BOROSIL renewables

Borosil Renewables Limited
(Formerly Borosil Glass Works Ltd. in which Gujarat Borosil Ltd. has amalgamated)
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

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The DCS - CRD **BSE Limited** Corporate Relationship Department 1st Floor, New Trading Ring, Rotunda Building, P. J. Towers, Dalal Street, Mumbai – 400 001	**National Stock Exchange of India Ltd.** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Dear Sir/ Madam,

Subject: Transcript of Institutional Investors and Analysts Conference Call

Scrip Code: 502219 **Symbol: BORORENEW** **Series: EQ**

We enclose transcript of conference call with Institutional Investors and Analysts which was held on February 15, 2021.

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

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
Q3 FY2021 Earnings Conference Call

February 15, 2021

ANALYST: **MR. VAIBHAV SABOO – AXIS CAPITAL LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 Earnings Conference call of Borosil Renewables hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vaibhav Saboo from Axis Capital Limited. Thank you and over to you Sir!

Vaibhav Saboo: Thanks a lot, Rutuja. Good afternoon ladies and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the Borosil Renewables Limited Q3 FY2021 earnings Conference Call. Today, we have with us the management team represented by Mr. P.K Kheruka, who is the Chairman, Mr. Ashok Jain, who is the whole-time Director and Mr. Sunil Roongta, who is a CFO. We will first begin with the opening remarks from the management followed by Q & A session. With that, I hand the over the floor to Mr. Kheruka. Over to you Sir! Thank you.

P.K Kheruka: Thank you. Good afternoon and welcome to the Borosil Renewables Q3 FY2021 investor call. It is a pleasure to be interacting with you once again. The Board of Borosil Renewables approved the company's financial results for Q3 FY2021 on February 12. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website. I shall try and cover the company's performance and key developments since our last call with you before opening it up for questions.

As you are aware, the company is undertaking an expansion of its capacity from 450 tons per day to 950 tons per day by adding a third solar glass line of 500 tons per day along with processing facilities. It is estimated that this expansion will be at a cost of about Rs. 500 Crores. The financing plan for the project envisages equity of Rs. 200 Crores, debt of Rs. 200 Crores with the balance to be met through internal accruals.

I am happy to say that the company has successfully raised equity finance of Indian Rs. 200 Crores by way of a qualified institutional placement (QIP)., The share capital of the company has increased from 11.41 Crores shares to 12.99 Crores shares of Rs. 1 each, an increase of 13.9%. Promoter shareholding has dropped from 70.5% to 61.89%. We are glad to have a number of marquee institutional investors as our shareholders. We thank them for the confidence reposed in the company and look forward to their continued support.

It is also heartening to have them share our conviction about the future of the renewable energy sector, manufacturing of solar components in India and particularly solar glass within it. This we believe is the first investment in public equity by investors in this sector

and we trust will help attract more investments and provide a boost to domestic manufacturing of solar components in India.

Borosil Renewables has produced at near full capacity of 450 tons per day during Q3 FY2021. Demand has been robust, and the company achieved its highest ever quarterly revenue from operations of Indian Rs. 140.1 Crores. This was higher by 23% over the revenue of Indian Rs. 114.1 Crores in the previous quarter. The company clocked the revenue growth of 86% over Q3 FY2020 of Rs 75.2 Crores where we are operating only one plant for the first two months. During the nine months ended December 2020 the company recorded net revenue of Indian Rs. 300.3 Crores, a growth of 74.3% over the corresponding period in the previous year.

The current quarter experienced a mismatch of demand in supply of solar glass at the industry level on a global basis. Consequently, unit prices of solar glass started to spike from the beginning of October 2020 and continued to rise till December. The average ex-factory prices realized by us were higher than in Q3 FY2020 by about 17%. The company registered a sales volume growth of 60% over Q3 FY2020.

About 90% of global solar production is in the hands of Chinese manufacturers. Being so dominant, they are the price setters in the market. Any abnormal increase or decrease in the volumes can have a significant impact on solar glass prices. Besides, a significantly large module manufacturing capacity exists in China and the highest installations also happen in China. Consequently, any acceleration or deceleration in China's solar program and demand for solar modules will have an impact on global demand for solar glass. The solar glass manufacturing globally has adequate capacity and operates at a high utilization level being a capital-intensive industry. The spike in prices during the last quarter is a consequence of a spurt in demand for solar glass in China as China decided to complete the short-fall in target for a COVID hit period i.e. the first half of calendar year 2020 in the remaining part of the year while mandating that 30% of the module would have to be Bi-facial modules or glass - glass modules. We understand that the percentage of glass-glass modules production during the current year, that is to say calendar year 2021 in China would rise to 60%.

