers is that module manufacturing is going to be higher. Domestic module production in India will not be impacted. We have to watch and see how this actually plays out because the module prices themselves have been fluctuating so much that this duty may not have any significant impact. The polysilicon prices, the solar cell prices are all moving part as of now. We have to wait and see how it actually pans out. But at the same time the government is also trying to safeguard the domestic production by introduction and making it compulsory to use the approved list of manufacturer list as the source of supply. This will ensure that the module production keeps on at a high pace.

Sumit Kishore: Thank you so much.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on good set of numbers. My first question is how was the capacity utilization in Q1 FY22 and pricing compared to Q4 FY21 and what is your outlook for pricing going forward for the next two quarters given that there is no duty and the related question is that because the container freight has gone up, does it mean that the Malaysian and the Vietnam glass, which can be imported will become uncompetitive?

Ashok Jain: As far as the volume is concerned, the production level from the furnace has been fairly consistent in both quarters that is Q4 of last year and Q1 of this year except that the efficiency in this particular financial year in the first quarter has been a little lower as was explained in the opening remarks. But we are back to the earlier numbers as of July and we

are trying to improve it further. On the capacity utilization front, we are absolutely on the ball. Now coming to the prices, we already explained that the prices started correcting from April. This correction has now halted. As we speak, the prices are almost at rock bottom. In Q4 the prices were about Rs.155 or thereabouts and in Q1 prices they are about Rs.140. Thus about 10% lower prices were realized in the quarter. As far as the duty structure is concerned, Vietnam is a new plant and against new plants there are hardly any mechanisms available because we have to substantiate dumping with at least 6 months' data. Only thereafter can any action begin. But as of now, we have our order book full and we have no problem in selling the quantity we produce. Should there be any need for any action against the imports from Vietnam, we will move the at appropriate time.

Mohit Kumar: My question was how was the container fright?

Ashok Jain: So, container freight has been significantly high. It is in public domain. Importers rom China used to pay \$400 to \$500 in the past, but now it is more than \$2000 for a 20-foot container. So, this has led to a significant increase in the landed cost for importers. Since our prices are aligned to the landed cost for the domestic buyers, we get that much extra to add to the price. Does that answer your question?

Mohit Kumar: Sir can you explain what the impact of the increased freight is?

Ashok Jain: Yes, the freight cost increase would be 6% or so.

Mohit Kumar: Understood sir.

Moderator: I would request Mr. Kumar to please check your phone line and rejoin the queue. Thank you. The next question is from the line up Dhruv Muchhal from HDFC Asset Management. Please go ahead.

Dhruv Muchhal: Sir, thank you so much. Sir, on the container costs you mentioned that the freight cost increase is about 6%. So the 6% increase is on the sales price or what is it, what references the 6% to?

Ashok Jain: That was with reference of our selling price.

Dhruv Muchhal: So if it was earlier 100, now it is 106, the selling price becomes 106 just because of the freight cost change?

Ashok Jain: Absolutely, you are right.

Dhruv Muchhal: Sir, second question was you mentioned that the production from the furnace was consistent, but the efficiency was lower, I could not get that. Can you please explain this?

Ashok Jain: We draw a certain amount of glass on a constant basis from the furnace. Now that glass suffers from a couple of types of losses. One is losses in the form of trimming of the glass coming from rollers and then you have quality related losses. Thereafter, there are processing losses. in terms of grinding, tempering and quality, etc. So, these losses were higher because of the impact of the COVID and also because of certain problems in the production. So, with all these things put together, the production was lower by 10%, though the gross production from the furnace was much better. It could not be converted to the finished goods level because of these losses.

Dhruv Muchhal: So, the ultimate final product related production was down by 10% because of this?

Ashok Jain: Yes, that's right, the ultimate production came down by 10%. When you use the furnace for the full volume, you spend all the energy and all the manpower is already there. If you have lower final production, then your unit costs go up. That is what we referred to in the opening remarks.

Dhruv Muchhal: Got it perfect and Sir by any chance can you share the sales volume number probably in tonnes because that helps us understand how your cost of production and how your sales value is moving. Lot of your competitors at least from China do share that because it becomes a very helpful metric to look at the numbers.

