BOROSIL
renewables

BOROSIL RENEWABLES LIMITED
CIN : L26100MH1962PLC012538
Regd. Office: 1101, Crescenzo, G-Block, Opp. MCA Club, Bandra Kurla Complex
Bandra (E), Mumbai - 400 051, India.
T : +9122 6740 6300
F : +9122 6740 6514
W : www.borosilrenewables.com Email : brl@borosil.com

August 12, 2022

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 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 August 10, 2022.

You are requested to take the same on record.

Yours faithfully,

For Borosil Renewables Limited

Borosil Renewables Limited Mumbai

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

Encl: as above

Works:
Ankleshwar-Rajpipla Road,
Village Govali, Tal. Jhagadia,
Dist. Bharuch- 393001,
(Gujarat), India
T : +91 2645-258100
F :+91 2645-258235
E : brl@borosil.com

Borosil Renewables Ltd
Q1 FY23 Earnings Conference Call

Event Date / Time : 10/08/2022 , 15:00 Hrs
Event Duration : 57 minutes and 57 seconds

CORPORATE PARTICIPANTS:

Mr. Sumit Kishore,
Axis Capital

Mr. PK Kheruka,
Executive Chairman

Mr. Ashok Jain,
Whole Time Director

Mr. Sunil Roongta,
Chief Financial Officer

Mr. Swapnil Walunj,
Head- Marketing

Q&A PARTICIPANTS:

1. **Vishal Mahajan** – Individual Investor
2. **Anuj Upadhaya** – HDFC
3. **Dhruv Kashyap** – Individual Investor
4. **Amit Lohia** – Individual Investor
5. **Jimesh Sanghvi** – Star Union
6. **Dhairya Trivedi** – DJT Investments
7. **Mohit Kumar** – DAM Capital
8. **Avnish Kara** – VT Capital
9. **Pankaj Kumar** – Individual Investor

Moderator

Good afternoon, ladies and gentlemen. I'm Kritika, moderator for the conference call. Welcome to Borosil Renewables Limited Q1 FY23 Earnings Call hosted by Axis Capital. As a reminder, all participants' 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 touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Sumit Kishore of Axis Capital. Thank you and over to you, sir.

Sumit Kishore

Thank you, Kritika. Good afternoon. On behalf of Axis Capital, I'm pleased to welcome you all for the Borosil Renewables Q1 FY23 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; and Mr. Swapnil Walunj, Head- Marketing. We will begin with the opening remarks by Mr. Kheruka, followed by an interactive Q&A session. Over to you sir.

P. K. Kheruka

Good afternoon and welcome to the Borosil Renewables Q1 FY23 investor call. It is a pleasure to be interacting with you once again. The Board of the company approved the company's financial results for Q1 on August 9th. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website.

During Q1 FY23, the company reported net revenue from operations of INR 170 crores, a growth of 25% over the same quarter in the last year. Sales volumes on a quantitative basis also grew by 23%. Solar glass in the domestic market has been strong, has seen strong demand as the manufacturing of domestic modules has picked up ever since the customs duty on import of modules, came into force from April 2022, which is also evident from the surge in imports of solar glass in this quarter due to limited availability domestically.

Export sales during quarter one financial year 2023 including to customers in SEZ, INR 39.5 crores comprising 23.3% of the turnover. Here again the demand is extremely robust. Average prices of solar tempered glass during the current quarter were INR 140.8 per millimetre, which is around the same level as in quarter one financial year 2022. However, as you are aware, prices grew vary based on the global demand and supply equation. The average selling prices have shown some improvement and the same were higher as compared to the immediately preceding quarter which is Q4 FY22 by about 4.5%.

I've been mentioning about rise in input costs mainly the soda ash and natural gas costs over the past two quarters in view of global situation. We have seen a partial impact in the immediately preceding quarter, and now a significantly higher impact in the current quarter. On the other hand, the increase in selling prices has covered only a part of the increase in costs. The company has been making efforts to reduce the impact in costs by increasing production and achieving cost savings in raw materials and electricity to some extent. We believe such decline in margins have been faced by our competitors as well.

During Q1 FY23, the company earned an EBITDA of INR 51.3 crores. The EBITDA margin has 30.2% has suffered a decline of 2,000 basis points, owing to cost inflation and raw materials and energy as above. We believe that the EBITDA margin during Q1 FY22 at 50.1% was abnormally high, a more sustainable level of EBITDA margin would be lower as mentioned in my earnings call. The company has existing contracts in some inputs, such as soda ash and natural gas till December 2022 as prices that are favorable as compared to current market prices.

The company continues to actively work on various cost optimization and efficiency improvement initiatives. However, margins would also depend on how unit selling prices of imports behave as the country is importing almost 75% of the requirement of solar glass as per latest data. This will of course have a bearing on global demand supply situation of solar glass. The anti-dumping duty on import of solar from China is due to expire on 17th August, 2022. We expect a new notification for continuation of the duty for another two years. During Q1 FY23, company earned a PBT of INR 40.3 crores. The PAT was INR 30.1 crores as compared to INR 39.6 crores during the corresponding quarter in the previous year, a decline of 24%.