Historically, each module needed only one sheet of glass. The Bi-facial module has a sheet of glass on either side which when used with the Bi-facial solar cell is able to enhance the power generation from the module by 15% to 20%. Demand for solar glass has thus jumped and exceeded the supply in the immediate term whereas any fresh capacity addition takes a long time. Going by some research reports about 8,000 to 9,000 tons per day of solar glass capacity are likely to come on stream in the calendar year 2021 with a further similar volume expected to be added in the calendar year 2022.

We recognize that this spurt in prices in Q3 FY2021 is a short-term phenomenon. The upward movement in prices has plateaued and we expect prices to stabilize at close to the levels in December 2020 for a few months, before softening gradually in the FY2022. By comparison, the increase in prices during the nine months from April to December 2020 as compared to the corresponding period during the previous year was about 6%.

Borosil Renewables has been one of the early movers to produce thinner solar glass that is required for Bi-facial modules or glass-glass modules. We have been the first company in the world to produce fully tempered 2 mm solar glass. The Bi-facial modules, which are likely to see wider absorption now use thinner than conventional 3.2 mm glass, for instance our 2.5 mm or 2.1 mm solar glass.

We have increased production of the lower thicknesses and supplied it to many customers in both the domestic and export market. During Q3 FY2021 our sales of thinner glass (lower than 3.2 mm) comprised about 25% of the sales volume. At the module manufacturing level, there is a need to change or modify equipment to gain the capability to produce bi-facial modules. In view of this we may see a delayed and slower adoption of such change in India. During the quarter, we maintained a healthy mix of large and small customers though there is a higher demand from each in view of higher activity and tendency to reduce dependence on import of solar glass on China and also due to lower availability. Moreover, the module manufactures are adding capacities on the strong sentiment of Atmanirbhar Bharat. We believe this would significantly increase demand for solar glass in the country.

There is an increased demand form the customers in export markets in view of lower availability from China and Malaysia. More geographies are getting added to the customers. Exports comprise about 16.1% of overall sales. We are restricting orders in both domestic and export markets in view of limited availability.

The Borosil group has decades of experience in operating glass melting furnaces and producing glass. During the last decade it has developed strong capabilities in the solar glass segment. In addition to this leadership in the production of thinner tempered solar glass it also offers other value-added solar glass such as “Selene” Antiglare glass for use in Airports, NoSbEra Antimony-free solar glass. Our glass delivers the high efficiency value of 95.2% well above minimum standards. In FY2020, we were able to commission to our second line in record time and stabilize production within a month.

Our capability in solar glass production is also reflected in our cost of production, which is globally competitive. We have been able to innovate and control our cost of raw material

and achieve significantly lower consumption of energy in glass melting. A high level of automation in the factory has contributed to cost savings also.

We have also been able to use innovations to reduce our cost of packaging. With enhanced capacity, the higher production and sales has resulted in operating leverage kicking in particularly in overheads and manpower etc. Cost efficiencies also have contributed to better profitability. The company registered an EBITDA margin of 38.3% during Q3 FY2021 as compared to 13.5% during Q3 FY2020. For the nine month period ended December 2020, the company recorded an EBITDA margin of 31.2%. On a sequential basis, the EBITDA has improved from 28.4% to the 38.3% in the quarter under review.

During Q3 FY2021 Borosil Renewables, riding on significantly higher EBITDA of Indian Rs. 53.65 Crores, achieved a profit before tax of Indian Rs. 41.3 Crore as against the loss of Rs. 1 Crores in Q3 FY2020. Profit after tax before considering income taxes pertaining to earlier year, during Q3 FY2021 was Rs. 29.2 Crores and for the nine months ended December 2020 was INR. 41.1 Crores.

During Q3 FY2021, the company has charged a onetime amount of Rs. 18.6 Crores (net of MAT credit of 56 lakhs) pertaining to taxation for previous years. During 2016-2017, the Municipal Corporation of Greater Mumbai had made a compulsory acquisition of land owned by the company. The company's stand was that the compulsory acquisition of land by a government authority in 2016 was under the new Act, which gave waiver from levy of income tax on the compensation paid. However, a demand was raised by the tax authority on the ground that the acquisition was under the old Act which granted no such waiver. The company had recognized this as a contingent liability. It also initially decided to defend its position and as required deposited an amount of Rs. 12.5 Crores in January-February 2020, before effective date of the merger scheme.