Ashok Jain: So, the numbers are generally not shared by the corporates these days because it is not required. The sales actually take place in square meters where the thickness is different and prices depend on the thickness. There are various types of glasses. Sometimes you have specific requirement on the glass. All these things can vary and it could impact the prices. So, it is difficult to generalize. However, on an average the price was at Rs.140 per mm in the quarter for all the thickness, all the types of glasses.

Dhruv Muchhal: Got it and Sir, last two questions quick one, if I look at your gross margin, it has improved to about 91% at this time, it seems very high if I am not wrong, what could be driving this?

P.K. Kheruka: So when you say gross margin what are you accounting for in this margin?

Dhruv Muchhal: The RM cost minus the sales price?

Ashok Jain: The RM cost is generally about 21% to 22% so it is difficult to imagine that 91% will be gross margin, I do not know how you calculated it.

Dhruv Muchhal: Okay, I will just check this number and come back and Sir, last thing is, we have seen a significant increase in the price of imported LNG. LNG prices are significantly higher right now, so just wanted to understand how your cost will change and how does it impact you?

Ashok Jain: Yes, you are right the price of energy has been running high and that is true for all the glass manufacturers for that matter. The imported LNG or spot LNG is only a part of our total basket of sources for natural gas. We have a couple of contracts where these import prices do not affect as much. We balance various types of sources and try to minimize the impact and the volatility. But you are right on the LNG portion which we buy directly on spot quantity basis, which is about 10% to 12% of our requirement the cost has been running very high. In terms of the other contracts, which we link to oil again, the cost is high, which is another 15% to 20%. Almost one-third of our natural gas is aligned to the volatility in the oil and gas prices. This is impacting our energy costs and we do not see it correcting in the immediate future.

Dhruv Muchhal: Okay, so the one third is linked, remaining is relatively same, these are other than long-term or?

Ashok Jain: Other types of contracts that we have.

Dhruv Muchhal: Sir, just coming back to that gross margin number, so if I look at the total RM cost for you excluding the inventory cost, the absolute number is just about 11 Crores, so 27.1 Crores for your RM cost and there is a negative inventory of about 15.4 Crores, so the net RM cost comes to only about 11 Crores for the sales of about 136 Crores?

Ashok Jain: Now it is difficult to look at numbers like this because in this industry there is a lot of value addition, which is beyond the raw material. Traditionally, raw materials are about 20% to 23% of the total price. Then there is power and fuel, there are employee costs, there are stores, there are repairs, there is natural gas etc., The inventory cost which we are deducting from raw material has a lot of those elements which are part of the cost. So, in our situation, it is not correct to calculate the gross margin in this fashion. You should actually look at the EBITDA margin. That is the right parameter to understand the performance.

Dhruv Muchhal: But I thought over a period of time everything should, because that would have been there even in the previous quarters right, so when I look at the current quarter gross margin this is relative to the previous quarter?

Ashok Jain: Yes, you please recalculate the previous quarters because in previous quarters there would not be any inventory changes. There is a significant change in inventory in this quarter

because of the IndAS impact. We had to reverse certain sales and include it in the stock at full cost of the production. So, that is a significant difference. Actually looking at our gross margin as I mentioned it would be about say 77% to 78% or thereabouts.

Dhruv Muchhal: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Manali Vora from Centra Advisors LLP. Please go ahead.

Manali Vora: Good afternoon. Sir, my first question is that now that after the 550 TPD expansion you would have a capacity of around 1000 TPD., How much solar gigawatt requirement would this satisfy?

P.K. Kheruka: About 5 gigawatts.

Manali Vora: Okay and now that we have 5 gigawatt capacity and the module manufacturers are adding around 14 gigawatts, how many of them would come to you for the solar glass requirement?

P.K. Kheruka: This all depends upon many factors including geographical factors, how many are very close to us, how many are very far from us and what is the requirement of each manufacturer and what is the actual product he requires. The solar glass is a generic word, but there are different thicknesses, dimensions and coatings and things like that on the glass, which will determine where the module maker is going to decide regarding procurement of his product.

Ashok Jain: But generally speaking about 12 gigawatts out of this is other than Adani and since Adani is also setting up their own glass manufacturing, all the 12 gigawatt customers or the potential manufacturers who were putting the capacity are already our customers more or less, so we believe that all of that market will be addressable for us and we will be able to get certain share from that market.

Manali Vora: Okay, thank you.