The demand for solar glass remains high in both the domestic and export markets. As I mentioned in the last quarter, the current geopolitical climate has heightened the need for energy security for each country by enhancing solar capacities available from domestic production. Policy and fiscal measures undertaken by the Government in the recent past are encouraging a rise in solar installations in the country, which is evident from the order pipeline for solar installations. We believe the domestic manufacturing of solar modules will rise to a significantly higher percentage of installations, which augers well for the demand for solar glass.

Ministry of Power published a Green OA policy as Electricity Promoting Renewable Energy Through Green Energy Open Access Rules, 2022 in June 2022. This policy also likely to benefit the domestic solar module manufacturers, OEMs, since the Open Access and Net-Metering rooftop solar projects will need to source solar modules from the vendors listed in ALMM, approved list of models and manufacturers, starting 1st October 2022. Presently, only domestic OEMs are approved under ALMM. This is expected to increase domestic manufacturing and demand for solar glass.

During FY22, the average pool of glass for our furnaces was 49 tonnes per day on a capacity of -- sorry 449 tonnes per day on a capacity of 450 tonnes per day. So, this would mean 100% of capacity was being drawn on an average basis. We have been producing at capacity and selling out the entire production. We are therefore keenly looking forward to the commissioning of a brownfield Expansion Project SG3 that will enhance the capacity by another 550 tonnes per day.

Global supply chain bottlenecks have delayed the commissioning by three months. We now anticipate that the project can be commissioned by October 2022. We expect to take up the next expansion by way of SG4 of 1,100 tonnes per day in the immediate future, and approval of shareholders has been sought for raising equity up to INR 1,100 crores by issuing new shares. Last quarter, we had announced the acquisition of 100% stake in Interfloat group, the largest solar glass manufacturer in Europe. The closing of transactions has been held back due to leakage in the furnace of GMB in the last week, until we assess the impact of the same on the transaction.

Accordingly, the resolution for issue of shares to sellers, on a preferential basis has been withdrawn from the ensuing meeting of the shareholders being held on 11th August. In the meantime, we continue to believe that the demand for solar glass in Europe is on the rise and has good potential. In the meanwhile, we are trying to integrate the team to achieve expected efficiencies in the operations at GMB and BRL. We have acquired a floated to wholly owned subsidiaries in Europe, which will act as SPV's for this transaction.

BRL is conscious of the need to make its operations furthermore environment friendly. We are setting up a 10 MW captive power plant of solar plus wind energy to an SPV in which BRL will have 31.2% shareholding. This project is expected to be commissioned by December 2022 and BRL will be able to use this green power besides reducing the cost. We are also looking at further opportunities to tap the potential to use solar plus wind power.

The overall demand situation for solar glass is looking to be extremely robust both in India as well as in other important markets like Europe, USA and Turkey. We see growth opportunities for meeting this requirement. Most nations are trying to raise domestic production of solar cells and modules, and also trying to reduce dependence on Southeast Asia, which places India in an advantageous position for exports as well, particularly due to the fact that there are no serious capacities in other markets to produce solar glass. Our step about having manufacturing in Europe through Interfloat, GMB fits in well. All-in-all, we remain bullish on the growth. With that, I would now like to open the floor to questions that you may have.

Moderator

Thank you, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask a question. If you would like to withdraw your request, you may do so by pressing * and 1. I repeat, if you have a question, please press * and 1 on your telephone keypad. First question comes from Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar

Three questions from my side, Sir. Sir, what is the duty structure at this point of time? Is there no duty as an import duty, is that the right understanding?

Management Team

There is no basic customs duty on the import of solar glass. Having said that, there is an anti dumping duty on imports of solar glass from China, which is at the very least about 10% to 11%. It goes up to 60% for different manufacturers. There is an import or there’s a countervailing duty on import of solar glass from Malaysia, which is just under 10% at about 9.71%. There is no import duty on import of solar glass from Vietnam.

Mohit Kumar

Understood. Secondly is around the, given with our second capacity or SG3 is about to commission, how do you intent to tie-up for gas, it would mostly stop or do you think are there any other alternative to the gas?

Management Team

I’m sorry, I couldn’t quite follow your question.

Mohit Kumar

No, sir, do you intend, Sir, given the fact that SG3 will be up and running in some time. Do we need to tie-up for the gas requirements for medium term or long-term or do you intend to continue buying on the spot basis or is there any another alternative to fire our furnaces here?

Management Team

So, all our furnaces have dual-fuel capacity. So, dual-fuel capacity means that we can use at the minimum two types of fuels, which is the gas and which is a fossil fuel. Within the group of fossil fuels we can use furnace oil, we can use light diesel oil. So, at this moment, the SG3 we might be using furnace oil to fire that. Simply because that could be more economical.

Mohit Kumar

And lastly, on this, Sir, Interfloat at recent, it seems like that it's on hold. Is that understanding is right?

Management Team

I'm sorry, I didn't get your question.

Management Team

Yeah. So just to answer that we are keeping the transaction running as of now. But the decision to understand the impact of the situation of the GMB furnace leakage and what it will have impact on the transaction, that is under discussion. Once we have a clarity around these aspects then there may be certain renegotiations, but transition is very much there as of now.