During January 2021, the company reviewed the status of the dispute. Our belief was that whichever way the ruling of the lower courts went, the party against whom the order was passed would take the matter right up to the Supreme Court. This will entail a number of years in legal battle entailing cost **and** management bandwidth. Moreover, with the passage of time, the claim amount would balloon with added interest and penalty increasing the value of the potential risks of an adverse judgement against the company.

Meanwhile, the company had the option of availing itself of the "Direct Tax Vivad se Vishwas Scheme 2020" under which a payment of tax could be made, and any penalty imposed or interest accrued thus far would be waived. Consequently, the company could settle the claim by paying Rs.19.16 Crores as against a total demand of Rs. 25.71 Crores including interest accrued to date. Considering, that a final decision in the company's

favour was not guaranteed, legal costs, potential increase in the contingent liability in the event of an adverse judgement, management time and given that this is one-off event, the management decided to offer to pay the principal demand of Rs. 19.16 Crores under the scheme and take a one-time hit to its profit and loss this year.

As we had already deposited Rs. 12.5 Crores with the authority, the incremental cash flow impact to the company is Rs. 6.66 Crores. So, I clarify that the result of this decision is that we will have an incremental cash flow impact to the company of Rs. 6.66 Crores.

As we have discussed on earlier calls, the outlook for the solar industry and consequently outlook on solar glass remain very positive. Large capacities for solar power generation, are expected to be added each year aided by policy thrust and multiple government schemes to drive demand for solar power.

The current annual requirement of glass to meet module manufacturing in India is for about 4 gigawatts. There have been recent announcements to add 12 gigawatts of module manufacturing capacity in India by various players to come out in multiple phases over the next two years. Currently, Borosil Renewables caters to about 2.5 giga watt of glass requirement annually which will rise to 5 giga watts after implementing the current expansion.

Over the years, we have built the capability to produce tempered solar glass at globally competitive costs. Subsidies in cost of land, power and fuel, labor cost, finance, and taxes etc., available to our Chinese and Malaysian competitors and a direct subsidy on exports from China is something that we cannot control and it for our authorities to take cognizance to prevent dumping and unfair pricing.

Anti-dumping duty exists on imports of solar tempered glass on China, which is valid until August 2022. The company will take necessary steps to seek an extension of the same for another five years. A final recommendation to levy countervailing duty of 9.71% on solar tempered glass from Malaysia for a period of five years has been made by DGTR to the Ministry of Finance who is expected to issue a customs notification in due course.

In the recently announced Union Budget, the government has corrected a major anomaly that existed in the duty structure. Solar glass that was imported into SEZs was not subject to levy of antidumping duty. Moreover, when this solar glass was used in the manufacturer of module, this once again escaped levy of duty when the module was cleared from SEZ into the domestic tariff area. Besides being a loss to revenue, this gave an unfair advantage to module manufactures located in SEZs. Module manufacture is in the domestic tariff area faced unfair competition since they were obliged to pay anti-dumping duty on their imports.

This loophole has now been plugged. Currently about 40% to 50% of modules manufacturing in India is in SEZ. We see a possibility of rise in demand going forward from these customers.

Given the positive outlook, the company has already commenced work on its expansion plan of an additional 500 tons per day. We have started placement of orders of long delivery items and ordering of all the key items is expected to be completed by March 2021. The project is expected to be commissioned by June 2022.

Borosil Renewables is conscious about the impact it has on the environment. By the very nature of our business, we are part of the renewable energy eco system. Nonetheless we do play a role beyond passive participation in it.

A) Our technical capability has delivered thinner tempered glass that provides a boost for the industry by reducing cost of electricity and enhanced productivity for solar project owners.

B) We have developed antimony-free solar glass. Antimony is poisonous and can cause issues during disposal of modules at the end of life. Our antimony-free glass is an environmentally friendly alternative.

C) Our process saves 22% energy as compared to the default score in glass manufacturing lifecycle assessment - among industry best value as per Solstyce, a reputed French Institute recognized by the Government of France.

D) A small portion of our energy requirement comes from renewable sources such as a captive wind energy plant. We are in the process of supplementing that with the captive solar power project.

I would now like to open the floor for 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 Jay Shah, an Individual Investor. Please go ahead.

