BOROSIL
renewables

BOROSIL RENEWABLES LIMITED
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October 10, 2024

BSE Limited Phiroze Jeejeebhoy 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
Scrip Code: 502219	**Symbol: BORORENEW**

Dear Sirs,

Sub: Change in outlook of Credit rating - Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

In accordance with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note that India Ratings & Research Private Limited, a credit rating agency vide its press release dated October 09, 2024 (received via email on October 09, 2024 at around 3.28 p.m.), has affirmed the credit ratings assigned to various bank facilities availed by the Company. However, the outlook of these facilities has been revised from stable to negative.

As per the rating agency's press release, the revision in outlook is primarily due to factors such as lower-than-expected operating profitability, weakened credit metrics, elongation in working capital cycle and dependence on government incentives. Further details are provided in the attached press release.

The facility-wise rating actions are given below:

Facility type	Amount (in million)	Rating/Outlook	Rating Action
Fund-based cash credit limits	INR330	IND A/Negative	Affirmed; Outlook revised to Negative from Stable
Non-fund-based limits #	INR450	IND A1	Affirmed
Term Loan (maturity date March 2029) #	INR 3,384.67 (reduced from INR3,644.87)	IND A/Negative	Affirmed; Outlook revised to Negative from Stable
Standby letter of credit* (SBLC)	INR 2,400	IND A/ Negative	Affirmed; Outlook revised to Negative from Stable
Fund/Non-fund- based limits**	INR 1,120	IND A/Negative/IND A1	Affirmed; Outlook revised to Negative from Stable

*Exchange rate for SBLC sanction of EUR24 million is INR100.
** Fungible limits.
#Proposed working capital limits worth INR800 million were allocated to INR 300 non-fund-based limits and INR 500 term loan.

This is for your information and records.
Yours faithfully,

For Borosil Renewables Limited

RAVI MOTILAL VAISHNAV Digitally signed by RAVI MOTILAL VAISHNAV Date: 2024.10.10 15:11:28 +05'30'

Ravi Vaishnav
Company Secretary & Compliance Officer
(Membership no.: ACS 34607)

Encl..: As above.

India Ratings Revises Outlook on Borosil Renewables's Bank Facilities to Negative; Affirms 'IND A'

Oct 09, 2024 | Glass - Industrial

India Ratings and Research (Ind-Ra) has revised the Outlook on Borosil Renewables Ltd's (BRL) bank facilities to Negative from Stable while affirming the ratings at 'IND A'. The detailed rating actions are given below:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Fund-based cash credit limits	-	-	-	INR330	IND A/Negative	Affirmed; Outlook revised to Negative from Stable
Non-fund-based limits#	-	-	-	INR450	IND A1	Affirmed
Term loan#	-	-	March 2029	INR3,384.67 (reduced from INR3,644.87)	IND A/Negative	Affirmed; Outlook revised to Negative from Stable
Standby letter of credit*	-	-	-	INR2,400	IND A/Negative	Affirmed; Outlook revised to Negative from Stable
Fund-based/non-fund-based limits**	-	-	-	INR1,120	IND A/Negative/IND A1	Affirmed; Outlook revised to Negative from Stable

*Exchange rate for standby letter of credit sanction of EUR24 million is INR100

** Fungible limits

#Proposed working capital limits worth INR800 million were allocated to INR 300 non-fund-based limits and INR 500 term loan.

Analytical Approach

The agency continues to take a fully consolidated view of BRL and its wholly owned subsidiaries: Laxman AG and Geosphere Glassworks GmbH, due to the strong strategic and operational linkages among them.

Detailed Rationale of the Rating Action

The Negative Outlook reflects a likely lower-than-Ind-Ra-expected improvement in BRL's consolidated margins in FY25, despite the imposition of basic custom duty (BCD) in 2HFY25 and the company's green energy initiatives to save power and fuel costs. BRL's consolidated EBIDTA margins declined sharply in FY24, largely due to a reduction in the selling price of solar glass and the company's inability to pass on the increase in the raw material prices and power costs. The power and fuel costs as a percentage of sales increased to 30% in FY24, on account of limited availability of administered price mechanism (APM) gas and its increased dependency on higher priced regassified liquefied natural gas (RLNG). A sustained improvement in the EBIDTA margins, leading to an improvement in the credit metrics, would therefore be a key rating monitorable. The company's foreign subsidiaries recorded operating losses in FY24, largely due to the cancellation of orders from its German subsidiary, on account of weak demand.