Mohit Kumar

One more question **[inaudible 00:13:48]** sir, the Capex for the new SG4 it seemed to be on the higher side compared to SG3. Because if I remember correctly on 550 tonnes per day a year if you're spending around INR 500 crore. Is that the right number? And for the 1,100 tonnes per day we are spending up INR 1,400 crore?

Management Team

No. On 550 tonnes per day furnace, our revised estimate is INR 688 crores which has been approved recently by the Board and informed to the Exchanges. So, it is actually in line with the SG3 Capex only, which is the INR 1,400 crore, our estimate for SG4. So, it is almost double.

Mohit Kumar

And around SG1, SG2, SG3, SG4 in the same campus. Is it correct?

Management Team

Please repeat. Your voice is not very clear.

Mohit Kumar

So, my question is, all this SG1, SG2, SG3, and SG4 are in the same campus, right?

Management Team

Absolutely.

Mohit Kumar

Same location?

Management Team

Yes.

Mohit Kumar

Understood, Sir. Thank you and all the best.

Moderator

Thank you, Sir. Next question comes from Amit Lohia, an individual investor. Please go ahead.

Amit Lohia

Hi. Good afternoon, Sir. Sir, my question is, like, what's the main impact in declining revenue by 5% QoQ? Is it because of any volume decline?

Management Team

The volume has in fact, gone up. The reason is the price, selling price, which has caused that to happen.

Amit Lohia
So, what was the average selling price in Q1 as compared to Q4? Like, in Q4 you mentioned plus INR 141 or INR 134. Sorry. Per, like square meter, per millimeter. And this time it is 140. Am I right?

Management Team

Yeah. So Q4 was INR 135 thereabouts and Q1 is about INR 140 thereabouts. So, which is what as was mentioned in the opening remarks, that there is an increase of 4.5% compared to Q4, but it is not enough to cover all the costs.

Amit Lohia

Okay. Understood, Sir. Thank you.

Moderator

Thank you, Sir. So next question comes from Dhairya Trivedi from DJT Investment. Please go ahead.

Dhairya Trivedi

Yeah. Hi. Thanks for taking my question. So, by calendar year 2024 we are going to increase our capacity to 2,100 tonnes per day, which equals to about 12.5 gigawatt worth of module manufacturing. Now, given the fact that about 37 gigawatt of module manufacturing capacities to be added over the next two or three years. Don't you think that even at 2,100 tonnes per day we'll be able to cater to only 1/3rd of the incremental demand? And in light of this, do we have plans to further increase the capacity from 2,100 tonnes per day?

Management Team

Actually, there are announcements by many other people about the increase in capacities, and many of them have already started work in right earnest. So, I believe that we might see a lot of extra capacity coming up. I think capacity on the annual is nearly 6 GW now. So, we need to see what actually comes up and what is the fate of the people who are bringing it up, and how good the glass is and how well it is selling, all these things need to be examined.

So, that's why right now, talking about further increases after the SG4 seems to me to be a bit premature. Though having said that, I would say that the demand for solar modules, there seems to be no end in sight for that. So, if you have no end in sight for solar modules, then there is no end to the demand for glass as well. But, as far as we are concerned, we are not talking beyond SG4 for the time being.

Management Team

Just to also clarify here, the module manufacturers capacity utilization is rather low as compared to solar glass manufacturers, which is a continuous process plant. In Module industry, we have seen that typical utilization on an average for the industry is 50% to 60%. So, though there may be a capacity of say about 50 GW going forward, if you really look at the actual capacity utilization of about say 50% to 60%, the manufacturing maybe 25 GW to 30 GW. So that requirement of glass will be only corresponding to the actual utilization.

Dhairya Trivedi

Understood. So, these new players who are setting up capacity, that is for solar module manufacturing, right? That is not necessarily for solar glass. Is my understanding correct?

Management Team

Yeah. This 37 GW which you said is for module manufacturing. And the 6 GW which Mr. Kheruka said is regarding solar gas production lines, which will be equal to 6 GW. So, 12.5 GW of ours and 6 GW of this will already make it 18.5 GW.

Dhairya Trivedi

Okay. So, is there somebody else apart from us, who's also setting up capacity in the glass space, solar glass space?

Management Team

Yeah. So, these 6-gigawatt capacities, which we mentioned is coming from other players, other than Borosil.

Dhairya Trivedi

Okay. Understood. And just one last question on the bookkeeping front. What is the likely interest cost going to be for this financial year?

Management Team

Actually, it is very miniscule as of now because we are hardly using any working capital. And once the full utilization starts happening maybe in Q4 of this calendar year, then there will be interest costs, but today it is difficult to confirm what it would be.

Dhairya Trivedi

Okay. But most likely it will be negligible, right, during the course of the financial year?

Management Team

It will start to getting utilized, yes. And also, there will be interest on the term loan which we have taken for the SG3.

Dhairya Trivedi

Okay. And what is the quantum of that term loan, please?

Management Team

We have in book about INR 250 crores overall.