Jay Shah: Good afternoon Sir. Congratulations on the wonderful set of results and the successful QIP. I have got a couple of short questions, which if you could answer all of them together. First. I just read this article stating that the Chinese government is about to expand production. If it is true, can we assume that China would be the cheapest producer going ahead? The second question is regarding our gas supply. Do we have a long-term gas supply, or do we buy it spot? I think spot prices were rising in early January. The other question is regarding updates on any new player entering the industry in India. I thought that Chinese companies

are going to start their old capacities back, so till when do you see the higher prices for solar glasses to last? Thank you.

P.K Kheruka: Your first question was relating to cost competitiveness. We are competitive indeed and that has been established because of the result of Q2 of the current financial year where the market was in a normal phase, and we were still able to generate 28.5% EBITDA. With respect to your second question, I will ask Mr. Ashok Jain to answer that question.

Ashok Jain: In terms of our requirement of gas, we have couple of different types of contracts. One contract is a long-term contract and other contracts are shorter contracts. They are linked to various kind of baskets which avoids concentration of risk in a particular type of benchmark. That is how we control the cost of natural gas to us. You are right that in January the prices went up. This is a normal phenomenon that the prices all over the world go a little higher in December and January. So, it should eventually settle down. Your next question was regarding new players in India. We have no knowledge of announcements so far regarding any new player coming into solar glass production. Yes, the possibilities always remain.

P.K Kheruka: India is a free country. Anybody can enter into any kind of production at any time, so that is how it is. Thank you.

Jay Shah: Okay**,** one last question, so I heard that the Chinese players are getting their old capacities back for production so till when do you see the higher prices to play out, about which quarter?

P.K Kheruka: It is little difficult to say. I would say that first quarter of the next financial year you should see a little loosening of prices and then it all depends upon how the Chinese government and other governments around the world pick up on renewable energy. We must remember that there is a new administration in the United States, which is committed to renewable energy as against the previous administration which was pretty much against it. So, there might be some additional outlay for renewable energy in US which could drive up demand. This is moving into a range that it is very difficult to predict but whatever it is, we are always ready for whatever situation arises.

Ashok Jain: The Chinese demand is going to be higher in this year and so will be in India and other geographies. We are saying that demand is going to be higher, so we have to see how the situation unfolds on the prices. The capacity of glass industry will also rise. We have to see how the prices behave in due course.

Jay Shah: Alright, thank you so much, good luck.

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

Mohit Kumar: Good afternoon Sir. Congratulation on good set of numbers. My first question is on the sustainability of the margins., What is your view on margins for FY2022. Secondly on the margin expansion, which was seen in the industry has come from new players or something about booking the new quantum of orders in FY2022?

P.K Kheruka: Yes, on the sustainability of the margins we already said that the prices may start settling at a lower level than the current highs in the ensuing quarters. The precise timing is difficult to gauge and hence giving guidance on the margin for FY2022 is difficult. In terms of the volume of production, we are running at almost our full capacity and expect to continue to do so in FY2022.

Mohit Kumar: Sir you are saying that your volumes are booked for the next fiscal year but pricing would be decided by the market condition, am I hearing that right?

P.K Kheruka: That is right.

Mohit Kumar: Understood Sir, secondly on the expansion program which we have, what is the zero date when you are starting and when can we expect the full ramp up to happen. Do we need to speak to book these production volumes with customers in advance?

Ashok Jain: We have already started ordering the equipment and we are likely to start commercial production by June 2022. All our customers who are already buying from us are already in touch with us regarding their new requirement because they are also expanding., We are in touch with them to start booking volumes from the next financial year that is FY2023 on an incremental basis. However, these are not some contracts. These are just discussions.

Mohit Kumar: What is your dependence on the top five buyers or top three clients on the dividend side concentration?

P.K Kheruka: Top ten buyers would constitute about 50% of our sales and largest buyer would be about 10%.

Mohit Kumar: Okay understood Sir, thank you. Best of luck.

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

Dhruv Kashyap: Good afternoon and thanks for this opportunity. Heartiest **c**ongratulations the way you and your team is running the company. It is a benchmark for others to follow. I am going to take this opportunity to pick your brains since you probably are the finest minds in solar in India. Given all that you have explained so patiently in all the previous calls in terms of what comes from China, what comes from Malaysia, and the pace of expansion of the solar capacity in India itself and the demand for solar power, what is your outlook on how things stand as we speak currently and how is it likely to play out in terms of your ability to create and service the demand?