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

Dhruv Kashyap: Good afternoon Pradeepji and thank you always for the excellent personal stewardship that you are providing not just to the Borosil group, but to the solar and renewable sector at large. My first question for you Sir is that on the capacity expansion piece by July 2022, we would be about 1000 tonnes per day and we have proposed a 1500 by 2023 and 2000 by

2024. Now given that we have the experience that it is typically about 18 months from the time we sort of raise funds or get all the paperwork in place to the time we go live and given that these dates are quite far away in the future, 2023 is still two years away as 2024 is three year away, would not it be better try and target April of each of these years so that we get the capacity in the beginning of the financial year, which means that for 2023, we need to sort of start acting by September to give it that 18 months window and for 2024, we probably need to act by next September?

P.K. Kheruka: Well generally speaking, you are right. We are looking at timelines in the way that you have suggested. You know we live in a dynamic world and there are constraints which are beyond financial. There are constraints of travel. We source equipment from other countries. In those countries they have their own constraints. Sometimes a number of supplier countries were stuck with COVID and they did not have people reporting to work and so there were some delays in supply of equipment. Things like that. So, you are pretty much on the ball I would say in this respect and thank you for the kind words.

Dhruv Kashyap: So I meant more in terms of intent, I can understand that a lot of things will go wrong, but I am sure the intent would be what I stated?

P.K. Kheruka: The timelines that you have indicated pretty much reflect what we are ourselves thinking.

Dhruv Kashyap: Perfect, so my second question is slightly a specific one where maybe you or someone from your team can address it, in terms of the shareholding. Now before the December quarter of last year before we did the QIP between the December 14, 2020 to December 17, 2020, the institutional holding has gone up by about 10.5% after the QIP right between both the SII and DII. Now a little strange you see is that in the June quarter period this has come down to 5.5, which basically means that long term money entered in December and it exited after 3 to 4 months as in half of it, so 5.5% of that 10.5% has gone in three to four months. Has any of the institution shared as to why they would do this or has the promoter entity been buying that from these people, I mean can you share some colour because it is very confounding as to why have the institutional investors exited in three months?

P.K. Kheruka: Well, let me first say that promoters have neither sold nor bought any shares at all between that date and today, so we are not in that game of buying and selling our own shares. I will ask Mr. Ashok Jain to answer the rest of your questions.

Ashok Jain: Yes, you are right. Actually, it was also disturbing for us from the perspective of long term investors cashing out in the short term. The prices and the profit was so high probably for those investors and they decided to do it as a short term measure. We had a discussion with

one or two of the large ones and raised precisely the same question about a hurried exit. They said that since the international prices of glass started to go down and since their profitability was very high, they decided to book short-term profit on the stock. It does not mean that they don't have a positive view on the company or the sector. They might enter anytime later. This is how they have left it. So, we also share the same concern that you mentioned as we believe that they were long term investors.

Dhruv Kashyap: Just to close this point and this is not my third question, but just to close this point, you would appreciate that when we talk about the first time QIP after so long, we talk about marquee investors and pedigreed investor and FII and DII and all those fancy brand name, but to see some of them leave in two to three months whereas we all know the objective of these funds you know they would have wanted to see you through 1500, 2000, 5000 tonnes per day, why are they exiting in two, three months is very confounding the behavior, it is very atypical of a FII, DII behavior.

Ashok Jain: Yes, you are right and we share the same thoughts actually and this large investor who exited also had probably invested into some Chinese companies. They are solidly behind solar or renewables and they value the company and the business very highly. That is what they confirmed to us.

Dhruv Kashyap: Correct because I am talking more from the next set of QIP because if you are going to go to 1500 and 2000 tonnes per day, we might have more rights issues and I am sure we all want marquee investors to come in and to stay the course because it does not help any of us if they start leaving in two, three months from that perspective, I am talking more from the future than from the past.

P.K. Kheruka: Totally agree with you.

Dhruv Kashyap: Thank you so much for taking my questions and all the very best Sir.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. I wanted to understand the capacity, which is coming up in terms of solar module, which is on your slide 8, so when you say solar module is it the glass or is it the whole module is being put up?

P.K. Kheruka: The entire module is being put up and to the extent that the module is being manufactured, there is obviously a glass that is going to go on that.