Dhairya Trivedi

Okay. So, the interest from that will start accruing from next year, is that understanding correct?

Management Team

It will start, I mean, on commercial production startup because currently the interest is getting capitalized because of the construction period. So, once the commissioning happens in say, October, the interest will get accounted in the profit loss account.

Dhairya Trivedi

Okay. All right. Understood. Thank you so much. All the best.

Management Team

Thank you.

Moderator

Thank you, Sir. Ladies and gentlemen, if you have a question, please press * and 1 on a telephone keypad. I repeat, if you have a question, please press * and 1 on a telephone keypad. We are having a question from Dhruv Kashyap, an individual investor. Please go ahead.

Dhruv Kashyap

Yeah. Hi. Good afternoon, Sir. My first question was on the anti dumping duty, which is getting over on the 17th of August. And my understanding is that a very strong case had been presented to the DGTR, and DGTR in turn to the Commerce Ministry and then the Finance Ministry. But that, I think the case was presented sometime in the month of May by the DGTR to the Commerce Ministry. Now we are sitting on the 10th of August with six days to go before the current duty expires. So, do we have any view? Or I mean, do we have any signaling from the government that is it actually coming?

Management Team

Well, it's been recommended by the Ministry of Commerce by the designated authority. And typically, the Ministry of Finance does not issue the notification until the end. So we have no signal at all that it's not coming.

Dhruv Kashyap

Okay, great. The second question, Sir, was on the Interfloat GmbH acquisition. Now my understanding is, it's a very recent development about the gas leak etc. And obviously, the buyer should be doing their own check to see what's the level of damage etc. But how are you or the Board reading it that, is this like a pause or is this a full stop? And have teams already been dispatched to it? I mean, what's the kind of timeline you're looking at to say yes, no, maybe?

Management Team

That's a difficult question to answer, the second question. But the first question, whether we're looking at it as a stop button or a pause button, I would definitely say it's a pause button. It's not at all a stop button.

Management Team

And also, the leakage is actually in the font. It's not a gas leakage, it's glass leakage. So after a certain years, there could be wear and tear in the glass furnaces like this. And typically, it can be repaired. So the team of experts is already working on it. And we will hear soon that what will be the outcome, how it will proceed, going forward, and what will be the time horizon within which the factory can come back to production.

Dhruv Kashyap

So, just to conclude this point, Sir, that what you're saying is that there's already some sort of assessment being done. And if you believe that, it's worth going ahead with the investment, then you will come back at some time in the future, even though if it might be at a change cost or change terms and conditions, et cetera. And at that time, you will come back and then you will put in that point about taking approval for raising or issuing the preference shares. But the way I hear you say it is that it's not that the deal is lost?

Management Team

No, not at all. You're right. The deal is not lost at all.

Dhruv Kashyap

Okay. So, this is a pause like you said more than anything else. Sir, my third and final question is that, now that you have decided to combine the 550 plus 550 into a 1,100 tonne furnace as SG4. So basically SG4 and SG5 has been collapsed into SG4, and which makes eminent sense in terms of scale and economies and Capex and so on and so forth. But would you have any idea by when do you want to? Because see, the thing is that while you are saying that in 2024, say the same time October or something you will have it up and about. But basis the experience of a 550 tonne furnace that you've just been trying to put up which became delayed because of various reasons. Would you not think that you would want to have some timeline on when you want to take it to the market and raise funds and so that this time, there is no delays on the SG4 in 2024?

Management Team

I really want to make a point clear that our design, meaning our plant layout, the selection of equipment, and the engineering from our side was correctly done, even for SG3, and everything was ordered on time correctly and there's been no change from our side. The change which has happened is that because of this COVID business. You see a lot of our suppliers have suffered great shortfalls in availability of labor. And therefore, they simply have not been enough people at the supplier's plants to manufacture the equipment that we needed. That is one point. The second point is there has been a global disruption on ocean freight.

So some people who are supplying equipment to us are depending in turn for part of their inputs to come from other countries by sea. When they don't receive those inputs in time, their supplies to us get delayed. The third thing is that there has been a huge shortage of computer chips. Almost all machines that we buy, they are govern by PLC, which are Process Logic Controllers, which are sort of a term used to denote an industrial computer chip. And there has been a shortage of these industrial computer chips. So even if the machine has been really the computer chip has not been. And therefore, there has been a delay in supply.

So even for the 1,100 tonne plant we have our design ready. It's a question of when the time is ripe to go to the suppliers and take prices and open letters of credit and do negotiate the prices and then arrange the shipment. So, we feel that by the end of 2024 the plant should be up and running

Management Team

On the fund side, we already moved a resolution to the shareholders to approve equity raise of INR 1,100 crores, and the balance will fund either internally or we take some loans. So on the fund side we are getting ready already. In SG3 also there was no problem of funds being available or like that. It has been explained by Mr. Kheruka. All the delays were actually happening at the other side, the supplier side, because of situation out of control.

So, we are taking enough controls and measures from our side that the project is executed in time. In fact SG2 project which we did earlier was executed in a record time of 14 months. So our team is fully capable to handle this new project as well. And we hope that they will be able to deliver 1,100 tonne furnace also in record time.