P.K Kheruka: The **demand for** energy in the world is rising, in that there is no doubt. Number2, the demand for electrical energy will rise exponentially because we can see that electric vehicles are definitely going to be come in across the entire globe. This is going to require a huge amount of electricity and the cost of conventional power generation with coal is now almost double the price of power from solar sources. So, that is very clear. At the moment it would be foolhardy to try and estimate the extent of rise in solar power generation as it is almost limitless as we speak today. Having said that, the question arises about the fact that every single solar module requires at least one sheet of glass and going forward now it is going to be two sheets of glass. So, the demand for glass is bound to be high. No matter what we do, I do not think we can meet demand for solar glass in the country by ourselves but we will always remain a player which is very relevant. The demand for solar power is there and the demand for glass is there. Insofar as the question of increasing capacity is concerned we are operating two furnaces now which together add up to 450 tons which is okay, but it is no great shakes. Typically you have new solar furnaces which are about a 1000 tons per furnace and there is a lot of scope for expansion. As far as I can see the nation certainly needs more solar glass whether we provide it or somebody else provides it will remain to be seen. But we certainly can see that happening.

Dhruv Kashyap: Sir thanks a lot for that very detailed answer. My second question is a little more futuristic. Given the break neck speed at which solar power is increasing in India and the lofty targets that the government has set and that is reflected in your expansion as well - you have gone from almost 200 tons per day to 450 tons per day with plans to expand to 950 tons per day., I can bet my bottom dollar on it that in some time we will be discussing future expansion even beyond 950 tons per day. This takes about 12 months to 15 months to set up and then there will be some trial time before you can ramp up to full production capacity. I am not even sure that next time you will have space for a brown field expansion and you might need to go for a green field project, which may take longer. So, what are your thoughts on the next leg after the 950 tons per day?

P.K Kheruka: Our campus where we are producing glass is over 100 acres. We can easily accommodate two furnaces of 1000 tons each in addition to the 950 tons that we are talking about. So, we

cannot rule out the possibility of at some point in the future taking up the idea of a fourth furnace of 1000 tons per day.

Dhruv Kashyap: Just a clarification of that Sir, if that were to happen would there be any change in the time to go to market from these 12 months to 15 months because I am guessing it will not be green field so it would not need more time than what it currently takes for your current 450 tons per day to 950 tons per day. But is there any chance of shortening timeline going forward given that you have been doing this for so long.

P.K Kheruka: I doubt it. I think 15 months would be the absolute minimum and an aggressive target. . One normally takes it for 18 months. Vendors have to manufacture these machines that make the glass that are all bespoke. They have to be made according to the demands that we set on the manufacturer. It is not off the shelf and they actually start from the ground up. So, I do not think we can make it in less than 15 months to 18 months for further expansions also.

Dhruv Kashyap: So, hypothetically speaking, if you decide in June 2023 it would still make it September – October 2024 by the time it is up?

P.K Kheruka: You are right. If we were to decide in June-2023, but if you were to decide in June-2022 then that would be September-2023. There is nothing to stop us on deciding about the next expansion even before the current project is up and running.

Dhruv Kashyap: So, just out of curiosity what is stopping us from not going all the way from 450 tons per day to 2000 tons per day in one shot?

P.K Kheruka: To see we have invested our and investors' money in the company and cannot be reckless. So, we must exercise due caution and see how this year pans out. I mean the current calendar year 2021. It is evident China has set up 42 giga watts of solar power capacity in the year 2020; they go by the calendar year. So, I am talking about 59 giga watts in calendar year 2021, then comes the question are they going to do more of Bi-facial modules with two glasses module or they will do less of that. So, there are many things that have to be taken into account. It is very evident that if you buy a Bi-facial module your reliability of the module goes up significantly and there are very strong technical reasons to go for a Bi-facial module with glass on both sides. As there are so many imponderables we need to be a little bit cautious. Therefore, I think perhaps by the end of this year could be earliest that we might take a decision.

Dhruv Kashyap: Thank you so much Sir, and really appreciate the job all of you are doing. Thank you so much. Take care.

Moderator: Thank you. The next question is from the line of Vikram Sharma from Nivesh India. Please go ahead.

Vikram Sharma: Sir, congratulations on a good set of numbers. Sir, with government-imposed CVD on imports from Malaysia and also SEZ units now need to be entailed on CVD imports. So, if we assume that prices start correcting and the scenario becomes normal over time where could price can settle?. What are we expecting? Prices have been very stable in the range of 97 to 102 in the past five years?