- Tushar Sarda:** So, you will be supplying glass for all this or you are being one of the suppliers?
- P.K. Kheruka:** Yes, we would be a potential supplier to such a module maker.
- Tushar Sarda:** And in terms of glass manufacturing, what is the scenario, is more glass manufacturing capacity also coming up or your competition is mainly from imports?
- P.K. Kheruka:** Our competition as on date is only from imports, Adani Associate, Visaka Industries have sort of announced that they are going to come into production by the beginning of the next financial year and that is what we have heard, other than that there is no firm advice as such in the market.
- Tushar Sarda:** So, in terms of your ability to market and sell your product you do not foresee domestic competition as of now right, that would be the right assumption?
- Ashok Jain:** Not really because we are currently producing 2.5 gigawatts worth of glass and with the new capacity on, we will be doing 5 gigawatts and the module production in India is much more than that. Therefore, we do not see that there should be an issue pertaining to our ability to sell what we produce.
- Ashok Jain:** Basically, the competition here is international. Actually right now also we are competing with the world's largest players and we have a market share of only about 36% to 37%. The rest is with the larger players sitting in China and Malaysia. So, whether the competition is there from the outside production or domestic production, we are already competing with the highest quantity producers, who have certain benefits in the sense that they receive subsidies and other incentives. So, we are not particularly worried as long as we can keep our quality right and costs in control we will be through.
- Tushar Sarda:** And last question, do you also export, are you in the exports market and what is the scenario there?
- Ashok Jain:** We have been exporting about 16% to 18% of our production and in the last quarter, which we are discussing, our exports were higher that is about 22% to 23%. As mentioned by Mr. Kheruka in his opening remarks, we are expanding our reach to other geographies and other customers. Similar to the "AtmaNirbhar Bharat" Program running in India, there are programs running in Europe and USA also where they want to incentivize domestic production of modules instead of importing everything from China, Malaysia, Taiwan and other places. So, with a lot of growth in those markets in terms of the module manufacturing, which also means there is a lot of growth likely to happen in the demand for

solar glass we have already started our outreach in those markets. We have in fact started commercial supplies to many large players who are setting up plants and we see that as a future potential for the company.

Tushar Sarada: Thank you, you answered the questions very nicely, really appreciated. Thank you so much.

Moderator: Thank you. The next question is from the line of Nikhil Chowdhary from Kriis PMS. Please go ahead.

Nikhil Chowdhary: Thank you for the opportunity. Sir, I had just one question, wanted to understand Asahi being in the automotive glass space, for us it took almost six to seven years to perfect this space, will Asahi just being into the glass manufacturing already will it shorten the learning curve for this player like drastically or do you think the solar glass is still a niche product, which requires a lot of precision aspect of the thickness?

P.K. Kheruka: See, Asahi is a very large, well established international player and granted it is a niche product, but we can well imagine that they would be successful within a certain period of time to develop the correct product from their facility.

Nikhil Chowdhary: Alright and Sir, as you rightly explained, the 12 gigawatts is excluding Adani, we do not see, like we have been really bullish on this solar glass industry altogether, but what threats do you see when all the large players are trying to build the capacity for the captive consumption, what sort of threats do you see or the market is large enough for everyone?

P.K. Kheruka: As of now as we said, we are only supplying 35% of total demand, which is today's demand and we are looking at very serious escalation in the output of solar modules in India going by the government's plans. As such, in our opinion, whatever glass we are planning to make will all be consumed.

Ashok Jain: In addition, we are increasing our exports, which will also be substantially rising going forward as we have more glass available. So, we do not foresee a challenge in terms of selling the capacities that we have planned. It has been said that the glass demand has been rising by almost 30% to 35% on a compounded annual growth rate, which is going to accelerate even further now with all those capacities of module production coming into play. The government program, is going to rise from 100 gigawatts to 300 gigawatt by 2030. There is going to be a spike in demand for solar glass in the country.