Dhruv Kashyap

Right, Sir. Thank you so much for the clarifications and all the very best. Cheers.

Management Team

Thank you.

Moderator

Thank you, Sir. Next question comes from Avnish Kara from VT Capital. Please go ahead.

Avnish Kara

Hello. Sir, my first question is on the 1,100 tonnes per day that you're going to be setting up. So because of combining two furnaces together, how much extra production incrementally do you expect to happen?

Management Team

Can you repeat your question? I think you said that we're setting up for something.

Avnish Kara

No. My question is on the SG-4 that is going to come on online. How much more production will we be able to do simply because the furnace is much larger than having two separate 550 tonnes per day furnaces?

Management Team

The production output will be 1,100 tonnes, only. But there'll be efficiencies in the cost of melting. So, there'll be a reduction in the consumption of fuel that we definitely foresee.

Avnish Kara

So then, do you expect margins to be significantly different once we have a much larger furnace?

Management Team

Well, that I can only say that the cost of the consumption will be reduced. The question of margins all depends on the cost of the input, you see, and the availability of the input. We are today foreseeing a shortage of gas. And that is only because of artificial reasons, as we all know, that there is Russia stock supply of gas through Europe and then Europe is buying gas from everywhere. And therefore, the prices that are being driven up are not really by any sensible reason. So we don't know how long this is going to go on. And finally, Russia has to sell its gas also. So, at the end of the day, it's not as if the world's demand for gas or consumption of gas has gone up that much more. So, I mean, the current prices should see a decline from the standpoint of common sense. But I'm not an expert in the gas futures, I cannot really say.

Avnish Kara

Right. Coming to the natural gas scenario. So, in case that, you know, there are no supply chain issues in the future, then do you think it's possible that being a solar glass manufacturer we'll get priority when it comes to APM or the supply that comes through GAIL?

Management Team

No. Unfortunately, no, because the APM gas is almost fully earmarked for the public sector and CG etc. Industry has very little quota under the APM, we have to buy all of our requirement, either from market, or we can alternatively use furnace oil, which at the moment is cheaper than the price of gas. So eventually, we have to choose between the two what it works out, finally. But we believe that the prices of oil and gas would moderate in course of time, and then we'll be able to select what to do.

Avnish Kara

Okay. I understood. And the green captive plant that you have that is being set up the 10 megawatt one. So that is going to be only for consumption of power for the office, I'm assuming, right? That can't be used for the furnaces. So, how much apart from the furnace, how much are you spending in absolute terms on the rest of the power in your entire facility?

Management Team

So, actually, most of the electricity usage happens post-production of glass, after furnace. Until furnace production there is a little amount of electricity. But in processing the glass, which is like tempering or say grinding, power is used. So, most use of power in after processing after producing of glass which is where we'll be using this power. But it can be used for anywhere in the plant. It's not like that you use it in pre-production or post-production. So, I guess in the overall consumption it will get adjusted.

Management Team

Yeah. The overall consumption is a very much higher than 10 MW. So 100% of this will get utilized by us.

Avnish Kara

Right. So, is it possible to quantify how much our overall consumption in MWs is?

Management Team

So, we have a contract demand of 25 MW, and our consumption would be roughly around say 15 or so.

Avnish Kara

Okay, and just if I could squeeze in one last question. The furnace in Europe is quite old, as you said, right, because of that's where the last leakage happened. So does that means that since it's an old furnace maybe the utilization level over there will be a little lower than what we're running right now in India?

Management Team

That's a different furnace design, which is completely different from us. And when you said we have to evaluate everything, that's something that we don't know about how and what the immediate future looks. See, we have to give them some time for them to make an assessment and give us a report. And once they give us a report and make a statement, then we go meet them and try to make an evaluation of what's going on what they wish to do, with something on mind. So, it's a little premature to give any projections on it.

Avnish Kara

Right. Understood. Thank you so much and all the best

Management Team

Thank you.

Moderator

Thank you, sir. Next question comes from Jimesh Sanghvi from Star Union. Please go ahead.

Jimesh Sanghvi

Yeah. Hi, Sir. A couple of things. Sir, if you can, kind of let us know what are the contract prices for soda ash and natural gas that we have contracted into and how are the current prices higher in terms of percentage or anything if you can say, by what percentage are they higher compared to the contract prices?

Management Team

So, in terms of soda ash we have contract for supply up to December 2022. And that is at price which was prevailing in January-February 2022. So, we had entered a full year contract and the current prices are higher by about 30% over the contracted price. In terms of the gas, we have many different types of contracts. Our average cost is roughly about INR 35 / SCM. The spot prices are much higher. It is more than two times, two-and-a-half times of the average price at which we are getting the gas.

But this we are buying hardly anything or rather nothing in the spot contracts. Because for the requirements to get we are using furnace oil at the moment. And as it's been said for the complete requirement of SG3 we are trying to use furnace oil. So we are not going to buy under export, as long as the same is costlier than furnace oil.