List of Key Rating Drivers

Strengths

- Improving scale of operations
- Established market position

Weaknesses

- Lower-than-expected operating profitability
- Weakened credit metrics
- Elongation in working capital cycle
- Limited bargaining power and dependence on government incentives

Detailed Description of Key Rating Drivers

Improving Scale of Operations: BRL's consolidated revenue increased 50% yoy to INR13,693 million in FY24 (FY23: INR8,940 million; FY22: INR6,444 million), largely on account of higher sales volumes resulting from a ramp-up in its new plant, i.e. SG-3, in India in February 2023. The revenue was also supported by the inclusion of the full-year sales of its overseas subsidiaries.

Ind-Ra expects BRL's consolidated revenue to improve 15%-20% yoy in FY25, supported by healthy demand as well as the enhanced capacity. Furthermore, the demand for solar glass has increased following the governments initiatives for the installation and manufacturing of domestic modules through various schemes, helping the company sustain or improve its revenue growth over the medium term. Moreover, Ind-Ra believes healthy demand from the US and Turkey markets to further aid the improvement in the scale of operations.

Established Market Position: BRL shall continue to be benefitted by its first mover advantage in the industry among solar glass manufacturers in India. Other big players in the glass industry have started their solar glass plants in FY24, but Borosil continues to enjoy dominant position with its highest installed capacity of 1,000 tonnes per day (TPD) and its experience in the domestic market. Furthermore, the promoters' more than five decades of experience has helped the company maintain healthy relations with its customers and suppliers, leading to growth in its scale of operations with a CAGR of more than 50% for FY21-FY24. The extensive experience of the promoters shall continue to support the established market position of the company, thereby aiding to consistent improvement in the scale of operations.

Lower-than-expected Operating Profitability: The consolidated EBITDA margins declined to 5% in FY24 (FY23: 16.5%; FY22: 38%), owing to a reduction in the selling price of solar glass and the company's inability to pass on the increase in the raw material prices and power costs. Besides, the company's EBITDA margins were affected its foreign subsidiaries recording EBIDTA of negative 4% in FY24 (FY23: negative 3%), on account of the cancellation of orders due to the weak demand, an increase in the power and fuel costs as percentage of sales to 30% (FY21: 15%), on account of limited availability of APM gas and increased dependency of the company on higher priced RLNG. The prices of solar glass are mainly governed by international prices of solar glasses and even a small price reduction by glass manufacturers and exporters from South-East Asia could impact the realisation and margins. The average selling prices for solar glass dropped 20.2% to INR109/mm in FY24 (FY23: INR136.5/mm).

However, the consolidated EBIDTA margins improved to 6% in 1QFY25 with a slight improvement in the solar glass prices globally. Ind-Ra expects the consolidated EBITDA margins for FY25-FY26 to improve to 12%-13% with: (i) levy of BCD at 11%, from 2HFY25, (ii) the management entering into a fixed price agreement with Gas Authority of India Limited (GAIL; debt rated at 'IND AAA'/Stable) for the supply of gas to hedge volatility in prices and, (iii) investment into Clean Max Prithvi Private Limited for a 49% stake for setting up a solar plant, which shall substantially help the company reduce its power and fuel costs and strengthen the operating profitability. A sustained improvement in the EBITDA margin strengthening the overall key credit metrics shall, therefore, remain a key rating monitorable.

Weakened Credit Metrics: With the absolute EBITDA reducing to INR645 million in FY24 (FY23: INR1,470 million; FY22: INR2,445 million) and the gross debt increasing substantially to INR5,759 million (INR4,207 million; INR1,572 million), the consolidated interest coverage (EBITDA/ interest expense) reduced sharply to 2.2x in FY24 (FY23: 18.9x, FY22: 87.3x). The net leverage (net debt/EBIDTA) also spiked to 6.6x in FY24 (FY23: 2.0, FY22: net cash) resulting from the significant debt-funded capex and lower EBIDTA. Its debt increased to INR5,759 million in FY24 (FY23: INR4,207 million; FY22: INR1,572 million), on account of the acquisitions of foreign entities and capacity expansions at its Indian entity. BRL incurred capex of INR2,167 million in FY24, which was partly funded through debt as well as internal accruals. The company has put its expansion plans for FY25 on hold due to price war and will wait for it to sustain its operating profitability. The management plans a right issue of INR4,500 million during 2HFY25 to partly repay its term debt obligations at group level. The draft papers have already been submitted to the stock exchanges. Ind-Ra expects the company's credit metrics to improve in the medium term, due to its reduced term debt obligations and no major debt-funded capital expenditure along with strengthening of its operating profitability. The sustenance of improved credit metrics amid sustained improvement in the scale of operations and operating profitability would remain a key rating monitorable.