- P.K. Kheruka:** I might add that the demand in exports is really very, very robust and we are not able to meet the demand. We supply whatever we can, but actually the demand is much greater than what we are supply. Our potential to supply is very high.
- Nikhil Chowdhary:** Got it. Sir, I wanted to understand that last thing, probably on the financials if you see the changes in inventory has been a large negative figures, so is my understanding correct that the closing stock was very high, like you were not able to transport it or I just wanted to understand we have the demand, we already produced it, what kept the closing stock very high into our books, wanted to understand that aspect?
- P.K. Kheruka:** We explained that in the opening remarks. We had to derecognize the sales of about Rs 17.6 Crores due of the impact Ind-AS. Actually the material was sold and dispatched, but since it had not reached the customers, there is a requirement in the Ind-AS to not recognize the subject sales. So, it is not inventory sitting in the factory of the company or inability to sell the glass., The glass is reflected in the inventory increase, but practically speaking it is not there. So, you might say that these inventories are sitting on the back of trucks on the way to the customer, physically there is virtually no inventory in the plant on June 30, 2021.
- Nikhil Chowdhary:** Understood, yes so one month is the revenue recognition time.
- P.K. Kheruka:** Yes, that is right.
- Nikhil Chowdhary:** Thank you so much, Sir. I wish you all the best and thank you for the answers.
- Moderator:** Thank you. The next question is from the line of Jimesh Sanghvi from Principal India. Please go ahead.
- Jimesh Sanghvi:** Sir, if you can throw some light on the pricing out that is going ahead like as you said prices have hit the rock bottom, how do you see that scenario is panning out over the next quarter or two or over the next six months to year, if you can share your thoughts on that and secondly what would be realization currently like you said the Q1 realization for us was around Rs.140, what would be the exact number at this point of time?
- Ashok Jain:** It is very difficult to predict the prices of solar glass as we have seen in the last one year or so, it has been so volatile that nobody could have estimated that prices would move from 22 RMB to 42 RMB in a span of 6 months and that it would again come back to 22 RMB. So, as we speak the prices have come full circle back to 22 RMB as of now and because of the countervailing duty or CVD against Malaysia and because the freight has run up so much, there has been additional cushion in the pricing. In terms of the international prices, we feel

the prices are at the rock bottom because it has not gone below 22 RMB in the past. In terms of the realization, currently, we already said that the prices have declined gradually and the full impact is not seen in the April to June performance because in April we held on to the prices. We dropped them to some extent in May and from June we have stopped dropping the price. But as we speak, in the current quarter, the prices are going to be lower than what they were in the April to June may be by about 12% to 15%, but that is an estimate.

P.K.Kheruka: There is another issue. There has been talk of China setting up solar installations up to 60 gigawatts this year and they are going to go up. So far we have not heard much about it, but if they go ahead with the 60 gigawatt plan like what happened around this time last there was a huge rush for supply to the Chinese government demand and then there was a shortage. So, we do not know what the near-term future holds for us frankly.

Jimesh Sanghvi: Sir, when you say 22 RMB it is the price for the 3.2 mm glass?

Ashok Jain: Yes, it is the FOB price.

Jimesh Sanghvi: Sir, from a long-term sustainable basis, what kind of a margin would one expect in this business because our margins right now, our EBITDA margins right now are pretty much on the higher side, so from a long-term sustainable basis where do you see the margins to setup probably in this business?

P.K. Kheruka: Basically, as I said, the prices are very much a deciding factor for the EBITDA numbers. As you have seen the EBITDA has gone up from 28.5% in July to September last year to 55% in the March quarter, which came down to about 50% in the June quarter. We might see them at about 38% or so in the current quarter. But on a normal sustainable basis, I would imagine between 30% to 35% should be realistic margin to assume.

Jimesh Sanghvi: Sir, lastly when you said the FOB price is 22 RMB, at what price do we sell, in terms of RMB if I have to calculate what will be our price including other items over and above the FOB?

Ashok Jain: It all depends on negotiation with each customer. How much he imports, how much he buys from us, how loyal he is, what are the other terms and conditions. As we said, our prices are aligned to the landed cost for each customer. Now each customer will have a different freight for example., So it all depends on how we negotiate with him. But as I said 10% is CVD and 6% impact is on account of freight, so 16% clearly is over and above the past FOB price. So, it could be anywhere from 15% to 25% depending on customer to customer.