Jimesh Sanghvi

And secondly, Sir, just a clarification on to your, on the realization side, you said the realization were higher than 5% QoQ, wherein the volumes were flat. Is that the statement that you made or probably the volumes were down on a sequential basis?

Management Team

So, volumes were flat for QoQ basis, but on YoY basis the volume were about 23% high. In terms of the prices, the price level was roughly 4% to 5% higher from QoQ basis, but the prices were slightly lower compared to YoY basis, so that's a different.

Jimesh Sanghvi

So just wanted to, so basically, if I have to look at on our revenue front, it has declined by around 5% sequentially. So, when you are saying that there is a 5% increase in realization and the volumes were flat on a sequential basis. What is it that makes this revenue drop on a sequential basis?

Management Team

It is precisely the raw material input costs, energy and raw material cost.

Jimesh Sanghvi

No, sir, I'm purely talking on the turnover part. The turnover is down 5%, wherein you're seeing a realization increase of around 5%. So, were there any yield losses or something? So actual volumes are lower than what?

Management Team

Yeah, so volume was a little lower. Yes, you're right.

Jimesh Sanghvi

Okay. So, can you share, it was down by about around 8% to 10% or something of that, sir? Because they realization were higher by around 5%.

Management Team

I'll just come back on that point in a minute.

Jimesh Sanghvi

Sure. And, Sir, lastly if you can also share how easy it will be to ramp up the new furnace. Like, since you have been currently operating the smaller size furnaces, how easy it will be to ramp up the new furnaces and bringing it up to the optimal utilization, do you have any technical challenges which you could face while ramping that up, if you can share your thoughts on that as well?

Management Team

Can you repeat your question please?

Jimesh Sanghvi

The new furnaces, like the 1,100, which we are targeting and the 550 which will be starting beginning October. They are the larger furnaces compared to the 250 or TPD furnaces that we are currently operating. So do you see any technical challenges in ramping up those furnaces and how easy it will be to get to full utilization?

Management Team

No. We don't see any challenges.

Jimesh Sanghvi

So, can we see it ramping up immediately to in the next six months to full utilization or it will be a slow and a gradual process? Or what are your opinions?

Management Team

In my opinion, 6 months is a long time.

Jimesh Sanghvi

Okay.

Management Team

Yeah. On the volume front, there was a change with data, there was a decline of about 9% in sales compared to QoQ, yeah.

Management Team

The production was higher.

Jimesh Sanghvi

Sir, sorry, missed you. Can't hear you, Sir.

Management Team

No. There a decline of 9% in the quantity down here.

Jimesh Sanghvi

You said production was higher?

Management Team

It was not. No.

Jimesh Sanghvi

No, it wasn't. Okay. Fine, Sir. And you also said in your opening comments that there were some imports which were there and which affected the market. So, can you just throw a little bit more light on that?

Management Team

Well, the imports are increasing because of the limited availability from us. We are the only domestic supplier as of now. So, our ability to supply remains constant because of capacity, but requirement is going up. So, the import share is rising in the overall consumption of solar glass in the country. And this of course is hampering us because of the prices, because the prices are not moving up. So on the price front it is hurting us as of now, not because of the volumes. And since the cost is going up and prices are not going up commensurately, it is hurting the margin. That is the constraint.

Management Team

There is a disturbance coming in from somewhere.

Moderator

The disturbance is from Jimesh's line.

Management Team

Better now.

Moderator

Can I move on to the next question, Sir?

Management Team

Yes, please.

Moderator

We're having a question from Anuj from HDFC. Please go ahead.

Anuj Upadhyay

Yeah. Hi, Sir. Thanks for the opportunity. Sir, just one clarity on SG3 which is expected to come up. You mentioned that for soda ash and gas we have a contract in December 2022. This is for the existing capacity. And for SG3, would it be operational under the same contract, or we are planning to have something on a spot basis to run the plant for the time being?

Management Team

Yeah. So, this we've discussed already that, for SG3 requirement we need to have fresh contract, but since the spot prices are very high, it will be imprudent on our part to enter into any long-term or medium-term contract for gas supply at the current prices. So, we are taking a call to use furnace oil instead of using natural gas for the time being. But once the price is moderates to a level where we are comfortable to enter into medium term or long-term contracts for gas, we will do so, as we go along. In terms of soda ash, our both the plant requirements are covered until December, and from December that is from January we'll have to enter into new contracts at the prevailing price. Currently the prices are higher than before.

Anuj Upadhyay

This is for SG3 as well you're saying? I mean till December the contract?

Management Team

Yeah. For the entire requirement we have.

Anuj Upadhyay

Okay. So, for the entire 1,000 TPD we have contract for soda ash. And in your initial remarks, sir, you mentioned that the company is working on few of the measures to bring down their cost down so that the margin can be improved from here on. Could you just elaborate what are those measures? Because considering the raw material costs or the power costs, which are in the near term unlikely to tamper down. So, how we are planning to base our margin going ahead or provide some kind of cushion to it?