P.K Kheruka: That is very speculative. It is very difficult for me to make any kind of prediction about where price might settle. It is so strongly markets dependent. So far as the question of the extra cost is concerned, we must remember that last bid for solar power by developer who is quoting Rs.1.99 per unit of electricity and we must remember that the cost of power from coal based thermal power generating system would have been Rs. 3.40 about five years ago when everything was at rock bottom. The ocean freight was rock bottom; the cost of coal was at rock bottom. Today, ocean freight has risen enormously, coal is coming from Indonesia for power plants in some cases and the cost of coal itself has gone up because commodity prices have risen sharply in the last three months. So, the price of power from coal would now be as much as Rs.4.00 for example. So, even if the price of the module goes up a little bit, the price of solar power from that would not go up by more than Rs.0.10 for example.

Vikram Sharma: Okay, and can you guide about this total capacity of solar glass worldwide and what is upcoming capex?

P.K Kheruka: There are some reports available done by some research companies and we understand that the total existing global capacity of glass manufacturing of solar glass is at about 20,000 tons per day. Now, these 20,000 tons per day capacity is 90% controlled by China or Chinese owned companies in Malaysia or Vietnam. For the rest there are only about four plants around the world including ourselves. So, the capacity is totally focused in the hands of Chinese manufacturers. In terms of further growth there are numbers that being shared by those research agencies at about 8000 tons per day to 9000 tons per day. Fresh additional capacity will start in this calendar year. So, that is the status as of now.

Vikram Sharma: Okay and what is current demand worldwide?

P.K Kheruka: As we were explaining the demand is little higher and which will grow. There is a certain amount of imbalance in the demand-supply scenario. So, the demand has been higher than the current supply.

Vikram Sharma: Okay, and Sir my last question, what is the trend of Bi-facial in India?

P.K Kheruka: In India it has not yet picked up so much because the module manufacturing in India is typically on the conventional module basis and many of the module manufacturers even do not have the equipments as to make Bi-facial module. So, they will have to incur certain capex to change their lines or make those enabling facilities in the current facilities and thereafter they can start doing it. But we have been in discussions with a couple of large players and they are now saying that they want to start Bi-facial module manufacturing in the second half of this calendar year. So, it should gradually pick up by the end of this calendar year. We see a good future of Bi-facial modules in India as well.

Vikram Sharma: And Sir, what is other option available for the back sheet other than glass and what is the cost of that?

P.K Kheruka: It is a plastic polymer back sheet, which has been used so far. The cost of that in the past was about 3% of the cost of a module and the cost of glass is now 9%. So, if you do not use the back sheet and use glass and you are paying 6% more for the cost of the module but the life of the module goes up from 25 years to 40 years. So, actually at the end of the day it is not an expensive option it is good option to have glass lining. These Bi-facial cells are able to increase energy generation by 15% to 20%. So the overall cost of producing electricity with bi-facials makes sense.

Vikram Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Arvind Kothari from Nivesh India. Please go ahead.

Arvind Kothari: Congratulations on a great set of numbers Sir. I was just wanting to expand on the earlier question of the capacity. India surely needs 4000 ton to 5000 tons may be by 2025. If you just add up the domestic content requirements of few more users, it is a likely to go beyond that. So is there any technical bottle neck to go in for a 1000 tons per day plant? I guess in China the expansions are coming in through 1000 ton plants. So, is there any technical problem that might be stopping us from doing that?

P.K Kheruka: There is absolutely no technical problem that is stopping us. We can easily do a 1000 tons per day plant. It is a holistic decision which includes commercial considerations. So, there is certain amount of caution that anybody exercises when you make a large investment. You make the investment, and you see how it pans out. If it is panning out alright and the results are good then you think about the next expansion. So, even the current one we were in operation since July-2019 and even our original furnace that came back into operation in December-2019. So, we have seen one year of operations, and it has been doing well so, it gives us the courage to go for the next expansion. So, as I said already, we might not wait

for the output from this to start flowing. We might even decide on the next furnace before that. But we need to understand how the market is moving and therefore we will definitely watch that for the next 12 months.

Arvind Kothari: So, any dynamics in terms of whether per ton capex increases or decreases when we go for a higher capacity and also the cost dynamics, I mean what economies of scale will result into cost saving for us if we go for a 1000-ton furnace?

P.K Kheruka: Yes, definitely there is some economy of scale not a huge amount but there is some economy of scale. But it is only after we have sat down and gone through it with a fine tooth comb that we can really say for a fact what that might be. Today, anything I say would be speculative.

Ashok Jain: Just to add, the market cap of the company was at around Rs.1000 Crores when we started the second expansion and suppose you are to incur Rs.1000 Crores on a 1000-ton furnace it would have been a huge risk for the bankers and equity holders as well. So, we are going in progression and you will see that we continue to grow going forward as the market is progressing and higher demand gets generated.