- Jimesh Sanghvi:** That was very helpful. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sharanu Nandikur an Individual Investor. Please go ahead.
- Sharanu Nandikur:** Thanks for the opportunity. As you had already answered, just would like ask once again to get more clarity, that many big players are already announced they would also be manufacturing solar glass from next year onwards, when they start doing and like so many years or months it will take for them to make a loss free products or get to the accuracy like will it take 6 months, one year or how is that?
- P.K. Kheruka:** I do not think it is appropriate for us to answer that question. We took a long time. I can only speak from our own experience. We took a long time and when we were out in the market selling glass, people were buying a few pieces of glass, making modules with it, sending it for certification, getting it approved and coming back and then placing orders for larger volume from us. That is what the protocol is or that is what the law demands. The first year can be very painful, I mean it was very painful for us I can certainly say that but I would not like to speak on behalf of anybody else.
- Sharanu Nandikur:** Sure, and one more question, so right now there are many players, module manufacturers, they announced bigger capacity and the expansion, do you already have any long term strategic partners with any of them, for example, Vikram also announced a capacity expansion, I think Vikram is already your customer, so can you name such large strategic customers?
- P.K. Kheruka:** I think we would be violating confidentiality if we were to share names of customers on this call, but I would say that like with everything else in life there are things where you establish a rapport between buyer and seller. Whether the buyer is comfortable with what the seller is providing and the seller is comfortable with the dealings of the buyer, in his timely payments etc. So, you know Borosil is a well established brand and we have very sound policies and principles and so we have a steady set of customers on whom we rely and who rely on us. As and when those customers increase their size or their operation it goes without saying that they will also be giving us a corresponding increase in the size of the requirements.
- Sharanu Nandikur:** Sure, thanks for that and one more last question, the capacity expansion till 2024 will be 10 gigawatts and is it all the Brownfield expansion?
- P.K. Kheruka:** It is all Brownfield.

Sharanu Nandikur: And assuming that there is a huge demand in solar and also there is a lot of talk about hydrogen power like hydrogen power will be used everywhere in the industries and also in the transportation and everywhere, so they can be even more demand coming up in future, because of that if there is another requirement of additional ... will all these SG3, SG4 and SG5 will they accommodate more capacity like how you did in SG3, which was planned for 500, but you added another 50, will SG4 and SG5 also will accommodate more capacity as per the demand in case required?

P.K. Kheruka: See that possibility is always there because as a company we are very scientifically inclined and the team that we have is a hard working team. They squeeze out the maximum from every situation from every equipment and this is their job. They constantly keep on doing that so I would be very surprised if the capacity that we have announced for 550 tonnes is going to stay at 550 tonnes. It would be more in the line of the past experience that the capacity actually delivered would be higher than what we have mentioned as being the rated capacity. There is another factor which I do not think has come up anywhere in the entire call so far, which is the factor of the glass-glass modules. Now in China, last year installations accounted for 30% glass-glass modules and this year it is going to be 60% glass-glass modules. So, if you have a glass-glass module it straightaway requires double the amount of glass. From that standpoint and considering the robust demand for solar glass, for solar modules I mean to say or solar as a source of power, at the moment we feel that whatever plans we have announced are quite achievable. They should hopefully fructify properly but for the rest of it nobody could foresee COVID coming and nobody could foresee the huge shock that it gave to the whole world. So, in that sense we are still humans and there is God above and whatever God wills is what happens.

Sharanu Nandikur: Yes, that is true, Sir. Thank you very much for the opportunity and also I would like to appreciate Borosil's effort for COVID relief because Borosil is the first company, which did that - providing education support and that has set an example in India and many big players followed Borosil, so I really appreciate you for that and thanks for the opportunity and all the best for the future.

P.K. Kheruka: Thank you for your kind words.

Moderator: Thank you. The next question is from the line of Pratibh Agarwal from ITI Mutual Fund. Please go ahead.

Pratibh Agarwal: Good afternoon, Sir. Just one basic question, kind of bookkeeping question regarding the utilization, so as you mention that Q1 average realization was around Rs.140, so if I use the sales number and this realization number, just conforming that would it give volumes sold

and is it fair to assume a 5% to 10% efficiency loss that you were mentioning earlier to get a production utilization?

Ashok Jain: Actually there is an Ind-AS impact to begin with, which will affect the overall volume because that volume has not been recognized in the sales. This number of Rs 140 we talked about is the ex-factory price which does not include the freight and other things which are part of the sales. So when we are discussing these numbers we are giving the ex-factory realisation. The freight could be different for export, different for various geographies. So you cannot straight away reach the number of units of production from this sales number and dividing by the average realization.

Pratibh Agarwal: So, what would we be utilization number for Q1?