Management Team

Yeah. So, we are working on various fronts. For example, finding a better economic base cost of raw materials, where we can save some money. Then to use a coating liquid which is cheaper. We have developed some liquid which is giving equal or better performance. So, we have started to use that. So, these are a couple of things on the raw materials side. On the side of electricity, we have mentioned about using renewable power under our captive consumption route through renewable sources like solar and wind. So, all those efforts will lead to certain saving in the in the cost of production. And also, we are trying to increase the production quantity and efficiencies in generating the salable output which will aid to a higher production and thereby reduce the cost of production.

Anuj Upadhyay

But this largely would get reflected from next fiscal onwards because you've already contracted in December for the current year. Is my assessment correct, or we could see some kind of benefit flowing in the current fiscal as well?

Management Team

It will flow in from the current, it has already started to flow in some measure already from the current quarter, July to September quarter. And we will see this gradually come actually. It cannot be done overnight. So, it will gradually reflect.

Anuj Upadhyay

Fine, sir. On the European plants, as you clearly mentioned that currently the status is on hold basis and not on stop basis. But anyway, this plant was old, and it was like supposed to get replaced by a new 500 TPD over next 1.5 year kind of a period. So, currently status solely has largely to do with on the continuation part? The one which we have already entered into, or it has to do more with the process design, which we need to work on something?

Management Team

See, we have to understand that the furnace is not very old. In fact, this kind of furnaces keep running for eight, nine years. We also run the furnace for nine years in solar glass. So, the furnace supplier had said that it will run for another one or two years, at least. And there's a minimum time which we can expect this furnace run to happen. But in glass furnaces typically these kinds of leakages can happen, and this is not like completely a no, no, thing that this cannot be resumed or like that.

So, we are trying, we are making all of our efforts along with the GMB team and with the furnace supplier to check what are the possibilities, how it can be put to effective use quickly, and then proper repair can be done at a later date. So, all those things are getting discussed between the three teams and we will find some resolution to the problem and then we will have an assessment that how much of the impact it has on the transaction and whether the transaction needs to be relooked at in terms of the way it is structured today, or even the cost of the transaction overall from that perspective. All those things we'll be discussed with the current sellers and owners. And thereafter a call will be taken how this will be proceeded with.

Anuj Upadhyay

Fair point, sir. As on date, we haven't paid anything to the company, right, sir?

Management Team

Absolutely.

Anuj Upadhyay

Fine, sir. And lastly, sir on the customer perspective, I mean customer point of view. So, we have been seeing that rise in module prices, duty imposition, rupee depreciation all of us now impacted even the GIBK has impacted the execution of a solar project across the country. So, what kind of impact are we seeing on that front, sir? Even our projects are getting impacted because of these issues or we have some kind of contract with our existing customers based on which our volumes are not that highly impacted.

Management Team

So, on the side of glass demand, as I mentioned, as was mentioned in the call before, the demand for glass has gone up, the domestic module manufacturing is much higher than before. From the current data available, we see that almost 11-12 GW per annum of manufacturing is taking place in the country as against 6, 7 GW in the year gone by. So, the demand for glass and components in India for local manufacturing is quite high as compared to past and there is no dearth of orders, from that perspective for the solar glass. The challenge is around the prices because the cost is going up so fast and so much, it is difficult to get it realized in the prices because of the competition strategy to not go for full coverage of the cost increase.

Anuj Upadhyay

Fair point, Sir. Thanks for the opportunity.

Management Team

Okay.

Moderator

Thank you, sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We are having a question from Vishal Mahajan, an industrial investor. Please go ahead.

Vishal Mahajan

Good afternoon, sir. I have a very basic question. And I was listening to you, you mentioned some of the great points that this company has. You just mentioned about very strong demand, no end in sight. You mentioned about duty is favoring us, no serious capacity is available, and quality of our glasses is very excellent. And yet we are struggling with pricing power out there. Could you please explain to me exactly how does this play out, why don't we have so much of pricing power, you did spell out that competition is trying to keep prices low. But at the same time, we have great quality of glass and we have really differentiators out there. So, any particular reason why they're not able to push prices up?

Management Team

So, this industry, one has to understand that is working mainly for grid connected solar farms. And all these are by way of bids and tenders, where lowest price bidder gets the tenders. And the challenge with him is to minimize his cost of procurement somehow, which is where challenges actually arise. If you have to keep quoting INR 2.42, INR 2.43, when the cost of everything has gone up so much, like the module prices have gone up by almost 30% in last six months. Similarly, the glass cost has gone up like this.

There is a sort of a tug of war between let's say procurement people and the module suppliers where the cost is high, but the developers are not willing to pay a higher costs because they've quoted at a lower price. And the developers, they have signed PPAs to supply the power and all those things. So, this is a Catch-22 situation which is where we are in today, and which is why there is a certain amount of pressure. Now, in terms of the ability to price our product to higher compared to the imports, we have to understand that we are sort of a marginal supplier as of now. Being only producer also we are a marginal supplier.

At 25% of the market share, 75% coming from the world's largest players who are more than, say, 20 times of our capacity. It becomes difficult to project ourselves as the price leader. And all along the industry worked on the basis of matching the imported landed cost in last so many years. So, this is how it has been. And when the prices were very high and our costs were not so high, we got better prices. And around this time, we have to also suffer on the same front that our costs are rising, but the selling price is not able to increase. So, it's a strategy which the company has taken along with the customers, and we have to live by it, because this is how it has worked.