Arvind Kothari: Perfect Sir. Another question was on Sir, cash flow. So, if I do the math right, I guess Rs.40 Crores to Rs.50 Crores of cash flows would have been generated this quarter and given that prices have got up from January if we do the average price calculation, which might continue till March. This quarter it might be ending up with Rs.80 Crores – Rs.90 Crores of cash. So, if even the prices go down, I guess Rs.40 Crores – Rs. 50 Crores of cash generation run rate can be achieved on the enhanced capacity. Do you think our requirement of debt can be reduced from earlier projections for the project basis higher cash generation owing to higher prices prevailing currently.?

P.K Kheruka: Yes, initially we had projected a higher amount of debt, which we cut down slightly. Right now we are staying with the debt of Rs.200 Crores and we will see how much it could drop.

Arvind Kothari: Also, Sir I just had one question on the back sheet instead of glass there is also another polymer, which can do the same thing. I mean the Bi-facial is just not using glass there are other material too. So, how do we compete in terms of the other materials so, what are the pro's that our glass has versus the transparent back sheet. ?

P.K Kheruka: The more power we draw from a module the hotter it gets. So, the question is that to save a few cents by not having glass and having a polymer back sheet might be a little less capital intensive in the beginning but later on it impacts module life because at the end of the day all polymers have a certain melting point or a softening point. The module generates heat during the day and cools when it falls silent at night leading to expansion and contraction.

Such repeated expansion and contraction of the polymer leads to development of cracks and then moisture seeps in from that. These are all things which are happening on daily basis and that is why people are going for this glass-glass option. So, in fact even when the module is not Bi-facial many times the customers say I just want glass-glass - like on floating solar. Today for floating solar you first create a platform, which is on a buoy drums filled up with air and are putting normal module mounting which is very expensive. A real floating solar should be actually sitting in the water, so the cost of that floating solar would a fraction. That would only be possible with a glass-glass module. So, that little extra comes from glass. There are so many technical advantages of glass.

Arvind Kothari: Got it, and Sir my final question would be the solar glass pricing we all know is an aberration may be due to the mismatch this year but what stops it to may be continue? We have visited a lot of module manufacturers and the feedback that we get is that we were running short on the inventory of glass that they normally maintain, and everyone is waiting for March end and they believe that the prices would go down and hence they would order more post March. So, a lot of orders for glass might have shifted. In terms of the type of demand that has grown for Bi-facial, is not a normal development for the industry, right? If Chinese demand for Bi-facial continues it can be met with the current capacity and expansions by few players and it is known who is doing what and when the capacities are going to come on stream. So, what stops the prices from being high for a relatively longer time than what we are currently projecting?

P.K Kheruka: Yes, according to this report that we are discussing, there is about 20,000 tons of production in Chinese companies are around the world and on that they are saying about 8000 ton per day - 9000 tons per day additional capacity is likely to come on during the current year 2021, another 8000 ton per day – 9000 tons per day in 2022. So, we are looking at a doubling of capacity in the next 24 months, which is a healthy increase in capacity. Now, the increase in installations is also equally healthy around the world and we are not talking just China, it is around the world, there is a boom in the installation of solar power. That is why I am saying it is a very difficult question to answer. How much money the government will have to devote to solar is again a question.

Arvind Kothari: But the question of government has reduced over time, I mean if you look at the Gujarat policy just recently concluded the bid that was there you might be aware of that, that might far exceed anyone's guess. So, the private enterprises are coming in a big way into solar to reduce cost predominantly. Also, the medium scale enterprises also have a lot of benefit. So, if the demand is able to sustain, I guess the pricing might also surprise some people?

P.K Kheruka: The demand is unlimited in my opinion; it is just simply unlimited. Can you imagine all the cars in the world going electric and then why would anybody pay for power to the grid you

set up your own little solar roof to power a battery in the night you would plug the battery just like you have for your mobile telephone you have a battery pack that you carry with you, so you will have battery pack at home and all these cars that are going to be running on solar, running on electricity. After two years those batteries are no longer useful in the car but they still would run another four years at home. So, the batteries are going to expand exponentially in the world and all of this is going to come from solar. To me it is no brainer regarding the need and demand for solar power is going to just grow exponentially.

Arvind Kothari: Sir, anything can change from this Perovskite cells technology is that technology that can become a larger portion in the future and does that require a glass or not?