Ashok Jain: So we mentioned that the furnace utilization was at 96% and in terms of the net production, we were lower by 10% compared to the previous quarter. So we were at about 71% or so in the net production.

Pratibh Agarwal: Sir, just like if possible to give similar number for the last four quarters, FY2021 like Q4, Q3, Q2, Q1?

Ashok Jain: All the quarters had different challenges actually so it will not be comparable. There was COVID, there was less demand and there was high demand. So on the furnace utilization front the numbers are already shared, we have been running at above 93% in all the quarters except for the COVID period that is the first wave. All other quarters we have been running at more than 93%.

Pratibh Agarwal: Right Sir and this is the final question on the realization that you are discussing earlier that it can be assumed to be taken at 15% to 25% above FOB so that would be true for the last year also or this 15% to 25% above FOB is for the present situation?

Ashok Jain: Actually why we are saying these are extra factors is because of the countervailing duty, which has come into effect for Malaysia which was not there until March 2021. So what used to happen is that the people would import from Malaysia without any incidence of anti-dumping duty or CVD. Though there was a duty against China, more goods were coming from Malaysia, almost 80% to 85% imports was happening from Malaysia. , The freight was normal until 6 months back. The freight impact also has been very peculiar to the current situation, so these two are additional factors which is why we highlighted them.

Pratibh Agarwal: So, basically before 6 months our prices would maybe 5% to 10% above FOB and not as much as 15% to 25% just confirming that data?

Ashok Jain: Not 5% above FOB but above the landed cost because the freight whatever was being paid was anyway added. Whatever incidental expenses for clearing and forwarding etc. added to arrive at the estimated landed cost for the respective customer and try to charge him 3% to 5% premium on the landed cost. This is justified as the customer would enjoy certain savings such as in inventory carrying costs and warehouse costs. Plus, he has flexibility of ordering. Suppose he has got certain size of cells from the market and he has placed the order for a particular type of cells, but he does not get it so he places order on us where he has the flexibility to change even the size. Now suppose he had placed the order on China and the material is shipped already, then he will have a problem. So these are additional advantages which we provide from a local source, which is appreciated by the buyers and that is how they consider paying little extra in order to have their logistics in place, their costs are saved and their flexibility remains.

Ashok Jain: They have to pay upfront over there.

P.K. Kheruka: Yes, and many times they open LC, they pay advances, but the Chinese decide not to ship. Here in our case we strictly adhere to whatever the current conditions of sale are there.

Pratibh Agarwal: Understood, Sir. That is my few questions and thanks for answering them, best wishes for future.

Moderator: Thank you. The next question is from the line of Tariq Hussain from Gringotts Capital. Please go ahead.

Tariq Hussain: Thank you for the opportunity. My question is on the exports, you alluded in your opening statement that the demand is growing and we can see in the numbers on your deck as well that it is one of the areas where you have a paying attention to. Can you elaborate on what kind of plans you have in that segment because I understand Latin America has more demand and they also have import duties against Chinese antidumping, so just your thoughts on that sector?

Ashok Jain: So, we have been working on all the geographies with potential customers. Up to sometime back a lot installations were happening with imported modules. As you could see in India too imports were very high. In the European Union and USA, the installations were very high - 22 gigawatts to 23 gigawatts, but hardly 10% of that was getting manufactured in the respective geographies. So now these geographies have decided to expand their

manufacturing and they have incentivized by way of subsidies and other incentives to develop a high efficiency solar cells and modules. So that is how they are running their program and they want to create more capacities of module manufacturing in their own countries and which is why we feel that those geographies would be very interesting for us to watch out for in the next couple of years. We have already started negotiations with many of those who are participating in those programs and we have already started making commercial supplies to a couple of them. So, that is the reason why we feel very confident about the USA and the European market and the Turkish market and for that matter other markets like Brazil or Tunisia or many other markets. We feel that a lot of capacities are going to be operational in terms of module manufacturing and there will be a lot of demand coming from these countries.

Tariq Hussain: Correct, thank you. That is all from me.

Moderator: Thank you. Ladies and gentlemen, due to the time constraints that was the last question. I now hand the conference over to the management for closing comments.

P.K. Kheruka: Thank you very much for the questions, which have been raised by the investors. We appreciate the level of interest and we look forward to sharing our results for the next quarter with you at the appropriate time. Thank you and good bye.

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