Working Capital Intensive Nature of Business: The company's operations are working capital intensive with its net working capital days remaining elongated but reduced to 100 days in FY24 (FY23: 181 days) largely on account of a reduction in its inventory days of 90 days (187 days; 95 days) and debtor days of more than 30 days (38 days; 30 days), as the company has to keep higher stock of raw materials to hedge volatility in prices of raw materials. However, the working capital requirements of business were supported by the credit extended by creditors, cushion in bank lines and internal cash accruals generated by the company. Ind-Ra believes, the operations of company would remain working capital intensive, with inventory days of 90-95 days. Efficient management of the working capital cycle, leading to lower reliance on external debt, and thereby strengthening of key credit metrices would be a key rating sensitivity.

Limited Bargaining Power and Dependence on Government Incentives: The company manufactures tempered solar glass, whose demand is linked to demand for solar modules. Of India's total module manufacturing capacity of about 65GW, and BRL has the capacity to cater to more than 6.5 GW. Led by the government initiatives through various schemes, the imposition of basic customs duty of 40% on imports of photovoltaic modules and 25% on import of solar cells along with under production linked incentive, Ind-Ra expects the domestic modules manufacturing to grow rapidly over medium term. Furthermore, a significant percentage of solar glass production is controlled by Chinese manufacturers. The selling prices of solar glass depend upon the landed cost of imports due to which there is a limited ability to pass on the cost increases. Thus, any adverse government policy or repeal of existing benefits could impact demand for modules and solar glass.

Liquidity

Adequate: At FYE24, the consolidated cash and equivalents stood at INR1,477.7 million (FYE23: 1,263.2 million). While the utilisation of fund-based limits remains around 36%, the average utilisation of non-fund-based limits was about 53% in the 12 months ended May 2024.

During FY24, the free cash flows improved but remained negative INR1,796 million (FY23: negative INR3,718 million; FY22: negative INR2,034 million). The agency expects the free cash flows to further improve over FY25-FY26, on the back of the moderate capex spends and the repayment of existing debt with proposed rights issue, which is likely to be completed by 3QFYE25, helping it reduce the debt repayment obligations and further strengthen the liquidity position. While BRL has no major debt repayment obligations over FY25-FY26, as it has put on hold its capex plans till the time the turbulence of the industry settles down, it has scheduled debt repayment obligations of INR1,169 million and INR1,241 million for FY25 and FY26, respectively. Ind-Ra believes that the company maintains sufficient liquidity to meet any such cash outflow. The agency expects the company's proposed INR4,500 million rights issue to be completed by end-3QFY25.

Rating Sensitivities

Positive: An improvement in the consolidated scale of operations (EBITDA levels), along with a breakeven in the overseas operations and the net leverage reducing below 2.5x, on a sustained basis, could result in a rating upgrade.

Negative: Lower-than-expected revenue growth or operating profitability on a consolidated basis and/or a delay in the turnaround of the overseas operations, leading to the net leverage sustaining above 2.5x, could result in a negative rating action.

About the Company

BRL (formerly known as Gujarat Borosil Limited, which has been amalgamated with Borosil Glass Works Ltd) manufactures low iron-textured solar glass, used in the manufacturing of photovoltaic panels, at its 1,000 tonnes per day plant in Bharuch, Gujarat. It also has started operations at the facility in Europe in FY23 after acquiring Interfloat group with a manufacturing capacity of 350 tonnes per day. PK Kheruka and Shreevar Kheruka are the promoters.

Key Financial Indicators

Consolidated

Particulars	**FY24**	**FY23**
Revenue (INR million)	13,693	8,940
EBITDAR (INR million)	645	1,431
EBITDAR margin (%)	4.7%	16
Gross interest coverage (x)	2.2	18.7
Net leverage (x)	6.6	2.0
Source: BRL and Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating	22 September 2023	23 August 2023	27 May 2022	6 April 2021
Issuer rating	Long-term	-	-	WD	IND A/Stable	IND A/Positive	IND A-/Positive
Fund-based cash credit limits	Long-term	INR330	IND A/ Negative	-	IND A/Stable	IND A/Positive	IND A-/Positive
Non-fund-based limits	Short-term	INR450	IND A1	-	IND A1	IND A1	IND A1

Term loan	Long-term	INR3,384.67	IND A/ Negative	-	IND A/Stable	IND A/Positive	IND A-/Positive
Standby letter of credit	Long-term	INR2,400	IND A/ Negative	-	IND A/Stable	-	-
Fund-based/non-fund-based limits	Long/Short-term	INR1,120	IND A/ Negative /IND A1	-	IND A/Stable/IND A1	-	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based cash credit limits	Low
Non-fund-based limits	Low
Term loan	Low
Standby letter of credit	Low
Fund-based/non-fund-based limits	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process