Vishal Mahajan

Understood, Sir. Thank you so much.

Moderator

Thank you, Sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We're having a follow-up question Mr. Trivedi from DJT Investments. Please go ahead.

Dhairya Trivedi

Yeah. Hi, sir. Thanks for taking my follow-up. So, I heard you saying that a new player is setting up capacity worth 6 gigawatts of module manufacturing. So, does that mean they will also have 1,000 tonnes per day capacity when that does come online?

Management Team

Yeah, there are a couple of players who are bundled into the 6 GW actually, and there are at least three players. The largest capacity is coming up through an associate of Mundra Solar that is Adani Company's associate which is setting up a plan for 600 tonne. And we believe that almost 70% to 80% of their production is going to be consumed internally by Mundra Solar and the rest they will be able to sell in the market. Besides them there are two more players who are setting a plant of about say 150 tonnes to 200 tonnes per day. So, all put together it is going to be about 1,000 tonnes per day which will be about 6 GW. Now, the progress of these plants is also delayed somewhat, and we believe that in calendar year 2023 and sometime in early 2024 this production capacity might come on stream.

Dhairya Trivedi

Okay. So, sir, is it safe to assume that, I mean, since so far you were the solo, sole manufacturer of solar glass in India. But now, with these additional players setting up capacity there is a high possibility of us conceding some market share to them?

Management Team

It does not translate into that exactly because there is an enough market available already plus the market is going up very fast. As you would know except 12 GW annually manufacturing in India as compared to 6 GW. So, demand is already quite high. But, yes, they will take the certain market share, and they might take share from import, they might take share from the growth in the demand, whichever way it happens. But we are sure to sell our volumes.

Dhairya Trivedi

Okay. And thus far, if I'm not mistaken, we had a 35% market share in the Indian market. And currently I heard you saying that the share has come down to 25%. So, does that mean that the Chinese players are capturing a larger share of the market?

Management Team

It's not a question of them capturing. Actually, there is no production available in India other than us and our capacity is already fully utilized. So, from where the balance demand will get covered? So naturally the consumers have to import. So, it's not the question of capturing or supplying or whatever it is. It's the question of meeting the demand.

Dhairya Trivedi

Okay. But our market share has reduced from 35% to 25%, right, because in the previous financial year.

Management Team

Because the demand has gone up and our share, our quantity remains the same.

Management Team

There is no change in our supply. Our supplies were unchanged. If the demand goes up, then the seller will buy from somewhere which is what is happening.

Dhairya Trivedi

Right. Understood. Got it, sir. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. We're having a question from Bhavya from KRIIS PMS . Please go ahead.

Bhavya

Good evening, sir. So, I just had a question regarding like, what is the reason for the form in modules for this particular quarter?

Management Team

Can you repeat please? Your voice is not very clear.

Bhavya

Yeah. So, what was the reason for the fall in the volumes for the on a sequential rate?

Management Team

On a sequential basis, yes, there was some fall because in April and May our production levels, net production levels were rather lower compared to what they were in Q4. However, we have recovered the I mean, we have gone back to the previous level from June 2022, and we are trying to have even better numbers as we go along. So, we are confident that in the rest of the months we will be able to recover that difference or lost volume by way of increasing production.

Bhavya

Okay. Thank you. That's it from my side.

Moderator

Thank you, sir. Next question comes from Pankaj Kumar, an individual investor. Please go ahead.

Pankaj Kumar

Hello, Sir. So, my question is around, you just mentioned that Chinese player are having 75% market share. So, my understanding was that there is already import duty in place. So, how much is the import duty in place from China, Chinese supplier?

Management Team

So, this has been replied before against China there is an Anti-dumping duty and there is a countervailing duty against Malaysia and against Vietnam there is no duty. So, imports are coming from all the three locations. And what we have seen is that the maximum amount of imports from China are coming at the lowest amount of Anti-dumping duty, because the duty structure is on a vendor wise basis in the case of Anti-dumping duty. The lowest amount is about 10-11% and the highest would be about 28% or 30%. So, most imports are coming at the lower end of the duty. So, roughly you can say about 10%, 11% duty is being paid on the imports coming from China and Malaysia. But there is no import duty or any kind of duty against Vietnam.

Pankaj Kumar

Okay. So, despite of 10-11% duty there is a large market share that Chinese suppliers have captured?

Management Team

Yeah, because the capacity in India is limited and the demand is high. So, ultimately the demand needs to be fulfilled from somewhere.

Pankaj Kumar

Okay. Thank you.

Management Team

More production in India, the chances that the local production will have larger share are very much great.

Management Team

Great. Thank you.

Moderator

Thank you, Sir. There are no further questions. I would now hand over the floor to the management for the closing comments.

Management Team

Yeah. Thank you, all the investor, for participating in this call. We are very pleased to answer your questions and she'll connect with you again at the time of the next quarter. Thank you very much. Goodbye.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes the conference call today. Thank you for your participation and for using those Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.