P.K Kheruka: It is going to take time, I guess. It is very uncertain. The highest disruption is happening in the feel of cells. So frankly is not our field of expertise. We may know quite a lot about it but we are not abreast of the cutting edge research. But every day we see cells are getting more and more efficient.

Arvind Kothari: Thanks a lot.

Ashok Jain: But the other technologies like HJT and IBC etc will come up as they are coming up in Europe and other places. So, those technologies will start within near future.

Arvind Kothari: Okay, great Sir. Thanks a lot Sir.

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

Utkarsh Somaiya: Thank you for the opportunity. Firstly, I just wanted to clarify one of the previous statements you made, the current land that we have can accommodate 2000 more ton per day expansion if I have not mistaken right?

P.K Kheruka: That is right.

Utkarsh Somaiya: So, in addition to the 950 ton per day the total would be 2950 ton per day.

P.K Kheruka: That is right.

Utkarsh Somaiya: Okay, and also you said that global capacity right now is 20,000 tons per day, and this is only in four plants globally?

P.K Kheruka: No, I did not say four plants. I said 20,000 tons per day are Chinese owned capacities. They are in China may be some in Malaysia, some in Vietnam so these are the Chinese owned

capacities. Other than that there is something in Europe, there is something in Turkey and we are there in India. Outside of Chinese companies we are the largest manufacturers of solar glass in the world. So, the four companies are actually outside China which are contributing 1000 tons per day overall and the rest of the companies are controlled by China either in China or in Vietnam or in Malaysia.

Utkarsh Somaiya: Okay, and what is the global demand like you said the global demand is higher than the total capacity but there is number you can foresee that?

P.K Kheruka: For glass I just said that the consumption as the production is about 20,000 tons per day and the demand is more. Now, see we never know how much the demand is in a case where there is a shortage of supply because we do not know whether we are losing out on 1000 tons per day or 10,000 tons per day. It is impossible to gauge that. But I have a feeling that the additional nearly 90% increase that is coming in the next two calendar years will do a lot to eliminate this shortage which we see today. What will happen to further increase in demand is anybody's guess. I just mentioned about the United States of America the current administration is very, very committed to renewable energy. If China is talking about setting up 59 giga watts in one year and if the United States, they want to set up 40 giga watts in a year they will change the equation completely. If they want to set up 2 giga watts, then that is different you know what I mean. So, it is too early to say but there is potential for a lot of disruption, but we do not know.

Utkarsh Somaiya: Alright, and what is the operating cash flow and ROC for Q3?

P.K Kheruka: ROC is about 20%.

Utkarsh Somaiya: Okay, and operating cash flow?

Ashok Jain: We did EBITDA of Rs.53 Crores and PAT of Rs.29 Crores.

Utkarsh Somaiya: How much of EBITDA, so Rs.53 Crores is converted into operating cash flow in Q3?

P.K Kheruka: This is entirely operating cash flow. Interest is only about Rs.2 Crores.

Utkarsh Somaiya: We may be able to generate around Rs.50 Crores a quarter operating cash flow consistently?

P.K Kheruka: That is very speculative. As we have already said that going on the present basis, I suppose it could be in that order of magnitude. We could probably do that until prices soften and when that will happen is not easy to predict. It might happen first quarter.

Utkarsh Somaiya: I guess that I am not asking for margin guidance all I am trying to understand is how much of EBITDA gets converted to operating cash flow.

Ashok Jain: Other than interest there will be only some small amount of capex which will not be very high. So, the entire EBITDA will be cash surplus.

Utkarsh Somaiya: So, that is after operating cash so that if you decide to spend the operating cash?

P.K Kheruka: That is correct. Exactly.

Ashok Jain: Just to add we are paying MAT.

Utkarsh Somaiya: Also paying?

P.K Kheruka: MAT.

Utkarsh Somaiya: Minimum alternate tax.

P.K Kheruka: Yes.

Utkarsh Somaiya: I just have one last question. Is there any scope of any backward integration or forward integration in the future?

P.K Kheruka: There is always a scope but at the moment there is such a high demand for glass that it seems to be not very wise to shift away from something that we know and that we can. Having said that we are looking at another component where there is an international player who wants to step in with us and he wants us to produce it and sell it to the same customers, but I cannot go into that right now.

Utkarsh Somaiya: Thank you so much.

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

P.K Kheruka: Thank you very much. We are grateful for the interest taken in today's discussion and the level of questioning show the healthy study of the working of the company and look forward to meeting you all again at the time that we are ready with the presentation for the next quarter. Thank you very much.

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